

House Committee on Agriculture  
Friday, March 13, 2020 at 8:30 a.m. in Conference Room 312

**RE: SB 2712 – Relating to Agriculture – In Support**

To Chair Creagan, Vice Chair DeCoite, and members of the Committee:

I strongly support SB 2712, which updates existing state laws on agricultural cooperative associations and consumer cooperative associations.

In addition, I would like to request that the bill be amended to include SB 2738 (companion HB 1895) authorizing agricultural entities and other entities having a common interest and purpose to incorporate as general cooperatives.

Over the last 8 years in my position at The Kohala Center (TKC) I have worked with over 10 cooperatives operating across the state, and overseen TKC's Rural Cooperative Business Development Specialists since 2011, during which time they have assisted 29 cooperatives with their co-op development and incorporation, and provided support to 13 of the 23 cooperatives that existed prior to 2011.

Prior to my experience at TKC, I worked for 9 years in small communities across the U.S. and the Philippines providing services in rural economic development. Through this work I have realized the value of collaborative business models to create economically viable businesses, particularly where entrepreneurs are challenged by high operating costs and economies of scale. In Hawai'i specifically, the costs of operating businesses are high due to our geographic isolation; for example, owners see increased costs in terms of building, agricultural inputs, packaging, machinery, and labor. The cooperative business model therefore provides an avenue for small businesses to come together to obtain an economic benefit that might mean the difference between the success and the failure of their business.

I have heard elected officials tell co-op members at annual meetings that *cooperatives are the future*. I have seen cooperatives struggle with both business and interpersonal issues, as farmers are not typically known for their willingness to work together and speak out on their behalf. However, I have more so witnessed the pride and hope experienced by farmers tackling together an overarching challenge to increase their bottom line or make producing crops a bit easier. And over the last two years as older farmers approach retirement, I have seen cooperatives as a venue for retiring and beginning farmers to come together, share stories about place and 'āina, and transition farmland from one generation to the next through business sales and land leases.

SB 2712: Amendments to Existing Cooperative Statutes

Enacted in 1949, Hawai'i's Agricultural Cooperative Associations Act is based on the Uniform Agricultural Cooperative Associations Act. Hawai'i's Consumer Cooperative Associations Act was enacted in 1982. The proposed updates are informed by recent research conducted by The Kohala Center, the only cooperative development center in the State of Hawai'i. SB 2712 includes

the following updates to Hawai‘i’s Agricultural Cooperative Associations Act; an asterisk indicates the update will also be applied to Hawai‘i’s Consumer Cooperative Associations Act:

- 1) Expand the definition of a “person” (HRS 421-1) to include individuals, partnerships, corporations, limited liability companies, and associations, *sacred species and natural ecosystems*.
- 2) Allow a cooperative to be formed for the purpose of leasing land to its members (HRS 421-2)
- 3) Provide for a greater voice for co-op members in important policy matters by allowing members to adopt a referendum provision (421-17)\*
- 4) Allow a cooperative to accept labor and services from volunteers (421-26)
- 5) Allow a cooperative to operate as an agent to sell the products of its members or nonmember patrons on a nonprofit basis.\*
- 6) Allow a an agricultural cooperative to utilize a newly formed General Cooperative Statute (proposed SB2738) (HRS 421-28)\*

#### SB 2738 / HB 1895: Creation of a General Cooperative Statute

In Hawai‘i, when an agricultural cooperative incorporates, they choose between one of two cooperative statutes: Agriculture Cooperatives (HRS Chapter 421) and Consumer Cooperatives (HRS 421C). Based on The Kohala Center’s past nine years of work with Hawai‘i’s cooperatives, research has shown these two statutory options limiting for cooperatives pursuing multi-stakeholder and worker models. Additionally, because there is currently no general cooperative statute in Hawai‘i, those interested in forming non-agricultural cooperatives, or cooperatives with multi-stakeholders are drawn to Hawai‘i’s consumer cooperative law. That law, however, is not as flexible as other general cooperative statutes.

To provide cooperatives with greater flexibility in defining membership and organizational structure, many U.S. states offer a General Cooperative Statute. A general statute allows for multi-stakeholder cooperatives with diverse classes of membership, with consumers, producers, and workers all in the same cooperative. General cooperative statutes embrace a broad and flexible approach, adhering to accepted cooperative principles while allowing cooperatives to create by-laws that are in line with economic, social, and cultural needs. With the proposed general cooperative statute, Hawai‘i would join other states (e.g., Wisconsin, Colorado, and California) that allow diverse enterprises to take advantage of the benefits derived from a cooperative business structure.

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*In Hawai‘i the cooperative business model is a model for the future.* As Hawai‘i’s small businesses and cooperatives continue to evolve to take advantage of new markets, both globally and locally,

it is important that we continue to update Hawai‘i state statutes that allow for positive and efficient cooperative business—socially, culturally, ecologically, and economically.

Updates to these acts will allow for expanded lawful practices within cooperatives that provide additional benefit for cooperative member businesses. Furthermore, amending the bill to authorize agricultural entities and other entities having a common interest and purpose to incorporate as general cooperatives will facilitate the creation of cooperatives with more diverse membership, which will increase their economic viability.

For these reasons, I respectfully request your support of SB 2712 and request that it be amended to include provisions for a general cooperative statute (SB 2738/HB 1895). Thank you for the opportunity to submit testimony.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nicole Milne', written in a cursive style.

Nicole Milne  
Vice President of Food and Agriculture Initiatives, The Kohala Center  
Hāmākua District resident

**RE: SB 2712, SD1 – Relating to Agriculture – In Support**

To Chair Creagan, Vice Chair DeCoite, and members of the Committee:

I strongly support SB 2712, which updates existing state laws on agricultural cooperative associations and consumer cooperative associations.

In addition, I would like to request that the bill be amended to include SB 2738 (companion HB 1895) authorizing agricultural entities and other entities having a common interest and purpose to incorporate as general cooperatives.

The cooperative business model is an effective mechanism which allows a pathway for individual businesses to work together to address shared business goals that would not be possible without the cooperative network. Cooperatives are formed to engage in collective marketing, shared labor, shared processing, transportation, and many other reasons.

This bill will have a significant and beneficial impact on Hawai'i cooperatives and the small business sector, especially in rural areas of the state. For these reasons, we respectfully request your support of SB 2738. Thank you for the opportunity to submit testimony.

Enacted in 1949, Hawai'i's Agricultural Cooperative Associations Act is based on the Uniform Agricultural Cooperative Associations Act. Hawai'i's Consumer Cooperative Associations Act was enacted in 1982.

The proposed updates are informed by recent research we conducted with Hawai'i's Cooperatives and highlight specific request for changes in the current statute. SB 2712 includes the following updates to Hawai'i's Agricultural Cooperative Associations Act; an asterisk indicates the update will also be applied to Hawai'i's Consumer Cooperative Associations Act:

- 1) Expand the definition of a "person" (HRS 421-1) to include individuals, partnerships, corporations, limited liability companies, and associations, *sacred species and natural ecosystems*.
- 2) Allow a cooperative to be formed for the purpose of leasing land to its members (HRS 421-2)
- 3) Provide for a greater voice for co-op members in important policy matters by allowing members to adopt a referendum provision (421-17)\*
- 4) Allow a cooperative to accept labor and services from volunteers (421-26)
- 5) Allow a cooperative to operate as an agent to sell the products of its members or nonmember patrons on a nonprofit basis.\*
- 6) Allow a an agricultural cooperative to utilize a newly formed General Cooperative Statute (proposed SB2738) (HRS 421-28)\*

Updates to these acts will allow for expanded lawful practices within cooperatives that provide additional benefit for cooperative member businesses and align with proposed Senate Bill 2738 that creates a General Cooperative Statute for cooperatives forming in the State of Hawai'i.

I respectfully request your support of SB 2712 and request that it be amended to include provisions for a general cooperative statute (SB 2738/HB 1895). Thank you for the opportunity to submit testimony.

Sincerely,

Teresa Young

Teresa Young  
Cooperative Business Developer

**SB-2712-SD-1**

Submitted on: 3/11/2020 11:35:29 AM

Testimony for AGR on 3/13/2020 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Hunter Heavilin	Individual	Support	No

Comments:

**SB-2712-SD-1**

Submitted on: 3/12/2020 8:39:08 AM

Testimony for AGR on 3/13/2020 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Janel Yamamoto	Individual	Support	No

Comments: