

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

WEDNESDAY, MARCH 15, 2023
10:00 AM
CONFERENCE ROOM 423 & VIDEOCONFERENCE

SENATE BILL NO. 113 SD2
RELATING TO THE LABELING OF PRODUCTS

Chairperson Holt and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 113 SD2. This bill clarifies that operating and overhead expenses incurred and spent within the State shall be included in calculating whether a product labeled "Hawaii Made" or "Made in Hawaii (with Aloha)" has met the requirement that at least fifty-one per cent of the wholesale value of the product is added by manufacture, processing, or production within the State. The bill appropriates funds to the Department of Business, Economic Development and Tourism (DBEDT) to promote and develop the "Made in Hawaii" brand (DBEDT's brand is "Hawaii Made"). The Department of Agriculture (Department) offers comments.

The Department's Measurement Standards Branch is designated to implement and enforce Chapter 486, Hawaii Revised Statutes (HRS), including the enforcement of labeling for perishable items, per section 486-119, HRS, the "Made in Hawaii with Aloha" program. DBEDT has its own mandate in section 201-3.5 (c), HRS, the "Hawaii Made" brand, where they promote and market non-perishable goods. There is no enforcement provision for section 201-3.5, HRS. Enforcement can be optional for a



brand focused on promoting and marketing products broadly. Including operating and overhead expenses in the calculation of at least fifty-one percent of the value added by manufacture, assembly, fabrication, or production within the state makes sense, as it will allow substantially more businesses to participate in DBEDT's brand.

- Operating expenses are the result of a business's normal operations, such as materials, labor, and machinery involved in production.
- Overhead expenses are all costs on the income statement except for direct labor, direct materials and direct expenses. Overhead expenses include accounting fees, advertising, insurance, interest, legal fees, labor burden, rent, repairs, supplies, taxes, telephone bills, travel expenditures, and utilities.

These are two separate programs with two separate HRS Chapters and different purposes. The Department respectfully requests that they remain separate, with the DBEDT brand in section 201-3.5, HRS applying a different formula that includes operating and overhead expenses incurred and spent within the state to be considered in the calculation of at least fifty-one percent of its wholesale value that is added by manufacture, assembly, fabrication, or production within the state; and the formula for the Department's program in section 486-119, HRS, to remain as is (businesses cannot include operating and overhead expenses to reach the fifty-one percent requirement).

By adding the production costs to include operating and overhead expenses incurred and spent within the state, this bill would allow substantially more businesses to qualify for the threshold of fifty-one percent in section 486-119, HRS. The Measurement Standards Branch is tasked to provide enforcement for many programs that the Department manages, including proper labeling for coffee, macadamia nut, mamaki tea, and potentially hemp, as well as for other Hawaii grown products and respectfully requests that its statute remain unchanged and DBEDT's section 201-3.5, HRS brand and the Department's 486-119 program be maintained separately.

Also, DBEDT's appropriation should be for the "Hawaii Made" brand (not "Made in Hawaii").

Thank you for the opportunity to testify on this measure.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

CHRIS J. SADAYASU
DIRECTOR

DANE K. WICKER
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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
Wednesday, March 15, 2023
10:00 AM
State Capitol, Conference Room 423

In consideration of
SB113, SD2
RELATING TO THE LABELING OF PRODUCTS.

Chair Holt, Vice Chair Lamosao and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) supports SB113, SD2, which adds language to HRS 201-3.5(c) and HRS 486-119(a) to clarify that in calculating whether a product labeled "Made in Hawai'i" has met the requirement that at least fifty-one per cent of the wholesale value of the product is manufactured, processed, or produced within the state that operating and overhead expenses incurred and spent within the state shall be included. This bill also provides funding for the promotion and development of the Made in Hawai'i brand.

The inclusion of operating and overhead expenses incurred and spent within the state in the Made in Hawai'i calculation will allow more firms to qualify for its products to be labeled "Made in Hawai'i." This policy is consistent with federal EXIM Bank guidelines.

The Made in Hawai'i brand is a valuable asset to the state in promoting products made in Hawai'i. According to the National Association of Manufacturers, in 2019, the value of products manufactured in Hawai'i was \$1.66 billion. Most of Hawai'i's manufacturers could benefit from a vibrant Made in Hawai'i brand promotion.

Thank you for the opportunity to testify.



HAWAII FOREST INDUSTRY ASSOCIATION (HFIA)

P. O. Box 66 ❖ 'O'ōkala, HI
96774 Phone: 808-933-9411
Email: hfia@hawaiiiforest.org
Website: www.hawaiiiforest.org

Date: 03/13/2023

TO: Chair Holt, Vice Chair Lamosao and ECD Committee Members

FROM: the Hawai'i Forest Industry Association (HFIA)

SUBJECT: In Support of SB113 SD2 Relating to the Labeling of Products

Dear Chair Holt and Committee Members,

On behalf of the Directors and members of the Hawai'i Forest Industry Association (HFIA), please support SB113 SD2 Relating to the Labeling of Products.

Roughly 45% of HFIA's 130 members are wood artisans (wood turners, furniture makers, etc.), wholesalers (primarily lumber) or wood product retailers/galleries. Every year, HFIA hosts the annual Hawaii's Wood Show in Honolulu, in which local artisans enter and are required to use locally sourced woods. We, as an organization made up of a Board of Directors, staff and members, take pride in this event and the regulations set and enforced regarding the utilization of locally sourced materials.

Furthermore, HFIA has also established "Hawaii's Wood Brand". The Hawaii's Wood Brand represents fine items made from wood grown in the Hawaiian Islands. HFIA members who want to participate in the program and brand their items must agree to only brand items that meet the following criteria: Made in Hawai'i; Well-made and of good quality; and Made predominantly of woods that are grown in Hawai'i. Hawaii's Wood Brand not only highlights quality craftsmanship and the richness of Hawai'i's woods, but it also reduces the carbon footprint of wood products created and sold by participating HFIA members. Additionally, it reduces the reliance on imported finished wood products or imported materials for wood products, keeping the money of Hawai'i's craftsmen and consumers circulating in our local economy, rather than directing it to off island entities.

We hope that you will support SB113SD2 and that other areas of commerce will follow suit in an effort to produce and offer genuine, locally crafted products, using locally sourced materials as often as possible.

Mahalo for your time and consideration,

Guy Cellier, Acting President

Hawaii Forest Industry Association

Established in 1989, HFIA's is a nonprofit organization founded by people committed to sustainable forest management. HFIA's mission is to promote healthy and productive forests and a sustainable forest industry through management, education, planning, information exchange, and advocacy. HFIA has over 130 members including woodworkers, landowners, sawyers, foundations, foresters, growers, educators, environmentalists, architects, millers, ranchers, and others interested in HFIA's mission and goals.

HFIA Board of Directors

Officers: Acting President/Vice-President Guy Cellier, Secretary Peter D. Simmons, Treasurer Wade Lee
Directors: Thomas Calhoun, Jeremy Campbell, Aaron Hammer, Nickolas Koch, Tai Lake, Michael Sowards, Irene Sprecher, Michael Tam, Jorma Winkler, Ron Wolfe, Aileen Yeh

SB-113-SD-2

Submitted on: 3/13/2023 8:12:09 PM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ed Schultz	Hawaiian Host Group	Support	Written Testimony Only

Comments:

I am the President & CEO of Hawaiian Host Group, owner of the Hawaiian Host, Mauna Loa and KOHO brands.

SB113 is an important part of creating greater economic development and jobs in Hawaii. Consumer Packaged goods that are more than 51% value added manufactured or created in Hawaii bring back millions of dollars to the state.

In order to ensure that Hawaii products get proper exposure to buyers from Fortune 100 retailers in the US, Japan and Asia, we must help provide marketing dollars to start up and growing Hawaii based businesses. SB113 will do that!

Recently at the Natural Products Expo West in Anaheim and at Food Ex in Tokyo, Hawaiian Host and Mauna Loa were fortunate enough to have the funds to market our products through a well design brand experience. The state of Hawaii through DBEDT helped fund other local companies to market their products, which was great. It gave them really well deserved exposure. However when you compare the aesthetic of the Hawaii section compared to other state of country sponsored sections such as Switzerland, Sweden, Korea or Kansas, our Hawaii section lacked the investment that other origin products gained. I know we can do better and our small businesses deserve it.

I strongly recommend the approval of SB113.



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
MARCH 15, 2023**

Re: SB 113 SD2 RELATING TO THE LABELING OF PRODUCTS

Good morning, Chair Holt, and members of the House Committee on Economic Development. 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 and is a statewide, not for profit trade organization committed to supporting 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, on-line sellers, local, national, and international retailers, chains, and everyone in between.

The Retail Merchants of Hawaii appreciates the intent of this measure. This measure clarifies that calculations to determine whether an item labeled "Hawai'i Made" or "Made in Hawai'i" has met the requirement that at least 51% of the wholesale value of the product is added by production within the State include operating and overhead expenses incurred and spent within the State. Appropriates funds to promote and develop the "Made in Hawai'i" brand; and is effective 7/1/2050.

Hawaii has to import a lot of raw materials to make items that include but not limited to apparel, edibles, and jewelry. From the pandemic we have seen many manufacturing businesses closing down, causing a shortage of local options for businesses. **For some local businesses who do have to import their materials, a blanket a 51% of the wholesale value the product may be hard to achieve.**

Mahalo for this opportunity to testify.

LATE

LATE



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423
WEDNESDAY, MARCH 15, 2023 AT 10:00 A.M.**

To The Honorable Daniel Holt, Chair
The Honorable Rachele F. Lamosao, Vice Chair
Members of the committee on Economic Development

SUPPORTING SB113 SD2 RELATING TO THE LABELING OF PRODUCTS

The Maui Chamber of Commerce **supports SB113 SD2** which clarifies that in calculating whether a product labeled "Made in Hawaii" has met the requirement that at least fifty-one per cent of the wholesale value of the product is added by manufacture, processing, or production within the State, where "production" includes operating and overhead expenses incurred and spent within the State. Also, it appropriates funds to promote and develop the "Made in Hawaii" brand.

The Chamber understands that Hawaii has long had a 51% valuation and this is important because many of the materials or packaging needed to make products in Hawaii are not manufactured here. The Maui Chamber of Commerce has been certifying products of local origin since 1982, which has been used by local manufacturers in three key efforts - first to certify it is product made in the region; second, to participate in trade shows featuring locally made products with a 51% valuation (initially Made In Maui trades shows and now the Made In Maui County Festival and the Made In Hawaii show), and third to certify local origin for exported products. Including operating and overhead expenses incurred within the State helps local manufacturers meet the 51% criteria.

For this reason, we **support SB113 SD2** and request it be passed.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



Food+ Policy Internship 2023

food@purplemaia.org

LATE

March 15, 2023

To: House Committee on Economic Development

LATE

Subject: SB 113, Relating to The Labeling of Products

LATE

Aloha Members of the Legislature,

I am writing in support of SB 113, which seeks to clarify the requirements for products to be labeled as "Hawai'i Made" or "Made in Hawai'i." This bill is an important step towards promoting local businesses and ensuring that consumers have accurate information about the products they purchase. The bill also encourages producers to help to reduce the state's reliance on imports and rely on local producers.

SB 113 proposes to clarify that calculations to determine whether an item labeled "Hawai'i Made" or "Made in Hawai'i" meets the 51% requirement for wholesale value added by production within the state should include operating and overhead expenses incurred and spent within the state. This bill appropriates funds to promote and develop the "Made in Hawai'i" brand, which will help to create a stronger market for local products and encourage more businesses to invest in their operations within the state. By promoting the "Made in Hawai'i" brand, we can help to create jobs and support local communities, while also providing consumers with high-quality, locally produced products.

Overall, SB 113 helps to support local businesses and promote economic growth within the state. I urge you to support this bill and ensure that Hawaii continues to be a leader in promoting local products and supporting our local communities.

Mahalo for hearing this bill.

Tierra Bartolotti

Lead Advocate
Food+ Policy

The Food+ Policy internship develops student advocates who learn work skills while increasing civic engagement to become emerging leaders. We focus on good food systems policy because we see the importance and potential of the food system in combating climate change and increasing the health, equity, and resiliency of Hawai'i communities.

In 2023, the cohort of interns are undergraduate and graduate students from throughout the UH System. They are a mix of traditional and nontraditional students, including parents and veterans, who have backgrounds in education, farming, public health, nutrition, and Hawaiian culture.

SB-113-SD-2

Submitted on: 3/13/2023 9:46:36 AM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Support	Written Testimony Only

Comments:

We must protect and publicize our brand. Made in Hawaii must truly be made in Hawaii. As a taxpayer and consumer I urge you to pass this bill.

SB-113-SD-2

Submitted on: 3/14/2023 5:51:07 AM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Caroline Azelski	Individual	Support	Written Testimony Only

Comments:

In support of SD2. Thank you.