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5 **Minutes of the Board of Agriculture**
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7 CALL TO ORDER – The meeting of the Board of Agriculture was called to order on February
8 25, 2014 at 9:05 a.m. by Chairperson Scott Enright, at the Department of Agriculture Plant
9 Quarantine Conference Room, 1849 Auiki Street, Honolulu, HI 96819.

10
11 Members Present:

12 Scott Enright, Chairperson
13 Richard Ha, Hawaii Member
14 Glenn Hong, Member-At-Large
15 Clark Hashimoto, Member-At-Large
16 Lynn DeCoite, Maui Member
17 Jerry Ornellas, Kauai Member
18 Michelle Galimba, Member-At-Large
19 Scott Derrickson, Designated Representative of Director of Department of Business,
20 Economic Development & Tourism (DBEDT)
21 Dr. Maria Gallo, Dean of the College of Tropical Agriculture & Human Resources-
22 University of Hawaii (CTAHR-UH), Ex Officio Member
23

24 Others Present:

25 Donovan Dela Cruz, State Senator
26 Dave Bateman, HCA, KCC, CBB Taskforce
27 Adrian Guillen, Hawaii Queen Coffee
28 Shin Xong Ho, Ho Farms
29 James Nakatani, Executive Director, Agribusiness Development Corporation
30 Margaret Ahn, Deputy Attorney General
31 Jeri Kahana, Hawaii Department of Agriculture (HDOA)/Quality Assurance Division
32 (QAD).
33 Grant Tomita, HDOA/QAD
34 Roger Kaiwi, Hawaii Coffee Growers Association (HCGA)
35 Shin Ho, HO Farms
36 Dean Matsukawa, HDOA/Agriculture Loan Division (SALD)
37 Kevin Yokoyama, HDOA/SALD
38 Keevin Minami, HDOA/Plant Quarantine Division
39 Gary Strawn, Kona Earth
40 Derek Lanter, Dole Waialua Coffee
41 Dane Wickel, Office of Senator Donovan Dela Cruz
42 Greg Stille, Maui Coffee Association, Hawaii Coffee Association President (HCA)
43 Chris Manfredi, President, Hawaii Farm Bureau Federation
44 Gareth Mendonsa, HDOA/SALD
45 Edwin Kise, HDOA/QAD
46 Corey Gillins, Big Island Dairy
47 Jim Wayman, HCA
48 Janelle Saneishi, HDOA/Chairperson's Office
49

1 II. APPROVAL OF MINUTES FROM 11/26/13 MEETING:

2
3 Chairperson Enright requested a motion to approve the November 26, 2013 meeting minutes.

4
5 Motion for approval: Ha/Ornellas

6
7 Board member Hong had a technical amendment regarding the spelling of a word in the
8 11/26/13 meeting minutes.

9
10 Vote: Approved, 8/0. Board member DeCoite absent.

11
12 V. COMMUNICATIONS FROM DIVISIONS AND ADMINISTRATION

13
14 A. AGRICULTURAL LOAN DIVISION

- 15
16 1. Request for Approval of One (1) Farm Sustainable Project Loan to
17 Hamakua Heritage Farm, Inc.

18
19 Presentation by Gareth Mendonsa, Business Loan Officer, Agriculture Loan Division, as
20 submitted. Staff recommends approval.

21
22 Board Member Hong asked if there were any alternatives to finance the solar panels.

23
24 Mr. Gareth Mendonsa replied that both Bank of Hawaii and First Hawaiian Bank denied loan
25 applications by Hamakua Heritage Farms for the installation of the solar panels.

26
27 Acting Board Member Derrickson asked if the photovoltaic system will be a grid system.

28
29 Mr. Gareth Mendonsa replied that it will be a feed-in tariff system.

30
31 Motion for approval: Ha/Gallo

32 Vote: Approved, 8/0. Board member DeCoite absent.

33
34 B. QUALITY ASSURANCE DIVISION

- 35
36 1. Request for (1) Preliminary Approval of Proposed Amendments to Section 4-
37 60-9 and Section 4-60-10, Hawaii Administrative Rules, entitled "Minimum
38 Prices in the Honolulu Milk Shed" and "Minimum Prices in the Hawaii Milk
39 Shed," respectively, pertaining to granting a minimum price waiver to
40 producers or producer-distributors if certain standards are met, and (2)
41 Authorization for the Chairperson to Schedule a Public Hearing and to
42 Appoint a Hearing Officer in Connection with (1).

43
44 Presentation by Mr. Grant Tomita, Milk Control Specialist, Quality Assurance Division, as
45 submitted. Staff recommends approval.

46
47 Board Member Galimba asked if the milk processor was asking for this amendment to the
48 minimum prices in the Honolulu and Hawaii milk sheds.

49

1 Ms. Jeri Kahana responded, and said that the processor is not obligated by law to purchase
2 milk. If the price is too high, the processor can lawfully deny purchasing. The milk producers
3 requested the amendments.
4

5 Board Member Ha mentioned that Big Island Dairy uses genetically modified corn for feed, and
6 that practice lowered its operating costs a bit.
7

8 Board Member Ornellas said that he is looking forward to discussing the proposed amendments
9 with the dairy producers, but he is concerned that the producers will be at the mercy of the
10 processor.
11

12 Board Member Hong said that from an economic standpoint, the old milk control model was
13 enacted when the industry didn't have modern pasteurization practices, and couldn't import
14 large volumes of dairy. The model today for Hawaii should be that if producers can produce
15 feed locally, it would make sense to scale production up. The entire model for the dairy industry
16 in Hawaii has changed.
17

18 Chairperson Enright said that he worked with Big Island Dairy when they were purchasing
19 Island Dairy. Meadow gold is competing with milk from the mainland. Meadow Gold can't afford
20 to pay higher prices for local milk, and Meadow Gold doesn't have any commitment to buy
21 increased amounts of local milk. Chairperson Enright also mentioned that the Ulupono
22 Foundation is going to do a grass fed operation, and is consulting with New Zealand dairy
23 companies that are experienced with grass fed best practices.
24

25 Board Member Galimba said that we should look at ways to make it more welcoming for people
26 interested in starting a dairy.
27

28 Board Member Ornellas asked what happened to the milk quota system.
29

30 Mr. Tomita responded, and said that the original quota system is still in place. The quota is
31 open in Honolulu, as no dairies in Oahu are currently producing milk. The quota system for
32 Hawaii County in 2013 exceeded 130%.
33

34 Board Member Ornellas said that he is concerned that the system would not be equitable
35 statewide.
36

37 Mr. Corey Gillins, General Manager for Big Island Dairy identified himself to the board for
38 questions.
39

40 Board Member Galimba asked who is requesting the lower minimum milk control prices.
41

42 Mr. Gillins responded, and said that milk pricing in Hawaii County is different from Oahu. Big
43 Island Dairy's operations exceeded their milk quota for Hawaii County and is planning to expand
44 well beyond. Big Island Dairy will be moving a lot of milk into the Oahu Milk Shed. Oahu has a
45 formula for milk pricing, and the markets have changed considerably from when this formula
46 was created. Big Island Dairy felt that having a contract with the processor that would allow the
47 company to grow to the market volume would be beneficial. Additionally, with an updated pricing
48 formula, BI Dairy would be able to go to the Chicago Mercantile Exchange and forward price
49 their milk and feed inputs and look for opportunities to lock in profits.
50

1 Board Member Galimba asked whether BI Dairy is essentially hedging their contracts in order to
2 increase profitability.

3
4 Mr. Gillins responded affirmatively.

5
6 Board Member Galimba said that there are elements of the milk control act such as the quota
7 system that she would like to examine to make it friendlier to dairies.

8
9 Mr. Gillins responded that the Hawaii County milk quota is maxed out and the price in Hawaii
10 County is higher than the milk quota price on Oahu.

11
12 Board Member Galimba asked why the prices were lower on Oahu.

13
14 Mr. Tomita responded that with the demise of the dairy industry on Oahu, there was no reason
15 to adjust the price system to reflect changing markets.

16
17 Board Member Ha said that in order to survive, dairies have to make sure its prices are
18 competitive with or lower than mainland prices. Board Member Ha asked what else local dairies
19 need to do to stay competitive.

20
21 Mr. Gillins responded and said that BI Dairy still imports a lot of their feed, and one of their goals
22 is to produce more feed locally. Feed prices are increasing, and more locally produced feed
23 would give them the ability to react to the market better.

24
25 Board Member Ha asked how much feed is Big Island Dairy growing.

26
27 Mr. Gillins responded and said that they are currently producing about 38% of their needed
28 feed. BI Dairy also gets an additional 15% of their needed feed from other local sources. Mr.
29 Gillins said that growing your own feed saves money on freight and it is also a way to hedge the
30 price on feed, as growing your own feed is not subject to market conditions.

31
32 Board Member Ha asked if BI Dairy could produce feed for other local industries such as the
33 beef industry.

34
35 Mr. Gillins responded and said that BI Dairy has the equipment and infrastructure for additional
36 feed production. They are currently only using their feed equipment at 40% capacity.

37
38 Chairperson Enright asked Mr. Gillins to give an update on BI Dairy's infrastructure.

39
40 Mr. Gillins responded and said they expanded from 700 cows to 1050 cows. They are currently
41 working to expand their operations to a 2000 cow milking facility.

42
43 Board Member Hong asked what percentage of local fresh milk consumption is BI Dairy
44 producing.

45
46 Mr. Gillins responded that BI Dairy is producing about 15% of the local milk demand. When
47 their planned expansion is completed, he expects BI Dairy to produce around 40% of the local
48 milk demand. Mr. Gillins estimates that around 7,000 to 8,000 cows would be needed to supply
49 100% of the local milk demand.

50

1 Board Member Ha asked Mr. Gillins how many people BI Dairy employs.
2

3 Mr. Gillins responded that BI Dairy has 31 employees, but plans to employ around 50 people
4 after their planned expansion is completed.
5

6 Motion for approval: Ha/Hong

7 Vote: Approved, 8/0. Board Member DeCoite absent.
8

9 Board Member Lynn DeCoite arrived.
10

11 Chairperson Enright asked the Board to skip to agenda item VI.
12

13 VI NEW BUSINESS

14
15 1. Informational Presentation by Senator Donovan Dela Cruz on the Whitmore Project.
16

17 Presentation by Senator Donovan Dela Cruz as submitted.
18

19 Board Member Galimba said that Whitmore is a wonderful product with a lot of potential.
20

21 Senator Dela Cruz said that the land swap identified in SB3065 this session is more than just
22 acquiring land, it is also about acquiring access to water.
23

24 Board Member Galimba said that Agribusiness Development Corporation (ADC) needs to have
25 a good outreach program so people know about the availability of these lands.
26

27 Board Member Ornellas said that he supports the Senator's efforts in the Whitmore project, and
28 asked that the Senator consider an agricultural park project on Kauai.
29

30 Board Member DeCoite said that she would like to see some sort of project like Whitmore on
31 Molokai. Board Member DeCoite asks Senator Dela Cruz what the ratio is of new farmers
32 coming into Honolulu. Board Member DeCoite said that we need to help existing farmers
33 upscale.
34

35 Senator Dela Cruz said that the Whitmore project helps farmers through offering long term
36 leases. The long term leases give farmers an incentive to invest in infrastructure on their leased
37 land for production as well as food safety measures.
38

39 Board Member Hashimoto said that a lot of farmers currently farming on neighbor islands may
40 find it harder to compete when the Whitmore project is completed and running.
41

42 Senator Dela Cruz responded and said that is the price of business. Farmers must remain
43 competitive or find a niche to be successful.
44

45 Chairperson Enright said that the Whitmore project was intended to be a model to be moved
46 around the State. After Whitmore, the model can be replicated elsewhere.
47

48 Mr. Chris Manfredi of the Hawaii Farm Bureau Federation asked what lands is the State
49 planning to swap with Dole.
50

1 Senator Dela Cruz responded that the State plans to swap lands in the urban core.

2
3 Chairperson Enright asked the board to return to agenda item V(B).

4
5 V. COMMUNICATIONS FROM DIVISIONS AND ADMINISTRATION

6
7 B. QUALITY ASSURANCE DIVISION

- 8
9 2. Request for (1) Acceptance of Minutes of Public Hearings, (2) Submission of
10 Hearing Officer's Report and Recommendation on Proposed Amendments to
11 Chapter 4-142, HAR, entitled "Standards for Coffee", and (3) Adoption of
12 Proposed Amendments to Chapter 4-142, HAR.

13
14 Presentation by Ms. Jeri Kahana, Division Administrator, Quality Assurance Division, as
15 submitted.

16
17 Board Member Galimba asked why Ka'u coffee doesn't have its own grade standards.

18
19 Ms. Kahana responded that there is no method of certifying the origin of coffee. The HDOA
20 doesn't want to deal with regions asking for grade standards.

21
22 Board Member Galimba said that she doesn't think it is harder for the HDOA to police origin
23 certification, if it is on a word of honor method.

24
25 Mr. Edwin Kise, HDOA Marketing Specialist, said that the original grade standards were
26 developed in the early 60s. If every district and city requests a grade standard for coffee in their
27 area, the rules would be too complicated. Kona coffee grade standards were grandfathered in.
28 However, there are island wide grade standards.

29
30 Board Member Hong asked what labeling standards are currently on Ka'u. Ka'u has recently
31 raised its profile for its ability to grow high quality coffee. HDOA shouldn't limit a region for
32 marketing its coffee, and HDOA shouldn't prevent districts to market its coffee.

33
34 Board Member Derrickson asked why coffee growers in Puna can't put "100% Puna coffee" on
35 their labels.

36
37 Ms. Kahana responded that no one has asked the HDOA to put in a definition of Puna in its
38 coffee rules, and the use of a geographic region that is not recognized is prohibited.

39
40 Board Member Derrickson said that HDOA should be proactive and put in geographic definitions
41 in its coffee rules in advance.

42
43 Chairperson Enright opened up the discussion for public comments.

44
45 Mr. Jim Wayman, Vice President of Hawaii Coffee Association, said that a number of farmers
46 need a rule change for "natural" coffee, as opposed to washed coffee. The coffee industry
47 found that grading of coffee wasn't too important because the buyers could discern the quality of
48 coffee. The problem the industry faced was determining origin. For example, Kona Kai coffee
49 was buying coffee from South Africa and marketing it as Kona coffee in San Francisco. There is
50 no scientific measure to determine origin. Inspectors must look and check for grade standards,

1 but there are no clues on where the coffee originated from, unless the inspector follows the
2 paperwork. Mr. Wayman said that the coffee berry borer (CBB) came to Kona in 2010. Since
3 that time, 100% of all coffee farms have some level of CBB. Because the way the certification
4 rules are made, farmers are struggling to get good certification levels. CBB infestation levels are
5 decreasing. Last year's infestation level has gone down to 22% from 28% in 2012.

6
7 Mr. Greg Stille, president of the Hawaii Coffee Association said that he was not in support of the
8 proposed amendments to change the grade standards of "prime" coffee from 15% defective
9 beans to 20% defective. Mr. Stille said that he supports adopting standards for "natural" and
10 "honey" dried coffee and supports origin definitions for Ka'u, Hawaii Island, and Oahu.

11
12 Mr. Dave Bateman of Heavenly Hawaiian Farms, and member of Hawaii Coffee Association and
13 the Kona Coffee Council testified that his farm went from 20% infestation in 2012 to 12%
14 infestation last year, and hopes to eventually reach 5%. Mr. Bateman said that he supports the
15 proposed amendments, as he feels the amendments are needed and balanced. Mr. Bateman
16 said that the proposed amendments complement existing legislation and funding efforts with the
17 Food and Drug Administration. The numbers of pinholes do not affect the taste of the cup.
18 Heavenly Hawaiian Farms recently competed in a coffee competition and won, and he is sure
19 the sample coffee beans had a lot of CBB pinholes. Mr. Bateman said that orders from Japan
20 for his coffee have gone down, as the Asian market is mainly interested in the "Extra Fancy" and
21 "Fancy" grades of coffee. With the CBB infestation, his farm has trouble producing bags of
22 "Extra Fancy" and "Fancy" coffee.

23
24 Mr. Roger Kaiwi, board member on HCA and Kona Coffee Council, testified in strong support of
25 proposed amendments as submitted.

26
27 Mr. Gary Strawn, owner of Kona Earth Coffee, testified in support of proposed amendments.
28 Mr. Strawn testified that as a small 13 acre Kona Coffee farmer, he is willing to keep records
29 and paperwork for inspectors to verify the origin of his coffee. Mr. Strawn said that origin
30 counterfeiting is a big problem with Kona. Mr. Strawn said that he would like to be able to market
31 some of his coffee as "natural". Mr. Strawn said that most coffee is washed, and he is
32 interested in marketing some of his coffee as being processed through the "natural" process.
33 Mr. Strawn said that the CBB pinholes do not affect the taste of coffee.

34
35 Mr. Derek Lanter, Sales and Marketing Manager of Dole Waialua Coffee testified in support to
36 the proposed amendments as submitted.

37
38 Mr. Chris Manfredi, President of the Hawaii Farm Bureau Federation testified that Ka'u
39 deserves to have its own grade standards. Coffee counterfeiting is rampant and needs to be
40 curbed. For the proposed changes in determining grades, HDOA should leave the top grades
41 of "extra fancy" and "fancy" alone and only change the "prime" standard. Hawaii coffee right
42 now is at record prices. If HDOA changes the top coffee grades, it may pop the price bubble.

43
44 Mr. Adrian Guillen, Hawaii Queen Coffee Farm, testified that most of Hawaii Queen Coffee's
45 sales are wholesale. 75% of their sales go into Asian markets. Asian buyers are particular
46 about coffee grades and want certification paperwork. They only want the two highest grades,
47 "extra fancy" and "fancy." Before the CBB infestation in 2010, 65% of Hawaii Queen Coffee
48 Farm's coffee was graded as extra fancy or fancy. Now, only 16% of their coffee has been
49 graded as extra fancy or fancy. There is not a lot of incentive to try to make good quality coffee

1 with the current grading standards. There is no economic sense to fertilize and protect against
2 CBB. Instead, coffee farmers may just grow coffee to meet the lower coffee standards.

3
4 Board Member Galimba asked to add grading standards for Ka'u coffee.

5
6 Ms. Margaret Ahn notified the Chairperson that this change would require another public
7 hearing on the rules.

8
9 Motion for approval: Derrickson/Hong

10 Vote: Approved, 8/1. Board Member Ornellas voting to disapprove.

11
12 VI. NEW BUSINESS

13
14 Chairperson Enright said that the Board of Agriculture needs to be more proactive. The HDOA
15 has not fully utilized the talent of the board members. Chairperson Enright said he is interested
16 for the board members to form committees to work on policy issues.

17
18 VII. ADJOURNMENT OF REGULAR MEETING

19
20 Meeting adjourned at 11:20 AM

21
22
23 Respectfully submitted,

24
25
26
27 Noa K. Ching
28 Board Secretary

