

Honolulu, Hawaii

FEB 10 2020

RE: S.B. No. 2738

S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 2738 entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose and intent of this measure is to authorize agricultural entities to incorporate as general cooperatives.

Your Committee received testimony in support of this measure from the Kohala Center; Hawaii Small Business Development Center, East Hawaii; and five individuals. Your Committee received testimony in opposition to a specific section of this measure that exempts these types of cooperative from the securities laws from the Business Registration Division of the Department of Commerce and Consumer Affairs.

Your Committee finds that a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.

Your Committee further finds that when an agricultural cooperative incorporates under existing Hawaii law, they choose between one of two cooperative statutes, one relating to



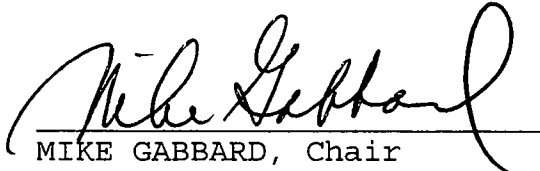
agriculture cooperatives and the other relating to consumer cooperatives; however, these existing statutory options limit cooperatives that are pursuing multi-stakeholder and worker models. To provide cooperatives with greater flexibility in defining membership and organizational structure, many states offer a general cooperative statute. This measure offers a more flexible option to the existing agriculture and consumer cooperative statutes to provide that greater flexibility to Hawaii agricultural entities to benefit farmers and other persons having a common economic, social, and cultural needs and aspirations.

Your Committee has amended this measure by:

- (1) Deleting sacred species and natural ecosystems from the definition of the term "person";
- (2) Deleting language that would have exempted securities and certain other equity instruments issued, sold, or reported by a cooperative as an investment in its stock or capital to its patrons from securities laws; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2738, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2738, S.D. 1, and be referred to your Committees on Commerce, Consumer Protection, and Health and Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Agriculture and
Environment,



MIKE GABBARD, Chair



