



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Ways and Means
Friday, February 23, 2024 at 10:30 a.m.

By

Erika Lacro

Vice President for Community Colleges
University of Hawai'i

SB 2500 SD1 – RELATING TO VALUE-ADDED PRODUCTS

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The University of Hawai'i supports the intent of SB 2500 SD1, which establishes under the Agribusiness Development Corporation a “food and product innovation network” providing access to facilities, resources, expertise and education to capitalize on the “Made in Hawai'i, “produced in Hawai'i”, or “processed in Hawai'i” brand and supporting the strengthening and diversification of the local agriculture economy.

Synergies between partner and primary network members can expand access statewide, and leverage resources while avoiding unnecessary duplication in support of innovation and business development.

The University of Hawai'i supports the intent of SB 2500 SD1, as long as its passage does not replace or adversely impact priorities as indicated in our BOR Approved Budget.

Thank you for the opportunity to provide testimony in support of SB 2500 SD1.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



WENDY L. GADY
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Suite 205
Honolulu, HI 96813
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TESTIMONY OF WENDY L. GADY
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 23, 2024
10:30 a.m.
Conference Room 211 & Videoconference

SENATE BILL NO. 2500, SD1
RELATING TO VALUE-ADDED PRODUCTS

Chairperson Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Thank you for the opportunity to testify in support of Senate Bill No. 2500 SD1, which establishes a food and product innovation network (FPIN) within the Agribusiness Development Corporation and makes an appropriation for food and product innovation facilities on the islands of Molokai, Oahu, and Hawai'i.

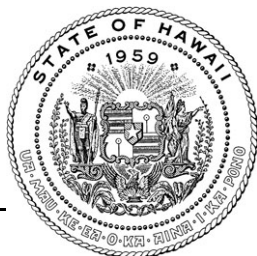
The Agribusiness Development Corporation (ADC) strongly supports this measure, which provides funding for a statewide FPIN, which will create rural jobs, provide additional revenue streams to our local farmers and producers, and foster the development of locally made value-added products to expand the "Made in Hawaii" brand.

Research and product development is risky and requires a lot of up-front capital, which discourages a lot of Hawaii's emerging agribusinesses and

entrepreneurs from exploring new markets. The establishment of FPINs will de-risk investment for growing businesses and accelerate their efforts in developing new products to promote food resiliency and Hawaii's export marketing. The facilities will be the place where agribusinesses and entrepreneurs can develop a wide variety of locally made value-added products from preparation to packaged product. Because it is a network, information and expertise can be shared and passed on to others to replicate success.

ADC believes these investments will make the agency more dynamic and stimulate economic development, particularly in our rural communities. By making these investments, ADC will be able to attract and support agribusinesses and entrepreneurs and help them reach economies of scale.

We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget. Thank you for your consideration of our testimony.



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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAME KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 23, 2024
10:30 AM
State Capitol, Conference Room 211

In consideration of
SB 2500, SD1
RELATING TO VALUE-ADDED PRODUCTS.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) **strongly supports** SB2500, SD1, which establishes a Food and Product Innovation Network in our state. DBEDT firmly believes that such an initiative is not only critical but imperative to meet our agricultural and economic diversification goals. By establishing this network, we will unlock boundless opportunities for businesses in our state to thrive on a global scale under the esteemed banner of "Made in Hawai'i," "Produced in Hawai'i," or "Processed in Hawai'i."

At the heart of this endeavor lies the recognition of the indispensable role that value-add manufacturing plays in bolstering both our agricultural sector and the broader economy. This concept intertwines with the proposed Food Innovation Network and The FoodBowl, drawing inspiration from the exemplary model set forth by New Zealand in the following ways:

1. **Enhancing Agricultural Value Chains:** Value-add manufacturing encompasses processes that transform raw agricultural produce into higher-value products. By incorporating innovation and technology into these processes, we not only add value to our agricultural output but also create a diversified range of products that cater to diverse consumer demands. The Food and Product Innovation Network, with its focus on value-added product development, aligns perfectly with this

ethos, providing businesses with the resources needed to capitalize on our agricultural bounty and elevate it to global standards of excellence.

2. **Fostering Economic Resilience and Growth:** A robust value-add manufacturing sector not only stimulates economic growth but also enhances resilience by reducing reliance on commodity markets. By investing in value-add capabilities, we insulate our economy from the volatilities of global markets and create a foundation for sustained prosperity. The FoodBowl, as a beacon of best practices, exemplifies how strategic investment in value-add manufacturing infrastructure can catalyze economic development, creating jobs, fostering innovation, and attracting investment.
3. **Promoting Brand Value and Market Access:** The establishment of a Food and Product Innovation Network empowers businesses to leverage our unique regional identity and capitalize on the burgeoning demand for authentic, high-quality products. By nurturing a culture of innovation and excellence, we not only enhance the reputation of our "Made in Hawai'i" brand but also gain access to premium markets worldwide. The FoodBowl serves as a testament to the transformative power of such initiatives, enabling businesses to scale up production, meet stringent quality standards, and establish themselves as global leaders in their respective fields.

In addition, DBEDT supports the request for the establishment of one full-time equivalent (1.0 FTE) position at \$100,000 annual salary for a director for the Food and Product Innovation Network.

In conclusion, the establishment of a statewide network of open-access food and value-added product development facilities is not merely an aspiration but a necessity in our quest for agricultural and economic prosperity. By providing businesses with the tools, resources, and expertise needed to thrive in today's dynamic marketplace, we lay the foundation for a future where Hawai'i stands at the forefront of innovation, sustainability, and economic resilience.

DBEDT urges you to support this critical initiative and pave the way for a brighter, more prosperous future for our farmers and ranchers, small businesses, and our state. Mahalo for the opportunity to strongly support this measure.



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Executive Officers

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Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, *Advisor*
Eddie Asato, Pint Size Hawaii, *Immediate Past Chair*

TO: Committee on Ways and Means

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 23, 2024
TIME: 10:30am
PLACE: Room 211

RE: SB2500 SD1 Relating to Value-Added Products

Position: Support

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

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

HFIA is in support of this measure. Increasing local food production is a goal we all share. When more of the food that is consumed in Hawaii is made in Hawaii our state becomes more resilient, more sustainable, and stronger economically. State support for value added products is a key component of increasing local food production.

HFIA has proudly produced the Made in Hawaii Festival for 30 years. Each year Made in Hawaii Festival vendors find ways to add value and create a range of amazing products using locally grown fruits, vegetables, meat, flowers, wood, and more. We know there is tremendous potential for growth in this sector. Creating a Food and Product Innovation Network is the kind of support that can enable our local businesses to grow and thrive and create more Hawaii food and products for Hawaii consumers.

We encourage the Committees to pass this measure and we thank you for the opportunity to testify.



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North Shore, O'ahu

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Ted Radovich
Waimanalo, O'ahu

Vincent Kimura
Honolulu, O'ahu

Natalie Urminska
Kauai

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Ways and Means Committee,

The Hawaii Farmers Union is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFUU supports SB2500.**

This bill takes an important step in advancing the agricultural industry in Hawaii by establishing a food and product innovation network within the Agribusiness Development Corporation. This network will provide a platform for farmers to develop and market value-added products, adding significant value to their produce and increasing their profitability.

We recommend that the ADC be directed to work with the existing network of food innovators and processors to first determine the need for additional capacity and manufacturing facilities. In particular we note that there are food hubs distributed across the islands, including on state lands and using state facilities, that could benefit from additional support.

By expanding existing food and product innovation networks and providing funding for innovation facilities, this bill can empower our farmers to add value to their produce, expand market opportunities, and ultimately enhance the economic viability of farming in our state. However, should the state solely pursue developing facilities in lieu of performing market research it may serve as a competitor to private operations and have a negative impact on this key component of our food industry.

Mahalo for the opportunity to testify.

Kaipo Kekona, President HFUU/HFUF



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Friday, February 23, 2024 — 10:30 a.m.

Ulupono Initiative supports SB 2500 SD1, Relating to Value-Added Products.

Dear Chair Dela Cruz and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono supports SB 2500 SD1, which establishes a food and product innovation network within the Agribusiness Development Corporation and appropriates moneys for food and product innovation facilities on the islands of Molokai, O'ahu, and Hawai'i.

According to the USDA, U.S. farm establishments received 14.9 cents per dollar spent on domestically produced food in 2022. This was the lowest recorded farm share value in nearly three decades.¹ In Hawai'i, leaf lettuce growers receive \$2–\$4 per pound for raw product. Some of these leaf lettuce growers add value to their product by washing, cutting, packaging and mixing multiple leaf lettuce varieties into retail ready clamshell boxes. By doing this minimal value-added processing, these leaf lettuce growers can increase their price to \$9–\$12 per pound.

Another way farmers can increase their profitability is to create value-added products with their off-grade produce. Off-grade produce can be perfectly edible, but might not be “good looking” enough for grocery shoppers. Depending on the type of produce, the percentage of a harvest that might be classified as off-grade can range from 10% to 40%.² Farmers have trouble selling off-grade produce, so it is often wasted. By figuring out innovative ways to add value to off-grade produce, farmers will be able to utilize more of their harvest and generate profit from produce that would otherwise go unused.

As Hawai'i's local food issues become increasingly complex and challenging, local producers and local food entrepreneurs will need additional resources and support to address and

¹ <https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=105281#:~:text=U.S.%20farm%20establishments%20received%2014.5.value%20in%20nearly%20three%20decades>.

² https://www.salon.com/2019/09/08/study-finds-farm-level-food-waste-is-much-worse-than-we-thought_partner/ and <https://www.sciencedirect.com/science/article/pii/S0921344919301296>



overcome them. We appreciate this committee's efforts to look at policies that support local food production and the success of our farmers and ranchers in scaling up to help our state meet its agricultural and economic diversification goals.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



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February 23, 2024

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 2500, SD1
RELATING TO VALUE-ADDED PRODUCTS

Conference Room 211 & Videoconference
10:30 AM

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau strongly supports SB 2500, SD1, which establishes a food and product innovation network within the Agribusiness Development Corporation and appropriates funds for food and product innovation facilities on the islands of Molokai, Oahu, and Hawai'i.

As expenses rise, increases in farm revenues and profits are critical to the continued viability of farms and ranches. One way farmers can do this is by "adding value" to raw agricultural crops. Currently, off-grade and excess production is sometimes wasted due to market conditions. Converting them into value-added products will not only increase farm revenue but also provide new business opportunities, increase employment opportunities, and address Hawai'i's goals of increased self-sufficiency and sustainability.

High production costs are a major driver of narrow profit margins for Hawai'i's farmers and value-added food producers. Labor, taxes, land, transportation, utilities, and supplies are all costs of doing business that often result in value-added food producers just being able to break even.

If a Hawai'i farmer or entrepreneur wants to process an off-grade product into a value-added product they are usually forced to send it to the mainland because Hawai'i lacks value-added processing facilities. This cost of transportation to and from the mainland is often enough to discourage farmers from pursuing value-added production.

Hawai'i is potentially losing millions of dollars because of the cost of processing agricultural crops into value-added products. A network of food and value-added facilities in Hawai'i will support the production of new value-added products so that farmers can

increase their income while allowing locally produced value-added goods can compete with imported products, and expand into new export markets, strengthening our local economy.

The strength of Hawai'i's economy is dependent upon a diversity in commerce that is resilient to economic downturns and aggressive in creating new growth opportunities.

Thank you for the opportunity to testify on this measure.



Hawai'i Forest Industry Association

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Honolulu, HI 96825
Phone: 808/933/9411
Email: hfia@hawaiiiforest.org

Date: 02/21/24

TO: WAM Chair Dela Cruz, Vice Chair Moriwaki and WAM Committee Members Aquino DeCoite, Hashimoto, Inouye, Kanuha, Kidani, Mercado Kim, Lee, Shimabukuro, Wakai, Fevella

FROM: Hawai'i Forest Industry Association (HFIA)

SUBJECT: In Support of SB2500 SD1 Relating to Value Added Products

Dear Chair Inouye and Committee Members,

On behalf of the Directors and members of the Hawai'i Forest Industry Association (HFIA), please support SB2500 SD1 Relating to Value-Added Products..

Since 1989 HFIA has worked towards actualizing healthy and productive forests across the state of Hawaii and recognized Hawaii's opportunity for economic growth and diversification. We've taken much pride in encouraging our members to create products utilizing locally sourced materials. We've done this via our Hawaii's Wood Brand program which represents fine items made from wood grown in the Hawaiian Islands. The program requires participants to meet certain criteria ensuring their products are Hawaii Made and of good quality. Roughly 40% of HFIA's members are woodworkers, the vast majority of whom utilize woods sourced locally. Many HFIA woodworkers sell their finished products both locally and out of state. These sales of high quality, Hawaii Made products, to out of state buyers are a small-scale example of what HB1426 could yield on a broader scale across various food and product categories.

It is also important to note that Hawaii is home to millions of acres of land zoned as Conservation Reserve. These lands hold forest resources that could be utilized for innovation and to create value-added, Hawaii Made products. Extracted resources could be replenished for future harvest and use. These lands also hold wild game that could be processed to feed local families or exported as a Hawaii Sourced product with the support of a Food and Product Innovation Network.

Ultimately, a successful Food and Product Innovation Network could yield various benefits including economic diversification and growth, job creation, business innovation and networking and resource sharing amongst entrepreneurs in the State of Hawaii. For these reasons we hope that you will support SB2500 SD1.

Mahalo for your time and consideration,

Guy Cellier

Guy Cellier, President

Hawaii Forest Industry Association

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: President Guy Cellier, Vice President Irene Sprecher, Secretary Taylor Coons, Treasurer Wade Lee
Directors: Jeremy Campbell, Aaron Hammer, Nicholas Koch, Michael Sowards, Aileen Yeh



LATE

**Testimony to the Senate Committee on Ways and Means
Friday, February 23, 2024, at 10:30AM
Conference Room 211**

RE: SB2500 SD1 Relating to Value-Added Products

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Chamber of Commerce Hawaii Supports (“The Chamber”) **supports SB2500 SD1**, which establishes a food and product innovation network within the Agribusiness Development Corporation and appropriates moneys for food and product innovation facilities on the islands of Molokai, O’ahu, and Hawai’i.

The Chamber completed its 2030 Blueprint for Hawaii Initiative earlier this year to create a data-based action plan and vision for business to lead and shape Hawaii’s economic future as a top place to do business. The results presented by the 2030 Blueprint for Hawaii Initiative provide support for establishing a food and product innovation network, which is critical to meeting the State's agricultural and economic diversification goals, as purported in this measure.

The Chamber is firmly committed to fostering economic growth that directly benefits our local community. We prioritize legislation aimed at cultivating a thriving entrepreneurial ecosystem and diversifying the economy through the expansion of agriculture and food product industries, particularly the value-added processing of local foods. This aligns with recommendations outlined in the 2030 Blueprint for Hawaii Initiative, underscoring the importance of adopting programs to encourage the development of new value-added products. Furthermore, findings presented emphasis on the necessity of building greater local wealth through a strengthened entrepreneurial ecosystem, forged through collaboration with partner organizations.

Based on these considerations and others, the Chamber fully supports the objectives of this measure and respectfully urges the committee to move forward with its advancement.

The Chamber is Hawaii’s leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of members and the entire business community to improve the state’s economic climate and to foster positive action on issues of common concern.

On behalf of The Chamber, thank you for this opportunity to testify.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
Friday, February 23, 2024, 10:30 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Sharon Y. Moriwaki, Vice Chair
Members of the committee on Ways and Means

SUPPORT SB2500 RELATING TO VALUE-ADDED PRODUCTS

The Maui Chamber of Commerce **SUPPORTS SB2500.**

The Maui Chamber of Commerce created the Made in Maui program and hosts the annual Hawaiian Airlines Made in Maui County Festival, featuring local makers. Food manufacturing in particular is an important value-added industry that directly supports our agricultural industry by giving more shelf life to meat, produce, and other food items. We appreciate that this proposed program leverages other programs from the federal funded foreign trade zone offerings and offers assistance to small food product businesses who often need extra help with labeling, testing, exporting, etc.

We also strongly support the inclusion of funding to establish a new food and product innovation facility on the island of Molokai, with a focus on utilizing axis deer for producing food and value-added products. We would like to see that type of program also expanded to Maui, in addition to funding for a slaughterhouse to help manage our axis deer population. The Chamber has identified many manufacturers who can and are interested in making value-added products and creating sustainable biproducts from axis deer. This includes manufacturers from our festival who are located on Maui, Molokai, and Lanai. However, a slaughterhouse and program with a focus on utilizing axis deer on every island in Maui County is key.

For these reasons, we **support SB2500.**

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.