



**DEPARTMENT OF BUSINESS,
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Statement of
LUIS P. SALAVERIA
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Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, February 3, 2017
9:15a.m.

State Capitol, Conference Room 309

in consideration of
HB 1559

RELATING TO FOOD SAFETY.

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB 1559 which appropriates funds to address the FDA's industry guidance on the use of color additives in sea salt products so long as it does not displace Administration priorities.

DBEDT has not previously worked with the FDA on such a complex issue, and will require it to seek professional and knowledgeable assistance. Therefore, funding in the sum of \$150,000, as specified in the bill is necessary to undertake this task.

Thank you for the opportunity to provide testimony.

Testimony for the H.B. NO. 1559

Our company, Hawaii Kai Corporation, produces and distributes Hawaiian sea salt products. Currently, we have a Hawaiian sea salt harvesting operation on the island of Molokai. We own land on Molokai and we employ between 8 to 10 individuals, as and when our operation demands. 8 to 10 families, fully or partially, had been depending of our operations. Additionally, we signed a long-term lease agreement with NELHA (Big Island) to build another facility within NELHA, which will employ more individuals and will increase our sea salt and fresh water productions. Its new product line will be using many Hawaiian grown farm products. Currently that project is on hold after making a substantial amount of dollar and time investments, but still paying monthly rent of \$5,400 to NELHA.

The reasons for these reductions or delay of Hawaiian business activities are due to financial hardship and lack of cash flow, primarily caused by the recent FDA guidelines, which specifically banned the Hawaiian Red and Black sea salts.

Hawaiian sea salts are very popular in the USA and around the world, the most popular being "Hawaiian Black Sea Salt" and "Hawaiian Red Sea Salt". Our Black and Red sea salts account for 75% of our current revenue.

Since November 2015 our business have been suffered by this FDA guideline.

We achieve the color "Red" using the legendary Red Alae from Hawaii and the color "Black" using a pharmaceutical quality activated charcoal. We lost two major customers resulting in a loss of \$150,000 in revenue. This revue loss was very significant for a small company like Hawaii Kai, which resulted in reducing our production activities on Molokai by 50% and delayed the Kona (NELHA) project indefinitely.

Fortunately, the European market was not affected by this FDA guideline and we are still maintaining the customer base in the EU countries. However, world tends to follow FDA regulations and guidelines and we will not be surprised if the EU countries and other countries around the world decide to follow the FDA guidelines.

Currently, Hawaii Kai putting in a lot of efforts to expand its market to Japan, Australia, and other parts of the world. For example, after 1.5 years of efforts, we just received a pallet order from an Australian distributor, which can grow in volume soon. It is always difficult to get the first order. US products are highly regarded for its authenticity, quality, and safety. FDA's policies have a big role in that reputation.

As soon as we received the guidelines from FDA we approached them, met with them in person. Our candid approach resulted in FDA inspectors taking samples from our inventory, testing the samples in FDA laboratories and inspecting our warehouse & fulfilment house. They found no harmful elements in our Black and Red sea salts, and they were very pleased with our warehouse and fulfilment operations.

It is accurate to say, in summary, our black and red sea salts are harmless and safe for human consumption. It is also supported by the lack of any complaints from our customers during the last 10 years of our operations. During our in-person meeting with FDA (Washington DC office), they tacitly

concluded with us, but they insisted on filing a petition to have the "Hawaiian red alaea" and the "activated charcoal" added to the list of FDA approved color additives. These are not specifically banned substances; however, these are not officially on the approved list of color additives, and hence it can be construed to be an adulteration and hence the product it contains can be banned.

The cost of a systematic application submission and related testing require third party consultant services, which can cost \$50,000 plus - for each application. It may take six months to one year for the whole process to be completed and approved by FDA.

In summary, FDA wants us to formally have these color additives included in the list of approved color additives. They want us to work with consultants who are familiar with similar petition applications and bear all the expenses associated with it, including the filing fees for FDA.

FDA is doing their job, protecting consumers with maximum possible information and certainty.

It comes down to the financial resources to make these legendary substances legal and approved.

In Summary, for the following reasons, it is extremely important for the State of Hawaii, the small sea salt business in Hawaii, and other farmers and businesses supporting these salt businesses:

Current Business activities

1. We started our operations in Hawaii on the island of Molokai.
2. Currently one family depends on this program for their monthly income.
3. Depending on the season and the harvesting activities, between Hawaii Kai and the Salt Master, we create and maintain 2 to 15 employments on the Island.
4. This FDA guideline has already reduced the activities by half and if this is not resolved and continues the ban, it could even eliminate these activities.

Future expansion plans and consequences

1. Hawaii Kai owners have already leased a 3-acre lot within the Natural Energy Laboratory of Hawaii Authority (NELHA) facility in order to expand its salt production and large volume fresh water.
2. Because of its current financial situation / difficulties and the uncertainty or even threatened prospects of its signature products (Black and Red sea salts), it had to delay its expansion project in NELHA indefinitely. Currently Hawaii Kai is paying NELHA \$5,400 per month, on time, and has no production activities. We don't know how long we can continue to do so.
3. One of our potential investors backed out of a financing deal due to the uncertainty caused by this FDA guidelines.
4. Hawaii Kai is a tenant of state of Hawaii - a customer of the State.
5. The recent FDA guidelines will definitely make this expansion very difficult and it could even kill the project, resulting in loss of employment, loss of export opportunities, opportunities for other ancillary food business, and resulting loss of tax revenue for the state.
6. Note: Products from two NELHA tenants are the two top export items from State of Hawaii.

Cultural impact:

1. Hawaiian Red Salt (using Hawaiian Red alaea) is one of the most known signature products of the state of Hawaii.
2. We, Hawaii Kai, created the Hawaiian Black sea salt and it is one of the most popular sea salts in the world, praised and recommended by many well know chefs.
3. Our international customers and USA customers love the Hawaiian sea salts - especially the Red and the Black.
4. Hawaiian had been using the Hawaiian red sea salt for centuries. It is a part of their culture.

It is important that we file the petition, using experienced consultants, so that two very popular and signature products Hawaii are saved from extinction.

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