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**SHAN S. TSUTSUI**  
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**SCOTT E. ENRIGHT**  
Chairperson, Board of Agriculture

**PHYLLIS SHIMABUKURO-GEISER**  
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE AGRICULTURE**

March 18, 2016  
8:30 A.M.  
CONFERENCE ROOM 312

**HR56/HCR95**

**REQUESTING THE UNIVERSITY OF HAWAII ECONOMIC RESEARCH  
ORGANIZATION TO CONVENE A WORKING GROUP TO ESTABLISH THE  
PROTOCOL TO BE USED AND FACTORS TO BE ADDRESSED IN A STUDY OF  
THE ECONOMIC IMPACT ON THE KONA COFFEE INDUSTRY FROM POSSIBLE  
CHANGES TO COFFEE LABELING LAWS**

Chairperson Tsuji and Members of the Committee:

Thank for the opportunity to testify on HR56/HCR95, requesting the University of Hawaii Economic Research Organization to convene a working group to establish the protocol to be used and factors to be addressed in a study of the economic impact on the Kona coffee industry from possible changes to coffee labeling laws. The department offers comments.

Although the resolution proposes for a study on the economic impact on the Kona coffee industry, the department is concerned that the outcome will affect all other coffee industry members who are not included in the working group, such as representatives from the Kona Coffee Council, Hawaii Coffee Growers Association, Maui Coffee Association, and the Ka'u coffee industry.

The department previously published several reports on this issue:

- In 2006, Hawaii's Coffee Industry – Structural Change and Its Effects on Farm Operations
- In 2008, Interim Report on Hawaii-Grown Coffee Labeling and Inspection, and Economic Impact of Potential Changes to Minimum Content Requirements
- In 2009, Report on Hawaii-Grown Coffee Labeling and Inspection, and Economic Impact of Potential Changes to Minimum Content Requirements



The department suggests that the working group address other challenges, such as controlling coffee berry borer, and labor issues, which are plaguing the coffee industry.

Thank you for the opportunity to testify on this measure.

# HAWAII COFFEE COMPANY™

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Testimony of  
**Daniel Dinell**  
**President, Hawaii Coffee Company**

before the  
**House Committee on Agriculture**  
Friday, March 18, 2016; 8:30 a.m.  
State Capitol, Conference Room 312

RE: HR 56 and HCR95, requesting the University of Hawaii Economic Research Organization to convene a Working Group to establish the protocol to be used and factors to be addressed in a study of the economic impact on the Kona Coffee industry from possible changes to coffee labeling laws

Chair Tsuji, Vice Chair Onishi, and members of the House Committee on Agriculture:

Hawaii Coffee Company (HCC) **opposes** HR 56 and HCR 95 measures which request a Working Group be established to determine how an economic impact study should be set up regarding possible changes to coffee labeling laws.

Hawaii Coffee Company has been in the coffee roasting business since 2000 and today is the world's largest roaster of Kona Coffee – we roast 100% Kona Coffee as well as Kona Coffee and other Hawaiian blends all of which comply with Hawaii State Law by containing a minimum of 10% origin coffee by weight. Our 100 plus employees at our plant in Kalihi and other locations around the state earn a livelihood milling, roasting, packing, distributing, and retailing coffee. We have a major retail presence throughout Hawaii, are a leading provider of coffee to Hawaii hotels and restaurants and export our products around the globe.

While we appreciate the intent of these resolutions, this is a highly divisive issue that has more to do with legitimate business models that differ than with economic impacts. HCC supports consumer choice and providing, as afforded under Hawaii state law, clear consumer-oriented labeling so customers can make an informed choice as to what coffee they are purchasing.

HCC would be more supportive of the Legislature providing resources to the State Department of Agriculture (DOA) for enforcement of existing laws and regulations than mandating as these resolutions do, staff time and expenses from the University of Hawaii and State DOA to develop a report on how to do an economic impact report for something that the marketplace is already deciding every day. If there is a market and profit to be made doing 100% origin specific offerings, roasters will do that; if there is a market and profit to be made doing 10% or higher blends, roasters will do that. The nature of a free market economy is that the greatest return on investment will be sought. This is, in short Adam Smith's "invisible hand".

Moreover, these resolutions focus on one origin, but why only Kona? There are Hawaiian coffee blends on the market as well as other origin-specific blends as well - these exist because a market exists for these products. Finally, let us note that whatever Hawaii does, other jurisdictions do not need to follow so coffee roasters and distributors on the US mainland or overseas will continue to do as they please without regard to Hawaii law. Producers will, for example in the USA, have to follow federal laws relative to false or misleading labeling, but nothing would prevent a 10% Kona Coffee blend to be roasted and marketed as long as it was not misleading the consumer. You may find by changing the allowable blend percentage that more green coffee will leave the state for roasting and blending offshore instead of staying here for value add roasting and distributing.

These are resolutions in search of a dispute that won't be solved by legislative fiat. Are there differing business models? Absolutely. Are the proponents of each business model at odds? Absolutely. Will a report that comes out saying X or Y be embraced by these passionate folks who at the core disagree? Doubtful.

HR56 and HCR95 should be shelved and we should focus efforts and energy to help coffee farmers, such as Botanigard subsidies to control CBB, market development grants. We thank this Committee and your colleagues in the Senate and on the money committees for that support. That, along with efforts to address long needed changes to coffee-related matters in Hawaii Administrative Rules, supply of labor, and the like are the most productive ways to grow this industry and contribute to the economy of the State.

Mahalo for the opportunity to provide this testimony.

# Hawaii Coffee Association



Kauai Big Island Maui Molokai Oahu



PO Box 168, Kealahou, HI 96750

## **Testimony to the House Committee on Agriculture and Committee on Economic Development and Business.**

**Friday, March 18, 2016**

RE: **HCR95** – House Concurrent Resolution

Chair Tsuji, Vice Chair Onishi, Chair Kawakami, Vice Chair Kong  
and Committee Members:

The Hawaii Coffee Association supports the intent of HR56/HCR95.  
A comprehensive and viable study of the labeling laws impact on  
our industry would be greatly useful to our industry.

However, we recommend that the focus of this resolution should  
encompass the entire coffee industry in the State of Hawaii and not  
be limited to coffee produced in a single region of the State.

We also believe that, in addition to evaluating protocols and  
procedures for studying the impact of labeling laws, we should also  
be considering the impacts of effective enforcement of coffee labeling  
laws in Hawaii.

Thank you for the opportunity to offer our comments on these  
resolutions.

Sincerely,

A handwritten signature in cursive script that reads "Steve Hicks".

Steve Hicks, President

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, March 17, 2016 12:04 PM  
**To:** AGRtestimony  
**Cc:** randy@olsontrust.com  
**Subject:** \*Submitted testimony for HCR95 on Mar 18, 2016 08:30AM\*

**HCR95**

Submitted on: 3/17/2016

Testimony for AGR on Mar 18, 2016 08:30AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Randall J. Stevens	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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March 18, 2016

HEARING BEFORE THE  
HOUSE COMMITTEE ON AGRICULTURE

**TESTIMONY ON HR 56/HCR 95**

REQUESTING THE UNIVERSITY OF HAWAII ECONOMIC RESEARCH  
ORGANIZATION TO CONVENE A WORKING GROUP TO ESTABLISH THE  
PROTOCOL TO BE USED AND FACTORS TO BE ADDRESSED IN A STUDY OF  
THE ECONOMIC IMPACT ON THE KONA COFFEE INDUSTRY FROM POSSIBLE  
CHANGES TO COFFEE LABELING LAWS

Room 312  
8:30 AM

Aloha Chair Tsuji, Vice Chair Onishi, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

**HFB supports the intent of HR56/HCR95**, which requests that the University of Hawaii Economic Research Organizations convene a working group to establish the protocol to be used and factors to be addressed in a study of the economic impact of the Kona Coffee Industry from possible changes to coffee labeling laws.

A credible, unbiased study that examines the impacts of labeling laws on the Hawaii Coffee industry could prove to be a valuable resource for farmers, industry professionals, and lawmakers. Engaging all the pertinent stakeholders is certainly an important first step.

HFB believes the scope of the measure is too narrow in that it only addresses the Kona origin. HFB believes the focus of the study should be a statewide initiative that addresses all origins within the state of Hawaii. Furthermore, it is our preference that, to the extent possible, counterfeiting and false labeling of Hawaii-grown products beyond our shores also be addressed.

Thank you for the opportunity to offer our comments on these resolutions.