



LATE

February 4, 2013

HB 1126

Dear Representative Tsuji, Chair, Representative Ward Vice Chair and distinguished members of the Committee on Economic Development & Business

My name is Mattson Davis and I'm the President of Kona Brewing Co.

In 1997 I was hired to manage a small struggling brewery that was established in 1994-Kona Brewing Co. My job was to open a pub, manage the production and get the company profitable. Annual sales were less than \$1M.

The first thing I realized was the extreme cost of manufacturing in Hawaii. Our exceptional team of employees have been challenged by this and they've done well, been supported the community and made everyone proud to be a part of this special place.

- Kona Brewing Co has 175 employees in Hawaii – an annual payroll over over \$2.5M
- We are a Hawaiian LLC – created here, based here
- Established in HI since 1994
- We are distributed in 35 states and last year and sold over 3,000,000 cases.
- Our Hawaii liquor tax base was over \$615,000
- We've grown to be are a top 10 national craft brewer- by comparison- Sam Adams is #1
- We are the leader in craft beer sales in Hawaii-
- We are a leader in sustainability- installing a 229kw solar system in 2010
- We promote Hawaii everywhere we're sold- I just returned from a 14 day 5 state tour where I had 27 media interviews-

The reality of brewing in Hawaii is that all Malt, Hops, Yeast and packaging are imported- this is over 90% of the cost of goods for beer.

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We use many Hawaii grown items to enhance our beers: Lilikoi, Cacao, Vanilla, Ginger, Coffee, Citrus to name a few- but these are less than .2% of the total ingredients used to make beer.

Water and electricity are what's left- and they come from the island- water, a limited resource in Hawaii and electricity- 90% of which is made from fossil fuels that are shipped in. How does this comprise being an appellation like Napa, Sonoma, Bordeaux or Parma?

When I moved here in 1997 we did a sustainability audit and realized that the environmental impact of brewing all our beer here wasn't right- pono, not practical for the land or our shareholders.

As a result of that audit we started brewing some of our beer on the West Coast to increase freshness for all consumers, lower our carbon footprint and meet the demand while continuing to brew the keg beer in here in Kona. As of last week we've brewed over 140,000 bbls (2,000,000 cases) of beer in Kona, HI.

Through these sustainable manufacturing practices we save over 2.5 million car miles a year.

Question- Why is this bill written for beer only? Why not wine and spirits or the rest of the market?

Sincerely,

Mattson C. Davis
President
Kona Brewing Co.