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**Derek Kurisu**, KTA Superstores, *Advisor*

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TO:  
Committee on Finance  
Rep. Sylvia Luke, Chair  
Rep. Ty J.K. Cullen, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: February 26, 2019  
TIME: 1:30pm  
PLACE: Conference Room 308

RE: HB546 HD2 Relating to Intoxicating Liquor

Position: Comments

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We ask that the measure be revised to remove Section 3, which would allow direct shipment of certain beer. Current statute requires a license for direct shipment of wine, but has no real way to monitor or track compliance. There are also problems with identifying unlicensed direct shipments. The expansion of direct shipping to certain beer will only exacerbate the issues currently limited to wine. Until we better understand and can better manage the direct shipment of wine, it is unwise to open direct shipment to other forms of alcohol.

Thank you for the opportunity to testify.

## **Kauai Beer Company**

James Guerber

4265 Rice Street

Lihue, HI 96766

98080 639 7821

jim@kauaibeer.com



HB 546 H.D.2 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Finance

Tuesday February 26, 2019 at 1:30 p.m. Conference Room 308

Position: **Support**

Chair Representative Sylvia Luke, Vice Chair Representative Ty Cullen, and members of  
the Committee on Finance,

The Hawaiian Craft Brewers Guild is a craft brewing trade organization that seeks to promote production of craft beer in Hawaii as independent craft breweries. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

We support HB546 because HB546 addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

My name is Jim Guerber and I am the President of the Kauai Beer Company, located in downtown Lihue, Kauai on Rice Street. We have been in business here since 2006 and began formally serving beer in September 2013. We have been instrumental in the effort to revitalize our downtown and are widely recognized for our contribution in that regard. We are in the process of renovating an adjacent space, which will dramatically enhance our ability to serve a larger customer base, increase production and increase our personnel, which is presently ~60 full and part-time personnel.

The Kauai Beer Company supports HB546 because it addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales, relating to the second location clause and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distillers.

The following offers more details on the aforementioned three items:

### **Consistency in the Growler law**

Growlers, crowlers, and other types of reusable and recyclable containers are very popular with our customers. Sales of our craft beer products in these containers continue to increase. We support the use of environmentally friendly container materials and expansion of the term growler to recyclable or reusable container.

The definition of growler is currently inconsistent for our business and our customers. We support using growler to mean “a recyclable and/or reusable container up to one gallon in size”

### **Direct Shipping**

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping of beer to new markets and a wider customer base.

Direct shipping increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer to be shipped expands marketplace options for Hawaii's craft beer manufacturers.

### **Satellite locations**

HB546 H.D.2 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

### **HB546 H.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.**

Mahalo for your consideration. We urge you to pass this bill.  
Thank you for the opportunity to provide testimony in support of HB546 H.D.2

Sincerely,

Jim Guerber  
President  
Kauai Beer Company

Kauai Beer Company  
Justin Guerber  
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**HB 546 H.D.2 Relating to Intoxicating Liquor; Growlers, Locations and Shipping**  
**House Committee on Finance**  
**Tuesday February 26, 2019 at 1:30 p.m. Conference Room 308**

Position: **Support**

Chair Representative Sylvia Luke, Vice Chair Representative Ty Cullen, and members of the Committee on Finance,

The Hawaiian Craft Brewers Guild is a craft brewing trade organization that seeks to promote production of craft beer in Hawaii as independent craft breweries. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

My name is Justin Guerber and I have been the head brewer at Kauai Beer Company since 2012. I support **HB546 H.D.2** because it addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

**Consistency in Growler Law**

The definition of growler is currently inconsistent for our business and can be confusing for our craft beer customers. We support using growler to mean a container not to exceed one gallon.

Many of our customers visiting from outside Hawaii use the term growler to mean things not included in the current definition. Updating the definition will help our staff to be consistent with our customers and expand the number of products that we can offer.

## **Direct Shipping**

As a small brewery with limited self-distribution, we currently do not have the range of markets that other, larger breweries, have with larger distribution. Direct shipping with **HB546 H.D.2** will help us to expand our access to markets and widen our customer base.

Direct shipping would allow reciprocity for Hawaii's producers with other states. Taxes are still paid, licenses issued, and proper shipping rules would be followed. **HB546 H.D.2** increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

## **Satellite Locations**

We are currently working on an expansion and second location. I expect us to continue to grow, and **HB546 H.D.2** would allow more opportunities for us to get our products into the marketplace.

**HB546 H.D.2** provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of **HB546 H.D.2**.



**WAIKIKI BREWING COMPANY**

Joe P. Lorenzen, Partner/Brewmaster  
831 Queen St.  
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808-591-0387  
[brewmaster@waikikibrewing.com](mailto:brewmaster@waikikibrewing.com)

HB 546 H.D.2 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Finance  
Tuesday February 26, 2019 at 1:30 p.m. Conference Room 308

Position: **Support**

Chair Representative Sylvia Luke, Vice Chair Representative Ty Cullen, and members of the Committee on Finance,

My name is Joe Lorenzen. I live in Honolulu, on the island of Oahu, and I am a partner in and Brewmaster of Waikiki Brewing Company with business locations in Waikiki and in Kaka'ako. Our brewery began with 15 employees in 2015, and now employs a staff of 45.

Waikiki Brewing Company supports HB 546HD2. The language in the current state statute regarding size of growlers and the materials growlers can be made of is inconsistent as it stands. HR 546 HD2 provides simplification and consistency in defining growlers as reusable or recyclable and the volume as up to, but not to exceed one gallon.

HB 546 HD2 would also allow for direct shipping of our beer to consumers. The current statute allows for this method of sales for wine, but not for beer. We see no reason why beer should be treated differently from wine, and that to include it would be beneficial to producers, consumers in locations that want to support us from afar, and in generating tax revenues for the State of Hawaii.

HB 546 HD2 also provides for some clarification about an existing statute allowing for breweries with class 14 and 18 license types to perform the same functions of those licenses at additional locations. It makes clear that such locations must be fully licensed in the counties in which they operate and shall be under the jurisdiction of the counties. The existing statute makes great sense, in that a brewery may have one location that produces cans and kegs and yet be able to sell those items at additional locations. HB 546 simply fills in details necessary for the counties to enforce the statute.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of HB 546 HD 2.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe P. Lorenzen".

Joe P. Lorenzen







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HB 546 H.D.2 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Finance  
Tuesday February 26, 2019 at 1:30 p.m. Conference Room 308

**Position: Support**

Chair Representative Roy Takumi, Vice Chair Representative Linda Ichiyama, and members of the Committee on Consumer Protection and Commerce,

The Hawaiian Craft Brewers Guild is a craft brewing trade organization that seeks to promote production of craft beer in Hawaii as independent craft breweries. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

We Beer Lab HI support HB546 H.D.2 because HB546 H.D.2 addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

We have multiple locations and this bill would allow us to create satellite locations and operate under the same regulations as our previous locations and be able to fill growlers and sell out packaged goods.

Mahalo for your consideration. We urge you to pass this bill.  
Thank you for the opportunity to provide testimony in support of HB546 H.D.2.

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Below are a few issues that we as the craft brewers guide see as larger issues.

**Consistency in the Growler law**

Growlers, crowlers, and other types of reusable or recyclable containers are very popular with our customers. Most growlers were made from glass when customers first began to use them. Sales of our craft beer products in these containers continue to increase. We support environmentally friendly practices at our brewery and would like to have the term growler expanded to include recyclable or reusable container.

The definition of growler is currently inconsistent for our business and can be confusing for our craft beer customers. We support using growler to mean a container not to exceed one gallon.



### **Satellite locations**

HB546 H.D.1 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

HB546 H.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.



Cindy Goldstein, PhD  
Executive Director  
Hawaiian Craft Brewers Guild  
98-814 C Kaonohi Street  
Aiea, HI 96701

HB 546 H.D.2 Relating to Intoxicating Liquor  
Growlers, Satellite Locations and Direct Shipping  
House Committee on Finance  
Tuesday February 26, 2019 at 1:30 p.m. Conference Room 308

Position: **Support**

Chair Representative Sylvia Luke, Vice Chair Representative Ty Cullen, and members of the Committee on Finance,

The Hawaiian Craft Brewers Guild is a non-profit Hawaii trade organization that seeks to promote production of independent craft beer in Hawaii. The number of independent craft breweries in Hawaii continues to grow. Several breweries have recently expanded and others or are in the process of expanding. The Hawaiian Craft Brewers Guild is united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

HB546 H.D. 2 includes three subject areas under HRS Section 281 addressing inconsistencies and increasing uniformity in laws regarding liquor manufacturing and sales. The Hawaiian Craft Brewers Guild has discussed provisions of HB546 H.D.2 with county liquor commissions across the state to share common craft beer manufacturing terminology and increase understanding of legislation related to craft beer and liquor.

The Hawaiian Craft Brewers Guild and our member breweries embrace the responsible consumption of alcohol.

### **Growler containers**

The Hawaiian Craft Brewers Guild supports the language in HB546 H.D.2 for the term growler, simplifying and standardizing the term to mean a container of up to one gallon. Expanding the term growler to include a recyclable or reusable container recognizes the environmentally friendly practices of small craft brewery customers and businesses. As the popularity and use of growlers has expanded, a broader range of types of container materials are found from glass to metal, plastic, and other recyclable or reusable materials.

### **Satellite location other than primary manufacturing premises**

The Hawaiian Craft Brewers Guild supports HB546 H.D.2 because it provides more consistency and uniformity for craft beer producers across the State of Hawaii. Small craft breweries start with an investment in a manufacturing location to begin production of their craft beer. Expansion to a satellite location often follows. HB546 H.D.2 recognizes the expansion of Hawaii's craft breweries, including expanding to a satellite location in another county.

A satellite location establishment should not need a license to manufacture if there is no production at the second location. The class of license should reflect the activities of the operation. If no manufacturing occurs at the satellite location, this should, by default, not require the same class of license (14, 18) as the primary location. This would apply when a brewery establishes a second location in the same or in another county.

A satellite location should be expected to hold a class license that reflects the business activities at the location, for example a restaurant. The brewpub or small craft producer license holder often has no intention of manufacturing at the second location but will have the desire to carry out retail sales of their products at their satellite location. A requirement for the same license as the primary location would be costly and time consuming, given that no manufacturing is part of the second satellite location.

The "second location" clause is meant to address inconsistencies where the second location is in another county.

### **Direct shipment of beer by producers**

HB546 H.D.2 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but to also include beer. Direct shipment of wine into and out of Hawaii is already allowed. Expanding the statute to allow defined amounts of beer to be exported achieves parity with wine, allowing both of these products to be direct shipped.

Breweries that are just starting out and smaller sized breweries don't usually have access to distributors that will export their beer in or out of State. HB546 H.D.2 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. This has the greatest benefit for small craft breweries that often cannot find wholesaler partners, yet deserve access to more markets.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to current brewery fans and potential new customers. We support HB546 H.D.2 because it fosters expanded marketplace options for Hawaii's craft beer manufacturers. Promoting branding of products manufactured in Hawaii benefits businesses statewide.

The Hawaiian Craft Brewers Guild appreciates consideration of HB546 H.D.2 by the House Finance Committee. We urge you to pass this bill. Thank you for the opportunity to provide testimony in support.



February 25, 2019

House Committee on Finance  
HB546 HD2 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
Tuesday, February 26<sup>th</sup>, 2019 at 1:30pm, Conference Room 308

Re: **IN SUPPORT OF HB546 HD2**

Aloha Chair Representative Sylvia Luke, Vice Chair Representative Ty Cullen, and members of the Committee on Finance,

My name is Garrett W. Marrero, I live in Kula, HI. We have locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across the Hawaii, 23 States, and 13 countries. We began in 2005 with 26 team members and have added more than 500 to our team. My wife and I were selected as the National Small Business Persons of the year in 2017 for our work at Maui Brewing Co. I'm writing on behalf of myself and our local family-operated business in support of **HB546 HD2** which clarifies various items in current liquor laws; namely the second location clause, and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distilleries.

I very briefly cover the Growler and Satellite Taproom Location Clause issues below as it seems those are widely supported. I focus more intently on the second location clause as it seems there are some inaccurate conclusions from testimony I have read.

#### **Growler Clarification**

This section of the bill is universally supported by brewers, and liquor departments with no opposition to this section as it merely simplifies and clarifies rules.

#### **Satellite Taproom Location Clause**

This section of the bill is also universally supported by brewers, and liquor departments with no opposition to this section as it merely clarifies the intent of Class 14 and 18 licenses with regards to sales of retail wares at places other than primary manufacturing facility.

Currently as you see HRS 281 allows for Class 14 and 18 licensees to operate another location within the State so long as its properly licensed. This is to encourage and allow a producer to manufacture at one central plant and sell their products through other owned establishments. It does not make sense to have multiple manufacturing sites due to the extreme cost and complicated licensing at the Federal, State and Local levels. This clause was added in order to promote local manufacturing. Investing in one larger production facility yet allowing the retail rights to be conferred to additional locations in the State for retail but not manufacturing purposes. A clarification is necessary to ensure that a business manufacturing on one island, can sell its products on another island under the proper license.

**Handcrafted Ales & Lagers Brewed with Aloha**  
605 Lipoa Parkway, Kihei, HI 96753  
808.213.3002

## Direct Shipping

Oddly this issue seems to have taken a turn. It was formerly universally supported by testimony submitted last year and in earlier versions of the bill. I would add that we fully support the three-tier system so long as it is indeed fair, however this has not proven to be the case universally. The wholesaler association and the food industry association have come out in opposition.

Hawaii has specific Direct Shipping laws allowing the direct shipping of wine by wineries. The system exists to allow reciprocity; eg allow wine in, allow wine out. Taxes must be paid, licenses issued, proper shipping rules ensuring proper age of recipient and etc. We are seeking the change in these rules to allow the same rights afforded to Wineries be conferred to Hawaii's breweries and distilleries as we manufacture locally and wish to export our products directly. The majority of smaller breweries do not have access to distribution as they are often too small to attract a wholesaler partner. We feel that it is imperative to their survival that access be given to retail to consumers around the world. This serves to increase the viability of a small craft brewery and to increase Hawaiian exports bringing attention to the growing brewing scene in Hawai'i. In order to accomplish this, we feel that HRS 281-33.6 can expand upon its direct shipping rules to allow reciprocity for not just wine but beer and spirits as well. This would also achieve fairness and parity across the three categories of beverage alcohol. The local wineries and distilleries support this amendment.

It is particularly interesting to hear that various Liquor departments feel that "certain of our licensees will be negatively impacted by competition from the increased access to out-of-state sourced products that bypass the wholesaler and retailer tiers". This couldn't be further from the truth. The wholesalers and retailers in today's world of beer simply do not want to handle the sheer volume of new products being offered by various craft producers. As large as we've become it is a struggle to get wholesalers to bring in the whole suite of beverages we make, the same goes for retailers. Offerings are being made at a rate that far outpaces the growth of shelf space. This however does not mean that craft beverage drinkers do not want the other products; so please enlighten me how the HLWA can state that denying access to market and denying craft beverage fans their choice in any way "protects consumers"? We simply are seeking a way for Hawaii's small craft producers to grow when they are turned away by those opposing this bill.

With regards to the comment from HFIA that "Current statute requires license for direct shipment of wine, but no real way to monitor or track compliance"; there is in fact a full system outlined in HRS and county rules for Wine to ship, it would be beyond simple to add the other beverages to this system. I would encourage Hawaii State to promote this system as it directly promotes real Hawaiian products and grants access to the world markets while also creating an increased revenue stream for Hawaii.

We support a meaningful conversation with HFIA and HLWA to discuss this issue.

We have worked extensively with various LC departments and are confident in the language of the first two issues working for us all.

Thank you for the opportunity to offer these comments in support of the passage of **HB546 HD2**, a common sense bill that supports the burgeoning craft beverage industry in Hawaii.

Sincerely,



Garrett W. Marrero  
CEO/Founder

**Handcrafted Ales & Lagers Brewed with Aloha**  
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February 25, 2019

HB 546 H.D.2 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Finance  
Tuesday February 26, 2019 at 1:30 p.m. Conference Room 308

Position: **Support**

Chair Representative Sylvia Luke, Vice Chair Representative Ty Cullen, and members of the Committee on Finance,

REAL a gastropub was founded initially in 2012 with 18 original employees as a community gathering place serving local cuisine and hand-crafted beers. We are relocating, rebuilding our flagship and incorporating a 7BBL brewery named Bent Tail Brewing Company into our new location at Keaouhou Lane in Kakaako. We will be able to grow into a team of 40 Honolulu residents that sells award winning beers throughout Oahu and with a focus on using local sources for our food as we have since our opening and now add this principal to our beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the on-going support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

### **Growler containers**

Current statute is confusing with growlers described as half gallon and as one gallon. REAL a gastropub / Bent Tail Brewing Company supports standardizing and simplifying the definition of growler to mean a container of up to one gallon. Initially growlers were made from glass. As their popularity has increased, growlers are now made from a wider range of environmentally friendly reusable or recyclable materials. We support terminology that reflects this change in container materials, defining growler as a recyclable or reusable container.

### **Location other than primary manufacturing premises**

Hawaii's craft breweries are increasing in number with the addition of new start up brewery businesses and expansion of existing businesses. Breweries may have an initial or primary manufacturing premises and expand with a new establishment, sometimes in a second county. The "second location" clause is meant to address inconsistencies where the second location may not be a production facility, to allow activities such as dispensing and retail sales under the same trade name without requiring another production license. Often a small brewery can produce enough beer to support two dispensing and retailing locations thus allowing the small brewer to utilize some efficiency as an economy of scale. Original investments in even small production facilities can be enormous and multiple income streams from the economy of scale can help support small local manufacturers. A brewpub or small craft producer license holder



may have no intention of manufacturing at the second location, but still have the desire to carry out dispensing and retail sales of their products at their second establishment. This would, by default, not require the same class of license (14, 18) but rather a restaurant or retailer class license as no production would occur on site. We support **HB 546 H.D.2** which seeks to address and clarify inconsistencies and expands retail and dispense operations of local craft brewers.

### **Direct shipment of liquor by producers**

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer to be shipped expands marketplace options for Hawaii's craft beer manufacturers.

Direct shipment Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer in or out of State. **HB 546 H.D.2** is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. These are breweries that often cannot find wholesaler partners yet deserve access to market.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to our current brewery fans and potential new customers. We support **HB 546 H.D.2** that fosters expanded marketplace options for Hawaii's craft beer manufacturers.

Hawaiian manufacturing and producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of "faux-Hawaiian" products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete in the world of tourism it is important for us to deliver an authentic Hawaiian experience in our products; this bill helps us to continue on our path of recent growth and success.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of **HB 546 H.D.2**.

Sincerely,

*Troy Terorotua*

Troy Terorotua  
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