

Action Plan

Division, Branch: Quality Assurance Division, Commodities Branch

Program Objective:

To assist in the development of agricultural industries through quality assurance of agricultural commodities, and producer price and quota control to maintain stability within the dairy industry.

PRIORITY GOALS & OBJECTIVES

Departmental Objective Being Pursued:

To facilitate the growth of existing and new agricultural products and by-products for local and export sales.

Goal 1: Certify the grade and origin of all Hawaii-grown green coffee shipped from the place of origin, in a timely manner, to create and maintain the buyer's confidence in its origin and quality.

Following the 1996 Kona coffee fraud scandal, buyers became skeptical of buying Kona and other Hawaii-grown green coffee. In order to renew trust in the product, certification of green coffee was mandated by law in 1997. Certification Marks of Origin for coffees from six different geographical regions of Hawaii were registered with the U.S. Trademark Office and final approval for all six marks was received by August 2000. Currently, a Certification of Origin Mark for Ka'u coffee is sought, and completion is scheduled in FY04.

In FY 01 about 90 percent of the total state production of green coffee was certified for grade and origin and 10 percent was certified for origin only.

In FY 01, for Kona-grown green coffee, the turn-around time from sampling until the certificate of grade and origin was completed averaged less than 2 business days after the date of sampling. The average certification turn-around time for coffee from areas other than Kona was much higher, which increased the statewide average to 2.4 days. The reasons for this include the need to mail samples to Kona for grading, and the resignation of the full time Kauai coffee grader, who was still grading coffee but on an emergency hire time-available basis. The applicants desire a maximum 48 hour turn-around time but staff feels that an average of 2 days, with no longer than 5 business days (plus shipping or mailing samples transit time), can be achieved for the 56 applicants that request certification throughout the State.

Achieving this goal will be easier with the new coffee standards, which became effective in October 2001. These standards allow for self-certification under the Coffee Quality

Verification Program (CQVP) and also add the industry requested Select green coffee grade, which should reduce the demand for certification of small lots.

The performance measures that will be used to assess the progress toward achieving the goal are as follows:

1. Percent of green coffee volume that is certified for both grade and origin.
2. Average number of working days from sampling to issuing certificate.

TIMETABLE TO ACCOMPLISH GOAL 1

<u>Identify Target/Task</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
1. Amend coffee grade standards		x			
2. Certification Mark of Origin for Ka'u approved			x		
3. Green coffee certified for grade (%)	95	100	100	100	100
4. Average turn-around time (work days)	2.3	2.0	2.0	2.0	2.0

Goal 2: Increase the market share of locally produced milk to 90% of the total milk utilized or distributed by local milk processors.

The production of local milk has been decreasing for several years, with statewide sales dropping from 157.1 million pounds in 1988 to 118.0 million pounds in 1999 or a 24.9% reduction. In order to keep the market supplied with milk, the local processors have had to import milk from the mainland and local supermarkets have imported milk directly.

The laws and rules that regulate the milk industry in Hawaii are structured around the milk industry as it existed thirty-four years ago. In 1967 all of the fresh milk consumed was locally produced and consumed on the island of production; there was no import of fresh milk from the mainland; and there was no movement of locally produced milk between the various islands. In the last decade, the number of regulated dairies has dropped from 16 to 10; the number of processors has dropped from 6 to 2; and, all the milk produced within the State is produced on regulated dairies.

The current law and rules make it difficult for a new dairy to enter the market, difficult for the movement of quota from one dairy to another, and nearly impossible for a dairy from one milkshed to have quota in another milkshed. There is also no unified promotion of Island

fresh milk and no assured source of research funds to improve production practices and milk quality. All of these factors restrict the ability of the industry to change and grow.

Cost of production and cost of import studies have not been conducted on a regular basis in recent years. These studies are necessary to evaluate the health of the industry, determine the competitive price of imported milk, and establish or update pricing formulas for the milk sheds.

Achieving this goal will require amendments to the milk law and rules, initiation of annual cost of production and cost of import studies, establishment of a fee on milk produced to fund milk research and promotion activities, and the development of research and promotion programs for milk.

The performance measures that will be used to assess the progress toward achieving the goal are as follows:

1. Percent of market utilization produced (share of market).
2. Number of cost studies conducted.
3. Number of promotion/research projects approved.

TIMETABLE TO ACCOMPLISH GOAL 2

<u>Identify Target/Task</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
1. Amend Milk Control Law			x		
2. Amend Milk Control Rules			x		
3. Establish fee to fund research and promotion activities			x		
4. Share of market (%)	84	86	90	90	90
5. Cost of production and cost of import studies conducted	0	3	3	3	3
6. Promotion/research projects approved	0	4	4	4	4

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