



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

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House Committee on Agriculture
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SB 338 SD2 – RELATING TO A FOOD HUB PILOT PROGRAM

Chair Hashem, Vice Chair Perruso, and members of the House Committee on Agriculture:

Thank you for the opportunity to testify in support of the intent of SB 338 SD2 relating to the development of a food hub pilot program.

According to the 2017 NASS Agriculture Census, approximately 87% of Hawai'i farms produce just 10% of total agriculture sales. Twelve percent of Hawai'i farms sell food crops directly to local sources and represent just 22% of total sales; and 96% of sales to local sources (2% of all farms) comes from farms with more than \$50,000 in total sales.

These data point out the poor platform from which Hawai'i strives for food security; and that food security will come from larger operations. Agriculture is a business of scale, hence the need for food hubs.

These data represent the situation prior to the pandemic, which no doubt has made the situation worse.

Food hubs are represented by a wide range of business models. Thus, developing a food hub means asking “what kind of a hub” is wanted. A study by the National Good Food Center notes that profitability is marginal - that a “typical food hub operates at a close to break-even level. The highest performing 25 percent posted a 4 percent profit, compared to the average of -2 percent”. The top 25 percent of food hubs “may have earned their 4% profit through 3 percent lower cost of goods sold...and through greater labor productivity”. Clearly, food hub management is the key to success.

Given the nature of Hawai'i agriculture, food hubs would be an obvious advantage if they can be made economically solvent, which means eventually not operating by grants and gifts, but by sound management.

SB 338 SD2 proposes a food hub pilot program to be “administered” by the Hawai'i Department of Agriculture (HDOA). We defer to HDOA's opinion on whether that is possible given the resources available. Our recommendation is that HDOA should not

administer, but more correctly help “initiate” food hubs; and document the success or failure of the subsequent management. This is more in line with the intent of the bill and puts the responsibility of success in the hands of the entrepreneurs.

The University supports the intent of SB 338 SD2 with comments but is aware of the current financial climate of the State of Hawai‘i and realizes that state funding is reduced. For the next fiscal biennium, the University of Hawai‘i Board of Regents approved a budget request for the University that was flat, and did not seek any increased funding to the University. UH defers to HDOA on their priorities.