

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

MORRIS ATTA
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

FEBRUARY 1, 2022

9:30 A.M.

CONFERENCE ROOM 229 & VIA VIDEOCONFERENCE

SENATE BILL NO. 2905
RELATING TO COFFEE LABELING

Chairperson Baker and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 2905. This measure requires coffee blend labels to disclose regional origins and percent by weight of the blended coffees, prohibits using geographic origins of coffee in labeling or advertising for roasted or instant coffee that contains less than specified percentages coffee by weight from that geographic origin, and appropriates moneys for inspection and detection technologies to aid the Department of Agriculture in the regulation of the authenticity of roasted Hawaii-grown coffee. The Department supports the intent of this bill and offers comments.

The Department supports the Hawaii coffee industry and the use of unique geographic coffee growing regions to market, advertise and sell Hawaii-grown coffee. While the Department can enforce grading and labeling of green Hawaii-grown coffee,



the Department lacks the capability to regulate the authenticity of roasted and blended Hawaii-grown coffee labeling. There is no industry standard to determine the actual content or origin of the roasted and blended coffee and there is no commercially available equipment for effective enforcement and to effectively prove any fraudulent occurrence. The Department may need to work with industry and university to research the potential adoption of new inspection and detection technology (such as Fourier Transform Infrared Spectroscopy, radioisotope technology) in order to regulate the authenticity of roasted and blended Hawaii-grown coffee labeling.

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
ON
SENATE BILL NO. 2905

February 1, 2022
9:30 a.m.
Room 229 and Videoconference



RELATING TO COFFEE LABELING

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 2905 amends Section 486-120.6, HRS, to require coffee blend labels to disclose regional origins and percent by weight of the blended coffee and to make it a violation of coffee labeling law to use a geographic origin in labeling or advertising for roasted or instant coffee blends that contain less than specified proportions, proportions which increase annually by 10% until reaching the final proportion of 51% by weight from that geographic origin in 2026. This bill also appropriates an unspecified amount of general funds in FY 23 to the Department of Agriculture for coffee inspection and detection technologies to aid in the regulation of the authenticity of roasted Hawai'i-grown coffee.

B&F notes that the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.

SB-2905

Submitted on: 1/30/2022 6:27:04 PM

Testimony for CPN on 2/1/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
James Kimo Falconer	Testifying for Hawaii Coffee Growers Association	Support	No

Comments:

Please support SB-2905. The Hawaii Coffee Growers support the move to a 51% blend ratio in favor of Hawaii-Grown Coffee.

Mahalo, Kimo Falconer, President HCGA.



Greg Maples, Chairman – Polynesian Cultural Center **Ryan Tanaka, Incoming Chair**- Giovanni Pastrami

Ave Kwok, Vice Chair- Jade Dynasty **Tambara Garrick, Secretary** – Hawaii Farm Project

Kahili Soon, Treasurer – Hukilau Marketplace **Tom Jones, Past Chair** – Gytaku

Sheryl Matsuoka, Executive Director **Chivon Garcia**, Executive Assistant **Holly Kessler**, Director of Membership Relations

Date: January 30, 2022

To: Sen. Rosalyn H. Baker, Chair
 Sen. Stanley Chang, Vice Chair
 Committee on Commerce and Consumer Protection

From: Victor Lim, Legislative Lead

Subj: SB 2905 Relating to Coffee Labeling

The Hawaii Restaurant Association representing 3,400+ restaurants stand in opposition to SB 2905 that will change the 10% Kona Bean requirement moving up to 51% in 2026 for the Kona Blend.

Many of our local restaurants have been using the Kona Blend with a 10% Kona bean content for 10 years, 20 years and some restaurants like McDonald's have been at it for over 50 years, supporting our local economy.

We all know that Kona coffee commands a premium price and has a stronger distinctive taste. Requiring a higher percentage will change the taste profile that many of our current restaurant customers enjoy and another consequence will be that our cost of buying locally blended coffee will significantly increase, all of this while our restaurant industry is one of the most severely hit by the Covid Pandemic. This will add to the unprecedented food cost increases our industry is currently facing.

Eliminating the 10% blends will be forcing our hand to eventually move away to a more affordable national brand thus causing a hit to our local processors.

We urge that this committee hold this bill and thank you for giving us the opportunity to share our industry's concerns.





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Executive Officers

Charlie Gustafson, Tamura Super Market, *Chair*
Eddie Asato, Pint Size Hawaii, *Vice Chair*
Gary Okimoto, Safeway, *Secretary/Treas.*
Lauren Zirbel, HFIA, *Executive Director*
John Schliff, Rainbow Sales and Marketing, *Advisor*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

TO: Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 1, 2022
TIME: 9:30am
PLACE: Via Videoconference

RE: SB2905 Relating to Coffee Labeling

Position: Oppose

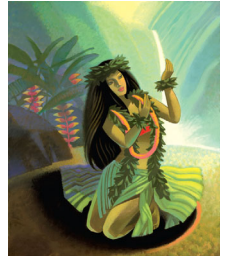
The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We believe in encouraging and supporting local food and drink production. This law would make it harder for businesses selling Hawaii coffee to create labels that best suit their brand and make it harder to promote local coffee to consumers. The existing coffee label regulations are clear and provide ample information to customers about what type of coffee they are getting.

Different ways of blending, roasting, and even brewing coffee create different products with different flavors and characteristics. Decisions about developing and marketing these different types of coffees should be left to coffee growers, blenders, roasters, brewers, and coffee drinkers. These are not the type of things that should be mandated by government bodies. For these reasons we ask that you hold this measure. Thank you for the opportunity to testify.

HAWAII COFFEE COMPANY™

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www.hicoffeeco.com



TO: Senator Rosalyn Baker, Chair
Senator Stanley Chang, Vice Chair
Committee on Commerce and Consumer Protection

FROM: Gerard Bastiaanse
President- Hawaii Coffee Company

RE: **SB 2905 Relating to Coffee Labeling – In Opposition**
February 1, 2022; 9:30 a.m.

Aloha Chair Baker, Vice Chair Chang and members of the committee:

Hawaii Coffee Company is in opposition to SB 2905, which would increase blend requirements for Kona coffee sold from a 10% Kona bean requirement up to a 51% requirement in 2026 and continuing thereafter.

Hawaii Coffee Company offers a range of coffee, from 10% Kona blend to 100% Kona coffee as well as similar consumer coffee blend options from other Hawaii coffee growing regions. All product labels clearly reflect whether the coffee is a blend of Kona coffee or 100% Kona coffee to ensure that customers are fully informed of the composition of the coffee product. Based on available market information, we believe Hawaii Coffee Company sells significantly more volume of 100% Kona coffee to consumers in Hawaii than any other company. In a typical year, approximately half of the Kona coffee purchased by Hawaii Coffee Company from Kona farmers goes into 100% Kona products.

We believe it is important to offer consumers a range of coffee products from 10% Kona blend to 100% Kona coffee for several reasons.

First, Kona coffee has a distinctive taste and, therefore, the amount of Kona coffee in a blend can change the taste of the coffee. Some consumers prefer the milder taste of the lighter blends, while others prefer the robust taste of a higher-percentage blend. Thus, providing a range of coffee products, all of which are accurately labeled, allows consumers to make an informed decision and to choose their coffee product based on their taste preferences.

Second, Kona coffee commands a premium price. The greater the percentage of Kona coffee included in a blend, generally, the higher the cost. The more affordable 10% Kona blend coffee is served at restaurants as well as purchased in traditional grocery or similar retailers. Eliminating 10% blends will force consumers and our restaurant partners to either select another affordable alternative roasted on the mainland or abroad, by a mainland or foreign company, which includes no Hawaiian coffee, or to pay a five times higher price for a 100% Kona coffee product. Offering a range of coffee products allows consumers to choose taking into account its

affordability and their own budget. This also ensures that consumers can continue to support our local economy.

Third, including a range of coffee products will allow us to continue to support our local farmers and to reduce food waste. By eliminating all 10% coffee blends, the overall demand for Kona coffee purchased from farmers by Hawaii Coffee Company, and other roasters, will significantly decline and will have corresponding negative impact on the coffee cherry price. This reduction in the price Kona farmers receive for their coffee may challenge the commercial viability of many multi-generational farms. If the demand for coffee products falls, coffee farmers may be left with unsold and unused coffee cherry that without a buyer will go to waste. This waste would be unfortunate as it could be avoided by maintaining the ability to allow for a range of coffee products.

Fourth, SB 2905 will reduce the volume of coffee purchased, roasted and packaged by Hawaii Coffee Company at our facility in Kalihi. As a result, the number of employees we currently employ would not be sustainable and a reduction in workforce would occur. This would also have an adverse impact on the local suppliers we work with and the revenues to the State. Local businesses have been struggling through the pandemic and if this bill passes, it will increase financial hardships.

Additionally, SB 2905 as written has the potential to conflict with trademark rights. A trademark can be any word, phrase, symbol, design, or a combination of these things that identifies the source of goods or services. Paradise Beverages, Inc. dba Hawaii Coffee Company is the owner of a number of well-known and widely recognized federal and state trademarks (“HCC Marks”). Hawaii Coffee Company has spent significant time, energy, and expense promoting the HCC Marks and the HCC Marks have accrued considerable value and goodwill to Hawaii Coffee Company as a result thereof. Hawaii Coffee Company’s claims of ownership in the HCC Marks are based upon long existing and clearly delineated common law and statutory rights. These rights constitute legally protectable property.

In particular, as to the HCC Marks for which Hawaii Coffee Company holds federal registrations, it is well-established that the federal trademark laws are designed to promote and encourage uniform trademark use, and to discourage activities which would result in confusion among purchasers. Local trademark display regulations which require alterations of federally registered marks for local use conflict with federal law and underlying public policy.

For these reasons, we ask you to hold this measure. Thank you for the opportunity to submit testimony.

SB-2905

Submitted on: 1/31/2022 8:55:40 AM

Testimony for CPN on 2/1/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Roger Kaiwi	Testifying for Kona Coffee Council	Oppose	Yes

Comments:

Aloha , this bill is another failed attempt to change a blend law without doing any research. There is no information to support this change. I'm tired of these angry people trying to use legislation to change something that does not effect them! I urge you to vote NO!

Roger Kaiwi



Hawaii Coffee Association
PO Box 168, Kealahou, HI 96750

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
February 1, 2022

RE: SB2905 Relating to Coffee Labeling

Aloha Chair Baker, Vice Chair Chang and members of the committee,

I am Chris Manfredi, President of Hawaii Coffee Association (HCA).

The Hawaii Coffee Association supports this measure, with amendments.

The HCA supports a move to a 51% blend ratio in favor of Hawaii-grown coffee.

We appreciate that the introducers and co-sponsors have heard our concerns and included a phased approach.

We respectfully ask for an amendment to Section 6. Some processing methods are not available in Hawaii - for example decaffeination.

We ask that the section be amended to read:

(6) Use the term "All Hawaiian" on a label or in advertising of a roasted or instant coffee if the roasted or instant coffee is not produced entirely from green coffee beans [~~produced in geographic origins defined in this chapter;~~ grown and processed in Hawaii;]

Moreover, **we ask that only Hawaii - grown coffee origins be shown on the label.** We do not support this language, as amended in the bill:

Each geographic origin or regional origin [~~may~~] shall be preceded by the per cent of coffee by weight represented by that geographic origin or regional origin, expressed as a number followed by the per cent sign.

Rather, producers should be given the option of listing the origin(s) of the minority portion of coffee used to make the blend. The HCA supports the use of "Foreign Grown Coffee" to describe coffees grown outside of Hawaii.

The Hawaii Coffee Association's (HCA) mission is to represent all sectors of the Hawaiian coffee industry, including growers, millers, wholesalers, roasters and retailers located throughout the State of Hawaii. The HCA's primary objective is to increase awareness and consumption of Hawaiian coffees. A major component of HCA's work is the continuing education of members and consumers.

Thank you for the opportunity to testify and for your support of Hawaii's coffee industry.

LATE

SB-2905

Submitted on: 1/31/2022 9:38:46 AM

Testimony for CPN on 2/1/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Tom Greenwell	Testifying for Greenwell Farms Inc.	Support	No

Comments:

Greenwell Farms is in full support of bill SB2905 relating to Coffee blend law of 51%.

We are a farming, Roasting, retail and exporter of 100% Kona Coffee.

Thomas Greenwell

Greenwell Farms Inc.

LATE

SB-2905

Submitted on: 1/31/2022 10:03:30 AM
Testimony for CPN on 2/1/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Suzanne Shriner	Testifying for Synergistic Hawaii Agriculture Council	Support	No

Comments:

Synergistic Hawaii Agriculture Council, a consortium group representing growers statewide, supports the move to a minimum of 51% Hawaiian coffee. When Hawaii is on the label, Hawaii should be in the bag. It means more income for our growers and a better product for consumers.

Mahalo,
Suzanne Shriner
Administrator.



LATE

**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 01, 2022
Re: SB 2905 RELATING TO COFFEE LABELING**

Good morning, Chairperson Baker and members of the Senate Committee on Commerce and Consumer Protection. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

The Retail Merchants of Hawaii is in opposition of SB 2905 Relating to Coffee Labeling. This measure requires coffee blend labels to disclose regional origins and percent by weight of the blended coffees. Prohibits using geographic origins of coffee in labeling or advertising for roasted or instant coffee that contains less than specified percentages coffee by weight from that geographic origin. Appropriates moneys for inspection and detection technologies.

While we understand the intent of this measure, we also realize that it may do more harm to the local coffee industry. Currently many of our visitors return home with bags of local coffee to reminisce about their stay in the islands. Local restaurants use Kona Coffee. Residents enjoy local coffee in their homes. The majority are well aware that the coffee they are purchasing is a blend of at least 10% locally grown coffee beans and therefore at an affordable purchase price.

We have strong concerns regarding the phasing in of the minimum percentage of coffee required for the use of geographical regions. Manufactures and retailers of local coffee know the price point that their consumers are willing to pay. By mandating that a minimum of 51% of locally grown coffee be included as the coffee blend, the cost of this product would significantly increase. This may be a deterrent for people and businesses to purchase locally grown coffee if prices are too high and find alternative brands that are not from local coffee growers. We need to help to promote and encourage local business and not deter people from purchasing our local products.

Locally grown coffee like that from Kona is already one of the most expensive coffee beans in the world. To mandate that 51% of the coffee used must come from local beans to be called Kona or Kauai coffee as an example would drive the price per bag up significantly. The average businesses, visitors, and locals may stop purchasing bags if the locally grown coffee becomes too expensive.

With the current drop in visitors and customers in restaurants and many retail outlets due to the pandemic, businesses are very cognizant of ordering supplies conservatively as well as the price point. We don't want to see our local coffee become so expensive that many locals are not able to afford to purchase a bag to brew at home or the visitor not willing to pay the price to be able to get a taste of what the islands have to offer with a sip of coffee with locally grown beans.

Retailers like many businesses are struggling to survive and to keep their employees employed. We can't afford to price our local products out of the market place and only the wealthy can purchase and not the average local kamaaina. We hope that you hold this measure.

Mahalo for this opportunity to testify.

SB-2905

Submitted on: 1/30/2022 4:47:45 PM

Testimony for CPN on 2/1/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
David Bateman	Individual	Support	No

Comments:

Fully support SB 2905.

Dave Bateman, President

Heavenly Hawaiian Farms

SB-2905

Submitted on: 1/29/2022 10:15:07 AM

Testimony for CPN on 2/1/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
lynne matusow	Individual	Support	No

Comments:

Proud to say I am addicted to 100% Kona coffee, so much so that I have a subscription guarantying a permanent fix. I upsets me when labels do not accurately reflect the percent of coffee from Hawaii in the product.

However, to be consistent with the other amendments and to protect our local growers, I suggest that on page 3, line 3, the word may be replaced with shall. Shall is a requirement, may is a suggestion, aka loophole.