

SB 2804

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
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SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WATER, LAND, AND AGRICULTURE

February 3, 2016
2:45 P.M.
CONFERENCE ROOM 224

**SENATE BILL NO. 2804
AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST BIG ISLAND DAIRY, LLC**

Chairperson Gabbard, and Members of the Committee:

Thank for the opportunity to testify on Senate Bill No. 2804, authorizing the issuance of special purpose revenue bonds to assist Big Island Dairy, LLC for the planning, design and construction of a new milk processing facility. This is an administration bill and the department supports this bill.

Currently, the two remaining local dairies are at the mercy of the only processor in the state where that processor does not have to purchase milk from local producers. The processor can and does purchase milk from California at California prices. This situation places an undue burden on the local producer where they have to accept the price of milk from the processor or risk dumping their unsold milk, neither of which is economically sound or serves the best interest of the dairy industry in Hawaii.

The new milk processing facility proposed by Big Island Dairy will provide them an opportunity to determine their own destiny as a business and provider of the freshest milk possible. The proposed facility will also create free market conditions where other dairies will have the opportunity to choose where to sell their milk for a competitive price.



It is in the best interest of the people of Hawaii that the state maintains its own local food production. The local milk industry is of significant importance to the food sustainability of the State of Hawaii and must be safeguarded and protected in the public interest.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WATER, LAND, AND AGRICULTURE

SENATE BILL NO. 2804

February 3, 2016
2:45 P.M.

AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST BIG ISLAND DAIRY, LLC

Senate Bill No. 2804 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$10,000,000 to assist Big Island Dairy LLC for the planning, design, and construction of new milking facilities.

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

Thank you for the opportunity to provide testimony on this measure.

From: mailinglist@capitol.hawaii.gov
To: [WLA Testimony](#)
Cc: brian@hfbf.org
Subject: *Submitted testimony for SB2804 on Feb 3, 2016 14:45PM*
Date: Tuesday, February 02, 2016 3:20:17 PM

SB2804

Submitted on: 2/2/2016

Testimony for WLA on Feb 3, 2016 14:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Cabral	Hawaii Farm Bureau	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TESTIMONY IN SUPPORT OF SB2804

February 2, 2016

To: Chairman Gabbard
Vice Chairman Nishihara
Senator Dela Cruz
Senator Riviere
Senator Ruderman
Senator Shimabukuro
Senator Thielen
Senator Wakai
Senator Slom
Committee on Water, Land, and Agriculture

Fm: Chad Buck
President
Hawaii Foodservice Alliance LLC

Re: SUPPORT of SB2804 Authorizing the issuance of special purpose revenue bonds to assist Big Island Dairy.

Dear Chairman Gabbard and Committee Members,

As a business owner responsible for importing over 1.5 million gallons of mainland milk in to Hawaii annually, I am in full support of SB2804 authorizing the issuance of special purpose revenue bonds to assist Big Island Dairy for the following reasons:

- Big Island Dairy has invested over \$20,000,000 to build a state of the art dairy in Hawaii and has proven that they are committed to making dairy sustainable in Hawaii for Hawaii.
- A dairy owned processing and bottling facility will provide the most efficient way of provide finished local dairy products for Hawaii consumers.
- Currently, there is only one bottling company in the state that controls 100% of the bottling market. A dairy owned processing and bottling facility will increase competition for milk from dairy farmers providing much needed competition in this market segment. Not only will Big Island Dairy be able to bottle their own local milk, they will be able to assist and bottle milk from other dairy farms in the state.
- Enabling local dairy farmers to support each other and integrate vertical operations where the dairy farms can milk, process, and package their own products for distribution is the first step towards food sustainability and food security for Hawaii.

Thank you for your time and consideration.

Senate Committee on Water, Land and Agriculture
February 3, 2016
2:45 P.M.
Room 224
SENATE BILL 2804

Chairperson Gabbard and Members of the Committee

Thank you for the opportunity to testify on Senate Bill 2804, relating to authorizing the issuance of special purpose revenue bonds to Big Island Dairy, LLC.

Over the last 30 years, the local dairy industry has slowly diminished from being totally self-sufficient in the 80s, to merely 20% of local milk production today. This is due to many factors including high feed costs, high energy costs and a lower pay price. Local milk began to be lost to a, less fresh, imported milk. Today 80% of the milk consumed in the state comes from the mainland and there are only two local dairies left. The milk that arrives from the mainland can be up to 14 days old before it even hits the grocer's shelves. At the same time many Hawaiian jobs and dollars are being lost to the mainland. For these reasons, we are asking for a special purpose revenue bond from the State of Hawaii to help rebuild a broken industry and secure a sustainable dairy future.

In 2011, the Whitesides Family purchased Island Dairy, now Big Island Dairy. Soon after the purchase, we began construction on a state of the art milking facility. At that time, the State of Hawaii mandated a quota price for a large portion of the milk we were producing. It seemed like all parties could thrive under these conditions.

Prior to the completion of our construction project, the local, and only, processor informed us that they would no longer pay us according to the milk quota that had been in place for the previous fifty years. We were to be paid at a parity price to mainland milk being imported. We were also informed that we would need to petition the state for a waiver so that we could sell them milk at a cheaper price, otherwise they would not purchase any of our milk. With no other processor to sell milk to, we felt no choice but to oblige their request.

A parity price with mainland has not been feasible for the many dairies that were in Hawaii before us, and is not feasible for Big Island Dairy. There simply isn't enough revenue to offset the high expenses associated with operating a dairy in Hawaii.

We do, however see a place for the local dairy industry to thrive in Hawaii. We have spent the last few years researching and working with state officials, distributors, local grocery stores, and other advocates for local dairy products. We feel, and are grateful for, the support of these organizations. Joint research with these supporters indicates that there is a place for local. Our goal as producers is to bring a product to Hawaiians that is clean, local, fresh, and will be sustainable throughout the years for Big Island Dairy and hopefully many more dairies that will come to Hawaii.

We are asking for a special revenue bond from the State of Hawaii to help support this dying industry. We feel that there is a value to fresh, locally produced, milk products. This bond would help enable us to build a milk processing facility and continue to innovate dairy practices, similarly to what we have done with cropping for feed and beef sales. We could then offer more local fresh dairy products to the public. We feel that with the State's help we can revitalize the dairy industry here in Hawaii for the benefit of all. Please support us in our effort to help Hawaii achieve a higher level of self-sustainability.

Derek Whitesides
Whitesides Dairy Inc. - Big Island Dairy LLC
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derekwhitesides@gmail.com

From: mailinglist@capitol.hawaii.gov
To: [WLA Testimony](#)
Cc: lwood451@aol.com
Subject: Submitted testimony for SB2804 on Feb 3, 2016 14:45PM
Date: Monday, February 01, 2016 10:19:24 AM

SB2804

Submitted on: 2/1/2016

Testimony for WLA on Feb 3, 2016 14:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Wood	Individual	Support	No

Comments: As a member of Hawaii's Cattlemen's Council, I am in strong support of SB 2804. Our agricultural community needs to promote and support all forms of agriculture to achieve a sustainable economy. This bill will allow a proven and successful dairy to continue to invest in Hawaii's agriculture. Please vote yes.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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