Hawaii Retail Grocer

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CONVENTION 2017

HFIA VALUES

Chair Beau Oshiro Promotes HFIA Essentials

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Hawaii Retail Grocer
The Magazine of the Hawaii Food Industry Association

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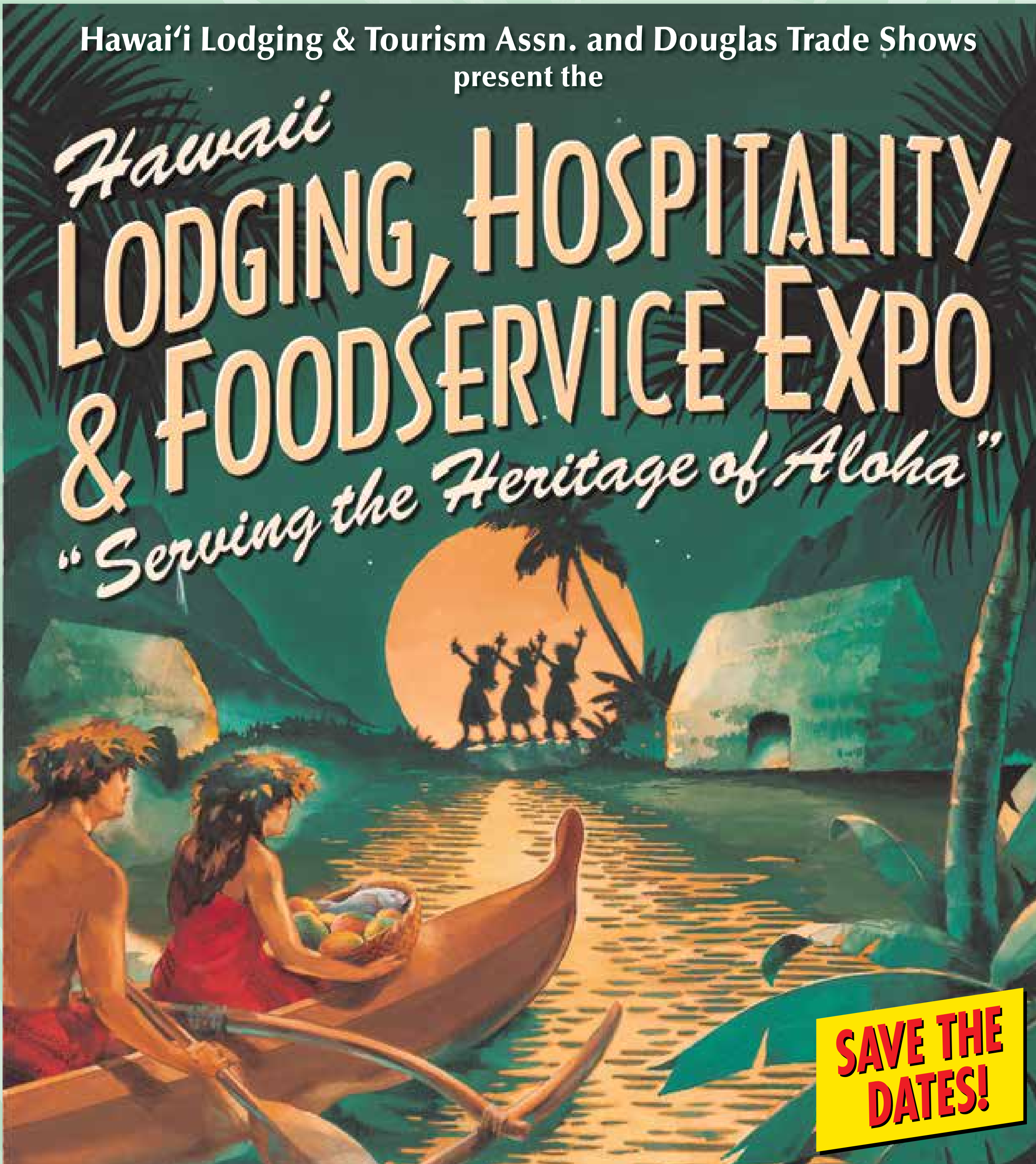

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Douglas Trade Shows

BY LAUREN ZIRBEL

The 2017 Legislative Session has been a very active and unusual one. For the first time in recent memory, two committee chairs switched places in the middle of session. This created confusion for advocacy groups who had previously met will all chairs assigned to their bills at the start of session. Rep. Angus McKelvey was moved from the chair of the Consumer Protection and Commerce (CPC) Committee to become chair of the Higher Education Committee. Meanwhile, Rep. Roy Takumi was moved from chair of the Education Committee to chair of the CPC Committee. The CPC Committee is an important committee for the food industry. Many bills related to regulating products, banning products, regulating business practices, signage, labor, and other standards go through the CPC Committee. On the last day of session, two other major changes happened. The Speaker of the House, Rep. Joe Souki, resigned his position and was replaced by Rep. Scott Saiki, and the Senate chair of the powerful Ways and Means Committee, Sen. Jill Tokuda, was replaced by Sen. Donovan Dela Cruz.

Although the session had many curve balls, HFIA faired well. All but one of the bills we opposed died, and even that bill was amended to be more favorable. On an even more positive note, a few of the projects we supported, and from which our members directly benefit, received funding in the budget! We expect next year to be another challenging session, with many of the "dead" bills from 2017 coming to life again. Below is an overview of some of the big issues we testified on this year.

Labor Restrictions, Mandates, and Limits on Employer Flexibility

Many bills this year aimed to place new mandates on employers that would have negatively impacted the food industry's ability to staff stores, provide high quality and low cost food, or generally function at all. Some of these bills include huge increases in the minimum wage, mandates for paid time off for part-time and hourly workers, and restrictions on other labor-related policies and procedures.

HB 4 Relating to Health would have required employers with an unspecified number of employees to provide accrual of paid sick leave to all employees, including part-time and hourly workers and workers that have multiple employers. It would have been extremely expensive and administratively difficult for businesses to track every part-time and hourly employee for paid time off. If the employee was not full-time, then they could very likely request to take a paid day off during a day they are not scheduled to work. Paid days off are usually a contracted benefit offered to full-time employees. Mandating the same benefits for part-time and hourly workers may have unintended negative consequences for all workers. Thankfully, this bill failed to pass out of conference committee by the 6:00 pm deadline on Friday, April 28.

HB 5 Relating to Labor would have increased the minimum wage to $15 an hour and tied the minimum wage to the Consumer Price Index going forward. The House Committee on Labor, chaired by Rep. Aaron Ling Johanson, deferred this bill, along with two other minimum wage increase bills. We are thankful for the chairman's willingness to listen to the concerns raised by the business community about the impact this bill would have on the price of food and the availability of entry-level jobs.

HB 213 Relating to Family Leave permits an employee to take family leave to care for a sibling with a serious health condition. This bill passed. It was amended to remove some of the original requirements for expansion of leave. HFIA was not in support of this expansion; however, this bill was preferable over some of the other measures which did not pass.

Labeling and Taxes

HB 1209 Relating to Health would have required all sugar-sweetened beverages to contain a warning label. HB 1210 Relating to Obesity Prevention would have established a fee on sugar-sweetened beverages. Both of these bills died when they did not receive a hearing by required deadlines. HFIA opposed both of these bills.

Good Programs Funded!

HB 1327 Relating to the High Technology Development Corporation appropriated funds to the manufacturing development program. HB 595 Relating to the High Technology Development Corporation appropriated funds to continue the small business innovation research program. HFIA supported both of these bills, and although these individual bills did not pass, they were funded in the general budget bill, so these programs will continue to exist and help our members.

Sunscreen Bans

HB 450 Relating to Coral, SB 1150, and 11 other bills aimed to ban the sale of sunscreen, prohibit the application of sunscreen, or study the use of sunscreen. Most bills focused on sunscreen with oxybenzone, but some other bills would have applied to potentially all sunscreens with no specified or standardized scientific process in place on how to determine what would be banned. Opposition, including from some state departments, cited a lack of scientific justification, no funding, and no enforcement. All studies looking holistically at worldwide reef decline do not cite sunscreen as a causal or contributing factor. Recently, the *Honolulu Star-Advertiser* ran an article titled "Scientists race to prevent wipeout of world's coral reefs," in which they interviewed many of the world's leading experts about coral decline. There was not one mention of sunscreen. The overwhelming consensus is expressed in this excerpt: "corals are sensitive to temperature fluctuations and are suffering from rising ocean temperatures and acidification, as well as from overfishing, pollution, coastal development, and agricultural runoff. A temperature change of just 1 to 2 degrees Celsius can force coral to expel the algae, leaving their white skeletons visible in a process known as 'bleaching.' Bleached coral can recover if the water cools, but if high temperatures persist for months, the coral will die." This is something we are all very concerned about, however, we also must be concerned about the health impacts of this legislation. On an almost daily basis, Hawaii reaches what the EPA classifies as an extreme level of UV radiation. Banning sunscreen will increase the incidence of skin cancer and deter visitors from visiting Hawaii. It is not a reasonable action, especially considering that there is no evidence to support that banning sunscreen will prevent or lessen coral bleaching in any way. These bills failed to pass out of conference committee by the 6:00 pm deadline on Friday, April 28.

Bags and Containers at County Councils

At the City and County of Honolulu level, HFIA has been working on a bill to place a fee on all single use checkout bags that fall under the existing bag ban. We believe this will help consumers remember to bring a reusable bag, which was the intent of the original bill passed by the city council. Unfortunately, without a fee, the law has simply shifted consumers from taking one type of bag to taking a different type of bag, thereby increasing prices and doing nothing for the environment.

After all bills banning polystyrene failed at the state level this year, Maui's Council is considering a ban on these products. HFIA submitted testimony in opposition to this bill because biodegradable products are 30% more expensive than polystyrene options, and under the current waste disposal system, biodegradable products will meet the same end as polystyrene, as both do not biodegrade in modern landfills. We must consider the carbon footprint of shipping supplies from China, given that we have a more economically viable product produced here in Hawaii which provides 100-plus jobs to our residents. These jobs may be eliminated if the Council bans this locally produced, favorably priced, FDA-approved product.

We look forward to providing a final legislative report to our membership at this year's HFIA Annual Convention at Aulani, A Disney Resort and Spa. Mahalo for your continued engagement with HFIA. Your voice made a difference this year, and we need your support going forward to prevent legislation harmful to your business.


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RAISED IN HAWAII:

Behind the Movement to Increase Local Grass-Fed Beef

BY JESSE COOKE, ULUPONO INITIATIVE VICE PRESIDENT

When Gov. David Ige announced at the September 2016 IUCN (International Union for Conservation of Nature) World Conservation Congress that the State of Hawaii was pledging to double its local food production by 2030, it triggered mixed reactions of both hope and doubt in Hawaii's agricultural community. After all, Hawaii imports 85 to 90 percent of its food, an overwhelming mountain to climb for those interested in food security and sustainability.

"We should be growing and eating our own food," said Murray Clay, managing partner of Ulupono Initiative, a Hawaii-focused impact investment firm working to help the state be more self-sufficient in the areas of energy, food, and waste. "We are interested in the overall food system in Hawaii and seeing where our investments could make a significant impact in increasing local food production. Meat, dairy, and starches represent the largest opportunities for improvement."

A deeper dive into Hawaii's supply of protein products reveals troubling statistics (see graphs on page 10):

- In the past two decades, Hawaii's dairy industry dwindled from nearly 9,000 milking cows to less than 3,000.
- Pork production has been cut in half since 2002, and today there is virtually no local pork sold in any grocery store.
- The egg farming industry has shrunk to just three commercial-scale farms today, down from 21 in the late 1980s, and the commercial broiler industry (chicken meat production) has completely disappeared.

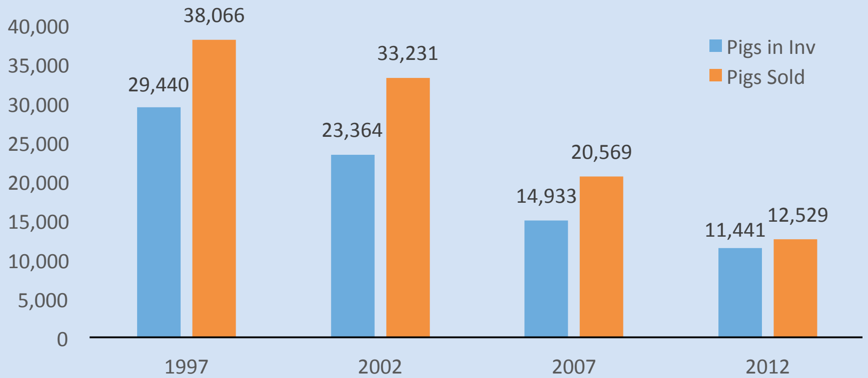
In comparison to other livestock sectors in Hawaii, the beef livestock industry remains on solid footing. Despite recent long-term droughts on Maui and in other clustered regions on each island, the industry has endured and remains financially viable.

In recent decades, Hawaii's beef livestock industry has operated under the cow-calf model, in which calves are born here and then exported at a young age to the mainland for raising, slaughtering, and processing. The cow-calf model mitigates the risk of drought and the cost of imported feed, because calves require substantially less feed or grass (which is at the whim of rainfall) to survive than mature cattle require. Currently, between 50,000 to 70,000 head of cattle are born in Hawaii each year, with the majority exported to the mainland.

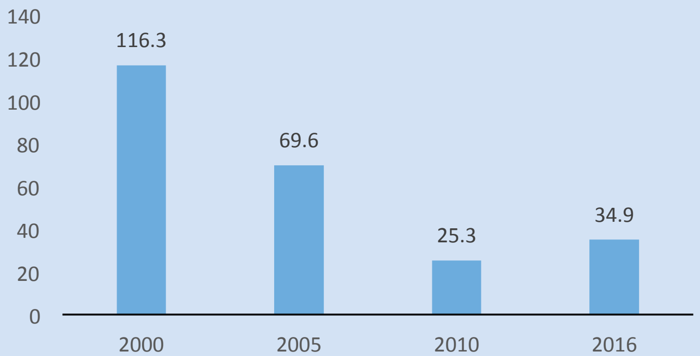
This cow-calf model has created a situation where there's little end benefit for local steak lovers. Statistics show the local beef industry provides less than 10 percent of the state's total demand. In 2015,

Hawaii's Protein Supply

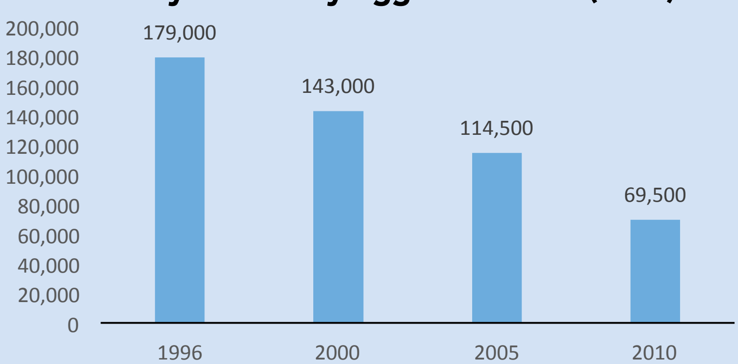
Hawaii's Pork Industry Head of Hogs



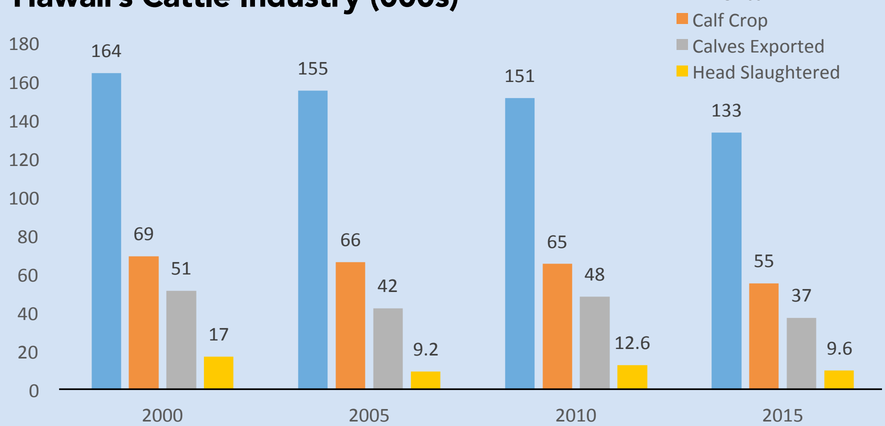
Hawaii's Dairy Industry Milk Production (MM lbs)



Hawaii's Layer Industry Egg Production (000s)



Hawaii's Cattle Industry (000s)



approximately 10,000 cattle were slaughtered and processed in Hawaii for island consumers. That equates to roughly 4.7 million pounds of local beef for a state that consumes more than 77 million pounds of beef each year. If all of the 40,000 to 50,000 calves exported annually to the mainland remained here, local beef could supply one-third of Hawaii's beef demand.

Greener Pastures with the Grass-Fed Model?

The hope of increasing local beef production may be found in the emerging grass-fed beef industry in Hawaii. The grass-fed model dramatically lowers and fixes the cost of feed, which is the dominant variable cost of traditional feedlot operations. By using a rotational pasture-grazing system, the operation drastically lowers its feed costs, including the costs to import that feed from the U.S. mainland, which in some cases doubles the mainland feed price. The grass-fed beef business cost structure is largely fixed, since its expenses (lease, labor, grass production, and other infrastructure) change only with scale.

However, the grass-fed approach requires more management and precision. It can suffer from lower-than-expected forage productivity and/or finished beef quality, such as texture and flavor. The success of this model is primarily dependent on quality pastures, which require land, water/irrigation, fertilizer, and management.

An example of where the grass-fed model is making a significant impact can be found Down Under. In Australia, grass-fed beef contributes 66 percent (roughly 14.5 million head) of the country's total beef production (22 million head), according to 2016 livestock numbers from the Australian Bureau of Statistics. While it is important to note there are differences between grass-fed models used in Australia and the U.S., Hawaii has been paying attention to what's working in the Oceania region and seeing what would translate here.

Continued on page 22

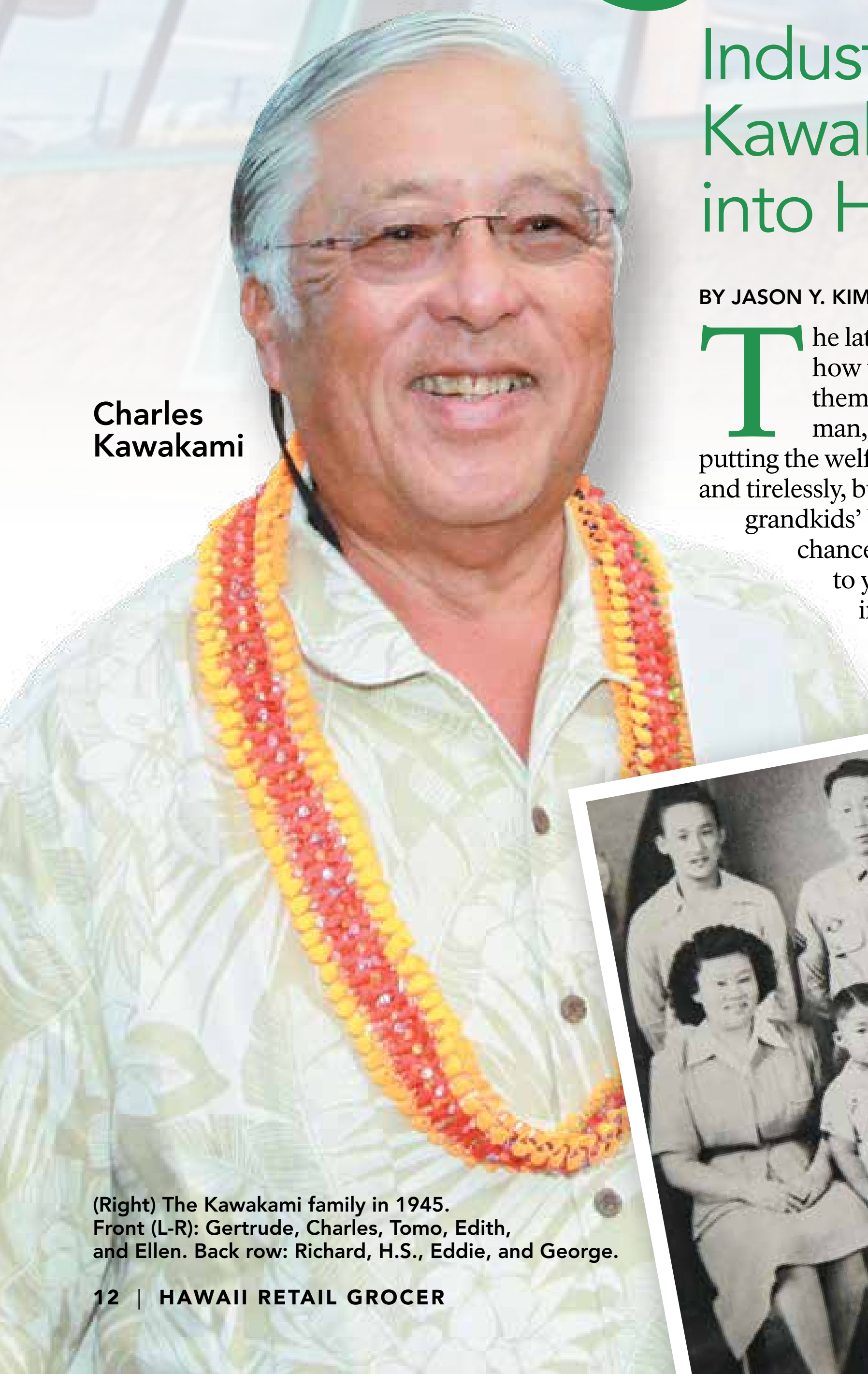
The Heart of Big Save

Industry Icon Charles Kawakami Inducted into HFIA Hall of Fame

BY JASON Y. KIMURA

The late Charles Kawakami never told his children how to live, says his son Derek. He just lived and let them watch him do it. He was a shrewd businessman, but lived a life that was about giving back and putting the welfare of others above money. He worked hard and tirelessly, but was also a dad who never missed his kids' or grandkids' band performance or game. He gave people the chance to succeed. He gave countless opportunities to young people by giving them jobs, encouraging them to save money, go to college, and otherwise better themselves.

He support-

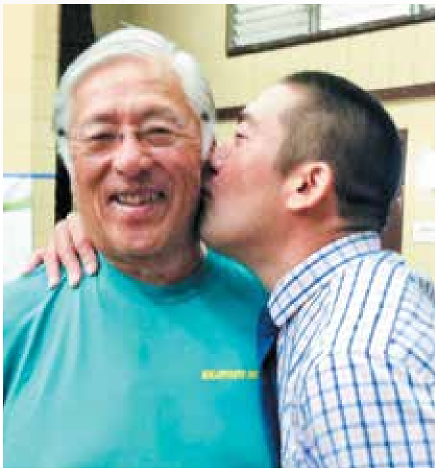


Charles Kawakami

(Right) The Kawakami family in 1945. Front (L-R): Gertrude, Charles, Tomo, Edith, and Ellen. Back row: Richard, H.S., Eddie, and George.

ed and hired people with disabilities to give them a chance at independence. He created the annual Richard Kawakami Memorial Golf Tournament that benefited many non-profit organizations. Many people thought he was serious, almost stoic, but Derek says he had a quirky sense of humor and most didn't know what a clown he was.

There were tough times, when Kawakami didn't feel he was ready for the challenge before him, like when he took the helm at his family's troubled Big Save, Inc., dynasty after the sudden and untimely death of his older brother Richard. But with strong character, business acumen, and a genuine love for people, he saw his way through the difficult times. This year, Charles Kenji Kawakami, founding HFIA member and chairman from 1999 to 2000, has been inducted into the Hawaii Food Industry Association Hall of Fame. He follows other HFIA Hall of Fame inductees who have helped shaped Hawaii's food supply chain to what it is today.



Charles Kawakami with son Derek at a community forum.

Like his father H.S. Kawakami (and his three brothers and two sisters), Charles attended Mid-Pacific Institute. Graduating in 1959, he went to the University of Hawaii and had an inauspicious first year, so he joined the army. After three years, Kawakami went to El Camino Junior College in Torrance, California, then to the University of Southern California, where he became a lifelong Trojans fan and earned a degree in Business Management in 1961, graduating *summa cum laude*. Kawakami got his first job out of college at a JCPenney in Azusa, California, and worked his way into management, where he gained a good, real world foundation in managerial skills.

Gary Furugen performs a magic trick. A resort store manager and son of Minoru Furugen, Gary transferred to the market side of the business in 1985 and became one of Charles Kawakami's key players in turning Big Save Markets around.

In 1970, JCPenney was expanding to Hilo, and since Kawakami was from Hawaii, they asked him if he wanted to go as a part of the management team as a general merchandise manager. He gladly took the opportunity. Kawakami was promoted to divisional manager of the Pearlridge store on Oahu in 1982.

Then, in 1984, Kawakami was faced with a big change. His older brother Richard asked him if he would come back and help him run the family business. Back in 1958, three Kauai family-run businesses had joined forces to form an umbrella corporation called Big Save, Inc., but the story of the Kawakami stores go back to 1926 *(see sidebar page 14)*.

From 1958 to about 1980, Big Save, Inc., had grown to be the dominant retail business on Kauai. The company had expanded to three shopping centers, each with a Big Save Market. The markets generated customer traffic, which attracted other businesses to lease space in the shopping centers. The rental income then covered the debt service on the shopping centers. Eventually, there were eight Big Save Markets, and the company had expanded to 19 resort shops on three islands, five food service restaurants, and established Kauai Kookie, which was developed by Fukutaro Kawakami's daughter Mabel. Big Save, Inc., had also opened its first health food store called Hale O Health. Profitability was good during this period.

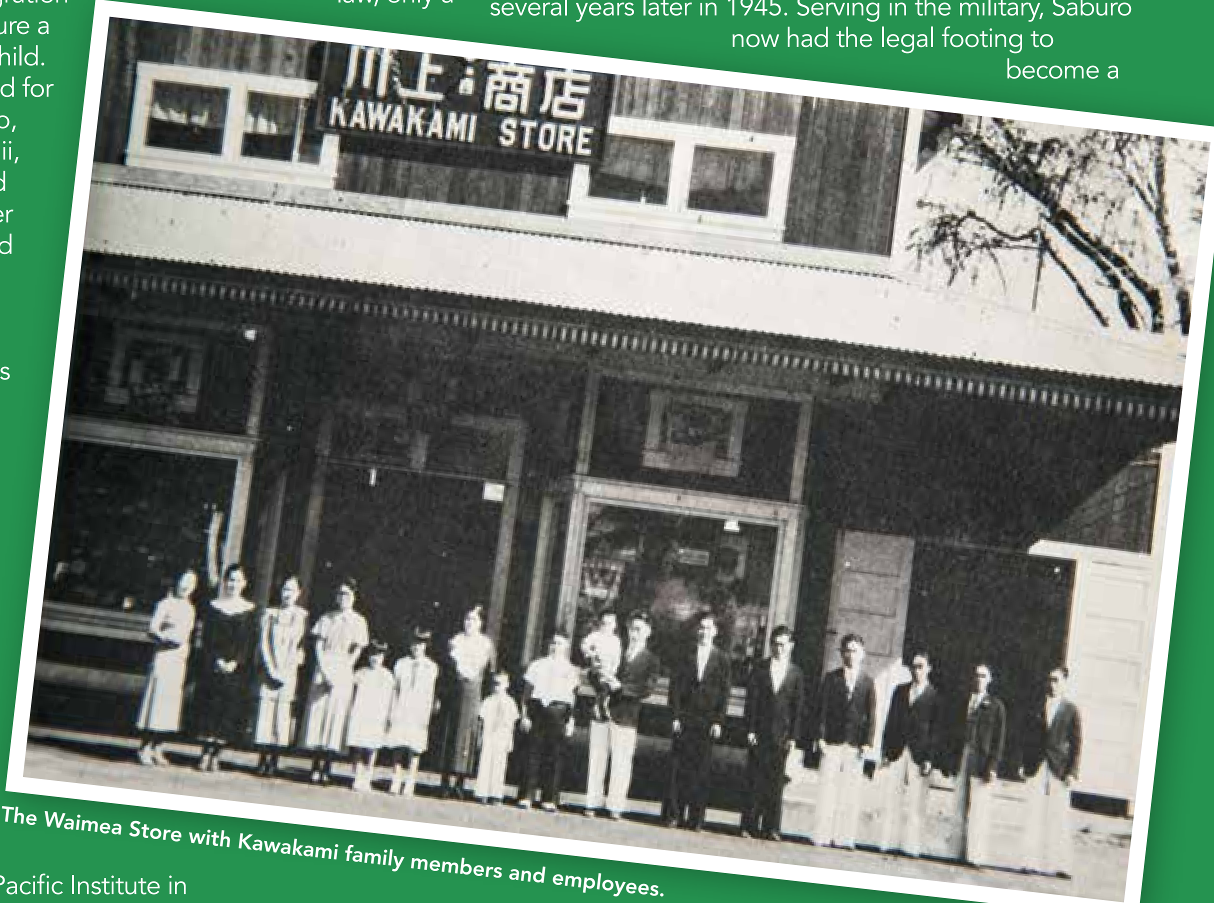
> "He worked hard and tirelessly, but was also a dad who never missed his kids' or grandkids' band performance or game. Those who knew him say that he was always about giving back. He gave people the chance to succeed."

However, in 1982, Grove Farm opened the Kukui Grove Shopping Center with a Star Market, Longs Drugs, Liberty House, Sears, and other retail stores. The advent of the new shopping center was the beginning of Big Save's decline as the dominant retail giant. Longs used

Big Save, Inc., History & Roots

Three families, represented by H.S. Kawakami; his older brother Fukutaro Kawakami; and Minoru Furugen (a Kapaa storekeeper and family friend), operated a variety of retail businesses on Kauai. In 1958, they pooled their resources to grow and formed Big Save, Inc.. In 1958, they pooled their resources to grow and formed Big Save, Inc. It would become the dominant retail force on Kauai for many years.

The story of the Kawakami family in Hawaii goes back to 1904, when Fukutaro, the oldest son of Fukujiro and Kiyo Kawakami, emigrated from Fukuoka Prefecture in Kyushu, Japan, and found a better life. Fukutaro wanted his brothers to have the same opportunity. However, under U.S. immigration law, only a parent could secure a visa for a minor child. Fukutaro arranged for his father, Fukujiro, to come to Hawaii, where he secured visas for two other sons, Sakuichi and Saburo. Saburo, who was 12 at the time, later became known as H.S. Kawakami. The youngest son, Chuyoshi, stayed home. As soon as the two boys arrived in Hawaii, the elder Kawakami returned to Japan. They would never see their parents again.



The Waimea Store with Kawakami family members and employees.

Fukutaro sent his younger brothers to Mid-Pacific Institute in Honolulu, where they received an American education. Sakuichi died in his early 20s during the 1918 influenza epidemic. Upon returning to Kauai, Saburo worked as a clerk at Makaweli plantation store, but encountered a system that seemed to him openly discriminatory because store practices didn't apply equally to everyone. After realizing that there would be no opportunity for him to advance as a Japanese immigrant, Saburo remembered the excitement he felt while working at a family business, Kunikiyo's flower shop on Fort Street, during Christmas break. He wanted to have his own business.

Fukutaro loaned Saburo $2,000; another $1,000 came from money Saburo and his wife had saved. In 1926, the couple opened Kawakami Store in Waimea. The fledgling store ran into trouble after a few months. Saburo had been selling merchandise door to door and delivering goods to plantation workers. He was at first shut out of the plantation, but persevered and found other markets; the store became busier than he could handle, so he asked Fukutaro to join him.

In 1935, Fukutaro opened his own store in Hanapepe. He later incorporated his business and called it N.F. Kawakami, Inc.— the N for Norito, his eldest son, and the F for Fukutaro.

After the bombing of Pearl Harbor, Saburo volunteered for the military but didn't get in; he eventually got in several years later in 1945. Serving in the military, Saburo now had the legal footing to become a naturalized citizen. He needed a legal name, so he decided on Harvey Saburo, after another H.S., Harvey Samuel Firestone, the rubber tire magnate whose biography he had read.

After the war, H.S. moved his Waimea store to a larger building. He also owned two small stores in Kapaa and Koloa, as well as a furniture store in Lihue. When H.S. Kawakami stores, N.F. Kawakami, Inc., and Minoru Furugen formed Big Save, Inc., in 1958, Norito Kawakami became the first president. Furugen was vice president, and H.S. was treasurer. Over the next 20 years, Big Save, Inc. would become the dominant retail business on Kauai.

Six months after Hurricane Iniki hit Kauai, Kawakami held a thank you celebration at the Outrigger Hotel. Employees had to scramble to keep the markets running. Some of the stores had no power for over a month and ran on generators.

deep discounts on food items to generate traffic, while Star brought big city supermarket retailing to Kauai. Big Save Markets began to suffer double digit declines in sales. Meanwhile, fast food chains began to hurt the food service division of Big Save, Inc., and resorts demanded higher lease rents and investments in capital improvements.

(Above and Lower Right) Always showing deference to staff in group photos, Kawakami was always in the back row.

By 1984, Big Save, Inc., was in serious trouble. The owners felt that the company would not last more than a year if current trends continued, and they decided that a change in management was needed to turn things around. They wanted H.S. Kawakami's son Richard to lead the company. Richard was a state representative and also had a Toyota dealership in Lihue. With his commitment to the state legislature for half the year, he felt that he couldn't devote the time needed to turn the company around, so he agreed to become president and CEO only if his brother Charles could be brought in to oversee retail operations.

There were few bright spots at Big Save, Inc., when Charles came on board, with net losses throughout the company and a balance sheet that showed negative cash flow. Charles concluded that the only way the company could survive was for Big Save Markets to start creating cash flow. To do this, Charles had to make some tough decisions. Of the eight Big Save Markets, two of the smaller markets were cannibalizing sales from two of the larger ones in Waimea and Eleele because they were located only a few miles away. Charles decided to close the two small markets. At first, the owners didn't like the idea, because in the past as the dominant retailer, Big Save had a market in every community. What they didn't see was that the retail environment had drastically changed.

The closures made the two larger stores profitable, but four other Big Save Markets needed help. Charles drew on his JCPenney roots. At the time, JCPenney stores were doing monthly coupon book promotions, which deep discounted about a hundred items, some below cost. To do this for Big Save Markets, Charles had to form a hui with other independent retailers, one from each of the major islands. With four independent retailers participating, it got the attention of suppliers, who stood in line to submit items for the coupon books. With greatly increased buying power, Big Save and the other independents got big store pricing. The coupon books generated a lot of customer traffic in the markets. Charles recalled what his JCPenney manager said: "Sales cure all evils."

"The one thing I learned in the food business was that this was a high volume business," reflected Charles of that stressful time period. "These coupon books created a tremendous amount of cash. It didn't mean we were making money, but the increased cash provided us the means to pay our bills, payroll, rent, and utilities. . . . We relied on the float. Even 10 days due on bills was a tremendous help in having today's sales pay last week's bills. However, the most important thing about the coupon books is [that] it brought customers back into our stores."

Although the coupon books gave Big Save, Inc., some breathing room, the company was still losing money despite the huge increase in sales. It was now 1986. Lihue had three major supermarkets. Star Market was in the new Kukui Grove Shopping Center. Foodland was located in the former Lihue Shopping Center, and Big Save Market was in the family-owned Rice

Big Save opens in Foodland's vacated location in Lihue.

Kawakami made it a point to recognize and honor employees for years of service, when they moved on, or retired.

Shopping Center. Developed in 1972, the shopping center was named after H.S. Kawakami's close friends the Rices, and was located in downtown Lihue. But because of competition from Star and Longs Drugs, the retail environment had become difficult for Big Save and Foodland. Charles had heard rumors that Foodland wanted out if someone would assume their lease, and Richard confirmed that the rumors were true. The brothers jumped at the opportunity, even if it meant abandoning the family-owned shopping center. This was too much for two of the three shareholder families to accept, and they demanded the resignations of Charles and Richard. However, the third shareholder voted with the brothers and they retained control over Big Save's destiny. "If there was one defining moment in the history of Big Save, this was the moment," recalled Charles.

Big Save's outlook began to brighten. The Lihue move not only eliminated losses at the store, but created a very profitable one in the new location with the added volume from the departure of Foodland. The Waimea and Eleele stores continued to do well. Strong tourism in Poipu benefited the Koloa store. But Charles was unprepared for what happened next.

In March of 1987, Richard became speaker of the house at the state legislature. But two months later, Richard, who was just 56 years old, died of a heart attack while on a hunting trip on

Lanai. Richard's untimely death catapulted Charles into becoming Big Save's president and CEO. "I only saw my dad cry on two occasions—when Uncle Richard died and when my mom passed," recalls son Derek Kawakami. "He didn't think he was ready to lead the company alone." But Charles had brought in an experienced team of people and leaned on them heavily to help him with all the issues of the company.

> "When it came to deciding who to sell to," says Derek, "it wasn't decided on who offered the most money, but who would continue the Big Save family legacy, as well as who was willing to take on most if not all of the employees."

With the Big Save Markets stabilized, Charles began to develop Menehune Food Mart convenience stores. The company already had a Shell service station in the Kapaa Shopping Center. It was converted to a gas station with a convenience store. Charles also acquired a store that had a Shell service station in Kilauea. He converted it

"The employees loved him. He was a class act in the way he dealt with his people. He was loyal to his employees, and loyal to local vendors too."

into a gas station and convenience store as well, but added a Subway sandwich shop inside. A property in Kapahi became available, and another new convenience store was built there, as well as two more in the towns that used to have the two now closed smaller Big Save Markets. The most well-known Menehune Food Mart was built in Lawai, and became famous for its Lawai Manju that visitors took back for omiyage (gifts).

During the 1990s and 2000s, Big Save, Inc., included the six Big Save Markets, five snack shops, Kukui Nut Tree Inn Restaurant, three convenience stores, two gas stations, the health food store, 16 gift shops on three islands, and Kauai Kitchens, which produced Kauai Kookies and Hawaiian Hula salad dressing.

During the late 1980s to the 2000s, there was increased and unprecedented competition for retail dollars on Kauai. Safeway opened a store in Kapaa. Kmart and Walmart soon followed, and a few years later, Costco opened. Although the big box stores took a huge percentage of retail dollars from traditional stores, Big Save was still able to hold its own. However, in 2011, shareholders of Big Save, Inc., disagreed on whether to continue running what they described as a successful chain or to sell it. By this time, a majority of the shareholders were not involved in the grocery business, which led to a reluctant decision by the majority shareholders to divest.

"He was so worried about the employees, especially the line workers," remembers Derek Kawakami, who relates that his father felt that the employees were the most important people. Charles believed that it was the company's job to support them, not the other way around. When it came to deciding who to sell to, says Derek, it wasn't decided by who offered the most money, but who would continue the Big Save family legacy, as well as who was willing to take on most if not all of the employees. QSI, Inc., which runs Times Supermarkets, was that company. Times kept all of the Big Save stores open, except the one in Lihue, as there was already a Times Supermarket (formerly Star Market) in the Kukui Grove Shopping Center.

In 2015, the convenience stores were sold to Aloha Petroleum, and other businesses were otherwise divested or spun off on their own. "It was about knowing when to move on," says Derek. "It was the right thing to do for the family shareholders." Af-

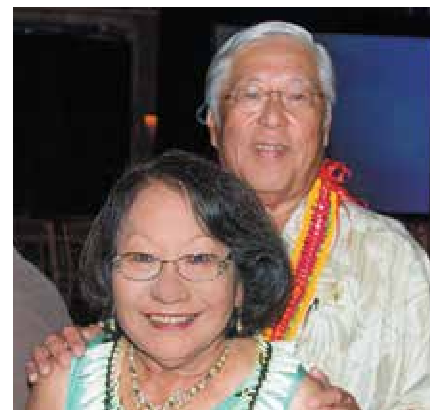
Retirement party for Gary Furugen and Gertrude Toma, Charles' sister. Gertrude and Gary worked together at the resort stores.

ter the businesses were sold, Charles would go in to visit the employees because he missed them. "The employees loved him," relates Derek. "He was a class act in the way he dealt with his people," confirms Larry Loos, company data analyst, who noted that Charles did everything he could to make sure employees would have a job after the sale of the company. "He was loyal to his employees, and loyal to local vendors too."

Ever the consummate businessman, Charles was always looking for a new business venture after Big Save, Inc., was divested. He even did research into the medical marijuana business. Before his death, he was moving toward developing commercial properties he owned. He was more active than before he sold the stores, relates Derek, who would periodically receive texts from his father at 3:00 am telling him what needed to be done and calls he needed to make. "Work brought him enjoyment," says Derek. "He lived for and took joy in his customers."

In September 2016, Charles' beloved wife Arlene passed away. He was heartbroken, says Derek. In December, Charles also passed. It was the end of an era, but not of his deep influence on the people of Kauai. The businesses Charles and his father H.S. Kawakami built are a part of the fabric of the Kauai community. "I'm proud of him," says Derek of his father. "I'm a beneficiary of both my mom and dad. They helped so many people."

Charles and Arlene Kawakami at the Big Save mahalo party. Derek's wife Monica sits to the right of Arlene, and Derek is in the upper left with lei.



Charles and Arlene Kawakami

Continued from page 10

Strengthening the Supply Chain from Pasture to Plate

A relatively new player in the Hawaii grass-fed circle is Paniolo Cattle Company (PCC), which sells its branded cuts exclusively at Safeway Hawaii stores statewide, as well as wholesale to restaurants and hotels through distributor Y. Hata & Co., Limited.

"Safeway is selling a full range of steak cuts, as well as ground beef under the Paniolo Cattle Company label to fully utilize the whole carcass," said Charles Nelson, PCC's head of sales. "By utilizing the various promotional avenues that Safeway provides their vendors, combined with a focus on point-of-sale promotional tools, like shelf case dividers and flaps highlighting the attributes of the program, the PCC brand has now achieved brand recognition and a loyal following in the retail space, and demand is steadily increasing."

When PCC started in February 2016, it worked with Safeway on a three-store trial. Within a year, it rolled out to all 22 Safeway stores in the islands. Its goal is to produce 5,000 head of cattle annually, which would only meet approximately three percent of the state's total beef demand. While the overall impact may seem small, PCC's full-scale output would increase the current volume of locally produced beef by 50 percent.

That potential growth in the local beef market is why Ulupono Initiative got involved. In 2014, the firm partnered with Parker Ranch to create PCC as a joint venture. The renowned Hawaii Island ranch provides calves and cattle management expertise, while Ulupono Initiative contributes the intellectual capital to develop best practices for profitability and sustainable agricultural methods. Both entities have financial interests and are involved in the commercial aspects of the business.

For PCC to meet its 5,000-head goal, it needs to expand beyond Hawaii Island. Future plans are in the works to start an intensive, rotation-

Conventional vs. Grass-Fed Operational Models

• **What goes into raising grass-fed cattle?** The grass-fed model is a method of precision agriculture that optimizes forage and pasture layouts for maximum efficiency. In the initial stage of a cow's life (approximately seven months), the calves have some freedom to roam on the pasture to graze and grow to 600 lbs. or more. From there, the cattle enter into finishing, in which they are generally allowed to graze on fresh forage daily, rotated through a series of small pastures for a given period of time to ensure they are receiving enough grass and nutrients to reach their optimal weight.

• **Do the cattle only eat grass?** Good nutrition is critical in producing high quality beef and it starts from the first bite of grass. Cattle must remain on a rising plane of nutrition throughout their lives to achieve a quality carcass, and the last few months of growth are no exception. This requires consistent nutrition and active management. Cattle may also receive supplemental feed to ensure that their nutritional requirements are completely met in circumstances when grass quality or quantity may be limited. Cattle breeds or genetics play a large part in determining the size and growth potential of any individual animal, but typically, cattle will grow during the finishing phase to a finished weight of approximately 1200 lbs.

• **Where are grass-fed models being used?** New Zealand and Australia have commercially demonstrated this approach at large scale. However, U.S. ranchers have been slower to adopt the grass-fed model. Traditionally, the U.S. has been in the commodity beef business, because the consumer wanted a consistent product any time of the year. In seasonal environments, finding a source of year-round forage suitable enough to meet the daily nutritional requirements of cattle can be very challenging and costly. Nonetheless, U.S. ranchers are increasingly making a shift in their operations to meet the demand of a growing number of consumers interested in a grass-finished product.

• **What obstacles prevent wide adoption of grass-fed models in Hawaii?** Despite Hawaii's year-round grass productivity being very high, local ranchers in many cases are forced to practice low-intensity grazing or the cow-calf model. These local ranching operations may have marginal pastures or may be located in regions prone to long periods of drought. For these ranchers, a large investment in irrigation infrastructure is required to increase pasture nutrient quality and production, as well as to provide a safety net if the rains don't come. In addition, on certain islands there is a lack of processing infrastructure. This situation forces local ranchers to export calves, because wait times to slaughter and process cattle can leave ranchers waiting for months.

al-grazing grass-fed beef operation on the North Shore of Oahu.

"The intention behind Paniolo Cattle Company was to create a more robust local beef supply chain," said Kyle Datta, General Partner of Ulupono Initiative. "It's not only about the quantity of products in the stores. We want to ensure that a quality, consistent product is available to all Hawaii consumers at a competitive price point. High-quality, grass-fed beef shouldn't just be for the high-end market."

PCC is not the only venture contributing to the local grass-fed beef market in Hawaii:

- Kahua Ranch and Kuahiwi Ranch both produce natural, grass-fed beef on Hawaii Island, some of which is sold on Oahu.
- Molokai Beef offers small quantities of its grass-fed products in Foodland stores.
- Maui Cattle Company processes and markets grass-fed beef from several Valley Isle ranches, and plans to expand production with its partnership with Hawaiian Commercial & Sugar Co. that involves several thousand acres of former sugar land.
- Kunoa Cattle Company recently purchased the Oahu slaughter facility.
- On Kauai, Gay and Robinson is building a new slaughterhouse that will supply the Garden Isle market and export to Oahu.

Final Judgement

The true measure of local grass-fed beef's success in any market will ultimately lie in the hands of those at the end of the supply chain—the consumers—and whether they embrace it with their wallets and appetites.

On a national level, a 2012 LSU AgCenter survey of 2,000 beef eaters showed that grass-fed beef accounted for a small percentage of total beef consumption. It also showed that most of those who indicated a preference for grass-fed beef lived in the Western regions of the US.

For Hawaii, a survey found that consumers would make the shift to local beef if the quality was consistent and prices were reasonable. In 2011, Ulupono Initiative conducted market research on Oahu to understand shoppers' local food preferences, including beef. Of the 1,123 participants surveyed:

- 26 percent indicated they bought rib-eye steak twice a month, with 22 percent saying they purchased it five times or more per month.
- The majority (59 percent) said they bought steak at a grocery store, such as Safeway, Foodland, and Times.
- 52 percent said they have purchased Hawaii-grown steak.
- When asked what were key selling points about the beef they purchased, price was the most important, followed by natural (no hormones or antibiotics), and availability.

The full "Local Food Market Demand Study" is available at ulupono.com/resources.

"The Governor's local food goals are ambitious but not completely implausible," added Clay. "It will take all parts of the food system, from the policy makers to the farmers and ranchers in the field, to work cohesively together to be successful."

Farm-Ready

Aloun Farms Offers Fee-Simple Land to New and Established Farmers

BY GLEE STORMONT

Governor David Ige holds fast to a vision of doubling Hawaii's food production by 2030. Alec Sou, general manager of Aloun Farm, Inc., has committed his company to the cause with what they call "Hawaii's first, true fee-simple agricultural community," Ohana Farm Parcels. The farm-ready parcels of land are located in Central Oahu near the Dole Plantation Visitors Center in Wahiawa. The project consists of 35 total parcels, zoned for agriculture use only, ranging in size from 10 to 18.37 acres. Prices per parcel start in the mid-$70,000 per acre range.

Aloun Farms (Aloun Farm, Inc., and its subsidiary Helemano Ranch & Farms more commonly go by this easier to use moniker) sees the proposed community as "a unique opportunity to own the land they farm on, eliminating some of the challenges that come with leasing or renting their land," Sou told Hawaii News Now. "This is an opportunity for small farmers to pursue a future in agriculture while building equity in their business."

Using a condominium model, land will be managed by the parcel owners with an option to either self-farm or to contract Aloun Farms to do it. Aloun Farms also offers coaching to those new to the industry.

Governor Ige looks to the strong agricultural history of Hawaii to save the day and help build sustainability. The Ohana Parcels opportunity could potentially bring a new crop of first time farmers to the table. Sou sees these farmers diversifying the market with tea, mushrooms, or maybe even something that he hasn't considered.

A quarter of the land offered has been prepared for certification as organic farming. Tanada Reservoir provides access to clean water, and irrigation systems and roads have already been created. Most of the units have even been tilled and are essentially ready for planting. A processing facility and warehouse are planned to help keep transportation costs down. Sou told KITV Island News reporter Paul Drewes that all of this infrastructure and prep work comes together to make farming an affordable prospect for a newcomer, saving them both time and money.

Sou sees the adjacent Dole Plantation as another opportunity just waiting to happen. Citing the one million plus visitors that come to the site annually, Sou hopes some of the farmers make connections to create an even better visitor experience destination in the future.

ABC Goes Grand with Dukes Lane Market & Eatery

BY GLEE STORMONT

ABC Stores is expanding their reach with the launch of Duke's Lane Market & Eatery, a 13,000 square-foot entity on the ground floor of the Hyatt Centric Waikiki Beach. The main attraction will be Basalt, a 150-seat restaurant headlined by chef Kelly Degala.

Degala is ABC's corporate chef and a homegrown Kalihi boy who earned his chops in the San Francisco Bay Area and Pacific Northwest. Back in Hawaii for about a year now, Degala is excited about the project and came home because of the opportunity to create something new in Waikiki. "Everything will be made onsite and sold that day," he enthusiastically told Allison Schaefers of the *Honolulu Star Advertiser*. His menus will be guided by whatever is fresh and will really make the most out of what his farmers and suppliers provide. Degala boldly commented that he doesn't want to follow the trend of Hawaii Regional or Pacific Rim style because they've been done already. He seeks to invent the new and become what others want to emulate.

Including much more than the restaurant, Duke's Lane will feature a bakery, burger bar, poke-rice-raw bar, coffee bar, gelato and bubble tea bar, as well as a flatbread and rotisserie station. This eclectic mix hopefully offers something for everyone and features food prepared onsite as well as purchased from discerning vendors. Fresh from-the-fryer doughnuts and malasadas will be sold only in the morning while breakfast manapua, garlic fried rice, and musubi topped with homemade "Spam" and flavored with a unique tomato ketchup jelly will also be in the morning lineup. Look for fresh prawns from Kauai at the raw bar, mac salad spiced with bits of watercress, fresh mozzarella and ricotta cheeses, and Kona coffee-rubbed rotisserie chicken among Degala's "global with local flavors" offerings.

Scheduled for opening in late May or early June, Duke's Lane will hire approximately 200 employees and offer opportunities for up to 100 vendors and local farmers. The new venture represents a big step for the venerable company and represents their largest investment to date. Duke's Lane is in line with other Waikiki revitalization projects, such as the recent opening of the new International Marketplace, Kuhio Avenue upgrades, and major renovations to surrounding hotels and properties. ABC Stores are ubiquitous in Waikiki, but also have many other locations on Oahu, as well as on Kauai, Maui, and Hawaii Island. The 9th island, Las Vegas, also has ABC Stores, as does Guam and Saipan. The business began in 1964 with a single Waikiki location.

Paul Kosasa, President and CEO of ABC Stores, admitted to the *Star Advertiser* that he's a huge fan TV's Food Network and was inspired by its popularity. Seizing the strength of the food movement, he realized that trying new foods is a major part of any memorable travel experience. Duke's Lane Market & Eatery is an attempt to offer visitors and locals alike a convenient taste of the broad range of foods enjoyed by the many cultures that make Hawaii so unique. ABC Stores took steps into foodservice earlier when it established gourmet shops featuring their own line of foods in the resort areas of Ko Olina on Oahu, Wailea on Maui, and Waikoloa on Hawaii Island.

NGA Works for Independent Grocery Retailers & Wholesalers in DC

SUBMITTED BY THE NATIONAL GROCERS ASSOCIATION

Following a somewhat turbulent first 100 days in office, President Trump and Congressional Republicans are now gearing up for the next chapter with an ambitious policy agenda that includes repealing and replacing the Affordable Care Act and reforming America's tax code. From protecting debit swipe fee reforms to food labeling policies and countless regulations, independent supermarket operators continue to have a long list of pressing matters that will be considered by policymakers in Washington, DC. The issues below are of critical importance to independent grocers and are closely monitored by the National Grocers Association (NGA).

Durbin Amendment/ Debit Card Swipe Fee Reform

Congress enacted debit card swipe fee reform, also known as the Durbin Amendment, as part of the Dodd-Frank legislation in 2010, but since this bill was passed, U.S. merchants continue to fight for transparency and competition in the credit and debit card industry.

In April, House Financial Services Committee Chairman Jeb Hensarling (R-TX) reintroduced the Financial CHOICE Act (H.R. 10), a Dodd-Frank reform package that included language to repeal the debit reforms contained in the Durbin Amendment. The bill was passed out of the House Financial Services Committee this May, and at the time of this writing, is expected to be considered on the House floor as early as May 17.

NGA is encouraging our members, along with other stakeholders in the supermarket industry, to contact their member of Congress to urge them to oppose any legislation that would alter the Durbin Amendment. NGA has been working diligently to educate members of Congress about the negative impacts that repealing the Durbin Amendment would have on the supermarket industry.

Tax Reform

"Will tax reform actually happen?" seems to be the question everyone is asking. Unfortunately, whether or not tax reform can be accomplished still remains unclear at this stage, but House Republicans are moving forward with their "blueprint" despite some mixed messages from the White House. The House Republican plan raises many questions for the independent supermarket industry, such as, how will pass-through entities be treated? How will the proposed border adjustability tax impact food prices? Will the LIFO accounting method be preserved and will the estate tax be repealed? The Senate also has its own ideas on how tax reform should be handled, which could slow the ultimate passage of any reform bill. At this moment, NGA is closely monitoring the changing tax landscape in Washington and engaging with Members of Congress on the issues most critical to NGA members.

FDA Menu Labeling Regulations

The FDA menu labeling regulations were slated to go into effect May 5, however just days before that deadline, the FDA submitted an interim final rule to the White House Office of Management and Budget (OMB), which signaled a delay in the regulations. The following week, OMB directed the FDA to re-examine the menu labeling regulation, opening the comment period for 60 days after publication in the Federal Register, and delayed the regulation until May 7, 2018. NGA continues to advocate for the passage of the Common Sense Nutrition Disclosure Act (H.R. 772, S. 261) and additional flexibility for independent grocers as they work towards compliance.

GMOs

After extensive debate and legislative jockeying, a biotechnology labeling law that created a national labeling standard for food products made with genetically engineered (GE) ingredients and genetically modified organisms (GMOs) was enacted in July of 2016. The action now shifts to the U.S. Department of Agriculture (USDA), where the agency will begin the rulemaking process that will decide how the law is implemented across the country. Aides at USDA have said that the agency will attempt to follow the congressionally mandated July 2018 deadline.

Continued on page 28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New HFIA Secretary/Treasurer and Board Member

BY GLEE STORMONT

Marshelle Pagan is the chain account manager for Coca-Cola Bottling Hawaii, which is owned by Odom Corp. On staff at Coca-Cola since 2001, Pagan previously worked for several different food brokers, including Dodge, Tanaka & Dodge, LH Gamble, and Inter-Island Brokers. Originally in the hospitality industry, Pagan was a concierge, and later worked in the systems department at the Hyatt Regency Waikiki.

Pagan commented, "I certainly appreciate the work that [HFIA Executive Director] Lauren Zirbel does with the legislative issues—and what Dick Botti did before her. It's not an easy task." She recently joined HFIA's Government Relations Committee and reports that the experience has given her an even higher regard and respect for what Zirbel does on behalf of the food industry.

"Involvement at 'the big square building' is very important to the industry," Pagan stated, "because the legislature cannot make fully informed decisions on behalf of their constituents without hearing from all sides. The last thing you'd ever want to hear from them is, 'I didn't know that' after a decision has been made."

Marshelle Pagan, Sec./Treas.

Eddie Asato, Board Member

Eddie Asato, Chief Operating Officer of Gouvea's & Purity Foods Inc., oversees sales and profit budgeting, marketing, distribution, production, go-to-market strategy, and implementation for retail and foodservice industry customers statewide. The opportunity arose after a 17-year career with Frito-Lay of Hawaii, where he retired as vice president/general manager. Asato also served as vice president/general manager of sales and marketing of Five-0 Marketing, and region operations manager for Canned Foods, Inc., in California.

Asato is excited about working with HIFA because he feels the organization aligns well with his own personal values. "I want to make good food, the right food available while keeping costs down for the people of Hawaii," he said. He hopes to be active in helping the organization to achieve its goals and evolve. "My real goal is to help the community, and I see HFIA as a way to do that in an area that I am both knowledgeable and passionate about," Asato concluded.

Note: Jonathan Romero of Pepsico will serve on HFIA's Board of Directors. His bio will appear in the next issue of Hawaii Retail Grocer.

Continued from page 26

SNAP and Federal Feeding Programs

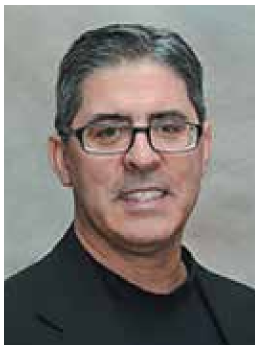
The House Agriculture Committee held over a dozen hearings on the Supplemental Nutrition Assistance Program (SNAP) in 2016. Given the interest from members of Congress on SNAP, we anticipate seeing more pressure this year to bring about "reform" to this program. NGA will remain focused on defeating any proposals that limit what items SNAP recipients can purchase and that would add new costs or administrative burdens on independent supermarkets.

In addition, the House Agriculture Committee kicked off the 2018 farm bill process with a hearing held in February of this year. Traditionally, legislation encompassing nutrition programs (including SNAP) are parts of the farm bill in order to receive urban support for the farm programs that often only appeal to members of Congress from rural districts. These bills are large and expensive, and usually result in tough fights as both chambers look to pass a product that pleases several different constituencies.

Despite the long list of critical issues impacting the industry, a collective and unified voice from independent grocers is important to educate lawmakers and enact legislation that ensures the local grocer remains successful. It's a privilege and honor for NGA's government relations team to spend our days (and nights) fighting on behalf of the independent supermarket industry. For more information on how you can make your voice heard, visit www.grocerstakeaction.org.

DJL Research

Company Profile: DJL Research focuses on onsite location analysis, demographics, competitive intelligence, and sales forecasting. Founder David J. Livingston has extensive experience as a market analyst, including over 30 years experience in forecasting sales for supermarkets. His clients include investors, real estate investment trusts, shopping center developers, grocery wholesalers, independent retailers, and other consulting firms.



Reason for joining HFIA: DJL Research has unique services that can benefit both wholesalers and retailers, including:

- Site Location Analysis and Sales Forecasting
- Market Intelligence and Due Diligence. A proven record of gathering information on competitors with regard to size, sales volume, operations analysis, employee morale, and development plans
- Geo-Demographics. Up-to-date demographics: any size/shape trade area, thematic mapping, loyalty card data mapped and analyzed
- Urban Renewal. Forecasting supermarket sales in under-served urban areas
- Litigation support. Expert witness, as well as market analysis, projections, simulations in support of litigation, FTC filings, etc.

Unique to the Company: In 2015, DJL Research spent about 50 personnel days visiting and researching every supermarket in the State of Hawaii, including stores in Hana, Molokai, and Lanai. Just as every other DJL Research project, data such as size, sales, and unique characteristics of each store were gathered. The resulting database of about 160 stores can be used as a starting point to provide market analysis and site location studies for Hawaii supermarket retailers and wholesalers, especially for independents, small chains, and regional wholesalers. "It would be great to continue to keep working in Hawaii and we would be glad to discuss our findings," says Livingston. "The information gathered can provide cost effective market analysis."

Location & Service Area: Nationwide

Contact Information:
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Email: djlresearch@yahoo.com
Web: www.davidjlivingston.com
Address: 110 Corrina Blvd #358; Waukesha, WI 53186

Big Kitchen with Big Results

A good sized grocery store is about 40,000 square feet. Imagine a kitchen with a production floor space that size. Officially opened in May 1998, Food Solutions International is one of the largest production kitchens in the Pacific Rim. A locally owned and operated food manufacturing facility located in Waipio Gentry, Food Solutions International is a part of the FCH Enterprises, Inc. family, which also includes Zippy's Restaurants, Napoleon's Bakery, A Catered Experience, and Pomaika'i Ballrooms.

Food Solutions International boasts a state-of-the-art USDA-approved kitchen, featuring the latest in cook/chill technology. The advanced cook-and-chill system produces high quality, fully-cooked products (in both refrigerated and frozen form), such as soups, stews, curries, and chili, which are securely sealed and cooled in a "cook/chill" pouch. With an extended shelf life, the food products are readily stored, easily reheated just prior to serving, and are consistently of high "fresh cooked" quality.

With close to 20 years as a USDA certified facility, Food Solutions International produces a wide variety of food products for high-end restaurants, multi-unit restaurants (including Zippy's Restaurants), hotels, hospitals, nursing homes, supermarket delis, and caterers. As a specialty service of Food Solutions International, the production of private label food products is offered for customers with a specific recipe or product, but who lack the proper facilities to produce the high volumes they require.

Food Solutions International also produces food products for large parties or events, such as annual marathons, food festivals, conventions, and cultural events. The minimum volume requirement for production is 200 gallons or 1,600 pounds of food product. The company employs an executive chef who develops new and unique menu items for clients and assists with recipe formulation and final product needs. A quality assurance specialist is also on staff to maintain the standards for production, cleanliness, food safety, and sanitation.

Food quality, as well as taste and product consistency is important to all food service owners and businesses. Food Solutions International provides food service operators with the means of producing large quantities of their food products while reducing labor and production costs. For inquiries, call Jan Tsukazaki at Food Solutions International at 808-677-7766.

DJL Research Has Intel on Every Hawaii Supermarket

In 2015, DJL Research spent about 50 personnel days visiting and researching every supermarket in the State of Hawaii. This included stores in Hana, Molokai, and Lanai, gathering data such as size, sales, and unique characteristics of each store.

The result is a database of about 160 stores that can be used as a starting point to provide market analysis and site location studies for Hawaii supermarket retailers and wholesalers. The information gathered can provide cost effective market analysis.

IT'S THE LAW: Do Not Sell Tobacco Products or Electronic Smoking Devices to Anyone Under 21

Act 122, Effective January 1, 2016

1. **All vendors must display this sign at points of sale.** Free signs available by calling (808) 586-4613.

2. **Always ask to see I.D. and do not sell to anyone under 21 years of age.** Undercover inspections will be conducted for enforcement.

3. **Know that if you sell to persons under 21, you will be fined.**

Questions? Contact the Tobacco Prevention & Education Program, Hawaii State Department of Health at (808) 586-4613.

find out more at http://health.hawaii.gov/tobacco/retail

Golf Going Strong

PHOTOS BY JASON Y. KIMURA

The 24th Annual HFIA Golf Tourney could be the best yet—or at least it was the most well-attended ever with a total of 174 golfers. The event was held Friday, March 31 at the Honolulu Country Club. The tournament format was a modified scramble with a minimum of three drives per player, maximum two-putt, and closest to the pin on all par 3s. Many thanks to all who played, and a special mahalo to the generous sponsors and product donors!

Alan Yamada and Wendell Ancog, Love's Bakery

24th Annual HFIA Golf Tournament

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Foodland
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Hawaiian Airlines
James D. Swoish, Inc.
L.H. Gamble
Matson Navigation Co.
Meadow Gold Dairies
Mother & Son LLC,
dba Bionic Petroleum
Paradise Beverages / Constellation /
Heinekin / Steinlager
Pasha Hawaii
Pepsi Beverages Company
Rainbow Sales & Marketing
Southern Glazer's Wine & Spirits
Tamura Enterprises
Tamura Super Market
Times / Big Save Supermarkets
Young Brothers, Ltd.
Young's Market Co. of Hawaii
Zippy's

Mike Kaya, Meadow Gold Dairies, and Derek Kurisu, KTA Super Stores

Denise Sasaki and Kellsie Sasaki-Rapoza, Meadow Gold Dairies

T.C. Gray, Honolulu Star Advertiser, and Dean Nakasone, Hawaii Lodging and Tourism

Bill Atherton, Gouvea's & Purity Foods, John Erickson, Meadow Gold Dairies, Eddie Asato, Gouvea's & Purity Foods

Lisa DeCoito, Aloha Petroleum, and Chad Cohen, Coca-Cola

Sanford Ota, guest, and Beverly Santos, Hawaii Foodbank

Jen-L Lyman, First Hawaiian Bank, Jill Tokunaga, Hawaiian Airlines, and James DeJesus, Times Supermarkets

Denny Miyasato, ATM Pacific, with Karen Okada and Ray Fujishige, Bionic Petroleum

Yuki Kitagawa and Don Hirota, Meadow Gold Dairies, with Bernie Salvador, Hawaiian Airlines, and David Morikawa, Aloha Shoyu

Sandy Akezawa, MFS Freight, and Cecil Hunt, Southern Glazer's Wine & Spirits

Dean Uyeda, Bank of Hawaii, Bonny Amemiya, aio, and Todd Oda, Koha Foods

Michelle Maeda and Jill Chiang, RSM, Craig Nagano, Choyce Distribution, and Caren Yamauchi, RSM

Henry Lee, Foodland, Jowell Rivera, guest

Vigilance Against Rat Lungworm Disease

BY GLEE STORMONT

Keep calm and wash your veggies. Really. That's the word from the State Department of Health about the recent upswing of rat lungworm disease cases. They say it's not an epidemic, not even a trend. There is absolutely no reason to avoid local produce, but diligent washing of all fresh produce is a must.

Rat lungworm disease comes from the nematode of the parasitic worm larvae *Angiostrongylus cantonensis*. Found in rats, it is then transmitted to snails and slugs. The slugs can be tiny, and it is suspected that they must be ingested to do harm. That's where the thorough washing comes in.

The disease infects brain tissue and has been compared to meningitis, with painful side effects ranging from headaches to encephalitis. The Centers for Disease Control and Prevention (CDC) reports that there is currently no treatment, but only one case has been fatal. The disease was first documented about 50 years ago. Humans are called a "dead end host," meaning that the nematodes do not develop to sexual maturity in the human body and will eventually die, though they may survive up to a full year.

"There is no higher risk at all with buying local produce," stated Peter Oshiro, head of the DOH sanitation branch. "Pest management and hygiene will keep farm and home garden products safe, too."

State Health Director Virginia Pressler, MD, commented, "Cases like the recent cluster are especially concerning because they can be prevented with basic precautions such as storing food in covered containers and properly inspecting and washing food before eating. These healthy habits can protect against food contamination and prevent serious illness." This statement was made after an infected slug was found at the bottom of a bowl of kava which had been left out overnight and then consumed by someone who later contracted rat lungworm disease. Another victim admitted to chewing on a leaf straight from the garden while harvesting.

The disease occurs on the U.S. mainland, but is most prevalent in Southeast Asia and the Pacific islands. The adult parasite is found only in rodents, so vector control breaks the chain from the start. If not arrested, rodent feces ingested by smaller

creatures, including slugs, snails, freshwater shrimp, land crabs, and frogs, pass on the larvae. Symptoms generally present one to three weeks after exposure and can last for up to eight weeks. Thorough washing, with close attention paid to the stem area or any hidden places such as on some of the curlier kale varieties, is urged. The parasite is also killed by heat, so cooked produce is considered safe. When eating raw produce out, even at a pot luck, consume with caution even if you are confident that the person/establishment preparing it is aware of the issue.

What should you do if you suspect you may have rat lungworm disease? This is an especially important question for visitors, so be sure to give guests adequate information, as most mainland hospitals are unfamiliar with the causes and symptoms. Symptoms present as the flu does, usually starting with a severe headache and stiffness in the neck. This may be accompanied by fever, joint pain, fatigue, and nausea. The skin may feel itchy and sensitive to the touch. Early intervention has the best success for speedy recovery without lingering symptoms. Diagnosis involves collection of cerebral spinal fluid through a lumbar puncture to determine if a specific immune cell, eosinophilis, is present. There is also a blood test; however, the antigens don't appear in the bloodstream until three or more weeks after infection.

Malama O Puna, an informed group of volunteer citizens dedicated to ecosystem preservation and protection, state on their website: "Rat lungworm affects everyone living in Hawaii, whether you buy your vegetables at Costco or at the local market. The problem is not with home gardens or locally grown food; it lies with invasive species finding their way to Hawaii, such as rats, the primary carrier, snails, and slugs that carry high loads of the parasite and whose populations are increasing and spreading on the islands."

The state legislature recently granted $1million to the DOH to combat rat lungworm. It is hoped that much of the funding goes into research to better understand and defeat the pest.

HFIA Values

Part of the team inside one of C&S's warehouses (L-R): Jeanine Fuentes, Sr. Account Executive, Food Service; Gordon Chow, Sr. Director, Food Service; Maile Miyashiro, Sr. Account Executive, Retail; Chris Griffin, Warehouse General Manager, Hawaii Logistics; Beau Oshiro, Vice President, Division Manager Hawaii; Jose Quiocho, Warehouse General Manager, Hansen Distribution; Trisha Kishida, Sr. Account Executive, Retail; Carl Oshiro, Sr. Director, Retail

Chair Beau Oshiro Promotes the Essentials of HFIA

BY JASON Y. KIMURA

Adding value is the key to the Hawaii Food Industry Association's future, says Beau Oshiro, who is the new Chair of HFIA's Executive Committee. It's his way of saying that HFIA must effectively communicate its value to not only grow, but build upon its legacy and significance as the voice of Hawaii's food and beverage industry. A member of HFIA since his Foodland days 20 years ago, Oshiro aims to help the organization continue to provide value, and to ensure that members and prospective members better understand how HFIA's work positively impacts their businesses.

Oshiro points out that all business people are tasked with reducing costs every year. Thus, money must be spent only on things that add value to a company. HFIA membership is no different. When recruiting new members, he says, the value of HFIA membership to companies must be clear. Companies should realize a need to join over simply wanting to join.

The heart of HFIA's value lies in government relations, member education, and community relations. By participating in these activities, members make an impact on their businesses. "We can control which bills get passed by the legislature to some extent," says Oshiro. "If members speak out regularly against harmful legislation, we help our industry and individual companies." Legislators are trying to satisfy the public, he notes, but sometimes the unintended consequences of new legislation harm businesses, and HFIA members must be the ones who help lawmakers understand this or collaborate with them to find solutions that are good for individuals and businesses alike.

HFIA also helps members learn about and understand industry issues that may extend beyond their individual companies. Further, HFIA educates the community on the significance of the food industry and Hawaii's food supply chain, and how food can be kept both safe and affordable. A community empowered by knowledge and understanding of the food industry can also be a voice in positively influencing legislation. In addition, Oshiro would like members to learn how the Social, Golf Tourney, Convention, and other events are important to HFIA. These events bring camaraderie, networking opportunities, and are a lot of fun. They are big bonuses to membership, but more importantly, the funds raised through ticket sales, sponsorships, product donations, and membership dues—along with advertising in *Hawaii Retail Grocer* magazine—are used to sustain and grow HFIA initiatives that benefit the food industry.

"HFIA is a great organization that has proven its value in government relations, member education, and community relations," says Oshiro, who takes the helm in promoting these three areas. "HFIA is the voice of Hawaii's food industry." As Executive Committee Chair, Oshiro plans to position HFIA to engage future leaders and recruit new members, ensuring that the organization will continue to offer real value to members and be sustainable for years to come.

Beau Oshiro

once had aspirations to be a teacher, but the food industry got a hold of him first. Today, he is Vice President, Division Manager Hawaii, and oversees C&S Wholesale Grocers Hawaii Division, parent company of Hawaii Logistics and Hansen Distribution Group.

The Mililani High School football captain and baseball captain was awarded a baseball scholarship by Hawaii Pacific College. However, Oshiro eventually quit baseball and joined the Hawaii Air National Guard, continuing his education at Leeward Community College while working at Pay 'n Save in Mililani. He made a good impression on the manager, who sent him to see the regional vice president. He asked Oshiro if he wanted to go into management. When Oshiro said he wanted to be a teacher, the VP told him that the starting pay for a store manager was almost twice that of a teacher. Oshiro decided to take the offered career opportunity, leaving LCC to work at various Pay 'n Save stores. He moved from management trainee to floor manager, to department manager, then to assistant store manager, and finally store manager for the Waipahu store.

Pay 'n Save was later acquired by Payless Drugs, which eventually pulled out of the Hawaii market. Oshiro applied for a management position at Foodland and was hired as an Assistant Store Director. However, nights, weekends, and holidays weren't a good match for a young family, so he went to work for Eagle Distributors as a sales rep for a while until he was able to land a position as a buyer for Foodland's grocery department. After five years, Oshiro was promoted to director of grocery operations.

A few years later, Oshiro decided to try the distribution, marketing, and vendor side of the business, so he went to Coca-Cola. Five years later in 2008, he landed his current position at C&S Wholesale. Looking back, he has no regrets. Oshiro may not have become a teacher, but the food industry has taught him a lot—and that's just where he wants to be.

Menu Labeling Off the Table for Now

BY LAUREN ZIRBEL & ALEXIS CHAPMAN

The Food And Drug Administration's (FDA) menu labeling rule that was supposed to take effect on May 5 has been delayed and a new compliance date of May 7, 2018 has been set. The FDA began accepting comments on May 4 at https://www.regulations.gov on ways to improve the rule before its eventual implementation. We encourage impacted members to make their voices heard!

HFIA supports national efforts to pass the Common Sense Nutrition Disclosure Act of 2017 (see box), a bipartisan bill that clarifies the FDA's final rule regarding menu labeling at restaurants and similar retail food establishments, including grocery and convenience stores with 20 or more locations.

This law was created with the idea that giving people calorie information would prompt them to make healthier choices when eating out. However, according to the *Washington Post*, "Evidence is mounting that calorie labels—promoted by some nutritionists and the restaurant industry to help stem the obesity crisis—do not steer most people to lower-calorie foods. Eating habits rarely change, according to several studies. Perversely, some diners see the labels, yet consume more calories than usual. People who use the labels often don't need to. (Meaning: they are thin.)"[1]

As with any mandate, this bill has many unintended consequences. For example, the law exposes employees of food-related businesses to a Class C felony if the serving size provided doesn't match the calorie count stated on the menu due to the regulation's placement in the statute under the FDA. National Association of Convenience Stores Senior Vice President of Government Relations Lyle Beckwith said, "It is critical that Congress and the new administration act. . .to provide for common sense, simpler menu labeling regulations that would ensure more nutritional information and choice for consumers—without exposing small businesses to burdensome costs and penalties and their employees to potential felony prosecution for accidentally putting too many pickles in a sandwich."

Key Provisions of the Common Sense Nutrition Disclosure Act:

- Protects local food items sold only at a few stores.
- Allows the use of a menu or menu board in a prepared foods area.
- Ensures advertisements, signs, and other marketing materials are not regulated as "menus."
- Allows use of a website or app as a means of compliance for ordered items, such as pre-ordered sandwiches, catering, or delivery.
- Secures enforcement and liability protections for good-faith compliance efforts and inadvertent human errors.

One of the biggest problems with the rule is the high cost to businesses for changing their menus. While some big restaurant chains like McDonald's and Starbucks have already made the required menu updates, many businesses have not. If and when food retailers do have to make the change, it will involve figuring out the calorie counts of each menu item, redesigning, reformatting, and in many cases retranslating menus, then having menus reprinted and remade in whatever format they're displayed. It's estimated that getting into compliance with the rule will cost supermarkets alone about $1 billion, and that doesn't account for the costs to other types of businesses. And of course, those costs will have to be compensated for, primarily by being passed along to consumers.

There is also some confusion for certain businesses as to whether or not the rule even applies to them. For instance, it's unclear if the rule would apply to a convenience store chain operating under an independent name with less than 20 stores located at a gas station chain that has more than 20 locations. When questioned about this, the FDA's response did not adequately clarify if these businesses are required to comply with the law, and it seems that the guidelines may not have taken this specific scenario or other similar business arrangements into account. This is another concern that will have to be addressed before the FDA can reasonably expect businesses to get in compliance.

Even for businesses where it's clear the rule applies, there are logistical challenges to putting it into action, like the question of how to accurately label calories for salad bars and other self-serve items. When preparing food in a restaurant-type kitchen using fresh ingredients, there is inevitably going to be some level of inconsistency between individual servings. Deciding how to determine the most accurate calorie count is a challenge for businesses subject to the rules. And for customers who are using menus to count calories, there is really no way to know if their particular serving is a bit below the posted calorie count or a bit above, and if so, by how much. The cost of finding exact calorie information for each new dish may also hinder the freshness and diversity of new food dishes.

With just about a year until the new implementation date, there is still time for the Common Sense Nutrition Disclosure Act to pass. The latest delay of the rule and the new comment period seems to be indicating that the FDA understands that there is still work to be done on this issue before it is ready for prime time.

[1] https://www.washingtonpost.com/local/calorie-counts-dont-change-most-peoples-dining-out-habits-experts-say/2011/06/30/gIQAhAqO1H_story.html?utm_term=.a959783a584b


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