

**‘AINA PONO – HAWAII’S FARM TO SCHOOL PROGRAM
JUNE 2018**

**Prepared for:
The Office of the Lieutenant Governor of the State of Hawaii,
through The Kohala Center**

BACKGROUND & METHODOLOGY

The Office of the Lieutenant Governor of the State of Hawaii, through The Kohala Center, contracted Anthology Marketing Group's research team to conduct research to better understand the agricultural landscape in Hawaii, as part of a broader effort to find opportunities to help the State of Hawaii's Farm to School program, 'Aina Pono, be successful.

'Aina Pono is HIDOE's pioneering farm to school pilot initiative that aims to bring more healthy, nutritious, fresh, and local food to school cafeterias throughout Hawaii. One of its key goals is to systematically increase HIDOE's purchasing of local food for school breakfast, lunch, and snack programs, thereby increasing the penetration of local food (i.e., grown and/or raised within the State of Hawaii) to 40% from the current level of 23%.

Research Objectives

- Better understand existing barriers for food distributors and farmers to respond to HIDOE solicitations for locally-grown produce, meat and other food.
- Solicit feedback on HIDOE solicitation document language, terms and solicitation process.
- Identify products currently available to distributors (or produced by local farmers) that could be incorporated into the DOE lunch program, and better understand production calendars of crops.
- Better understand barriers and incentives for farmers to work with distributors, HIDOE.

To achieve the aforementioned objectives, Anthology Research conducted 22 in-depth interviews with various stakeholders in Hawaii agriculture. The interviews were conducted either in-person or over the phone between April 10 and June 22, 2018. The interviews were conducted by David Pettinger, president of Anthology Marketing Group's research team. The 22 interviews included representatives in the following categories.

- Ag Producers (9)
- Processors (2)
- Distributors (7)
- Manufacturers (1)
- Industry Organizations (3)

Research participants were recruited by Anthology using lists/contacts provided by The Kohala Center, Office of the Lieutenant Governor, Hawaii Farm Bureau, Hawaii Farmers Union United and Ulupono Initiative. In total, invitations to participate in the research were extended to 61 agricultural stakeholders in Hawaii.

With approval and input from the client, a discussion outline was developed to facilitate the conversations. Contained in the appendix of this report is a copy of the discussion outline used to facilitate the interviews.

Note: *Qualitative research offers its sponsor the type of dynamic feedback necessary to make decisions required in today's ever-changing business environment. The client needs to keep in mind there are strengths and weaknesses inherent in this form of research because of the relatively small sample sizes used in this methodology. One of the great strengths is the ability to discuss in depth the issue being explored. This technique ensures that the full range of opinions, emotions and reasoning surrounding a topic are brought out. However, while the results are excellent at providing trending they are not necessarily statistically projectable to the general population.*

SECTION – FARM TO SCHOOL/ AINA PONO

At the outset of this section of the study, those taking part in the research were asked if they had heard of the Aina Pono/ farm to school project. The research shows that most had at least a basic awareness of the program, though it should be noted that there were definite pockets that were not familiar with it at all.

“Yeah, I heard about it. I guess they're doing like Maui Gold Pineapple into the schools now, yeah?” (Int15- Distributor)

“We supplied them with an order in the beginning of XXXX.” (Int16- Ag Producer)

“I have. We actually had some conversations with XXX High School and I don't know where it's at, actually” (Int13- Ag Producer)

“They've got the program with Chef XXX where he started on the Big Island with the Kohala's too” (Int19- Ag Producer)

“Yes, I heard some information about it but not in depth or anything like that” (Int9- Ag Producer)

“I feel like there's an initiative to have more local food grown in Hawaii, because we currently import 90% of our food. In one way it's an initiative to support more local food, and in another way it's an initiative to get local, healthy food to our youth and encourage healthy eating habits from very early on within our schools and creating that model.” (Int10- Ag Producer)

“XXX from Keaau High School is kind of pushing it, pushing for that...he's local born, real local style you know he wanted to help all the farmers in Keaau to help them basically sell all their products” (Int3- Distributor)

“Well from what I understand, the program is only being, at this point is only being tested on the Big Island...that's about all I know” (In8- Processor)

“[Moderator: Have you heard of the Hawaii Farm to School Initiative?] No, I haven't” (Int14- Distributor)

“Only what I just pulled up on the internet that you're having something to do with feeding of school children or something” (In7- Ag Producer)

General Perception

Next, regardless of their prior awareness of the program, those taking part in the research were asked about their general thoughts regarding the concept. The results show most with a positive perception of the program and feel should it be successfully implemented it would result in a win/win situation for all involved.

“As a local farmer...if it could be done or if it could possibly be done, I think it would be a great opportunity for local farmers” (Int9- Ag Producer)

"You're not making a good living because the revenue stream is unstable. We live in Hawaii, a lot of the products that we grow have seeds and they can't be exported. They're not cost efficient to be exported. So, I think with seeing the things...the DOE's the largest restaurant in the State of Hawaii, I mean that's a huge opportunity for the agriculture community...it's about time that we worked together" (Int21- Ag Producer)

"Absolutely, we do it right now. We've started with, I was working with, the name went right over my head, he recently passed away. He brought this gentleman to my office and, his name was XXX, and we started with it with Kohala, doing the farm to table, Kohala High School and that proves to be very successful and then we're doing it at Keaau High. I was working with the state again XXX, one of the gentleman that I worked with over there on that program and again we were invited over there to see the students and the response over there to the lunch program, was fantastic. The food over there looked great and they were using our beef and I was just so happy" (Int11- Processor)

"Well, I think it has to be done, both for the schools and just getting the kids to eat healthier...and it would be really, really good for farmers" (Int13- Ag Producer)

"Also seeing new markets open up including the Aina Pono program that has helped our industry tremendously. Mainly because the two hardest cuts for us to sell...is stew meat and ground beef. Those are the only two things that the DOE purchases...and it's a win-win because now we're able to now only sell those products but now we're able to provide local products for local consumption within the schools and we know that they're getting the highest quality beef that they can" (Int4- Industry Organization)

"I'm really excited for it, I think that for what we grow, it's pretty simple...I mean, my dad I think has always wanted to sell cherry tomatoes to the DOE. When he heard about this opportunity he got very excited" (Int21- Ag Producer)

"You know, it's a great way for the schools to sample what products are leaving Hawaii. It helps out a lot of farmers if they get supply or get a group together to supply the schools." (Int16- Ag Producer)

"I think it's a good idea to get people learn how to do right with the farming practice" (Int18- Distributor)

"I think it's a very good program...to try and work into supplying the entire school system with local agricultural products" (In8- Processor)

"I'm very excited about the initiative. I hope that it is very successful...as a non-profit and have been working in the schools for over 10 years in and around getting kids to eat healthy food and exposing them to healthy food. So, it goes very much in line with our mission and core values. We/I want to do everything in our power to help this succeed for the health of our community and for the health of farmers also in our community. We personally want to do anything in our power to help make it a successful program" (Int10- Ag Producer)

“Yeah, I think it's a good thing. The food that they do serve the kids...it's all prepared food you know what I mean? Everything that we should be eating should be natural, fresh, you know what I mean? It shouldn't be prepared with additives and just all the crap that the government allows to be put in the food. If that makes any sense. So, to me it's a good thing” (Int15- Distributor)

“I think it's extremely important that if you want to teach children that you need to feed them, they have to be well-fed. Frankly, with all the research, I guess I'm...leaning to the fact that all the research is showing that eggs for breakfast, other than cereal, are paramount” (Int7- Ag Producer)

“To be honest with you, I was negative about the state, because it took so long for this program to get started. Now I have a little bit different view, because we were able to do something with the state. I think the program look is better as it matures. I think as people hear that there are companies that are able to supply schools they'll be more receptive to try and do stuff with the state” (Int16- Ag Producer)

“I think this Farm to School thing is a real positive program. I'm behind it a 100%. I'd like to have kids go home and say you know mom and dad I ate a [Brand X product] today, can we go buy some from the market? Because it only helps the farms of Maui” (Int16- Ag Producer)

SECTION – WORKING WITH THE STATE

At the outset of this section of the study, those taking part in the research were asked if they had ever had the opportunity to bid on or work on a project with the State of Hawaii.

Many of those taking part in the study have never submitted a proposal to the State for work. Some perceived the application/ bid process as being too onerous, while others felt the scope of the project in question was simply not a good fit from a work and profitability standpoint.

"I've seen them before, I don't recall that I ever responded to them..." (Int21- Ag Producer)

"But as far as me, myself, submitting to do it, no. I haven't done it. Never needed to do it for the company...I'm very lucky that I don't have to seek solicitations because what we sell is automatically already sold. As far as once it's grown, it's sold already" (Int9- Ag Producer)

"[Moderator: Have you ever applied or considered applying to a state produce solicitation?] I have not done that. The reason is I have no experience with that and I do not know what the volume they're looking for...So sometimes you have to have, when you commit something you have to have the volume to support, yeah" (Int18- Distributor)

"We have sort of stayed away from that kind of stuff...partly it's tied to well it used to be in the past tied to pricing kinds of concerns and contractual pricing kind of stuff which doesn't, in the produce business it's fluctuating thing prices change from day to day. For instance, if it rains this afternoon out in Kunia prices may change with the next load coming...So it's not like we can hold the price for a month or something like that because every day what we air fly in and we do every single day air fly in products. Sensitive things like mushrooms or strawberries and stuff like that are pretty much air flown" (Int5- Distributor)

"I stayed away from them...I heard nightmares about the process... Just it's real tedious and very difficult to wade your way through unless you go hire somebody that knows his...that can navigate it for you...Just generally, it's confusing to the local farmer is a simple way to put it" (Int12- Ag Producer)

"I don't like to deal with the solicitations from the State...I'm sorry, because these guys try to put you on a cost-plus program. Which is really not feasible for me to run my business...Getting back to when you do that cost-plus program when you're paying \$30 or \$50 for a case of Romaine, and you're only marking them up \$4 you lose money already. You can't make your margin you need to sustain your business...Everything would have to be market value. You know what I mean? To me, being on this island because it's so hard to get product and it's never an exact science on what you need to bring in to supply to sustain for the week. Nobody says...You're not going to tell me, "Okay, I need five cases of lettuce, and two pounds of that, and 10 pounds of this, and 20 cases of that." I'm taking all of that next week. There's no way. For that matter, I'm dealing with 500 different clients. I kind of have an idea of what we need to bring in because of numbers and stuff, but it's never to the tee. Sometimes not enough. Sometimes it's too much. What do you do when it's too much? Now you got to throw away product, right? When you have a \$4 markup on a \$50 item you'll never make that money back once you throw it away, you know what I'm saying?" (Int15- Distributor)

“[Moderator: What is your perception of working with the state?] A lot of red tape” (Int21- Ag Producer)

The discussions reveal that a few individuals have had experience supplying the State with goods and/or services or submitting a proposal for a project. These individuals express varying degrees of overall satisfaction with their experiences.

“You know I bid for the prisons one time but, what they wanted and the people that got it, it was so cheap I never did bother with it again because I'm here to make money. I'm not here to give it away...From a business standpoint I don't have to deal with that” (Int15- Distributor)

“Another thing to bring up as far as contracting and one of the biggest issues I've had as a distributor, and I know it's not just me, is getting paid on time...I never know when the DOE checks are going to come in. It's not very dependable. I know there's also been a large turnover in people processing, so I'll get things sent back sometimes because I didn't do something. But usually it's a new person...I would like to be paid in 30 days, but I'd even accept 60 days if it was consistent. I think the biggest issue is it isn't fully consistent” (Int10- Ag Producer)

“I mean they pay late but you know eventually you going get paid. It's the way it is. They do pay...” (Int3- Distributor)

“And I think that's a big process we have to go through and sometimes it can be very complicating on bidding and if you don't cross all your T's and don't dot all your I's you just get disqualified and that's what happened with us with the boneless stew program because we supplied the boneless stew to the Big Island because we were going to go for the same line as I just mentioned and we forgot to put in one code and we got disqualified...I think it was unfair” (Int11- Processor)

“We put our price so we not going do it to lose money. So, we basically guessing what they use every week. So, you know just from experience okay every week I make sure I ordering for two weeks down the line. So, it's always thinking ahead... I think we bid every year and we get it every year because of doing the whole island” (Int3- Distributor)

“We've been working with the school program for quite a while, several years, I think. It finally came to fruition. As producers, and stuff like that, if we can get the solicitation, with ample time to respond, it'll make it easier for us.” (Int16- Ag Producer)

SECTION – APPLICATION/ BID PROCESS

Online Application

At the outset of this section of the study, research participants were asked for their opinions on an online application process for a program like Aina Pono. The reactions ranged the gamut with no real clear consensus as to what potential bidders might prefer. The one thing to consider though is that some believe a certain segment of the farming community may not be as active on their computers as others so different options would need to be made available to reach this group.

“Online is easy” (Int18- Distributor)

“Oh, we definitely prefer online” (Int13- Ag Producer)

“Probably online or hard copy for me would be the best.” (Int16- Ag Producer)

“[Moderator: And what about doing it online? Does that make any difference?] No” (Int15- Distributor)

“We scanned it and emailed it last time but I don’t think it really matters” (Int6- Distributor)

“[Online] I hate going online and all that. I want to fill it out and if I have any questions, I want to make sure I can call somebody and talk to them to make sure I fill it out right. I’m so sorry but.” (Int11- Processor)

“I could tell you, we despise online bidding...because they’re usually fixed [Moderator: What approach do you prefer then for that process?] I think sitting down, being interviewed by the buyer, so that the buyer knows what your capacities are, and so that they’re not just taking a low bid from somebody that can’t fulfill the contract” (Int7- Ag Producer)

“A lot of the people on the grower level, they cannot even stay at the computer. They’re out there on the farm and all that kind of stuff. I always tell everybody, you give me a phone, a fax machine, pencil and paper, we’ll beat out anybody in getting the product to the customer...once you have to go from farm to table to computers and all this other kind of stuff, you find a lot of the potential participants just shy away.” (Int14- Distributor)

RFP vs Invitation to Bid

Next, research participants were asked if they preferred to respond to RFPs or Invitations to Bid. The discussions reveal that few could tell the difference between the two without a formal definition or explanation being provided.

“[Moderator: Do you have a preference on approach? Is one better than the other for instance, in your mind?] Same thing” (Int15- Distributor)

“I don’t know the difference specifically between the two” (Int21- Ag Producer)

“I don’t know the difference...I mean, I’ve done RFPs but I just don’t know the difference between the two of them” (Int13- Ag Producer)

“You know, I’m not really familiar with the variation in the lingo like what one thing means or another but when the proposals come out you would get a notice that a bit or a proposal was coming out and then you could log in and look through it. So, for us, we were only growing pineapple.” (Int19- Ag Producer)

“You know I think I would like a request of proposal more than just a bid. I’ll give you a, if we go back to putting anything into the school lunch program, a while back I saw one did come out and the lunch program called me and said XXX, why is it that on the Big Island, when you supply it, everybody is happy with your food, the flavor and everything and then yet we get meat in O’ahu and the kids don’t even want to eat it...And I said well you know you guys got to do your homework and check what cuts they’re using. Are they just using any cut they can? You just cook it right? Are they choosing certain cuts just for the lunch program being that you’re supplying younger children and grown older children” (Int11- Processor)

“I think the request for proposal is better... We can price our stuff pretty easily and tell them when we can do it and stuff like that, so I think it’s a little bit easier” (Int16- Ag Producer)

SECTION – SAMPLE CONTRACT

At the outset of this section of the study, research participants were shown excerpts of a sample contract related to the project in question. Many found the legalese and minutia of the contract to be unsettling upon initial review.

“Geez, you've got to be a lawyer to read this thing [Moderator: Is the language too complicated and too technical for the average farmer?] Yeah” (Int16- Ag Producer)

“Look at all this shit in there...We're just the little minnows, we're not these huge companies that have all these things. I mean we're just family owned and operated” (Int6- Distributor)

“If you make it easy and if you make it user friendly, to where, “Hey, call us, tell us what you got, and we'll have a template for you to fill in the blanks,” then I think it makes sense for them to at least apply, and then to see how the process works...If you make it to where it's restrictive or overly burdensome or overly complicated. I'm just telling you, man, the people I deal with are dirt farmers and fishermen, and they're wonderful human beings, but a lot...Many don't have the education, and secondly, even more so, don't have the time” (Int12- Ag Producer)

Vendor Support/ Education

Because of the complex nature of this proposal it is imperative that a support system be in place that falls within procurement guidelines that would help shepherd those in need through the proposal process, explaining various contract points and their implications. Several revealed that in past bids they have been rejected or passed over because of what they view as minor exclusions or small infractions that they could have been easily changed. Just as important to many is a follow-up with those submitting proposals to explain why one bid was chosen over another.

“...maybe the people that are pushing farm to school don't even know how to navigate the procuring process...I'm just trying to say, if we're taught, we can learn, you know? Like I know that it's complicated but I'm willing to learn. I think it's a great opportunity and I think it's not necessarily just for me, but...I grew up in agriculture community, my dad did farming for 25 years. I mean, when I was a teenager, other farmers and their kids, that was my community” (Int21- Ag Producer)

“Farmers are challenged with a lot of things. Not only just farming even procurement okay how do I do that? We actually had a grant with I believe it was Dept. of Labor and we never executed it. The guy that was supposed to do it kind of stopped and we never got the funding but it was to create a procurement system and training for farmers who wanted to get into the system. Only large guys can do it.” (Int2- Industry Organization)

“[Moderator: What would it take to get more distributors or farmers interested, what would it take to get you interested?] Maybe someone who knew the answers, someone I called that can give me answers?” (Int21- Ag Producer)

“We really don't understand the bidding process. Our total bid came up to \$850,000. Their total bid came up to \$500,000 but the products that they distributed to the schools over here was not the same things that we bid for. Half the year the children went without fruits and vegetables, so we really don't understand” (Int14- Distributor)

"[Moderator: You mentioned your dad has been wanting to sell to the DOE, for instance, for some time. What has prevented him from doing so until recently, or at all?] It seems like it's a bit unclear on the process of how to sell...They'll guarantee schedule of payment. There's just a lot of little things, not little things, but a lot of things that aren't answered when they do put out a solicitation" (Int21- Ag Producer)

"...the one thing that I hated was you couldn't ask a question. You had to write it down and XXX never responded and he's a lawyer right...and so if he did respond, he responded in his legal jargon and nobody was like huh? It didn't help to clarify the question" (Int6- Distributor)

"One of the things that I think could have been done better about procurement is having somebody review the submissions before the deadline or having a window of say a week that they receive all the submissions in and they go through them and say okay this one is missing this, this, and this instead of immediately throwing it out because it didn't have those items. Just simply pick up the phone and say hey we're going through this...this thing is missing or it's not. Give them at least the opportunity to put those things together and I guarantee you they're going to get you whatever you need in order to have that contract to be considered" (Int4- Industry Organization)

"I think they need to have more communications with the bidders. It's like this, I work through [distributor], that's how I do it as far as, [distributor] comes and they do the bid and they come to us and ask us what is it you want for your product and then I tell them and they increase it for the delivery charge because unfortunately you've got to have some sort of distributor to distribute all these products because we can't. We tried to do it here on the Big Island, missed the time as far as when the deliveries would go to the school and all that. It was a challenge with it...why can't communication come back to us and say hey, you know on your bid, as they review the bid, you know on your bid, you didn't put the right code in there that we were looking for. Can you adjust the code? You have to have 40 lb cases. You have to have one inch by one inch, it has to have PLU to go with it, now they're having more communication with [distributor] for this next bid...Yes, it's so funny because you go to call the guy who is in charge of it and they don't return your call. It's crazy" (Int11- Processor)

"I must admit that last year when we submitted our application and our bid rather, it got declined for some...a really minor detail that we felt could've been corrected in a matter of one or two minutes via email...it really left a sour taste in our mouth, you know, is it gonna be like dealing with the state? DOE is gonna always be like this? And so because we were disappointed, we did call DOE, really didn't get much to what we wanted to get. And then so we went further to the governor's office to try and see if we can correct what happened...allow a process that new people coming on board, and even existing people coming on board, pretty much has the opportunity to make sure that all the paperwork is correct. The whole deal was that we couldn't re-submit was, oh it affects the bid because other people had already bid and they might be favored to some and that sort of thing. But what was wrong with our deal had nothing to do with price, you know...and so I think that needs to be, there needs to be a little bit more flexibility" (In8- Processor)

“But, with that said a lot of times the way in which the contracts are sourced or at least selected by procurement is not always a clear reason as to why they did or why they didn’t get that contract...this past year when the contracts were awarded there were two specifically that did not get it and they inquired why. They got read section XYZ of the contract or of this and that’s why you didn’t get it but it was very vague, it was very ambiguous, it wasn’t a specific thing. Was it did that they missed out on price, what it that they missed out on volume you know what was that determining factor. And so that predicated that meeting that we held with the Lt. Gov’s office who brought in DOE School Food Services branch. We sat down at that time and kind of talked through some of the issues what was the problems that we were seeing. Look we know that we can meet the contract, it’s not an issue, if it’s price you know we maybe can work on that a little bit more to get it there but we need more than just read subsection of whatever paragraph. Fast forward to December as we started to get you know Aina Pono started to really get some wheels under it after that pilot program came in and one of the producers that didn’t get the contract was the one that was supplying for the Aina Pono initial pilot run at Kohala School. So, she did the program, they loved the product that wasn’t the issue” (Int4- Industry Organization)

“Well, you know it was kind of a mixed message that we received from Department of Ed. and again, no one really sat down with us. It was emails on our first bid. After that, yeah, people would actually explain things to us and talk to us which we appreciate but prior to that, everything was based on emails. Everything was based on you should know... you know, no one came out and said, “You should know how to do this.” But it’s how it was” (In8- Processor)

“One of the things specifically was the labeling as part of the contract. It required this specific label to have all of the ingredients and all of the items which we get all of our products have to have that label anyway because it’s required by USDA so that wasn’t a stretch for us. What was, what we believe to be part of the reason why one of the contracts wasn’t awarded was that on the label itself it did not say 50 pound box. With beef, you’re not going to have a 50 pound box. It doesn’t exist. Most agricultural products, unless they’ve been pre-processed, are not going to be at an exact weight.” (Int4- Industry Organization)

“Yeah, I think the military people always ask us the questions of how to better the program but after the Department of Ed people come over from the state, we don’t see, they kind of disappear from the map, you know what I mean? I guess they just do paperwork after that” (Int14- Distributor)

Next, in order to further probe possible solutions to this problem, research participants offered suggestions on how best to communicate with them. Some believe direct communications via email or actual on-site visits is the best method to reach them, while others indicate communication via industry organizations and even state departments would be the most effective route given a built-in support system already in place.

“I’d like to get an email or something in the mail saying we’re looking at doing a program for a school lunch and this is what we’re looking for and when we’re looking for it. Then that way it makes it a lot easier for us” (Int16- Ag Producer)

"I think farmers it's more email, have more communication to make the farmer understand what is needed and all that, so I think that will do...if you ask for meetings or things like that, I don't think they want to take their time to do that...Because every day they go out to the farm early in the morning, and then come back late at night and you know. It's difficult to go to meetings or study or things like that, but I think it's good via email I think it's better for them to work on that [Moderator: Okay, what about through things I've heard with others like trade organizations like the Hawaii Farm Bureau or Farmer's Union or others] That's also good to also send email to us, so either way. They all send email to us" (Int18- Distributor)

"Visit them on the farm. I'm sorry to say that, but we're so busy. Even for me to go out and go to a meeting, you have to leave the farm. So honestly, the best thing is, just go to the farm, visit them. Those people get actually more familiarized with what they're dealing with" (Int9- Ag Producer)

"But Farm Bureau is a really good ...XXX over at Farm Bureau is really good at reaching out to all of us. There's different branches as far as east, west, north, south, whatever town needs. When something needs to be done, they call us up and they ask us. We all try to help whatever we can, especially like today, Farm Bureau's coming up, everybody's gearing up for that. Because that's our big thing" (Int9- Ag Producer)

"One of the things that the Department of Education did do, which I appreciate, is they allowed the Hawaii Cattlemen's Council Executive Director to be part of an RFP process" (In8- Processor)

"Now DOA has with their farm to school coordinator has volunteered that ability to say hey before you send it in, send it to me, I'll go through all of their check boxes and make sure that you got things here. I'll suggest something might need to be changed and then you can fix that before the deadline and I'm sure that will help in the next round. But if we can have something like that, that would be great" (Int4- Industry Organization)

"Yeah. And they should go through the, I mean, I'm sure they are. They should go through the DOA and the Hawaii Farm Bureau and the guys that are out there communicating with the farmers already" (Int13- Ag Producer)

"I think if you develop an app that is easily navigatable that kids can navigate through, I think that'd be a huge, huge, huge support mechanism... It could be a smartphone or a webpage that walk you through it, kind of idiot proof, 101" (Int12- Ag Producer)

Compliance Requirements

One of the major discussions points from the sample contract revolved around the many compliance requirements put forth in the document. For many of the larger farms, wholesalers, processors, and distributors these were not major concerns as they are already heavily regulated and licensed. The requirements however, become more of an obstacle to smaller scaled operations. These smaller scaled farms lack the human resources to keep up with record keeping and also cannot meet storage and processing requirements, thus eliminating a true farm-to-table experience for many potential bidders.

*"I understand the importance of food safety and traceability, because we're serving the DOE"
(Int21- Ag Producer)*

"For me to comply is not the big thing because I have food safety and all that stuff, so I believe I will comply with everything that needs to be done" (Int18- Distributor)

"We see this all the time. You know, fat free and all of these different requirements, that is no problem" (Int14- Distributor)

"Luckily, we're all in compliance, we're USDA food safety certified. We've been that for the past eight, nine years...for the military contracts it's required" (Int9- Ag Producer)

"I don't believe that these will have a lot of concerns for this, obviously, this is for fresh fruit and vegetables and ours is a little different but many of these specifications are going to be things that we're already doing, that we're required to do by USDA in order to sell the product. So, you know FSMA I'm sure is something that you've heard about and/or will continue to hear about but we're required to maintain our asset plans in every plant. All of these items are already things that have already been taken care of" (Int4- Industry Organization)

"We do them all...USDA for the cage-free eggs, humane certified, and American certified, and for the non-GMO eggs, the non-GMO Project certification...I would expect it if the bidder is looking for quality" (Int7- Ag Producer)

"For me, not so much, because I've got my QC, I've got my controls in place, because I'm shipping to people who demand it. The smaller guy who might only have mom and pop or backdoor kind of things with restaurants or whatnot, it might be a little bit problematic for them" (Int12- Ag Producer)

"Okay when I look at this thing, everything they're asking for, a lot of stuff that they're asking for, if you're food safety certified, it shouldn't be a problem...For us it wasn't that bad but I can see with this, if you're a small farmer and you're trying to do it by yourself, you're going to have, I think, a hard time trying to get everything to be prepared" (Int16- Ag Producer)

"I see all your refrigeration stuff again that pops up over here and the warehouse storage and all that kind of stuff but like I said, many of our things like that to keep fresh go from farm-to-table. A lot of times refrigeration doesn't even play a part in it. For an example, when we have things like lychee, a lot of the Southeast Asian fruit, it comes in from the farm and it quickly goes right out to the, it doesn't even have a temperature to get down to 40 degrees, so to say" (Int14- Distributor)

"I think that in 1.6, I think you'd have to be a pretty large operator and have a lot in place to be able to have those facilities and to be able to conduct those annual reviews of those facilities. So that's something that...if this were a large contractor, I think they would probably have all those things in place. If you're trying to get smaller vendors online, that's why I think a more cooperative thing would work better so that it's not everyone having to do that." (Int10- Ag Producer)

"A lot of people aren't going to be able to meet these...Do you know a recall program, because we're the only facility in the state of Hawaii that is BRC certified which is the highest food safety food certificate you can get. And part of the BRC program requirements is you have all these things, you need to have all these, packaging, labeling, process production evaluation, all of that, that is part of it...and in order to get this certificate, people pay \$10,000 a year to stay certified. I may be wrong but a lot of these facilities, they're going to have to come up with all these forms... I think it doesn't have to be as thorough as the BRC but I think it's very important that a lot of this is in place for them" (Int11- Processor)

"So, one of the things we don't do is, we don't process ready-to-eat at this point...which is something that Mililani talked to us about. It's possible. We can do the processing area and the certification, just costs more for us to do that. Because we don't do the volume" (Int13- Ag Producer)

"All the record keeping and all that I don't want to do this. You know I just want the guy who going come to my farm and pick my stuff and go. Simple." (Int2- Industry Organization)

"Number two, warehouse storage requirements...cold storage is an issue everywhere. So, that would be a barrier. Then there's feasibility, we have no problem because they are organic. On certification requires important aspects of traceability, inputs on the methods, the different technologies that we use...Product codes, we're okay with that, the J codes, is not necessarily...We can date all of our product. Labeling is all good, that's on page five. Okay, so page five starts the process farm fresh whole produce. So obviously we don't have like a processing plant that has like what kind of capabilities but we are working on a facility, a processing facility" (Int17- Ag Producer)

"So yeah, with the warehouse and storage requirements, I think these are pretty standard. Again, I think that I find it really hard on the ability of a small producer to take it all on their own" (Int10- Ag Producer)

"So, this is for a contractor who's going to be the distribution point... Because farmers don't have those type of facilities...for example, like the Laotian farmers, they're great farmers but they don't have food safety certified location to process or anything like that. So, when it comes time to send it to a market, the market's like, I'm not going to buy this" (Int9- Ag Producer)

"So, as we got into that point we were like gosh, we're gonna get all the way through this to the end of this farm-to-school thing and then not have a third party HSA audit and so we were kind of doing what everybody else, oh my god this whole thing sucks, what am I gonna do? So I called the Operations guy at XXX, and I can't remember his name, but he was like "Actually that's pretty common, but you have other third party audits for your product. How it's grown, how it's harvested,

and how it's stored." "Yep" And he says "Okay, so we'll take those records and if you're willing to write an affidavit on the other side of things then we'll be good to go...Yeah. So that was interesting and certainly I think something that needs to be kind of shared around there so that other growers know that if you have a product and you don't really fit into the auditing system that's there, it's still possible to become a supplier to the state" (Int19- Ag Producer)

"That's why a lot of times if they're going to audit the farm, farmers won't participate... When they came out with food safety and all this kind of stuff, I believe it was meant for processed foods, or foods that have been processed..." (Int14- Distributor)

"I mean all of this kind of stuff as I say like fruits and vegetables need to be stored off the ground you know all of these things shall be properly refrigerated. Most of all the local farmers and stuff have no refrigeration so what are you going to do if some of these requirements of the contract and stuff like that. As I say it's an economies of scale issue but it also is how our farmers are too small to you know be able to even afford refrigeration units and stuff...So even some of these kinds of existing things here are to me from a contract standpoint not going to work already anyway because we don't have the kind of farmers who can produce enough to even be able to afford stuff like that" (Int5- Distributor)

"Some farmers, like they just won't be able to do it because they won't be able to overcome some of the food safety issues...Mostly though, they're choosing not to overcome them because when I talk about food safety issues, there's really like three parts of it. You have to have clean water, you have to have some kind of traceability to your product and you have to have training programs for your workers so that they have hygiene. I think that probably 100 percent of our customers would hope to god that we're doing those three things anyway" (Int19- Ag Producer)

"That being said, most of the farms that are family-oriented and all that kind of stuff, really would have a problem with doing documentation over than what is necessary. They don't mind writing out the invoices and they don't mind doing things within the insecticides or pesticides that have to be done and all of that, but excess documentation would drive them away" (Int14- Distributor)

"I would assume that they don't wanna wash the tomatoes when they get it and dry it, they just want it washed and dried and ready to pop into someones mouth. So, I mean this doesn't really answer your question but I think that the DOE can process or find a processor and then the grower can continue to grow. Because it's really hard to get the grower to have the processing" (Int21- Ag Producer)

"That gap is very large, if a small grower who barely makes money is not gonna leap to be able to wash, pack, and chill, and deliver the product. So there somewhat needs to be a middle man, but that person has to be fair in order to allow the farmer to be viable, I believe" (Int21- Ag Producer)

"One of the things I notice on here you don't have and a lot of places are requiring this animal humane handling of animals...You know a lot of the people out there today they ask us all the time how the animals are handled, how we kill them, they want to know. And coming into the facilities, are we using probes, are we ill treating them in any kind of way. That should be one of

the standards for them [Moderator: Will that serve as a barrier with other cattle producers, or beef producers?] Yeah, But you know like I say I'm so used to it already and I see a better product because when you mishandle an animal they have dark colors because they're so stressed out that you're going to get beef that looks dark red because of stressed out animals" (Int11- Processor)

"There's a lot of regulation involved inside over here and the good man above has no regulation when it comes to climate or when it comes to things that are growing. Somewhere along the line we have to have a compromise on keeping everybody healthy and yet not expecting them to record every raindrop that falls down" (Int14- Distributor)

"...in Alaska, the state would have a program where if you want to apply for this and say that you're compliant with everything, but you haven't done it before, but you think you're as good as what the people are that are doing it, call for inspection. It'll cost you whatever the guy's time and energy is for the day, so it doesn't cost the state money to go and inspect all these facilities, you make it the cost of doing business, so a small farmer can afford a couple hundred bucks to have a state inspector come out and say, "Hey, you pretty much meet all the requirements, but you need to do this, that, and the other thing." It's almost like a courtesy inspection by the Coast Guard or by the Department of Health" (Int12- Ag Producer)

"[Moderator: Do you think that's a barrier?] Yes, but you know what, if you want to go after a bid, then get yourself together. Make sure before you go after any bid or commit to anything. You got to make sure you're in good standards of food safety program" (Int11- Processor)

SECTION – AINA PONO AREAS OF OPPORTUNITY

In this section of the study, research participants discuss or identify some of the key areas of concern that sponsors of the program would need to address or take into consideration as the program moves forward towards implementation.

Farm-to-School

In its current prescribed state, a direct farm-to-school model is not feasible or realistic given the compliance requirements and basic laws of supply and demand, and profitability. Only the largest farms, distributors and processors can meet the current requirements.

Market Pricing/ Volatility/ Profitability

As was established at the start of the study, market volatility on both the demand and supply side of the business requires that flexibility in the contract language is paramount in being able to attract successful and the maximum number of potential bidders.

“...realize the fact that when commodity prices just dip severely, that if we have to follow those prices or get within 10 or 15 cents of it, it's gonna be a problem. Especially on those years when there's an oversupply” (In8- Processor)

“No, the biggest thing with the State is they want you to go from August to August and that price is guaranteed and there's nothing you can do about that. So, therefore, if someone wants a blueberry in August and somebody wants a blueberry in January I mean here it can be \$7 and here it's going to be \$17. So, you have to calculate that whole thing out and then they yip and yap because it's expensive here. Well you don't give us the opportunity to change that price. It has to be concrete. The Federal gives you a loop hole so to speak...it's called economic price adjustment...the State doesn't do that...And if the price fluctuates too high you have the option and they can audit it, they can say we want an invoice to back it up, and if you can supply that invoice they'll say okay you have just cause to raise that price. Now this might take a few weeks, but you can raise that price. The State no” (Int6- Distributor)

“...if I can't control the market I can't control my margin and my prices. When I'm locked into a price and the market is high I don't make margin, which means I don't eat. I can't pay my workers. I can't float the boat. So, that's why we...when I say we I'm talking about every distributor out there. We need to make a certain percentage of margin and if we don't we don't make ends meet at the end of the day, serious. That's what every customer needs to understand. Whether it's the government, whether it's a restaurant, whether it's a hotel we need to make certain amount to make ends meet at the end of the day.” (Int15- Distributor)

At the end of the day, these are businesses and their continued survival requires them to seek out the maximum price they can get on the open market. This then causes supply-side problems for vendors seeking to fulfill contracts such as those similar to Aina Pono. In the end the math needs to make sense for the bottom-line.

"[Moderator: So, from your point of view what do you see as the challenges or opportunities for the Aina Pono program?] Obtaining the product...Let's put it this way if they can find somebody else that will buy it for a higher price that week, the schools take second priority and we've always put the schools first because that's our business. If we're distributing it, we want that product for that time period. When we buy from local farmers we've run into this problem before. If the hotels want it, well the hotels are going to get it...and then we're calling someone to air it in from somewhere...Wholesalers business is where the bucks are and the schools are last" (Int6-Distributor)

"How much money I'm going to make, because if I only got this much supply and that's already being dedicated to Armstrong right then the farm is not going to get involved. This is all I grow and I'm selling it all to Armstrong." (Int2- Industry Organization)

"[Moderator: Do you see any potential barriers?] No, unless they're not willing to give us what the eggs are worth" (Int7- Ag Producer)

"... as a farmer, you want to maximize your return. I think if for a farmer to the school...gets them a better return, then they would do that, if they had an avenue to do that" (Int16- Ag Producer)

"...from a producer's perspective there's no incentive to go to Department of Education versus for foods or the restaurant or... I mean it's, we know it's important. It's something that we work toward every day but again we work on it from the supply side...This is an excellent opportunity but it probably would not be a good opportunity for us at this scale...There's no shortage of opportunities of who we can sell to. The work lies in growing that food and unless you grow that food in a sustainable manner, which all their inputs including people, we might not even get there. There's just not gonna be enough food because we're feeding other markets" (Int17- Ag Producer)

"The demand is higher than my capacity right now but if I was to do a farm to school program, I'm able to sell it to you cheaper than what you can buy it for on the market, because we're dealing direct, and I may not be getting as much as I am on the Mainland, but I'm also not paying freight. It all translate into a win-win for everybody" (Int12- Ag Producer)

"No, it's not about the process, it's about the product. There's no product. And so investments need to go to the people who are growing the food. I don't think it's a process issue, I think we're game, like we're game to compete. The problem is that there's no...right now we have, our demand far exceeds what we can supply." (Int17- Ag Producer)

"...it's the paperwork. It's much easier to sell to a retailer or restaurant because it's a consistent order." (Int4- Industry Organization)

Large Distributors

The only ones that can really fulfill the contract on a statewide basis are the larger distributors who appear, for the most part, unwilling to accept the parameters and risks involved in the contract as they can make their margins elsewhere.

"I don't know how many guys could meet any of these specs. Growers I'm saying [Moderator: What about you as a distributor?] Yeah we can meet that but do we want to I guess is the question" (Int5- Distributor)

"So, if it's for the schools I would never bid on something like that to be honest with you...the jobs are too small. The people are too demanding. It's not worth the business...the people at the school level, the cafeteria level" (Int15- Distributor)

"I think part of what kind of deterred me a year after I signed up for all those emails, as well, is that it was very oriented towards the distributors and I have a good relationship with most of them, at the same time like, they weren't extremely proactive, the distributors" (Int21- Ag Producer)

"I think that the state needs to include the perspective of the wholesalers in the conversation. A lot of times they're left out. You'll go to these farm to table or farm to school events and it will be some farmers and it will be the school. It will be some agency guys and some politicians but there's never really anybody from any of the logistics departments, right. There's no Armstrong Produce there, sometimes there's not a shipper there and those types of things" (Int19- Ag Producer)

"I used to get the emails because I signed up, but I never really understood them. They're pretty complicated and I feel like what I remember is that they're very broad... It seemed like it wasn't like they were looking for cucumbers, it was like they were looking for 10,000 pounds of produce [Moderator: So, is your perspective then that the solicitations are built for the distributors?] Yes, absolutely... if they could say more for produce because there's a markup in the middle" (Int21- Ag Producer)

"I guess I'm goal-oriented, so to me, the question is "How achievable is this solicitation?" Because I can't supply the green onions and the bell peppers, I'm not in the business of buying more product to resell it. If it was more geared specifically towards something that I grew and could supply, if they were just looking for cucumbers or were just looking for tomatoes, or were looking for butternut precut... it has to be something that's achievable and not beyond the scope of my ability to continue to run my business" (Int21- Ag Producer)

"All the meetings I've gone to, pertaining to this matter, there's a lot of guys interested but a lot of guys are not big enough to handle it. It might be really do just for certain islands. That might work for smaller guys...like I keep mentioning, getting together different farmers, who do the same product, to supply the schools. That would work also, I think, if you got a good coordinator. Like for us, we have the volume, so we can do a big, big order" (Int16- Ag Producer)

"You'd partner up a wholesaler with a farmer...so the farmer provides the wholesaler all the produce and then the wholesaler does the storage and stuff like that, and the distribution. That's my advice...Let the farmer grow and do what they need on the farm, and produce the product, and then let the distributor or the wholesaler take care of all of this" (Int9- Ag Producer)

"[Moderator: Should they be given a contract like this with a horizon of two years, three years, whatever that growing cycle needs?] There's only a handful. Because we have most of the larger operations that are even food safety certified or anything I would say there's a handful period. Now whether they want to grow what's required under this is another issue. Whether they have the labor to do is another issue. So, in the current you know scenario you know economic and otherwise I don't know that they'd be willing. I mean papaya guys, for instance, not that the schools want that necessarily but you know they're all retiring because they're saying I'm getting my GMO papaya trees chopped down nobody want, you know I just don't want to deal with this anymore I'm stopping. Pineapple we only have one company literally producing it now and that's you know a big thing for Hawaii and yet we don't have anybody taking that over. So I'm very leery about having a contract like this and trying to fulfill it" (Int5- Distributor)

Supply-Side

As we have established throughout the study, the current capacity or supply of various local produce is limited. This is ultimately the primary concern for most who are interested in potentially bidding on this work. The inability to properly understand specifics in terms of what is required confounds most who took part in the study when asked about its appeal. Most indicate a key selling point would be for the DOE to set minimum volume purchases with a variable price range that would be acceptable to them.

"...it's kind of hard from our perspective here to really make it work. To do a local farm-to-table kind of thing where we can supply everything we need to the schools, or hotels, or restaurants. We can only grow so many things here" (Int15- Distributor)

"...number one, you need to understand what their tolerance for price is...we need to have a fixed minimum volume and I know I started the conversation with that but I can't express how important that is, I think, from a business standpoint, for any farmer, is not to be guessing what people are gonna take...So, those two things would give us the ability to figure out and give a cost proposal" (Int13- Ag Producer)

"I think it would be based on my understanding of our ability to meet it and also as far as where the bidding starts at or where the bidding is. So, I would assess, are we able to supply and is it worth it for us financially to take it" (Int10- Ag Producer)

"...we need consistency so we can plan to have things available..." (Int10- Ag Producer)

"Because one week we're doing 16,000 pounds and the next week we're doing 10 and we're scrambling to sell 6,000 pounds in a week. So, it makes it really, really, really hard. So, what we are willing to do, we are talking to other distributors and we're talking about, give us a minimum amount, we'll guarantee you that we'll produce that amount, and get it to you and I think that's the most important thing for a lot of farmers...because our sales fluctuate so dramatically" (Int13- Ag Producer)

"In the long run, if they can plan a year ahead of time what food or vegetable they want every month, it'll give us a...It'll make it easier for us to supply the market, to supply the schools" (Int16- Ag Producer)

"Basically, it's going to respond...be based on the volume and time of year. That would be the only two things that we would look at...We'd have to look at the production, what we've got going out and stuff like that" (Int16- Ag Producer)

"So, I have to make sure that I can supply that product and I need to be sure I have the cattle in the chain that come into the facility...So, when I go after something, I don't just go after it, I make sure I can accommodate everything that they want" (Int11- Processor)

"Well we basically need to look at the supply we have..." (In8- Processor)

"Capability of supplying on a complete contract. A chicken is not a machine, so you have to have back-up flocks, and when the chickens are replaced, then there's huge gaps in production. You have to be really careful" (In7- Ag Producer)

"Maybe possibly focusing on the things that are already grown or can be easily grown in our tropical climate, such as bananas, or there's a load of grape and cherry tomatoes I know right now. My cucumbers. I think that we should focus on some very specific crops and introduce it into their menu" (Int21- Ag Producer)

Exacerbating this issue is the current school set up, which those who are familiar with it claim does a poor job of aiding them in any type of meaningful inventory management.

"But we don't know from week to week what the menu is because they can rotate the menu... What is it a nine week cycle, six week, three week cycle? Say they offer three different entrees and it's a three week cycle, I think, I could be wrong on this now. If they do two, it's a six week cycle. And if they do one, it's nine [Moderator: How does this impact your business?] You never know [How do you plan ahead?] You don't...Like the just the other day one of my schools called me and said XXX never brought my humus I have to cancel all my baby carrots and I need you to sub in lettuce because I need to switch the menu. So, we had to drop everything, cut the baby carrots from the menu, and then switch it to chopped lettuce" (Int6- Distributor)

"Get the order a lot earlier than four days. If we can get the order before four days and we kind of know what the schedule and the menu is, how much I think they can figure out how much amount they need...I mean right now I'm guessing how much they use. Okay so like for Monday okay for example for Monday's delivery the girls in the office will get the order today. Today for tomorrow they'll write it on the board and I'll look at the board okay I need this much, I need this much but everything is already ordered from the Mainland yeah. So it's basically guessing" (Int3- Distributor)

"...it's the supply part that was a little hard to guarantee. Because they're trying to find a menu, basically, right? And from a menu standpoint, say they want so much a week, and if you can't guarantee it, it kinds of screws them up as far as what they can do on the menu" (Int9- Ag Producer)

"I mean, like putting the quantities that they know out by let's say by the semester or something or I mean, if they wanna keep say Armstrong or another distributor as a backup. Having maybe several and say if one's not able to supply, they know like three weeks in advance, so they can try to source ...I don't know, I guess it might be easier if I just buy the product if I don't have it for the DOE" (Int21- Ag Producer)

"Because you got to keep on hand say one week we can use from 50 cases of 1/13 oranges to 150 cases a week. So we don't know until a week before but the order has to be in two weeks ahead...if they gave me the cycle menu the whole state. With four days it's hard for me to get 800 bags you know [Moderator: So it's up to the school on an individual basis to notify you?] Right... it's not consistent so say we get flash flood this week the crop is lost. Even probably next week. I mean the field might be under water...Two weeks ago yeah head lettuce underwater. So lettuce nice but you got all the dirt, the soil all in between the leaves. I mean how you going clean um. Maybe if you use it for sandwich but not no salads. But you know even with this rat lung and all this baloney that it's too me you know when they advertise one guy got sick or one guy died or whatever" (Int3- Distributor)

Those taking part in the study indicate that it is critical for them to have the flexibility within the contract to provide reasonable substitutions as the market dictates. Most indicate that if given this flexibility they are willing to have contract language that allows for reasonable penalties in the case of default.

"We constantly, throughout the year, it's like a casino. I have fruit and vegetables constantly throughout the year. When products either don't come out whether it be dragon fruit or longan, or strawberries, blueberries, whatever. We constantly for the schools have to, it's not innovate, what word am I looking for? We constantly have to change it around so they can make the most use of their funds" (Int14- Distributor)

"Say we have strawberries, put strawberries on the contract if they go out of season we pull them off or if the price gets too high we pull them off...green leaf something it's similar, pricing is about the same, equal or better value let's put it that way, that's what the current term is then you can sub it. As long as both parties agree but you can't substitute a blueberry for an orange or something. You know what I mean? It has to be within that same family and that's kind of new this year with the state. Federal government at one time you could do that" (Int6- Distributor)

"As long as in the bid process they have this stipulation and I'm sure they do. I haven't seen it for a long time but I'm sure they do where if you cannot get local beef and something unfortunate happens that you can go out and get New Zealand [Moderator: What penalties would be reasonable producers short of certain products?] No penalties" (Int11- Processor)

"[Moderator: Excluding things like acts of God or nature and assuming that you could substitute products from outside the state for a reasonable period of time, would you be willing to take financial responsibility if you fall short in delivering contracted products? For instance in a longer term contract?] If that's the case, yes I can" (Int18- Distributor)

"[Moderator: Would you be willing to take financial responsibility if you fall short in delivering contracted products?] I can guarantee you that my investors would be willing to do that...but that, if it is a contract, that probably, I don't know if that would scare other farmers" (Int13- Ag Producer)

"I don't know what they would do if now this year because it's so rotten and somebody has that contract to provide certain products do they then, are they allowed to then go outside and how does the pricing go because it's going to fluctuate if we have to bring in some stuff by air as an example. So, there are all of these things which the state contracts haven't really addressed very well in my opinion...That's why that's to me not an attractive thing." (Int5- Distributor)

"...the way I guess has been done or the idea behind it was we'll help the local farmer with whatever he has, take off grades, all that kind of stuff. That's good but the problem with local farms and stuff is you may never know until a day before, two days before, whatever whether they're even going to have a delivery for you to pick up. And that is a problem with local growers and so if you don't have that kind of strength in terms or depth in terms of production and everything else you're not going to have the supply. So, then the cafeterias or whoever is going to prepare the food are going to be out of luck and they're still going to have to turn to their normal wholesaler or whatever it is. So, I think it has to be tied into an entire program where there is an understanding of you know the lack of production and allow whoever the contractor is to do the substitutions when necessary. Because it's nice to say I want local but if you don't have the economies of scale to do it that's why it won't work." (Int5- Distributor)

"Yeah, In other words, "Hey, this week we're scheduled for peaches, nectarines and all of that but Chile has ended early but we have maybe clementines or pixies, mandarins coming out. You might want to think of using that." Because we cannot be using bananas and pineapple and all that kind of stuff whenever something doesn't show up." (Int14- Distributor)

"Well one, we'd probably just produce excess and be very wasteful, give the rest to the food bank or if say I am only supplying grape tomatoes, if I'm short and you don't have a requirement that the product has to be local, then we can airfreight product in from the Mainland" (Int21- Ag Producer)

"Well the DOE contracts used to go is they you know and that's another thing that you got to be in it for a whole year or something and you got to supply them with this and if we don't have any local bananas then what right. I mean so there is not enough I think flexibility in terms of what the real world is with regard to local production. I think it's a nice concept but in reality if the production end of it doesn't, isn't there, doesn't get better organized, whatever is needed I don't think it's going to work. And that's why for years we've been yapping about it, we've been trying, and it has yet to materialize into a state program" (Int5- Distributor)

"When the Department of Ed, when the local schools here were running short of product, they had the flexibility of giving us a call. And so we would pick up some of the shortfalls, and that was helpful to us. And it kinda gave us a little bit of insight about working with the schools" (In8- Processor)

“Molokai has a ton of sweet potatoes, taro, papaya...then depending on the time of the year we're able to get carrots, beets, green beans, tangerines, oranges, mountain apples... this year with the new bid process, they had a limited list and so there were things that we had access to that we could not serve” (Int22- Distributor)

“The thing to consider there is specifics as far the fat to muscle ratio. So, if you're looking at wanting 80/20 or 90/10 that can be adjusted based upon and that would be a required substitution for ground beef... You know let's say the baseline is 80/20 can they go to a 90/10 can they go to a 70/30 so that they get that ground ratio within the ballpark you know plus or minus 2% kind of thing” (Int4- Industry Organization)

Another concern in this area are the times when we have the highest yields – during the summer time – would be when there is less demand from this contract. Seasonal considerations should definitely be something that the contract addresses. Aina Pono needs to work with the industry to help to determine a fair and equitable schedule regarding what is and what is not in season and the ability to once again make substitutions.

“Okay, they cannot get all of these different apples and different fruit that we're asking nationwide about but they can get mangos, lychees...when school is in session, fruit is out of season and when school is out of session, that's when all the fruit comes out...when we talk with all the exotic fruit in Hawaii, it basically comes out late spring, summer and early fall... and then during the fall season and all of that, all you basically have is papaya, banana, pineapple, apples and oranges” (Int14- Distributor)

“So usually right as soon as the rain even stops, so right about either February or March, you usually have, I would say, your most beautiful crop... and then when May, June, July swings around, pest population's really, really high. You get productive crops but you're also getting a high pest population... and then into August, September, kinda that same struggle...and then it slows down in October, November, December” (Int21- Ag Producer)

“I would say they have to be understandable or they have to be I guess flexible as far as the winter months, because everybody has that problem, especially in Hawaii” (Int9- Ag Producer)

“It doesn't seem like we have seasons here but we do. We can grow certain times of the year it gets too warm to grow lettuces and field crops. So, there's some cycle to those kind of things” (Int19- Ag Producer)

“Year round we can do this, but you have to be aware that in winter, when the colder months and the days are shorter, production isn't as great as close to spring and summer” (Int9- Ag Producer)

“Definitely a lot of vegetables we can grow year-round but fruits definitely have a season, the times that they're available. So, understanding what's in season when, and not trying to have the same produce all year-round, and understanding that seasonality list of what's in season and sending the news based off of that” (Int10- Ag Producer)

“Mostly only things like watermelons and lychee that are different in the summer. A little bit mangos as well but other than that we don’t have a lot of local fruits and vegetables, I mean fruits that are grown. The vegetables are the pretty steady ones throughout the year. There are peaks and valleys like local cucumbers in the wintertime are a little short as an example so we have to import more. You know so it’s more that kind of stuff. It fluctuates again this year has been horrible because of the rain and you know weather conditions” (Int5- Distributor)

“When we sat down initially with the Lieutenant Governor and stuff like that, with Shan and stuff, in the beginning, there were a lot of guys who were interested in it. Then of course, when the state asks for this kind of stuff, they realize that some of this stuff is seasonal...I think they ran into problems with the breadfruit, because they wanted breadfruit, but it wasn’t in season or something like that” (Int16- Ag Producer)

“This is what I would do if I was the state. I would get together what they’re looking at and go around and talk to farmers and say when is this available and can you do this much or can you get a group of guys to do this much? I think that would be ... that would make it a lot smoother, smoother system” (Int16- Ag Producer)

Flexibility also needs to be applied at the school level, where many feel that the cafeteria staff are often unwilling to accept change and work with the vendor, further damaging the appeal of the contract.

“You know what can change honestly is the people that, is the cafeteria managers. If they willing to open their mind and do whatever it takes to make the kids eat healthier instead of just showing up every day” (Int3- Distributor)

“Yeah. It’s too fricking complicated, and it makes it really difficult when you don’t have the support of the lunch ladies...Their problem is ... I’m playing devil’s advocate here...is that if I don’t put it in a format that makes it easy for them to pop in the oven, their day is screwed. They don’t have the budgets, as you can imagine, to add another person to do prep work if I don’t give them the product in a way that they can put it on a tray and slip it in the oven...I’ve got to give them a product that’s ready to go, where they don’t have to start cutting it or trimming it, or whatever you got to do to a product for the school program, and that’s the difficult part, because in the fish business, if you have to do it by hand, your labor costs go up exponentially” (Int12- Ag Producer)

“Right, so if it’s done by the cafeteria manager on a school by school basis, like it kinda makes the job a little bit more complicated for that person, depending on how...what you decide to procure and how many suppliers you have. It can kinda get a little bit complicated” (Int21- Ag Producer)

"I watch the program, and it takes a lot as far as, to get everybody on the same page. You're dealing with both styles, pop ins, pop outs for kids, so you're completely changing it and you're doing it all fresh...when I got the feedback from XXX, it takes a while to convince all these old time cafeteria workers and all that to do this and it's harder work for them so you get the unions involved and it's a challenge for them...Because all of these vegetables are fresh. It's not like this frozen stuff where you just grab it from the freezer and pop it in right? That's why it's harder, everything is fresh. So they're so used to, don't get me wrong, kind of an at risk working program and now you're really going to be your true chef...You're making fresh chopped vegetables to make your chopped stead to make your own teriyaki. It's totally different you cutting fresh fruit" (Int11- Processor)

In the end though, any flexibility allowed in terms of substitution must always favor the local producer when economically feasible. In order to promote this, the idea of guaranteeing a certain margin for local products would aid in this area most agree.

"[Moderator: Well, what if you were able to pass along that higher margin for locally grown produce, for instance?] At least that would be an incentive for the growers... Because we wouldn't pocket the higher margin. Obviously, we'd pass it along to the grower" (Int14- Distributor)

"The biggest thing is focus. Focus local first. If we can get the primary, secondary type contract you're at least providing the preference of local first. That's what should be done and to be honest if we're really committed to supporting our local businesses and supporting that, that needs to be a requirement in every state contract it shouldn't just be DOE or any food. That would be my own personal opinion so. Again, you have to put the required preference on it first" (Int4- Industry Organization)

"...let's take Oahu for example, Mililani is one of the newer schools and they're having an issue trying to get local beef. It's not so much the local beef doesn't exist what's happening is the contract that was provided to the actual entity here on Oahu to provide that beef they have, they're required to fall within a certain dollar amount and instead of sourcing out the local beef they are basically not taking the extra step to contact the processor who has the local beef to be able to provide that to the school. So instead, they're substituting saying that they can't find it and substituting mainland or even imported beef from New Zealand or somewhere else. So that's an issue we need to fix" (Int4- Industry Organization)

Distribution/ Storage/ Processing

The distribution of the product to schools provides logistical and economical challenges to potential bidders. Most of the larger distributors that have distribution channels already in place admit that the small amount of deliveries to individual schools does not make economic sense. At the opposite end, smaller farms and vendors lack resources necessary to properly deliver their product to local schools.

"Yeah, probably, because like I said, unless they can prove logistics won't be an issue, then I would say, yeah. Luckily, between you and me, as long as distribution is handled, then by all means. I would say you might as well try it, right?" (Int9- Ag Producer)

"Who would be willing to pick up at our box... If not, we would hope that we would find a contractor here to take the product to their warehouses...We don't want to be everything to everybody. In other words, we don't want to have a fleet of trucks and truck drivers...We just want to be able to produce eggs, and save the citizens of Hawaii a lot of money, and we make money, because we got to pay for this." (In7- Ag Producer)

"Right, but if you talk about a solicitation like the commissary or the DECA contract where you have four stores putting out \$20 million a year, now we're talking. Because those four jobs compared to... Well, how many schools do we have on the island? 100? What is that business worth for 100 stops? A couple million dollars? Not really, you know what I mean?" (Int15-Distributor)

"We do some stuff with the schools but not like delivering them you know because for one thing they're too small. I don't think some of them even buy \$100 worth during a week so it's not worth for us and we wouldn't bid on it. So maybe some other smaller guys do so I don't know... Well our delivery minimum is about \$600...Per delivery because the costs of operations, fuel, everything now is like horrendous. We have a totally enclosed, temperature controlled facility. That comes at a price as well...And it's not that I'm trying to say that you know it's not valuable but the size of our trucks and that kind of stuff it just you know we'd need a whole different fleet in order to operate for say the schools" (Int5- Distributor)

"...there is XXX's doesn't have a minimum dollar amount to make any delivery, but we do have a weight minimum which is 100 pounds. If you cannot order 100 pounds of stuff, then you might as well go to the supermarket for five or 10 pounds or whatever it is. Certain programs are good because they provide the kids with a whole bunch of cut fruit, this that or whatever. But if that's all you're going to be delivering then, not a worthwhile stuff to do. You have to order your potatoes and onions with it so to say" (Int14- Distributor)

"The big schools that have the big food programs ... It will always be that way, and the small guys will always be small. You'll never be able to change that volume. With having produce here, because it comes from so far away it's very hard for these guys to order one time a week and for it to last a whole entire week." (Int15- Distributor)

"I don't know if that's worth it for us to go in and bid on that. Then we're gonna have to commit to delivering at a particular time. So, I think early on in the process we realized that for pineapple to be successful, we're gonna have to do it through somebody that kind of specializes in getting product delivered to the schools, the equipment and the staffing to do it and so we worked a lot with XXX and her family up in Kula to do some of our cutting and delivering and again VIP and different wholesalers. So, I think, I don't know, again I'm not really familiar with the way that the process comes out, you know the difference between in language, but I would say that the size of the orders sometimes for people that have one or two products is kind of not really scalable." (Int19- Ag Producer)

"If they do their own warehousing, then I would prefer that" (In7- Ag Producer)

“[Moderator: For the schools, for instance, you would likely work with a distributor?] Yeah. If you had the distributor say...Say, for instance, again, it doesn't make sense for me to ship fresh fish to the Oahu school district. It makes sense for me to freeze that fish, put it in the container, and then have the distributor drop it off at each school in Oahu” (Int12- Ag Producer)

“I would say one would be the distribution point. If it's dropping it off to the Armstrong or something, then Armstrong should handle the distribution. That would be the ideal way for especially a farmer to handle it. You know what I mean? Armstrong can, because they're already going out to a lot of these places to deliver the produce and what not, so just jump on the wagon. So basically jump on the distribution train instead of...because I know what it takes to deliver papaya. I know what it takes to deliver 30 deliveries in a day. I have guys, and myself, we do it. It's not an easy task to go run around the whole island, it's your whole day running around the whole island” (Int9- Ag Producer)

“I think in this day and age it is, it won't make sense. There won't be takers. They might say they will but I don't think goals would be reachable, attainable and I don't think you know we have been for many years trying to provide incentives to farmers. I sit on and chair the ag business development corporation board. We have tons of acres in central Oahu now, we have thousands of acres on Kauai and we can't find enough farmers. Of the ones who are on there now, and we've selected experienced farmers to get on there, at least a five year history of producing and you know earning some money off these lands and some of them have gone on there and I have been horrified at how they operate. We give them long term leases, we give them good rates on water and everything else but if they can't give me a safe product, I don't think that's a good thing. So the state may attempt to do these kinds of things but without oversight almost down to their individual farms and how they operate and everything else, it's not going to be possible. And I think that you know we have to expect that the farmer, this is a business and they have to understand that and they can't expect that everything you know down to boxes and everything is going to be given to them. That's not how these guys, the whole thinking about production and how the state should help them and stuff like is kind of unrealistic” (Int5- Distributor)

“And say if the DOE has a resource that could be turned into a place that is a certified warehouse or processing facility where people could use that under management of making sure all the safety things happen, if there was that resource, where that could be dropped off and washed and processed and all those things, that would be huge for a small community” (Int10- Ag Producer)

Localization

Because of logistics, most participants would prefer a contract that was not on a statewide basis. Many do not have proper storage facilities, nor do they want to deal with shipping and all the accompanying logistical problems. It is obviously more cost effective for them to deal with local schools limited to their particular island/ district. More importantly however, most do not have the necessary production volume to supply a statewide contract.

“[Moderator: So, would it be better for DOE to put out solicitations for each island or to do a statewide solicitation?] Per island” (Int4- Industry Organization)

“Again, I think what really helps and makes it appealing to smaller processors is the fact that I remember if we go back maybe seven, eight years ago...we were approached by Department of Education as an industry saying, “OK. We want the winning bidder needs to supply the entire state of Hawaii.” And so right now the way it's set up is they can do island by island which is, it works for us” (In8- Processor)

“I think you really need to make it by region and in this case, by island...if you had someone coordinating efforts, or working with farmers on each island for the school districts on those islands, that's what I'm seeing is the disconnect. It's a one stop fit all, or shop all for Oahu, and if you un-complicate it, or break it down, and say, “Okay, let's start in small increments.” On the Big Island, you got one person who's the liaison, and you reach out to 20 farmers, and you start with those 20 farmers that want to work with your program. After you make them happy or unhappy, you'll have attrition with the guys who it doesn't work for them...If you try to do the shotgun, and say, “We're going to include all the farmers,” well, shit, it ain't going to work, because you're going to have such a dropout rate, you're never going to know if you're doing good, bad, or ugly. Start with a nucleus that's manageable that you can actually help” (Int12- Ag Producer)

“And the school lunch program was at one point in time with the cannery, a big part of the sales and target audience for XXX. When we transitioned to a smaller pineapple company it was a little elusive for us because we weren't a large enough vendor to kind of fit into the state procurement system” (Int19- Ag Producer)

“I think maybe a limiting thing, and I don't know where you'd put this, but we have a lot of small farmers here in Hawaii, right? So maybe, say how you put this blanket proposal to serve all islands? I don't think any farmer could do that. If you say, “Okay, you could serve windward side, you could serve west side island,” you know what I mean? That would, I think, be appealing because you know you're confident in putting in that proposal with that. I can provide that quantity that they're going to specify” (Int9- Ag Producer)

“And we look at our cost. We look at our markup, which we don't mark it up as high as we do other products because of the volume. We look at all of that first. We also look at our interest is here in Maui. And the reason Maui is of interest to us is we have our own distribution system here in Maui. So we can supply all the schools. It's not a problem for us” (In8- Processor)

“I mean it's tough, I get that all the islands are different because you have to have the competitive bid mock up so I don't have an answer for that situation but like I said for us, the other 3 years were awesome because we could just be honest, show the costs and lump them together and yeah so I'm sorry I don't have a good answer for the state but if there's a way to break it down by island that would be my preference” (Int22- Distributor)

“The one we cannot beat is if they say Maui County then we're out of it because I have no way to do it (Molokai)...Nobody wants to deliver over there. If they would have left the barge in, I would have done it. But and then they have Kamaka Air but it didn't go Maui there so the only way we could do it would be to fly it to Honolulu or hire somebody in Honolulu, another wholesaler and take it in and it's not feasible. They would charge us \$100 for a box of apples I know they would because they don't like us” (Int6- Distributor)

"It's so big that you won't get a lot of response because how are they going to even? They're going to say, you can't even supply it so why even try, right? As opposed to, this is to cover the windward side of the island. That's more realistic as far as a farmer goes. I can supply those schools or something" (Int9- Ag Producer)

"I think that farmers in Hawaii, if we were to bid off Mililani High School and some surrounding schools, I think we're capable of doing that...I don't know. I think that's how it should be. We looked at it, we were looking at supplying all over Oahu, and that would be different scale" (Int13- Ag Producer)

"What the state tries to do is they try to get all the distributors on Maui, or Big Island, Oahu or Kauai. They say, "Can't you guys bid for the whole state?" Obviously, that's not feasible...It's like in California or Washington or whatever, they would go with say cut fruit program for Los Angeles, or cut fruit program for Northern California. They can cut fruit mechanically over there and distribute it within a day or two. But over here on Hawaii because of the cost of transportation inter-island and by surface, which is barge once or twice a week, that's kind of not feasible so we don't bid for the whole state" (Int14- Distributor)

"For Oahu people to sell it to Kauai, they'd have the same costs we have in getting product over here and then trying to get somebody to distribute it for them over here and all that kind of stuff. We probably could do it cheaper than they'd be able to do it going through all of the different levels. Likewise, Maui and all of that. The two problem islands obviously are Molokai and Lanai. They do their own thing over there" (Int14- Distributor)

"In our case, it would be, the processors would be your distributor. Now the processors may contract with a distributor to ensure that the product gets to where it needs to go but they're going to take that place...And the processors tend to play nicely with each other in that if it's a processor on the Big Island they're not going to go after the Maui contract or they're not going to go after the Oahu contract. Now that's not to say they couldn't maybe fulfill the contract it's just that they know good and well that they all talk to each other so they're not going to try and undercut their neighbor because at some point they may need them. Whether that's shipping over quarters or half carcasses to be able to break down to meet their own contracts if something were to happen" (Int4- Industry Organization)

"I mean I go to this statewide farm to school Oahu meetings, and I do my best to understand the statewide procurement but there's a lot I don't understand so one thing that I know here is that we've been like look we have all this taro, we have all this Molokai sweet potato, why can't we get it into our menus? And the answer I'm getting is because there's, because you know Hawaii is one school district, there's one menu for the whole state and there's not enough taro for example for the whole state. And so we as an island are not able to just substitute" (Int22- Distributor)

SECTION – INCREASING VOLUME/ CAPACITY

At the outset of this section of the study, research participants were asked to estimate in very general terms what type of lead time they would need should to increase production to adequate levels to meet the terms of the contract. The responses in this section varied greatly depending on the crop/ livestock being discussed.

“I could take on anything...it just depends on the facility. My facility, we built it to grow. We could take on anything...The only real game in town is me and Armstrong that can handle big business.” (Int15- Distributor)

“They would have to give us at least several weeks’ notice, at least a month’s notice... as long as they can tell us I want to go from say a 100 cases to 200 cases in a month. If we’ve got the fruit and product available, we can move stuff around to try and meet their needs” (Int16- Ag Producer)

“I would say about a month because cattle is available, right now Parker is sitting on 700 cows that they’re trying to get slaughtered and they have no place to go right now” (Int11- Processor)

“Farming is, for me anyway, not like a water faucet, you know? I can’t just turn it on and turn it off...So if the schools are going to come in and say, “Hey, it’s gonna take,” I don’t know what the number is. 10,000 pounds a week of lettuce. We would gear up, purchase all the equipment, we do hydroponics, by the way...So, and then the other problem I see is when school’s out, right? For the summer. [Moderator: How quickly are we talking, to scale up?] The getting equipment in, and getting a system up and running, about three months...I can only speak for lettuce... That takes about 6-8 weeks. The first crop takes about 4-6 weeks to grow out” (Int13- Ag Producer)

“Depends on the size of it. If it’s something like the military where it’s \$20 million in volume, shit man, you’re probably talking about ... I don’t know. Your labor just to pull the orders you’d probably need about 10 people. Then drivers you probably need about four or five drivers that have a tractor-trailer license. You’ve got to get merchandisers, which is one per store. It would take quite a bit of time. I would say at least one quarter.” (Int15- Distributor)

“It would really depend on the crops that they’re asking. So, if it was, for example, carrots, it would probably take three to five months before I could start providing... I probably wouldn’t take it, but if I was trying to do more bananas or papayas, they’re nine months for production” (Int10- Ag Producer)

“I would say a minimum ... of three to six months...you got cattle that’s out there” (Int8- Processor)

“I assume the DOE market is pretty large. I would say easily a year, we’d probably do like a boost six months and then another double up, another six months.” (Int21- Ag Producer)

“[Moderator: How long would it take to put in that production capability and actually have product to deliver?] Say six months for sweet potato, from start to finish to harvest and ginger is one year” (Int18- Distributor)

“I only know papaya...I mean, I don’t know other farms, other crops and stuff like that. But for me, you’d have to give us at least a year” (Int9- Ag Producer)

"I will tell you right now there's a year long backlog at the plants on the Big Island just to get the animals into the plant. It takes a year just to get it scheduled because of the total number of available animals that need to go through the plant" (Int4- Industry Organization)

"It takes 18 months from planting to harvest (Pineapple). An increase above and beyond what we would normally do would take a year and a half" (Int16- Ag Producer)

"Well, a chicken lays its first egg at about 22 weeks, and then lays until about 80, 90 weeks... If you're talking about contracting for an entire flock, those would probably be the numbers we would want to see. But, I would tell you, we would need to know many months before that flock was done" (In7- Ag Producer)

"I would say probably two to three years out gives the processor at least the time and also gives us the ability to bring those calves up to age. So, more time would be better. Two years, three years, five years would probably be the extent of it" (Int4- Industry Organization)

"The thing is you also have to keep in mind is that even with the cows themselves you're looking at years upon years it's 18 to 24 months before that calf goes to the plant. So, there's a lot of time being invested. It's not like a short crop where you've got one growing season or two growing seasons a year and then you're done. We're talking year over year over year investment in the product to ensure that we've got that high quality beef" (Int4- Industry Organization)

"I would think you know I mean two years would be good...all the leafy greens...hydroponics" (Int3- Distributor)

"...but one of the problems I see with the whole school bid system is you got one shot at it. For example, we have product ... in order to supply the school system, we have to line up the cattle. I mean that cattle, even now the bids hasn't come out and it's in July, and we have certain things on hold because we don't wanna ...we need to tell our ranching partners please hold onto that cattle because we're gonna need them for this school program...And then, so now the bid comes out. And say if we don't get the bid, we'd have animals that has only one outlet here to be marketed that are now not marketed. So it's such a huge market to be on an annual bid basis is so scary for us" (In8- Processor)

"Do you understand the sizing of eggs? Well, the sizing of an egg is only conducive to the age of the bird. In other words, a young bird produces a small, and then medium, and then as it's getting older, produces large and extra large for most of its laying life, and a few jumbos... You have to coordinate...if you have a medium bid, for example, which is usually a food service item and not a retail item, you have to have birds that are from 22 weeks old to about 26 weeks old in enough quantities to fulfill those bids or you have to bring the eggs from the Mainland..." (In7- Ag Producer)

An offshoot of this particular discussion revolved around the financing needed for this increase in production. In particular, research participants were asked about the appeal of a bankable contract and how such a document would be of value to them when seeking capital.

“Where financing comes from...” (Int17- Ag Producer)

“One of the biggest things that you have to keep in mind is that agriculture is the only business where you sell everything at a wholesale and you buy everything at retail. So, you’re buying all your inputs at the highest possible price and you’re selling your output at the lowest level versus the opposite for every other business model in the world. But with that type of system, having that bankable contract, having something that says DOE is going to go to this many pounds at time, we need to have this, we’ve selected you as the primary person, then the agricultural producers can take that contract to the bank, get the funding, the capital that they need either to increase their production facility or to help develop and purchase additional stock to be able to ramp up that production to meet that contract. That is incredibly crucial and not only in our industry but you’re going to see that in every single agricultural industry that you talk to whether that’s papayas or breadfruit or whatever” (Int4- Industry Organization)

“It would be awesome. I would love to help try and coordinate something like that. I mean, it’s impossible to guarantee yes it could work but I feel like we have some farmers that would definitely be interested in that” (Int22- Distributor)

Next, in order to further probe this topic, research participants were asked for their preference in terms of contract length. The responses in this section varied, with some preferring long-term contracts guaranteeing them business over a set period of time while others are leery about locking themselves into an unfavorable contract given the volatility of the market.

“It would have to be a long, long-term contract. Basically, because pineapple takes so long to grow” (Int16- Ag Producer)

“I guess, my point is that you can really make or break a guy. If you came to me, and said, “XXX, we’ll give you a contract if you can do this and deliver it,” well, I got to build the infrastructure to support you, so I don’t want a one-time in and say, ‘Thank you, ma’am. See you later.’...If you give me a long-term supply contract, I don’t know if those are possible, but at least the farmer has a plan to amortize his investment costs for accommodating you, which lowers his infrastructure cost, and it lowers your overall cost” (Int12- Ag Producer)

“Well and we do see because even the military and the federal government used to be strict like that and it used to be bidding on fruits and vegetables to the commissaries for instance or for the troops on a weekly basis. It was horrible, therefore, and the quality they were getting was just up and down depending on who the contractor was for the week. He may have come in with a cheaper price but that didn’t mean they got quality...so those are the kinds of things that have to get worked out” (Int5- Distributor)

“[Moderator: Are there specific contract terms that would make it easier for you to work with and find local products for the Department of Education, for instance?] Maybe three months at a time...Year long contracts like that's what I say. I have to grow my own to have a contract with whoever... I'm planning right now to grow purple sweet potato on my own. That way I can sell contract to Costco or whoever...You have to control how the products come out, and a lot of times Mother Nature, the products don't come out the good quality you cannot sell it. 'Cause if you do, you'll get rejected” (Int18- Distributor)

“We normally, not a contract but more like normal contract about three months or six months we get a form for that, we keep that size and let the markets go crazy. Like when I deal with Costco, when I raise the price and about to go double that I get to buy or get it, then I just stop shipping [Moderator: Why do you think the market is structured the way it is? I mean if you were to get a long term contract, you mentioned about fixing the price and then not being able to adjust based on the market changes] Only if I can do a long contract, I have to grow my own. I cannot depend on a group or a farmer, because anytime they see the market maybe five cents higher, they jump boat...you cannot trust, that's for sure” (Int18- Distributor)

“[Moderator: How important is it to have a contract that's longer like that?] We don't like it...because you have to hold that price for three years” (Int6- Distributor)

SECTION – INTEREST IN JOINING DOE CO-OP

In this section of the study, research participants were asked for their thoughts on co-ops and, when applicable, if they would be willing to join one or do business with one. The research shows that most understand the inherent benefits a co-op would provide, especially in a market the size and scope that we have locally.

“Yes, I'd love to join. Like I say, depends what the Department of Education wants me to do or wants my company to do, then I will” (Int18- Distributor)

“Right now we are a distributor that distributes to the schools but currently we're only distributing our own and we would like to grow as a distributor. I'm very much supportive of it being a cooperative” (Int10- Ag Producer)

“Absolutely you know why? Because you're absolutely right what you just said, if you work with a cooperative maybe I have more chucks than you have and then I can give you chucks or I have more rib eyes that I can supply to you and as a group we come up with that number” (Int11- Processor)

“Sure. I have no problems with that. I've always been very supportive, because like I said, if I don't have to duplicate my efforts, it's saving me money” (Int12- Ag Producer)

“So, this is why a co-operative is important. I have a plan delivering my produce. I'm really glad most of my buyers pick up the produce from us in refrigerated trucks. You know, because food safety is gonna require refrigeration all the way from farm to the table ... and not that many farmers can afford these things. So, why not have a co-operative, where we share these facilities? Why do we all deliver? Why don't we have one big truck pick it up at one big location and all of us sell it out of there?” (Int13- Ag Producer)

“I don't think everyone needs to buy all the same equipment to do the job, and it's more in the community's benefit to pool its resources and have a cooperative than for everyone to take out the risk and everyone buy all the same things and have all the same facilities. So I'm very much in favor of... we don't all use everything every day, and if you're going to spend hundreds of thousands of dollars, why not make it accessible to the rest of the community?” (Int10- Ag Producer)

“...There are a lot of small farmers, who could get together and supply the schools... I don't know if they would be able to do that, the farmers are a crazy bunch. They'll fight with each other, even though they're trying to do good for the state ... with the smaller guys, if you don't cooperate, then you're on your own trying to bring in small volumes of whatever fertilizer and stuff you need. That goes straight to the bottom line” (Int16- Ag Producer)

“Some people still believe farming is a lifestyle those are probably not the ones that you want. Lifestyle first. The livelihood guys are the ones that are going to help this program. Farmers are independent, we don't have co-ops but we're pushing you guys back to co-ops that's the only way” (Int2- Industry Organization)

"I think the concept is a good one but I don't think given over the last 20, 30 years as I said what the agriculture in Hawaii is it will never work. And, I do understand the need for contracting changes and you know all of these procurement issues and stuff changing but I think the bottom line issue is consistent supply. And if you don't have that you can't make a program work...And as much as people you know spoke of the old plantation days as though it was a very bad thing if something, the good thing about it was that it organized many growers into co-ops and into either marketing groups or you know whatever kinds of organizations they had. And when you organize in that way it gives them some strength both in, at the legislature or anyplace else. Without that, it's just totally chaos out there and there's nobody to pull them in, organize them, structure them, you know give them rules of the game and that's why I don't think something like that is going to work... I think it's generational, it's also ethnic, it's also just changing times people want to be more independent and do things on their own and they think they can" (Int5- Distributor)

At the opposite end are those opposed to co-ops in general and feel they would ultimately not succeed for various reasons.

"I think farmers are just, they're very independent, grumpy old men. You know? They don't want to" (Int13- Ag Producer)

"See when the co-ops existed the farmers all were in union. You grow lettuce, you grow cucumbers, you grow zucchini and you know they would ship them to the military and what not but the big boys didn't like that quite naturally. So now we have what we have. No because they'll always be able to sell outside that co-op for a higher price. See if they're within that co-op, the price is controlled. If they're outside that co-op, the price is not controlled... So why in god's name would I ever want to go through, jump through these hoops to co-op when I can go there and get more money. That's why the co-ops all dissolved" (Int6- Distributor)

"So it would seem like a co-operative model might be helpful but there is no formalized cooperative model in Hawaii that I know of. So again we would be the experiment without support from private, public private. And nonprofit kind of entities, it would fail. It would fail." (Int17- Ag Producer)

"...probably not. Basically our farm is on Maui and the other farm is on Oahu. I think we have enough volume to handle what the state needs..." (Int16- Ag Producer)

SECTION – BACKGROUND

In this initial section of the study research participants were asked to describe their operations and customer base.

Business Type

Those taking part in the study were asked to describe the different types of crops they grow, livestock they raise or types of product(s) they distribute or process. The ensuing discussions reveal a relatively wide array of produce and livestock currently being produced annually.

“We grow lettuce, tomatoes and cucumbers...our biggest crop is lettuce” (Int13- Ag Producer)

“... the majority of our revenue comes from cherry tomatoes...we do Japanese cucumbers, we do long beans, and string beans, we are growing okra, we’re growing eggplant, and we are also growing butternut squash” (Int21- Ag Producer)

“At our market garden, we produce lettuce, carrots, kale, collards, fennel, bok choy, green onions, sweet potato, and kalo. We also have a range of different herbs, including sage, thyme, parsley, oregano, Thai basil, garlic chives and lemongrass. That's just our market garden” (Int10- Ag Producer)

“So, like down here there's cucumbers, there's grape tomatoes...Not a lot of it, but herbs, taro, bananas, and a lot of stuff like the bell peppers...” (Int15- Distributor)

“So out of Hilo we have like green onion, cilantro, papaya, coconuts, sweet potato. Everything else you know leafy greens all come from Waimea...So, farm to school is basically you know your leafy greens basically” (Int3- Distributor)

“I only ship like I told you ginger, potato, turmeric, organic turmeric, conventional turmeric, and we used to grow also organic ginger as well. Actually, I'm the first one that grows organic turmeric here, a large amount and also ginger...I have a basil farm in Oahu and the other farm ginger, turmeric is in Hilo” (Int18- Distributor)

“...the three that I mentioned earlier which are taro, sweet potatoes and papaya. We have local grass-fed beef, we have a livestock...and we have a shrimp farm that we do local shrimp as well. And then we have a few value-added producers that do baked goods and breads and things like that” (Int22- Distributor)

“From A to Z. We sell all the fresh fruits and vegetables that is consumed in the state...And when we do the walk through you will see I would say in the neighborhood of 20-25% of what we have here is local and during the summer it's a little bit higher because we do have local watermelon, we do have lychee, we have stuff like that that will increase the numbers in terms of local production” (Int5- Distributor)

“Actually, basically on Kauai, it's open, leafy greens and Southeast Asian fruit, which would include all of your rambutans and atemoya and longan and seasonal things like mango, lychee and things like that but avocado, oranges have all disappeared. The lime orchards have all disappeared because...you cannot beat the Mexican avocado and the Mexican lime” (Int14- Distributor)

“All cattle from the Big Island. I'm also involved right now with the school lunch program as far as the ground beef goes so we're supplying the main island, which comes out on bids yeah, so we're supplying the Big Island, Kaua'i, Maui, Lana'i, with the ground beef and that's about 10,000 pounds a month so that's what we're doing over here” (Int11- Processor)

“We presently produce grass-finished beef and all of it is pretty much 95 percent of it is from Maui, and we do bring in some product from the Big Island, you know with certain cuts that we're short on” (In8- Processor)

“The rule of thumb in our business is one bird per person...I would suspect Hawaii is a little higher. The reason I say that is, is that the Hispanic and the Asian populations, which you're very heavy in here, usually consume more eggs than, frankly, white to blacks” (In7- Ag Producer)

Next, in order to further probe this topic, those taking part in the research, when applicable, were asked about their thoughts and the availability of what they would consider B-Grade produce/ product. The results varied greatly depending on the individual/ business in terms of the amount they produced as well as their thoughts on promoting and selling this particular grade of product. Some were enthusiastic about creating more of a market here, while others frowned upon selling this grade of product.

“Right now the A grades, what it used to be that would be considered off grade years ago...the quality is really shitty...We don't like to put off grade into the schools...because first of all they can't even clean A grade product these school people, the workers, let alone an off grade product. We don't feel the kids should get an off grade product. I mean they're your future, why not give them a good product. I mean what makes the hotels so special?” (Int6- Distributor)

“The nutritional value is probably there but they need to know that off grade a lot of times has pieces of rot or here they're like cracked like this. If you were a bacteria, would you stay here or would you go in here? You would go in here...and that's why I won't use an automatic potato peeler, and automatic carrot peeler because it roughs it and when it roughs it the bacteria lays in...but as far as processing that's what these people all think oh when processing buy off grade. It doesn't work that way...because you start with something shitty, you're going to end up with something shitty, I don't care what you do to it. And I've been doing this for 35, 37 years” (Int6- Distributor)

“We don't take any off grade because that's not what our customer base wants. We supply all the major hotels, restaurants, the military commissaries. We cannot afford to be dealing in off grades. They don't want that. Everybody wants top grade... the farmers markets and stuff... that's where most I would think of the off grades and stuff go and into Chinatown...but even Chinatown now is getting heavily criticized so they even come and they want to buy the top grade stuff” (Int5- Distributor)

“So I think as a grower, if you got to interview a big grower, he doesn't have to go hungry because you know what he does? He doesn't even harvest them. They don't even come out of his field, they just get left there” (Int21- Ag Producer)

“Anything that doesn't look right, we discard” (Int12- Ag Producer)

“So usually if you...say for example if you grow cucumbers or eggplants, they're kind of all the same size. Like the Asian long eggplants, right. If you are very attentive to your crops, what you would most likely do, is you would trim off any fruit that's not gonna be of grade A quality... Because when you take away that fruit the plant can focus its energy towards the good fruit producing more fruit” (Int21- Ag Producer)

“But I would say on the market right now because there is Southeast Asian fruit, whenever you raise things like lychee, longan, mango and all of that, there's not much stuff in off grade. Off grade would occur more along the vine crops like raising watermelon, cucumber, that kind of stuff” (Int14- Distributor)

“I mean the only off grade we can do...is when it's available but it's not consistent... A lot of the off grade you know I mean goes to the farmers market...so like say Alou Farms have off grade eggplant they would sell um to the Chinese restaurants and they chop it up...the grade one is more for the stores” (Int3- Distributor)

“So, we have a lot, we sell our grade A of course to the market and so forth, but as farmers, we always have these items called cull, you know, the off grade...We don't do farmers markets just because I believe that our product needs to stand alone as far as quality. It's kind of like, the most highest papayas you can probably buy...if I have extra, being able to sell it to the school and having them cut it up and serve it because children, they're only going to eat a small portion of it, right? So, if we have this small little sample size papayas, it's perfect for the children...with that idea of the cull, that's a really good opportunity for farmers to get rid of their cull and their off grade because a lot of products cannot be sold in the marketplace because they're considered grade A, grade B, and so forth and that's a good way for, I think, farmers to make money and also the local schools to benefit, right?” (Int9- Ag Producer)

“I think there's quite a bit. The reason I say that is like for us, for example, we have quite a bit of off grade. That's what we use to do our cut fruit for the hotels and the restaurants. It's a finished product ready to eat, same thing with everything else, with say eggplants, not everything looks great for the market, but still tastes the same...Right now I wish there was a bigger market for it. We could definitely use all of it. It's just finding the right market for it” (Int16- Ag Producer)

“The only thing off grade that I can sell is the ginger. Ginger off grade I did sell every year about from 300,000 to 400,000 pounds a year, and help our farmer a lot. And I'm the only one that can sell that here...I sell to people who process them and make like puree. They sell that to Campbell soup and they also ship it to UK, out to Europe and all that thing. I don't know what they do with it. They puree it” (Int18- Distributor)

"But, even for us out of the 1,000 commodities I sell maybe there's a handful of items that I sell as off-grade because there's a demand for that... especially in the restaurant industry. They don't mind using that stuff...Normally they'll take it to the farmer's market or sell it to the people that do that kind of stuff, you know what I mean? Because they just bag it, throw it on the table, and people just take them and buy them and eat them" (Int15- Distributor)

"There is as an example Whole Farms their off grade are B's. Sometimes they just donate it to the Food Bank. But again the logistics behind that. Who's going to come pick it up. Foodbank comes. Food Bank gives them tax write offs or whatever donation" (Int2- Industry Organization)

"You know there's the one that we throw away, and there's one like, "Well, this one has a little twist at the bottom, you can still eat it. You know what I mean?" (Int21- Ag Producer)

Customer Base

Depending on their place in the supply chain, some sell directly to retailers/ restaurants/ hotels while others deal with a middle-man who contracts out with a wholesaler or processing plant.

"We sell to wholesalers. We do small mom and pop businesses. We do hotels, supermarkets. It all depends where those people pick the produce from...We service all accounts, all types of accounts" (Int16- Ag Producer)

"The farmer's market, so direct to consumer...and to restaurants and resorts" (Int10- Ag Producer)

"Yeah, retail we supply a lot of restaurants here on the Big Island but on the outer island it's only Whole Foods and Safeway and Foodland" (Int11- Processor)

"We sell everything...we have wholesale and retail channels. So, restaurants and natural food market, farmers market" (Int17- Ag Producer)

"So like for us you know working with KTA, KTA is our number one customer. Everything you see in KTA is from us and we going do whatever it takes to support. I mean everybody should be your number one customer" (Int3- Distributor)

"One-third of our business is retail...another third of our business is restaurants and hotels. And then another third of it is food service" (In8- Processor)

"Well, we've had the most luck so far with Foodland, Safeway, Times here locally. The commissaries really like it. Sam's Club really likes it, and now we're branching out to all the islands in the retail market in the whole round retail market and then on the Mainland, we've got restaurants and small food chains. I mean, I can't keep up with the Albertson's and K-Marts because I don't have the volume. I can take care of the 30 or 40 store chain in Minnesota, or in Iowa that has 20 stores. Those are the types of places I'm looking for that I can send one container of fish that has about 40,000 pounds in it, and they can distribute it to their 20 stores" (Int12- Ag Producer)

"...we're produce distributors. We service everything from the big box stores, to the military, to small mom and pop's. Obviously, here on Kauai, with only 70,000 people we can barely sell the stadium out, there's a limited amount. Because we're in business and farm business for this long, we do a lot of shipping with our connections. We do a lot of shipping from Hawaii back to the Mainland on those items that are shippable which basically are papaya, pineapple, ginger and onion. Those items...everybody from Costco, Safeway. All the big box stores... All of the mom and pop's on Kauai have sold out this year" (Int14- Distributor)

"For me, we're exclusive to Times Supermarket" (Int9- Ag Producer)

"I think that we have been successful as a company because we decided to go direct to the stores. And going direct to the stores allows us to keep the majority...allows us to have the best price for our products" (Int21- Ag Producer)

"We would hope that they're distributors...Whomever they would be, and that would include major retailers" (In7- Ag Producer)

"Well I sell the basil all over US. Also, my ginger, my turmeric, all over US...mostly to distributors...retail I do not sell" (Int18- Distributor)

Just a few taking part in the study currently held a government contract of any kind.

"I mean we have a schedule that we you know with this FFVP we got to service the whole island and we got to get their product to them at one certain time. So, we manage to make sure we can do that the delivering" (Int3- Distributor)

The research shows that most would prefer to have a steady local, on-island clientele for obvious logistical reasons. Most, however, acknowledge having to ship product off-island in order to remain viable.

"Well, we're starting with Oahu, because that's where the majority of the population is" (In7- Ag Producer)

"Just Maui...because of shipping I don't want to get into that then your quality will suffer" (Int6- Distributor)

"We supply some product to Oahu. Most of the product is kept here on Maui" (In8- Processor)

"Currently it's just Kohala" (Int10- Ag Producer)

"I do everywhere...well, I actually stopped doing Maui but I do Kauai, Hawaii Island. I stopped Molokai" (Int15- Distributor)

"Maui's a relatively small place. Kauai and the Big Island are tough to ship into but there's certainly a good market there and then Oahu is the population center, so I mean packing into Oahu is important for a lot of the Neighbor Island farmers" (Int19- Ag Producer)

“Kaua'i, you have two slaughter houses, very small slaughter houses. Maybe they're doing 40 a week. They don't have the capacity. On Maui you have one slaughter house. On Moloka'i you have another slaughter house and then on O'ahu you have one slaughter house. And then on the Big Island you have two...each island should have the opportunity to supply their island but the problem there is 75% of the cattle are on the Big Island...but I would like to see each island be able to enter into the school lunch program and supply them.” (Int11- Processor)

“We have operations here, this is our main operation. We have an operation on Maui and we have an operation in Kona. So, we supply all of you know we supply those islands. We contract with truckers to do Kauai and same thing with Lanai and Molokai because we do supply all of the islands but we don't have a physical presence we have only on the three islands” (Int5- Distributor)

“Right now we are handling Maui, because we're a Maui company. We do probably 30% of our stuff on our island. Then we also do some specialty stuff to the Mainland...and Japan” (Int16- Ag Producer)

“[Moderator: Okay. In terms of getting your product though to their store, that's all in your hands?] On Oahu yes... so we sell to Foodland and they ship to the Neighbor Islands...but if I were to sell on a regular basis...I would have to figure out how to get it to their stores...we sell to several distributors on Maui, we wholesale our tomatoes...and we also sell to Armstrong” (Int21- Ag Producer)

SECTION – LOCAL FARMING INDUSTRY

In this section of the research, those taking part in the study attempted to shed some light on this industry sector, identifying many of the issues currently being faced by those who do business in State.

Farm Land

It is impossible not to take into consideration the geographical challenges faced by local farmers on many different levels. The first, and perhaps most important issue broached in this section is the perceived lack of available and affordable land that is zoned for agriculture.

“Water, land, it would be cost. Rent is so high everywhere, especially on Oahu. Even for farmland. Even to buy property, it's astronomical now. Let alone buy, you're going to have to rent somewhere, that's a given” (Int9- Ag Producer)

“The land here. Sometimes you cannot get land. Especially with the basil, I really need land in Kapolei to expand my production, but right now I'm in a limbo. If you could help with that part, I would really appreciate” (Int18- Distributor)

“Well, one of them is the land, right? We don't have the resources that the Mainland has. So, there's a way that we can do certain things here. I thought it was...I guess the Governor went down to the little farms and was asking them...they talk about it, right? Like sustaining, right? To me, I think we could do it to a certain extent. Certain crops you can grow here if you do it the right way” (Int15- Distributor)

“I do think young farmers should have a program for grants and not loans. I think there needs to be a better system of the state protecting ag land so it doesn't just go to real estate developers. Because as a young farmer especially in an area like Kohala where 20 acres with no infrastructure is \$600,000, I don't know how you're ever going to get a young person to take on that much money ...where I see state intervention as far as agriculture production is in securing ag land for people that can apply for favorable long-term leases of those lands to start. Because if you want it to be an economic development rather than just from already large corporations, there has to be some protection in place so being a farmer is actually a career path someone can take in the local community but that's not actually the case. I don't know why, just because of real estate development. So, the state does need to take intervention in protecting ag land to start... Because if we can't afford the land, we can't farm” (Int10- Ag Producer)

“As you have urban encroachment and stuff like that, it's going to be harder and harder to get farmland. Equipment is always a problem, all that kind of stuff. It's just not as simple as putting a seed in the ground. There's a lot of things that you've got to do in order to get your crop out.” (Int16- Ag Producer)

“You know what would give incentive to farm basically there's no land to farm any more. To start up one farming you know one business farming how much you think you going have to dish out of your own money?” (Int3- Distributor)

Technology

Though our year-round temperate climate is viewed as being ideal for certain crops, some are simply too difficult to grow in our island environment, thus requiring import from the Mainland and other sources. Several believe any future talks related to the industry must take into account advances in greenhouse technology. This sentiment is especially present among the distributors who took part in the research.

"... I think it's very limited that my understanding of what we can grow and what I know other people are growing in this area" (Int10- Ag Producer)

"Here on Kauai it's too warm so all the greens cannot form heads so they raise mostly open leaf kind of style over here" (Int14- Distributor)

"Everything going come from the Mainland...unless I put up one hydroponic greenhouse...you need the startup money" (Int3- Distributor)

"To me, I was telling the guys...Hey, go back to the Governor and tell them to put money into our state so we can sustain. If the state was to do that we would be able to grow everything we need. Not everything we need. We couldn't probably do like... If we were to grow potatoes, carrots, and onions it just wouldn't be cost effective here because it would be way cheaper to bring it in from the Mainland...You would have to put up hot houses, greenhouses that are controlled environments...I'm working with this family and they used to grow tomatoes years ago before Iniki. And Iniki kind of wiped them out but he's putting up greenhouses and he's growing tomatoes. Tomatoes is a hard commodity to sustain because of disease, bugs and stuff, yeah? You grow that indoors, right? Where no bugs can come in and no disease is in there. You can supply the island now, right?" (Int15- Distributor)

"So, Larry Ellison, if you know who that is. The Oracle guy, yeah? So, he bought Lanai and he's actually putting up hot houses, greenhouses. What that does is it controls...the whole environment within that greenhouse is controlled. The temperature, the sunlight, the nutrients. So, now you can grow stuff like Romaine lettuce, and stuff that you normally can't grow here because we don't have the right altitude. Two of the only places where we can really grow good lettuce is one, Kamuela and two, up in Maui in Kula, right? Because they're 1,000 feet in elevation. Which is actually better than Kamuela. You get way better product because the greens like Romaine, and lettuce, and stuff you need the cold temperature for the product to head out and come ...compared to the Mainland product when it comes out of the ground" (Int15- Distributor)

"To me the way to go is ultimately going to be hothouses and stuff like that because the weather is so, it's globally changing right and farmers are suffering from that. When you plant something in the ground like everybody knows Dean Okimoto and his farm in Waimanalo and it's happened to him several times, this isn't the first time but to me he should have started to plant in hothouses above the ground you know off tables or something like that because it's not going to work. The weather is you know going to be like that and it's going to kill them when the rains come or the heavy winds come and something happens to destroy the crop. But if they don't also buy into new technology in terms of agriculture, then the numbers of farmers will start to diminish." (Int5- Distributor)

Supply-Side Issues

Due to various economies of scale issues brought about by our isolation and relative market size, a key issue highlighted throughout the discussions was the inconsistencies and sometimes inability to produce certain produce items on a consistent, cost-effective basis. This problem is exacerbated by the fact that the number of large-sized/ corporate farms in the state is severely limited.

“My understanding is that 97% of the farmers on Oahu grows less than \$250,000 a year.” (Int13- Ag Producer)

“I'm not worried about guys at my level but if you want the coffee maker and the guy that's making the tomatoes and these guys, I'm telling you, the scale of farming in Hawaii, there's only 2%, 3% that are huge farmers. The rest are all mom and pop” (Int12- Ag Producer)

“Why don't you guys have a lot more local, we just can't get the steady supply. Like in events such as this rain wipes guys out...I mean production is always going to be an issue because we're so small here” (Int2- Industry Organization)

“It's just like for us I feel agriculture in Hawaii at this point in time and it's like heresy to say this but it's true having now been in the you know distribution kind of situation more clearly but the problem is that Hawaii agriculture does not have any economies of scale so to speak” (Int5- Distributor)

“Generally speaking, we have a problem with supply and that's what our focus has been for the past probably...three to five-year strategic plan, and it's the demand...This demand is driving everything but there's no supply” (Int17- Ag Producer)

“[Moderator: So what about the market overall, I mean is there something that the state could do to incentivize you to sell a higher percentage of local produce?] It's not consistent...If you get wiped out you know it's one week but you still got to keep on planting...we call them the fly by night farmers...They only like plant summer time because everything grows good summertime and when come to winter...because cold, doesn't grow, the yield is like less than half than what would be in summer time” (Int3- Distributor)

“The rest of the people that are coming in like the XXXXX Meat Company...They're coming to New Zealand products because there's not enough product on the island, particularly Oahu, you're talking about 60,000 pounds of ground beef a month you know what I mean? So, they don't have enough product to compensate that bid so they compensated with New Zealand” (Int11- Processor)

“I mean if you really want the local stuff. You know Dean Okimoto tried to fill that gap for the restaurants by being a distributor for local products or specifically restaurants and cannot compete. Again the bigger the guy the more flexibility I mean right the tougher it is to crack those markets” (Int2- Industry Organization)

"I think what we suffer from is market saturation. They see a shortage and then suddenly everybody plants. And then everybody has potato at a very cheap price for a short duration of time. And then they all stop growing because of the over saturation. So there's a lack of communication" (Int20- Manufacturer)

"We've tried, actually that was how we started was like oh, farmers just want to just farm and they want us to distribute for them and so we thought wholesale was going to be how we did that. What we found was that a lot of farmers are part-time farmers, like they have other jobs, and they just didn't have the quantity, the consistency, or the third really key piece was the price point was too low. You know at the stores they're like we're only going to pay you \$1 per pound for this and they're like I can't even break even selling it for that price" (Int22- Distributor)

"So, without that kind of stuff because we're not dealing with grocery canned goods items that can survive for six months, we are dealing with stuff that deteriorates as you're shipping it and it takes six days from the coast so it's a different kind of product. So, with regard to that I don't think people truly understand the dynamics and the logistics that's involved in shipping product to Hawaii and it's a good idea to use Hawaii product except I don't think we have enough of anything to be honest" (Int5- Distributor)

Labor

Another key factor limiting sustained growth in the industry is the lack of skilled labor to man the acreage necessary to reach desired profitability levels. Many along the distribution channel admit that finding and keeping good workers has become extremely difficult and a definite concern for those in the industry.

"(Waimea) they have the land, they own their land...the thing is they want to cut down...no more workers...poor thing they got to compete with the hotels. Try think in the air conditioning yeah if you got to run cars or cleaning rooms it's way easier than farming, rain or shine you got to go work" (Int3- Distributor)

"Just because technology is changing in agriculture, just because we have no labor for agriculture now. I mean you know we're at full employment pretty much. Even if a farmer wanted to expand because he is a good one they tell us no because I cannot find labor I'm not going to do any expansion" (Int5- Distributor)

"I think as a processor of food that depends on farmers, it's a tough one. It's challenging because I think farms suffer from similar problems as we do in the manufacturing business. A lot of the growth depends on labor. And labor is tough. I'm just talking to a sweet potato farmer on the North Shore and he can't find quality help, so he can't get me my potatoes. So, I'm having to source from elsewhere" (Int20- Manufacturer)

"You look at the staffing issue right now in the state it's tough...workman's comp, that was the issue right. You know, they're saying weed them out I said, how are you going to weed them out? The only thing we're getting in is weeds. If the weeds even come. The workers in the workforce are that bad." (Int15- Distributor)

"...very difficult to get help, good help" (Int18- Distributor)

Some feel the solution to this issue is greater access to affordable housing, while others feel that modernization will continue to aid farmers in this important area.

"We understand that in order to stabilize our workforce, we need to have living wages as well as housing opportunity because...our farmers and our staff are being priced out of the market. So, we need to do that, we need to create educational opportunities" (Int17- Ag Producer)

"I think there's enough for ground beef and the stew but it's the slaughtering, so you've got to get these animals slaughtered. And right now, we do just about 400 head a month out of this facility over here. Our hang up over here, big this over here is labor...we can't get enough people to work over here to kill where we can produce all this, and have enough product. And it's not, this facility has the capacity to do it. I mean it has the capability to do it, it's just the labor...most people that work in slaughter facilities are Mexicans and Filipinos in the Mainland and so we get all these Mexicans and we get all these Filipinos come in we have no housing. The housing here in Hawaii is so expensive" (Int11- Processor)

"The key is labor right now and housing to go with it. Somebody's got to help us with that. We don't have time to go look up how do we get these immigrants over here legally to start working for us. We don't have that time to go through all the immigrations and all of the...Somebody has to help us [Moderator: Who do you think should help?] State of Hawaii...they're going to get more money from us if we can get more labor working...we have 32 employees. I need 50 more employees. Think about how many dollars that is to the state of Hawaii" (Int11- Processor)

"We needed to become more mechanized to where we weren't so labor dependent" (In8- Processor)

Unpredictability of Industry

Another key issue when trying to better understand the industry is to acknowledge its inherent unpredictability when considering factors like weather, diseases, and the simple fact these are living organisms that you're dealing with.

"But this year, it's going to be a little bit more sad because the weather has been so bad that even the watermelon crop is pretty lousy, even the lychee is late by like almost a month. So, you know you're not going to see the tonnage" (Int5- Distributor)

"I mean one weather system will affect, because our land mass is so small it will affect a wide crop. It's not unlikely that the weather that knocks out the Big Island ends up knocking out Maui and Molokai in the same week. That's one disadvantage" (Int20- Manufacturer)

"The problem with that system is when we do have drought conditions, their ability to finish those cattle on pasture is reduced, just depending on the severity of the drought...right now we just get a percentage because there's only so much that they can raise along with their cow herd on their properties and still maintain some degree of drought mitigation or flexibility when there's drought weather" (In8- Processor)

“So if we got into a draught situation...we don't have any other ways to dispose of the animals other than harvest or shipping to the Mainland” (Int4- Industry Organization)

“Farming is hard even for a proposal, you cannot guarantee production if something happens... with the floods, we have a long bout of rain, your crop is pretty much either under water or it's going to be really severely affected” (Int9- Ag Producer)

“Like for us, if it rains and stuff like that, it might hamper our harvesting... If the weather's too cold, you can throw down your fruit, so mother nature has a lot of stuff, has a lot of fate. We were pretty close, but some other stuff, say for example, mangoes if you contract for mangoes, and you've got a big wind and all of the flowers fall down, then it's not a good thing” (Int16- Ag Producer)

“But you know with the weather we've been having it's all cuckoo...Weather and diseases, pigs. The pigs we have it's getting out of hand because a lot of private owners don't want people hunting anymore” (Int3- Distributor)

“Our main business is processing...chopped lettuce, chopped romaine, sliced onions we do that for them....green zucchini comes from Maui. Red cabbage comes from Maui, Won book is Maui, Lettuce is Maui. Sometimes we offset that with mainland lettuce though... if there's rat lung we move to California... If it's e coli we come back to Maui you know...so it just depends on the time of year” (Int6- Distributor)

“Last week, Thursday, good example. I open up my container and there are 150 cases of lettuce in there and guess what? The thing is rotten already. What do you do? I don't even have enough product to supply me to last throughout the week until Monday until my next container comes in. So, now I've got to fly in product or either buy product from another wholesaler here to fulfill my needs but, at that air freight is another \$15 or \$20 a case for freight on top of that \$12 or \$13. It really puts you out of range” (Int15- Distributor)

In addition to some of the aforementioned issues, one must also consider the sheer volatility of the industry, which forces growers and those along the distribution chain to adapt quickly to market changes or go out of business.

“I am being told by my producers, the guys who pick up my product and distribute it, that they cannot give me a standing order, because they don't have any standing orders...So, they'll know within seven days that they're gonna need this amount of product. Which, to me, is ridiculous, because it takes seven days for it to get here...we don't have any contracts...it's just the orders” (Int13- Ag Producer)

“Because the market is so ... It's like the stock market, the produce market, right? It's supply and demand. These guys are looking for cheapest cost-plus there is. Say Romaine, if the thing costs me...Right now I can buy it on the Mainland for \$6 a box, a full-leaf or head. That's like a 35-pound case. It's cheap but, now you put freight into that and freight now costs us \$13 a box. That's double the cost of the lettuce itself. That's horrendous. To me, if you ask me, that's really uncalled for” (Int15- Distributor)

"We use Square at the farmer's market to keep track of all of our sales, so we're constantly analyzing and shifting with the market as fast as a farm can, because some things take three to five months to grow" (Int10- Ag Producer)

"So, some of our biggest buyers are the hotels, so that's food service, right? So, when they have a peak tourist season or say they have banquet or a wedding, they could go from 200 pounds to 1,000 pounds. That throws us off" (Int13- Ag Producer)

"Well that's what I did with the turmeric because people react, the market asked for the organic turmeric from Hawaii. That's what I grow seven years ago and since then it'll grow bigger and bigger, and I guess that brings it to the market here in Hilo and also encourage farmers to grow conventional as well. And I'm the one that, we ship a lot of that" (Int18- Distributor)

"And part of that is because of some market forces that were in play back in 2014, 2015, 2016 to where we saw really high dollar price per pound on the Mainland and so many of our processors or many of our producers with them selling calves to the mainland held back their cold cows one more year to get one more calf. Well when the price went down on the Mainland that left the producer here not only with the cold cow which should have gone through last year but now she's had to stay back and take care of her calf one more year so now you've got the cow and the calf and so now you're competing with that in addition to the higher demand on the consumer side for local high-quality steaks and high-quality beef. That kind of slowed down the system" (Int4- Industry Organization)

"Because a lot of time, they're all across the board in what they want...what people want and what people are buying, so we are growing a lot more lettuce and carrots...they want 150 to 200 pounds of carrots a week, so we're adjusting our growing schedule to fit for them" (Int10- Ag Producer)

"Before all this grass-fed beef came up and everything we were doing 75% call cows and call bulls and 25% market cattle. Today we do just the opposite, so the time involved is more but the market, the industry asked us to come on board and do this for them and we came on board and we do this for them...Where do we make our money? I'll tell you I make more money boning out cows and boning out bulls than I make on primal cuts" (Int11- Processor)

Distribution Network

Many taking part in the study feel that agriculture suffers locally because of our geographic isolation from one another which prevents the economical transport of goods and services.

"I'd say that being on a remote side of the island and wanting to ship things is not something that I get very excited about" (Int10- Ag Producer)

"So we're faced with those kinds of issues and the complications of being in an island state like that, the logistics of moving products around you know because we pretty much have one shipper inter-island you know that kind of stuff. Those are the kinds of things that make it very difficult and people always talk about oh yeah well we have to fix the transportation issue I say that's not going to make a difference either. Our farmers don't have enough even to be able to ship to us full pallets of stuff right so their costs skyrockets in terms of shipping. The shipping from inter-island is more costly than it is from the West Coast, why is that? Because again there's no

economies of scale...So that's why a lot of them will just sell on island what they can because to ship it they got to have enough volume for it to pay off" (Int5- Distributor)

"When HC&S closed, I mean we almost immediately felt that in those direct areas like fertilizer and fuel systems and all those kinds of things. I think we were all a little surprised about how big the impact was in things that didn't necessarily seem like they were directly related to agriculture. So, scaling up to a size again where there's a decent amount of containers coming and going for agriculture on and off the island or in the county, you know YB would prioritize agriculture again and you know, there's not much... One of the hard things farmers that are doing perishable things, if you harvest a pallet load and that's beside your operation and you don't have cold storage and you may not have a vehicle with cold storage and you've got to drive it down, but your customers are on Oahu, or the Big Island or Kauai, you've got to get it down to the harbor, get it into a consolidated load, get it onto an airplane or get it onto the barge and still maintain the quality of your product and with scale there's a lot more consolidation opportunities, there's a lot more frequency of containers and airplanes leaving and coming. I think that scaling up kind of helps everybody a little bit. Some of it indirectly, but some of it certainly just right at the core function of their business" (Int19- Ag Producer)

Others indicate the lack of adequate processing and proper storage facilities along the distribution chain limits growth and increases costs. Some note that due to the small scale of most farms and operations it is not cost effective to have in place the necessary infrastructure to support all that the state needs as far as reaching its sustainability goals are concerned.

"If you don't have the infrastructure to do that though, you're going to pay retail all day long, and retail in Hawaii sucks" (Int12- Ag Producer)

"But you can't grow those products there because there's no feed mill. That's also because the cost of grain shipped in are so expensive, you don't have other animal groups to speak of either" (In7- Ag Producer)

"I would say there's a place where there's more opportunity for growth or utilizing under-utilized resources in our area, if there was a market or resources to help process those goods to go to market...availability and cost. So not everyone has access to, say, like a certified packing shed so they can distribute or sell. They might have their land and things growing on them, but they don't have the resources to put forward for the facilities needed to process" (Int10- Ag Producer)

"Because of the fact that our farmers don't have the facilities, and most of the money to put up facilities the product doesn't last the way that it's supposed to last...the only way we can sustain is if our government...Basically the government or the State puts up money to put up these kinds of facilities so we can farm" (Int15- Distributor)

"Yeah, we don't have a walk-in cooler storage area currently. We harvest and we process and we deliver to be within food safety standards. We don't have anywhere to store anything" (Int10- Ag Producer)

"I don't know if this is in the scope of your question but it's hard for the cafeteria ladies to buy papaya. They're from the Big Island, so there's a distributor in Kona but they don't come up to Kohala. There's no large core area where a distributor could drop off food. So, they're not going to come up here and deliver, because there's no place to drop off specifically...it's cheaper for them to get Guatemalan papaya than it is Hawaiian papaya or they don't have access. So, for me, it's like, how do we get more locally-grown papaya online in our area so they have that available to them" (Int10- Ag Producer)

"...also in our area, there's just a lot of underutilized or under harvested things because people don't have a great avenue to market, and maybe it's not a lot but there's so many unharvested and uncared for citrus orchards in our area. If those were utilized and people were given the tools of knowing how to prune, if they had someone to drop them off into a warehouse facility, that could happen" (Int10- Ag Producer)

"They want to put in the local stuff into the schools and so unfortunately at times our bottleneck is being able to slaughter all that we need...and you know a lot of times too, these guys they say they do it local but I know they don't do it local but how the heck are you going to get it local if you can't get it slaughtered? Where are you getting the local beef from? You're not getting them from the facilities" (Int11- Processor)

"If I was a god and had a magic wand, I'd put in some sort of facility on Oahu or wherever your hub is that could be the infrastructure support mechanism to be the dispensary for all the schools statewide, where all the products come in, whether it's meat, dairy, pork, fish, and you can take advantage of ahi when ahi's 10 cents a pound. I mean, Jesus, imagine taking ahi from the fishermen in the summer when it's really abundant at 10 cents a pound and cutting it up into steaks, and then freezing it, and then having those steaks six months later in the school program? You just saved yourself 30% to 40% of your school's budget because now you didn't pay retail." (Int12- Ag Producer)

Some question the way the existing system's setup has created a natural barrier to growth in this industry sector.

"I guess what I was trying to say earlier is that sometimes I think that the distributors don't necessarily have the best relationship with growers... the big distributor works with another middle man... So this middle man is familiar with all the growers out there... So, there's another guy who comes to the farm, purchases the product, makes a markup, then that product arrives in Honolulu...and the middle man is always trying to dictate the price at the farm end so he can make his margin...those prices sometimes are really bad for the growers. They're not making a good living. The systems really messed up in many ways. [Moderator: Why do you think the market is structured the way it is?] You know, it's easy when you're a busy salesperson to communicate with one buyer, then to communicate with five farmers who don't really speak English and may not show up to make a 50 case delivery" (Int21- Ag Producer)

State/ Government Assistance

Several who took part in the study believe that local and state government need to become more involved in the industry, as they play a key role in its growth and overall sustainability.

“I think the biggest thing the state could do would be to become the buyer. I mean, it's big, huge. I mean, DOE? Right? That's just DOE, but all the state buildings and everywhere else, that they have cafeterias. They should be buying local” (Int13- Ag Producer)

“I personally think the direction for local food production is in cooperatives and in the state investing in some level into that kind of infrastructure, so that people have access to be able to meet those requirements, because farming is such a high-investment, high-risk, low-return business that if there were community cooperatives with shared resources, including certified packing sheds and facilities, it would be so much easier for people to meet those kinds of compliance standards...That's where we're trying to go in our community and saying, how do people have access to meet these kinds of compliances without having a lot of money or taking out a large loan so that everyone has it on their property...So, I would say the government investing in ag parks and community-certified processing and packing sheds and processing and distribution centers would be a huge step. Because it's really access, people have access to take on those kinds of liabilities” (Int10- Ag Producer)

“But when it comes to Ag land, and Ag rules, and building Ag facilities, they're just completely clueless, they're city people” (In7- Ag Producer)

“That's where we lose our farm there. Other way that we tried to encourage the Department of Agriculture is to drop a lot of this regulation, auditing and all that kind of stuff on this particular group of people...a lot of them are taking early retirement or leaving the industry because of that type of regulation” (Int14- Distributor)

“You know what I think might be of issue for some farmers? I've had to do this as well for my customers. But you have to take out, you have to have proof of, umbrella policies...they put the burden on the farmer, which is really, that's not right. But we do produce it and we guarantee, to the best of our ability, that you're not going to get sick. But with all these food recalls, we've been getting a barrage of, okay, we need to be listed on the policy and you need proof of a certificate of insurance. So, like I said, even the military, I have to have a \$2 million for them too” (Int9- Ag Producer)

Local vs. Mainland

The initial discussions naturally lead to this next section where participants took on the issue of local produce and livestock versus imported goods. As was touched upon previously, given the various discussion points put forth in the prior sections, many believe that reaching sustainability goals will be difficult due to the simple market factors of supply and demand and the cost of doing business.

“That's why we'll never be 100% sustainable. We cannot compete with growing rice against California, growing wheat and corn against the Midwest. We can't grow that stuff competitively. The cost of doing business in Hawaii is too high. The cost of our inputs are too high. You got to still import all those inputs” (Int2- Industry Organization)

“There's no incentive on anything. To me, I like to support as much local as I can as long as it beats my expectations. You know, our company's expectations. Because I like to support the local ...I like people supporting me, right? So, I'm going to do all I can to support that but from the Mainland, I buy from the Mainland because I have to. Because there's a lot of stuff that can't be grown here or it can but like I said, we don't have what it takes to do it. So, that's why I buy from the Mainland. If we could grow everything here I would buy everything here” (Int15- Distributor)

“... you can only get romaine from two or three people here in Hawaii. So, because it's much easier for them. They would substitute Mainland at the drop of a hat...and a lot of that is volume. You know, we've been to those farms up there, they're growing it 5,000 acres while we're growing on three” (Int13- Ag Producer)

Though many don't not want to discuss the topic on the record, the general perception among participants is that most of the major local distributors would prefer Mainland products based on profitability, consistency, and availability.

“(Maui Onions) Oh my god they're about \$100 a bag...You can buy Mainland onions for \$20” (Int6- Distributor)

“It's local product, local grown produce tends to sell for about, I don't know, from what I'm looking at, 20-30% more at times” (Int13- Ag Producer)

“Because basically, most of this product comes from the Mainland... And it's gonna be cheaper coming in from the mainland, and they know that...” (Int13- Ag Producer)

“Well our prices are higher than our Mainland counterparts and the reason that it's higher than our Mainland counterparts is because we're not dealing with the volume that they deal with...our costs are higher, and then we live in a state that we need to pay our employees higher wages” (In8- Processor)

“[Moderator: Do you think the distributors have equal incentives to sell imported and local produce?] No, they probably make a better margin, have a more stable supply, by selling imported product” (Int21- Ag Producer)

“They going promote David's Broccoli right, so they expected from the distributor who expects it from the farmer. If the farmer can't provide it, the distributor can't provide it to the supermarkets, the supermarket can't provide it to the customer. The customer is mad at the supermarket, the supermarket is mad at the distributor, the distributor gets mad at the farmer. At some point the distributor says enough I know where I can get a steady supply and it's cheaper also then the business end comes into it right. As much as he wants to support local, they're a business also the distributors” (Int2- Industry Organization)

“Okay, nobody's going to see my answer, hear my answer, right? With the wholesalers, the wholesalers can make a lot more money with imported stuff. They can get it cheaper. They can sell it for almost the same price as local stuff...Local stuff in Hawaii, because of the high lease rate, high production rate and stuff like that, they tend to be a lot more expensive than stuff that you can import...local stuff can be...the margin goes down for the wholesalers” (Int16- Ag Producer)

“That's an interesting question. Yeah, I really don't want my guys to know that I said this...I'm finding out that the distributors would prefer to sell Mainland...because they know that they can get the product in...but their buyers, the hotels, the Sodexos, even the stores and a lot of it is the farm initiative...buy local, you know? All of these guys are asking for local produce. And a lot of them, including my chefs, including big hotels, and even the Hilton and in the Sheraton, would rather buy local if they can” (Int13- Ag Producer)

“Matson came around with containerization...In the late '60s. Then we found that there were products that we could bring in cheaper from the Mainland...We were growing 36 different crops. Everything from corn to Manoa lettuce to cantaloupe, honeydew, watermelon...containerization took a lot of the growers out of the export business from the different islands” (Int14- Distributor)

At the same time, given the limited demand and requirements as far as economies of scale are concerned it is equally important that local farmers be able to export any excess product out-of-state at a profitable rate.

“Kauai is so small that a lot of times the papaya goes either to the Mainland or goes inter-island. We represent the farmer going inter-island and all of that.” (Int14- Distributor)

“I think there's also not just, framing the argument around what we can grow for ourselves here illuminates the whole concept that we actually probably could scale up to an export type of system too. The market on Maui is very, very small” (Int19- Ag Producer)

“...They actually do raise these crops you need such volume that if you cannot export, it doesn't pay off to grow that on a small scale” (Int14- Distributor)

“I don't know why but most of the time the reason we sell local is very small volume. So, they like to sell to Mainland because like potato I sell locally here to XXX so only one pallet, like about 40, let's say exactly. Normally it's 1,800 pounds per week. When I send to Mainland it's 40,000 pounds for a week...Safeway here, they only buy 45 boxes a week. So that's the reason why we have to have Mainland distributors to support us” (Int18- Distributor)

“[Moderator: Are the margins higher when you sell to the Mainland than when you sell local?] No...same [Oh okay, so you have no real incentive to sell to the Mainland except that there isn't the demand locally] Correct” (Int18- Distributor)

Dying Industry

Many who took part in the study worry that generational family farms are a dying breed as sons and daughters no longer wish to endure the ups and downs of the industry. Others note a lack of young farmers, with the exception being what many describe as “immigrant farmers” filling this void somewhat.

“[Moderator: Are people looking to be young farmers?] I have people that I host here. I even offered an externship for department of labor because I'm on those boards and stuff...Nobody's interested. They talk it, it sounds nice, but in the reality, real reality, they look at this work and they say, "Oh, forget it." It's overwhelming. You know, these people say, "I want to farm, I want it organic, and I want to supply restaurants," and stuff. Are you really going to be able to make money, or are you really going to make a living, let alone hire workers and pay them and support a true business, with insurances and workers' comp? All that kind of stuff, medical insurance for employees. You have to be realistic, that's the true scope of it” (Int9- Ag Producer)

“So, a lot of the farmers in Waimea they all ready to retire. So within like 10 years there will probably be maybe one farmer left I think within the next 10 years now...it's dying out” (Int3- Distributor)

“You know the second generation, third generation...they want nothing to do with it. They're closing down their farms. It's kind of sad you know...Because it's hard work. It is really hard work. To do all of that hard work and to come outside to your fields one day and go, "Wow, my whole farm just got flooded. I just lost 100% of everything I just put in the last three or four months to grow this and I have nothing now." You know what I'm saying? Who wants to work for that?” (Int15- Distributor)

“The young guys don't want to get into it. It's too high risk, it's too hard work for minimum returns” (Int5- Distributor)

“And we do a lot of farmer training and are working in the high school, and we'll be doing farmer high school internships and hopefully some post-secondary stuff. We'd like it to be...how do we create that avenue for young people who want to be farmers and actually take it as a career? How are we investing into our youth to make it a viable job that they want to take on?” (Int10- Ag Producer)

“So we you can grow and I think farmers are definitely willing to grow but one you have to deal with the age of the farming community, the age of the farmer and the farming community, the transition of those businesses to the next generation, if their family farms” (Int17- Ag Producer)

“There are a lot of people who want to work on the farm, but there are very few business people who want to actually be the farmer. That's a guy over there who has taken accounting, finance, business law when a contract exists and have taken tax and at least some farm because that's where his money is going to be all put in real estate in Hawaii. Every time we hustle the farmers like that and they don't have these basic things, eventually they get frustrated financially...” (Int14- Distributor)

“So, I mean, what I hear is that a lot of these growers do not make a good living. So they move to the mainland” (Int21- Ag Producer)

It is important to note that some are still bullish on the local market and see great opportunity for those willing to make the commitment.

"I think there's a huge demand for locally produced products, if you're in the ballpark...90 or so percent of the eggs that are being consumed in Hawaii right now are coming from the Mainland" (In7- Ag Producer)

"Where we can get local, we do get local. I mean we are farmers and I'm not about to you know send my business somewhere else." (Int6- Distributor)

"In the past, it used to be the wholesalers didn't make money on local product, it was like this marketing thing that they did to say like okay we support local and everybody was, Armstrong had its initiative...I think from talking to guys that I know that are wholesalers, they actually make more money on the local products because it lasts longer in storage, it arrives in better quality and the shipping prices are going through the roof...So, there's a good opportunity right now I think for that partnership to really grow" (Int19- Ag Producer)

"I think local produce tastes better and it's fresher and depending upon where you buy it I don't know if it's easier, I think it's harder to process actually... You know why mainland crap is all uniform, it's like cloned you know. Whereas, local is not and that's why people don't like to deal with local. And local produce is dirtier and it requires more washing and cleaning and people don't like to deal with that either. There will be worms or bugs in it and they don't want to deal with that either, but it's still a better product. Now within reason. You can't bring something in that has worms crawling out of the box." (Int6- Distributor)

APPENDIX

Discussion Outline

Farm to School One-on-One Interviews

April 2018

EXPLANATION OF PROCESS – OPENING

Introduce self and explain mechanics of in-depth interview.

- This is interview that allows us to focus on a single topic – in this case, what the Hawaii Farm to School initiative can do to interest you in participating in the program.
- We do no product promotion or selling of any kind. This is strictly market research. No one will contact you as a result of this interview.
- There are no right or wrong answers – we simply want your honest opinions.
- Everything you say is voluntary. I don't think I'll be asking about anything you feel uncomfortable about, but if I do, please let me know and we'll move on – you don't have to answer any question you don't want to.
- The discussion will be audiotaped with your permission (so that I don't have to take copious notes).
- Confidentiality – report aggregate findings, your name and the name of your organization will not be used in the final report.
- Promise on time – out in 45 minutes or less.

INTRODUCTIONS

I'd like to start by asking you to introduce yourself, first name only is fine, tell me a little bit about yourself... what is your position within the organization you work with?

You don't need to tell me which organization you work for, just your role. What does your role entail?

As you know, we are here today to discuss the Hawaii Farm to School Initiative. The Hawaii State Department of Education (HIDOE), the Office of the Lieutenant Governor, the Hawaii Department of Agriculture (HDOA), the Hawaii Department of Health (DOH) and The Kohala Center are working collaboratively on this initiative, with a goal to systematically increase local food in school lunches as well as connect our keiki with the 'āina (land) through their food, using products from the local agricultural community.

Have you heard of the Hawaii Farm to School Initiative? What are your initial thoughts about it as a distributor/farmer? Why do you say that?

PRODUCTS AVAILABLE

Let's talk a little about how you view the agriculture market here in Hawaii.

From your perspective, what is being produced? What are farmers willing to grow? (What do you grow?)
How much b-grade or off grade product is available on the market?

What are the production calendars of specific crops? What is available when?

What types of entities do you currently sell to? I'm not asking for names, just interested in learning about the types and sizes of entities that purchase products from you.

What factors do you consider when selecting a farmer to purchase from/distributor to sell to? (For farmers: when was the last time you reacted to market conditions and changed productions to meet a need?) What would you need/expect in order to do that?

Given your farm/supplier base, what is your supply ability? One side of the island? The entire island? Multiple islands?

PAST EXPERIENCE RESPONDING TO SOLICITATIONS

Let's talk a little about your past experience in responding to State solicitations. Have you ever applied or considered applying to a State produce solicitation? To HIDEOE? Why or why not? (**PROBE for perceived challenges, issues with trust, awareness of how to respond to a solicitation.**)

(If yes) Tell me about the experience. What did you like about it? Anything you didn't like?

Were you successful in your bid for the HIDEOE or State procurement project? If so, what worked well? What didn't work so well?

SOLICITATIONS

I'd like to get a better understanding of your overall perspective on solicitations.

In general, what do you take into consideration when deciding whether or not to respond to a solicitation? Please be specific.

What bid solicitation approach is best: invitation for bids (IFB) or request for proposal (RFP)?

What effect do the solicitation options/specifications have in your consideration of whether to respond?

What compliance requirements do you find acceptable? Which are a barrier?

How would they prefer to submit your response? Would an online submission make things easier or harder for you?

How do you approach solicitations that involve multiple islands? Does that affect your willingness to respond? Are you more likely to respond to a solicitation for a certain island over others? Why or why not?

REACTION TO SAMPLE SOLICITATION

Now I'd like to get your thoughts on a sample solicitation.

Review sample solicitation – what language/sections stand as barriers? How can they be addressed?

Now, I'd like to call your attention to a couple of specific sections and get your thoughts. Please take a look through the general and detailed specifications and circle any specific areas that concern you. (**see pg. 70-75 in IFB D18-016H.pdf**)

What did you circle? Why did you identify that section as a potential barrier? What could HIDOE/State of Hawaii do to improve those specifications? (*Probe for mention of food safety, pricing, delivery, products.*)

Overall, what can HIDOE do to make their solicitations more appealing? What would it take to get distributors/farmers interested? What would it take to get you interested in responding?

CONTRACTS

Why do you think the market is structured the way it is? What can be done to make it better for everyone – both distributors/farmers and buyers? What contract terms would make it easier for you to work with and final local products for HIDOE/State of Hawaii?

When drafting a contract, what seasonality considerations should a buyer take into account?

What do you typically do if/when you are short on specific items? (substitutions)

Excluding things like acts of god/nature and assuming that you could substitute with products from outside the state for a reasonable period of time: Are you willing to take financial responsibility if you fall short in delivering contracted products? What penalties are reasonable if/when a distributor/farmer is short of certain product(s)?

MAINLAND VS. LOCAL

Thinking about the differences between imported and local produce...As a distributor, do you feel you have equivalent incentives to sell imported and local produce? Why or why not?

Is there something the State could do to help incentivize the selling of local produce? What could they do?

How would you feel if there was language in contract that provided for a higher margin for locally grown products and a lower margin for mainland products?

What about if the contract was evaluated based on the percentage of local filled? Would that make a difference?

LOOKING FORWARD – GROWING CAPACITY

We're just about finished. I just have a few last questions.

If DOE were able to provide you a bankable contract (one that you could use to go to a bank to get a loan) what could you produce to meet that demand? Would could you grow, how long would it take you to grow? (for distributors: How much logistical capacity does your organization have to move product?)

How long would it take you to put that sort of capacity in? (In other words, what is your ability to expand?) Are there members of your member base that would have the financial ability to get capacity, to expand, to meet demand?

If you were to get an RFP now for delivery in 2020, what would you perceive as barriers to expanding production? What about your vendors expanding production?

[See Albert: How much scale might we talking about in terms of product?]

CLOSING

Those are all of the questions I have. Do you have any last comments or suggestions concerning any of the things we have discussed this morning/afternoon... any last thoughts?

Example Solicitation

SPECIFICATIONS

INTRODUCTION

The Fresh Fruit & Vegetable Program (FFVP) is a federally assisted program designed to provide fresh fruits and vegetables to students in elementary schools. The goal of FFVP is to introduce children to healthy snack options by offering them a variety of fresh produce. One of the ways that FFVP encourages healthy snacks is to introduce children to locally grown seasonal produce when financially feasible, and provide nutrition education about the fresh produce.

These specifications shall apply to all products unless otherwise specified.

GENERAL SPECIFICATIONS

1. SERVICES

General Requirements:

The CONTRACTOR shall provide and deliver fresh fruit and vegetable products to HIDOE cafeterias statewide. See **Detailed Specifications** for food items in accordance with the provisions and requirements stated herein.

- 1.1. Unless otherwise specified herein, the CONTRACTOR shall furnish all material, labor, facilities, equipment, and supplies necessary to perform the services required herein.
- 1.2. The CONTRACTOR shall provide services to the sole satisfaction of and in accordance with the instructions provided by SFSB.
- 1.3. The CONTRACTOR shall accommodate placing of orders via multiple sources (i.e. website, email orders, fax and/or phone orders).
- 1.4. The CONTRACTOR shall coordinate and manage the delivery dates with the HIDOE POC or the School Food Service Manager (SFSM) of the participating school, and supervise, manage, and deliver units of Fresh Fruits and Vegetable products to participating schools.
- 1.5. The CONTRACTOR shall maintain quality of products within the warehousing facilities and throughout the delivery process.
- 1.6. The CONTRACTOR shall ensure that all subcontractors shall: conduct annual reviews of their respective facilities and assure that the warehouse and/or holding facilities and/or delivery vehicles have obtained all required federal, state and local health inspections and approvals and that such inspection/approvals are current. Documentation shall be maintained on file to reflect compliance with federal, state and local regulations.

2. WAREHOUSE STORAGE REQUIREMENTS:

Warehouse storage facility requirements for each of the following geographic areas: Island of Oahu (Honolulu), Island of Oahu (Central), Island of Oahu (Leeward), Island of Oahu (Windward), Island of Hawaii (Kona), Island of Hawaii (Hilo), Island of Maui and the Island of Kauai.

- 2.1. The CONTRACTOR shall furnish a warehousing facility with sufficient equipment, personnel, and space to accept, unload, handle, store, and deliver perishable (refrigerated) Fresh Fruits and Vegetables to participating schools.

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- 2.2. The CONTRACTOR is required to have documented temperature controls of refrigerated containers while in transit to outer islands.
- 2.3. The CONTRACTOR'S warehousing facilities shall:
 - 2.3.1. At a minimum, be capable of storing SFSB's estimated rotating quantities of Fresh Fruits and Vegetable products.
 - 2.3.2. Be maintained as stipulated in 7 CFR, Part 250.14 regulations and ensure that warehouse storage facilities have obtained all required federal, and state approvals and approvals are current.
 - 2.3.3. Be maintained in a clean, dry, and orderly manner to ensure the safety, wholesomeness, and sanitary condition of the stored food and free from rodent, bird, insect, and other animal infestation.
 - 2.3.4. Be kept free of damaged food or food of questionable condition.
 - 2.3.5. Maintain food at proper storage temperatures as follows:
 - 2.3.5.1 Refrigerated – shall be stored in a refrigerator immediately upon receipt of products. The maximum temperature of refrigerated food is 40°F.
 - 2.3.6. The CONTRACTOR must disclose and identify any prospective warehouse if during the term of the contract the space of the warehouse is beyond the CONTRACTOR'S capacity.
 - 2.3.6.1 The CONTRACTOR is requested to secure, at the CONTRACTOR expense, an adequate storage capacity that meets or exceeds federal and state specifications and requirements for compliance.
 - 2.3.6.2 The CONTRACTOR must have a method of inventory controls and track contracted Fresh Fruits and Vegetables that are stored at secondary or subcontractor's facility.
- 2.4. The CONTRACTOR shall:
 - 2.4.1 Store Fresh Fruits and Vegetable products off the floor in a manner to allow for adequate ventilation in the appropriate storage space.
 - 2.4.2 Safeguard against theft, spoilage and other loss.
 - 2.4.3 Take other protective measures as deemed necessary by federal and state regulations and principles of Hazard Analysis Critical Control Points (HACCP).
- 2.5. The CONTRACTOR shall release specified product and units of Fresh Fruit and Vegetable products to participating schools on a "First-in, First-out" basis or by oldest product date.
- 2.6. Additionally, the CONTRACTOR must maintain records/logs of the appropriate ventilation, security, and temperature levels for the types of food throughout the transportation process.
- 2.7. Inspection of Warehouses:

Throughout the life of the contract SFSB reserves the right to conduct random inspections twice a year. SFSB will be visiting CONTRACTOR'S warehousing facilities to inspect the condition of the warehouse and how price list items are being maintained. Such inspections will not unreasonably interfere with the conduct of the CONTRACTOR'S business. CONTRACTOR will be given at least three (3) days advance notice in order to prepare for inspection.

3. PROCESSED PRODUCE:

CONTRACTOR shall ensure that all processed Fresh Fruits and Vegetables (fresh-cut and whole-trimmed Ready to Eat [RTE]) are produced from manufacturers with a Hazard Analysis Critical Point (HACCP) system in place.

4. DOH STANDARDS:

CONTRACTOR shall ensure that all products shall be prepared, handled, and are stored in accordance with health and sanitation standards for the State of Hawaii Department of Health food safety standards, Hawaii Administrative Rules 11-50 and 11-11-8.

5. TRACEABILITY:

CONTRACTOR shall provide trace back capabilities for all products to the point of origin to show the chain of custody of each delivered item.

6. REPORTING REQUIREMENTS:

The CONTRACTOR shall provide the following reports (one copy to School's FFVP Coordinator one copy to School Food Service Branch):

6.1. Monthly delivery reports, in MS Excel format, detailing the following information:

- School Name;
- Product Description;
- Product Number; and
- Number of pounds or number of items sold.

6.2. Copies of the most recent Third-party audit reports shall be provided to the HIDEOE POC upon request. Reports shall include but not be limited to the following:

- Administration and Regulatory Compliance
- HACCP Management
- Facilities and Equipment
- Sanitation, Housekeeping and Hygiene
- Rodent and Pest Control Management
- Approved Supplies, Receiving and Inventory Control
- Process and Product Evaluation
- Packaging and Labeling
- Storage and Shipping
- Training Requirements
- Food Defense

7. RECALL/CHANGE PROCEDURES:

The CONTRACTOR shall adhere to the following in situations, including but not limited to, USDA or manufacturer recalls, changes in USDA regulations, and changes in HIDEOE menus:

7.1. Notification. All USDA and Manufacturer recalls should be communicated to SFSB in an email within twenty-four (24) hours of the CONTRACTOR being notified. Upon notification SFSB will discuss with the CONTRACTOR the needed steps to execute the recall.

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- 7.2. Removal. The CONTRACTOR shall remove all recall items from all schools. All products impacted by the recall shall be stored in accordance with the CONTRACTOR'S internal recall procedures.
- 7.3. Disposal. The CONTRACTOR shall dispose of all products in accordance with USDA and manufacturer guidelines.

DETAILED SPECIFICATIONS:

All products are to be prepared and packaged WITHOUT ADDED SULFIDES OR PRESERVATIVES.

FRESH FRUITS AND VEGETABLES:

Products provided shall be of the best quality of its respective kind. Product shall be free from defects such as, but not limited to, foreign objects, etc. that may render it unfit or a hazard for children/adult consumption. At the time of delivery, the product must be of best quality of its respective kind (i.e. proper color, no scars, proper shape), fully mature and in good commercial condition (i.e. no bruising, decay, or discoloration) with the appropriate texture, juiciness, and firmness in accordance with its type and varietal attributes. All whole fresh fruits and vegetables shall not contain mold, fungus or any other signs of decay at the point of acceptance.

Applicable products shall be identified with a readable open case such as "Processed produce". Items shall not contain mold, fungus or any other signs of decay at the point of acceptance. If excessive spoilage is noted, the product will be rejected and must be replaced within twenty-four (24) hours, or full credit must be issued to receiving school. Unless otherwise specified, produce must be U.S. grades No.1, No. 1 medium, Extra No. 1, No. 2, Fancy, Extra Fancy, Fancy Table, Extra Fancy Table, U.S. Fancy Table, U.S. No. 1 Table, U.S. Extra Fancy Table, Fancy Husked, or Choice. Produce items that are prepacked and date coded must have a minimum of five (5) days remaining on expiration/date code at the time of delivery. Products delivered with expired "use by" or "sell-by" dates shall be rejected.

All produce items shall be delivered fresh and clean, free of dirt, sand or other foreign materials and packed in clean cartons/crates.

SHELF-LIFE:

All products delivered shall be as fresh as possible and within the Growers/Packers' original shelf life (i.e., Best if Used-by-Date, Expiration Date, or other markings). Applicable products shall be identified with readable open case such as "Best-Used-by Date," "Sell-by-Date," "date of harvest" or "date of production", or similar markings indicating the end of the guaranteed freshness date. Produce supplies shall be rotated to ensure "First-In, First-Out" basis and/or First-Expired, First-Out using date of receipt or harvest dates.

PACKAGING:

Cases and packages shall be constructed as to ensure safe and sanitary transportation to point of delivery so that the products, in each case, are properly protected. All packaging materials shall be FDA approved to meet all pertinent State and Federal regulations for safe use with foods. Packaging materials shall impart no odor, flavor, or color to the product.

LABELING:

All product packaging shall be clearly labeled identifying the contents, the packaging size/weight, the manufacturer, the packing date, and origin. All packaging must designate the origin of the produce

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delivered. For example, Pineapple (Hawaii), Tangerines (Florida), etc.

PRODUCT CODES:

All products shall have a unique product code, as assigned by the CONTRACTOR, matching the item on the Offeror's original bid, and on all packaging of the delivered product.

DATE CODES:

Identifying date codes must be clearly visible upon delivery, either stamped on the case or packaging material within the case. These codes may represent the production date or Best-Used-by-date.

PRIVATE LABELED PRODUCT:

When the product offered is a privately labeled product, identification of the product shall be made by:

- a) A permanent pre-printed impression on the container or on the product itself; or a label affixed by the manufacturer; and
- b) A unique product code.

DAMAGED PACKAGING:

Items delivered in damaged packaging affecting the quality of the produce or readability of required labeling may be rejected and returned for credit or immediate replacement, at no cost to HIDEOE.

Damaged or rejected products must be immediately removed from the site and replaced with products of the quality required by these specifications. The HIDEOE also reserves the right to reject any product with a short (less than 5 days) expiration period. Products shall meet all applicable federal and state regulations.

Failure to replace or to remove any rejected product shall not relieve the CONTRACTOR from the responsibility imposed upon it by the contract. No payment, whether partial or final, shall be construed to be an acceptance of unacceptable products.

PROCESSED FARM- FRESH WHOLE PRODUCE

- 1) **PRODUCE QUALITY** - Fruits shall be grades U.S Fancy or No. 1 or comparable high quality for produce type, meeting industry standards (fresh, good color, free from decay, clean, firm, not soft, mealy or mushy, and free from damage caused by spreading or broken tips, dirt, and insects)
- 2) **PREPARATION** – produce shall be delivered fresh, whole, washed and clean to meet quality standards for delivery acceptance.
- 3) **PACKAGING** – All products must be available in one pound increments. All packaging shall include trace back capabilities for all products to the point of origin to show the chain of custody of each delivered item.
- 4) **FAT FREE RANCH DRESSING DIP** – Fat free ranch dressing dip. Packaging: individual 1 oz. single serving.

PROCESSED READY-TO-EAT (RTE) FRESH-CUT AND WHOLE TRIMMED PRODUCE

- 1) **PRODUCE QUALITY** – fruits and vegetables shall be grades U.S. No. 1 or comparable high quality for produce type, meeting industry standards.

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- 2) **WHOLE TRIMMED** – produce ordered whole trimmed shall be washed, trimmed, stems removed, ready-to-eat and delivered in food grade packaging to ensure food safety.
- 3) **FRESH-CUT** – produce will be ordered to achieve strong student appeal (appealing and easy to grab) in-line with serving size compliance. Fresh-cut may be chopped, cubed, sticks, halving, slicing, removing skin, etc. Produce shall not be canned, frozen, dried, or otherwise processed. Produce shall not have added sulfides or other preservatives.
- 4) **SERVINGS**- serving sizes shall be approximately one-quarter ($\frac{1}{4}$) cup per student. Because servings are based on volume, cafeteria SFMS or HIDEO POC will order RTE fresh-cut in pre-cupped or individual package 4 oz. serving units.
- 5) **PACKAGING** – Product shall come in pre-cupped and/or packaged individual servings. Individual bags/containers shall be clearly marked with either date of processing or a “Best-Used-by Date”
- 6) **FRESHNESS** – Produce shall be delivered to schools as fresh as possible, processed less than twenty-four (24) hours before delivery when possible. All products received by the customer shall have a shelf life of five (5) days. If the manufacturer recommended shelf life is less than five (5) days, HIDEO POC must be notified in advance and approve shelf life. Any deviation from these requirements must be approved by HIDEO POC. All products are to be prepared and packaged without added sulfides or preservatives.
- 7) **FAT FREE RANCH DRESSING DIP** - Fat free ranch dressing dip. Packaging: individual 1 oz. single serving.