

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Acting Chairperson
Board of Agriculture

State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF THE DEPARTMENT OF AGRICULTURE
BEFORE THE HOUSE COMMITTEE ON FINANCE

FEBRUARY 6, 2019
2:00 P.M.
CONFERENCE ROOM 308

HOUSE BILL NO. 1535
RELATING TO CAPITAL IMPROVEMENT PROJECTS FOR THE BENEFIT OF THE
KUNOA CATTLE COMPANY

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to testify on House Bill 1535. This bill appropriates \$400,000 for a capital improvement project for Kunoa Cattle Company to fund the construction of a harvest facility and cold storage space to enhance food safety and equipment acquisition. The Department of Agriculture supports the intent of this bill provided it does not impact the Department's priorities listed in the Executive Budget.

Kunoa Cattle Company is committed to land stewardship, holistic management and renewable energy to provide a sustainable future. They have purchased the slaughterhouse on Oahu and intend to expand the current slaughter and processing operations by constructing a harvest facility and cold storage space to enhance food safety. The expansion of the slaughterhouse capabilities will provide safe options for Hawaii ranchers and farmers to raise more livestock for local consumption and contribute to Hawaii's food sustainability.

Thank you for the opportunity to testify on this measure.





Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Wednesday, February 6, 2019 — 2:00 p.m. — Room 308

Ulupono Initiative Supports HB 1535 with a Comment, Relating to Capital Improvement Projects for the Benefit of the Kunoa Cattle Company

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

My name is Murray Clay and I am Managing Partner of Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and better manage waste and fresh water resources. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono supports HB 1535 with a comment, which appropriates funding for a capital improvement project for Kunoa Cattle Company, because it aligns with our goal to increase local food production.

In Hawai'i, there is a shortage of slaughter and processing facility infrastructure, which hinders local protein production. The slaughterhouses on Hawai'i Island are running at full capacity. Similarly, Maui's slaughterhouse will require a further capacity expansion. Against this backdrop, Kunoa Cattle Company on O'ahu needs to upgrade its facilities to ensure continued operations and alleviate neighbor island capacity constraints.

Kunoa Cattle Company will use the funding for:

1. Build out of cold storage space on the loading dock to insure food safety. There needs to be an increase in cold storage walk in-space to build orders and insure no temperature abuse. The work will include installation of insulated walls and walk-in door with all cooling equipment needed to keep the room at the correct temperature.
2. Repairing the three walk-in coolers door seals as the current door systems are old and weathered. The old door seals will need to be changed out to ensure the seal is good. This is critical for food safety to be able to keep the room temperature at the optimal setting.

Investing in a Sustainable Hawai'i

3. Servicing and repairing the cooling coils in the chiller rooms for food safety. The ability to keep the raw materials at the optimal temperature is crucial to food safety and will allow Kunoa to grow its customer base and ensure food security in Hawai'i.

Kunoa's processing plant is a vital asset for beef and pork producers in Hawai'i. Such assets are critical to maintaining and expanding a viable ranching industry and tradition in Hawai'i. However, if State funds are to be used to improve this plant, it is only fair to ensure that the plant is used broadly for the benefit of local ranchers. With that in mind, a reasonable precondition for the capital improvement funds should be that the operators commit to allowing producers to pursue their own markets and brands. Packers/processors should not dictate how producers allocate their volume. It would also be helpful in advancing the industry for Kunoa to make slots available for cull cows. With such conditions in place, Ulupono is very supportive of funding to improve this key asset.

As Hawai'i's local food issues become increasingly complex and challenging, organizations need additional resources and support to address and overcome them. We appreciate this committee's efforts to look at policies that support local food production.

We believe that through collaboration, we can help produce more local food and support an economically robust homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Committee on Finance

Bobby Farias, President, Kunoa Cattle Company

Wednesday, February 5, 2019; 2:00PM

Support for H.B. 1535 RELATING TO CAPITAL IMPROVEMENT PROJECTS FOR THE BENEFIT OF THE KUNOA CATTLE COMPANY.

Aloha e Representatives Luke and Cullen.

My name is Bobby Farias and I am Co-founder & President of Kunoa Cattle Company, a 100% local, vertically integrated beef ranching and meat processing company. We operate the state's largest animal harvest facility on Oahu. We also work with and purchase from more than 70 partner ranchers on Big Island, Maui, Oahu, and Kauai to deliver quality, grass-fed beef statewide.

Kunoa strongly supports H.B. 1535 because it will provide resources we need to serve the cattle industry and continue our mission of increasing local food production and increasing farmer profitability. Producing more local food and doing it in a way that honors Hawaii's natural and cultural resources is not the job of one company. It will result from a sustained commitment and collaboration between producers, consumers, politicians, activists, and more. H.B. 1535 represents the State's support of this mission and affirmation that food security is essential to making Hawaii a community that can thrive for generations to come.

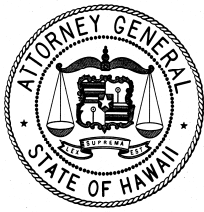
Kunoa intends to use CIP funds for specific improvements to the Kapolei facility that will increase overall capacity and efficiency. Since assuming control of the facility in late 2016 we have increased monthly animal throughput by 750%-keeping more local cattle in Hawaii versus shipping them to the mainland. We are making strides towards self-sufficiency but are handicapped by obsolete technology that limits efficiencies necessary to compete with mainland beef.

Many of the proposed improvements are designed to make the plant more energy efficient by implementing cost-effective measures such as insulation, sealing, variable frequency fans, and improved heat exchangers. This will lower the ongoing operating costs, decrease the environmental impacts of operation, and improve the food safety and security of our operation. A summary of proposed improvements includes:

1. Build out cold storage space;
2. Chill loading dock to ensure food safety;
3. Installation of walls and walk-in door;
4. Additional cooling equipment needed to keep the room below USDA temp;
5. Perform repairs to three walk-in cooler door and seals;
6. Maintenance on the chillers to decrease defrost cycles for food safety temperatures;
7. Service and repair the cooling coils, fan shrouds, coil fins, and exit moisture piping.

If you believe in a self-sufficient Hawaii, a Hawaii that can stand free, please support your local farmers, ranchers, and food companies. Together we can create a healthy and sustainable future for our islands.

We urge the committee to pass H.B. 1535. Thank you for this opportunity to testify.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTIETH LEGISLATURE, 2019**

ON THE FOLLOWING MEASURE:

H.B. NO. 1535, RELATING TO CAPITAL IMPROVEMENT PROJECTS FOR THE BENEFIT OF THE KUNOA CATTLE COMPANY.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

LATE

DATE: Wednesday, February 6, 2019 **TIME:** 2:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Clare E. Connors, Attorney General, or
Valerie M. Kato, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General offers the following comments on this bill.

This bill appropriates funds in the amount of \$400,000 to be expended by the Department of Agriculture to make certain improvements and purchase equipment for Kunoa Cattle Company, LCC, a foreign limited liability company.

Article VII, section 4 of the Hawaii State Constitution provides in relevant part that:

APPROPRIATIONS FOR PRIVATE PURPOSES PROHIBITED

Section 4. No tax shall be levied or appropriation of public money or property made, nor shall the public credit be used, directly or indirectly, except for a public purpose.

This bill does not provide a justification as to how the use of public funds on behalf of a private limited liability company would serve a public purpose, which could make the appropriation subject to constitutional challenge.

To defend against potential legal challenges, we respectfully recommend the Committee either add a clear justification describing how the appropriation would achieve a public purpose or hold the bill in committee.

Thank you for the opportunity to provide these comments.

HB-1535

Submitted on: 2/6/2019 2:31:43 AM

Testimony for FIN on 2/6/2019 2:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
De MONT R. D. CONNER	Ho'omanapono Political Action Committee (HPAC)	Support	Yes

Comments:

WE STRONGLY SUPPORT THIS BILL.

LATE

HB-1535

Submitted on: 2/6/2019 2:35:23 AM

Testimony for FIN on 2/6/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Rachel L. Kailianu	Ho`omana Pono, LLC	Support	Yes

Comments:

WE STRONGLY SUPPORT THIS BILL.