

Honolulu, Hawaii

FEB 14 , 2020

RE: H.B. No. 1892

H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 1892 entitled:

"A BILL FOR AN ACT RELATING TO A FOOD HUB PILOT PROGRAM,"

begs leave to report as follows:

The purpose of this measure is to establish and appropriate funds for a five-year Food Hub Pilot Program (Pilot Program) to be administered by the Department of Agriculture.

Your Committee received testimony in support of this measure from the Hawaii Farmers Union United, A'a Li'I Farm, Hawaii Farmers Union, Alternative Structures International (dba Kahumana Organic Farms), Pono Hawaii Initiative, Hawaii Appleseed Center for Law & Economic Justice, Hawaii Public Health Institute, GreenWheel Food Hub, Hawaii Farm Bureau, Ka Ohana O Na Pua, Ulupono Initiative, Kokua Kalihi Valley, North Shore Economic Vitality Partnership, Jones Family Farm, and numerous individuals. Your Committee received comments on this measure from the Department of Agriculture.

Your Committee finds that models for agricultural and food processing industries have a proven track record of success, and that food hubs allow for families and small farms to join the greater economy and allow local people to benefit from markets they previously did not have access to. Food hubs also can



support rural communities and present opportunities for new generations of farmers to work and live in Hawaii. Your Committee further finds that supporting small local farmers is essential to the economic development and self-reliance of the State. This measure will support local families and farms with facilities for aggregation, storage, processing, distribution, and marketing, which strengthens their ability to participate in larger agricultural economies.

Your Committee notes that food hub start up happens in phases. For the business planning phase, as much as \$50,000 can suffice. For the "proof of concept" start-up phase, fixed expenses can go up to \$200,000 for space, cars, manufacturing equipment, and other physical assets. These two stages combined take two to three years. After that, a successful food hub might expand for three to five more years until it reaches maturity or balance, when it can then pay for some of its own costs and is likely to invest up to \$5,000,000 during the first five years, as in the case of the Hawaii Ulu Cooperative. In total, start-up food hubs may need \$200,000 to \$300,000 in the first two years to be able to launch.

Your Committee has amended this measure by:

- (1) Clarifying that the Pilot Program shall award grant funding to qualified applicants for construction or improvement of facilities for aggregation, washing, minimal processing, packaging, cold storage, and other value-added facilities.
- (2) Clarifying how the Department of Agriculture shall establish criteria for the award of initial start-up grant funding or subsequent expansion funding under the Pilot Program;
- (3) Requiring the Department of Agriculture to include in its final report to the Legislature a recommendation as to whether the Pilot Program should be made permanent, with or without modifications;
- (4) Changing the sum appropriated for the Pilot Program to an unspecified sum;
- (5) Amending its preamble;



- (6) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Should your Committee on Finance decide to hear this measure, your Committee respectfully requests that it appropriate \$1,000,000 for the Food Hub Pilot Program.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1892, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1892, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



ANGUS L.K. McKELVEY, Chair



