

EAT THINK DRINK 10: Food Supply Chain Disruption – COVID-19

Thursday, June 18, 2020

Online Event

MODERATOR:

Ron Mizutani, President and Chief Executive Officer of Hawaii Foodbank

PANELISTS:

- Chad Buck, Owner & Chief Executive Officer, Hawaii Foodservice Alliance
- Eric Kingma, Executive Director, Hawaii Longline Association
- Tom Jones, Chairman, Hawaii Restaurant Association
- Brian Miyamoto, Executive Director, Hawaii Farm Bureau
- Jason Wong, President, Sysco Hawaii
- Lauren Zirbel, Executive Director, Hawaii Food Industry Association

[Denise Yamaguchi]

Okay, good evening, everyone. We apologize for our delay. We just had a little bit of a technical difficulty. I'm Denise Yamaguchi, the executive director of the Hawaii Agricultural Foundation, and we want to thank you for joining us for this special online Eat Think Drink: Food Supply Disruption – COVID-19.

We're broadcasting live from Sysco Hawaii corporate headquarters. Before I start, or before we start, I'd like to send a big mahalo to our corporate sponsors: Alexander & Baldwin, Bayer, Fiji Water, HONOLULU Magazine, HONOLULU Family, Kona Brewing Company, Lendlease, Mahi Pono, Southern Glazer's Wine & Spirits, the State of Hawaii, and the Ulupono Initiative. I'm going to skip around because I want to just get into it.

I want to introduce you to tonight's panel –

We have Chad Buck, owner and chief executive officer from Hawaii Food Service Alliance. Eric Kingma, executive director from what you long line association, Tom Jones, chairman of the Hawaii Restaurant Association, Brian Miyamoto, executive director of the Hawaii Farm Bureau, Jason Wong, president of Sysco Hawaii and Lauren Zirbel, executive director of the Hawaii Food Industry Association.

Joining us to moderate the discussion is Ron Mizutani, the president and CEO of the Hawaii Foodbank. We look forward to a lively and informative discussion this evening and will open up for audience questions at the end of the panel discussion. If you have questions for our panelists, please send them in the chat.

[Ron Mizutani]

Alright, Let's get started. Again, thanks everybody for joining us and Denise, thank you for assembling such a diverse group, which really has a pulse on what's happening with food in Hawaii.

I'm going to start with you, Brian if you don't mind. How have local farmers really been affected by the pandemic? I know that you could probably answer that for the next 20 minutes, but just in general, how is it?

[Brian Miyamoto]

I actually do mind. I'm just joking. Thank you, Denise. Thank you, fellow panelists and Ron, **its** a pleasure to be representing the farming industry.

Farming like any other industry has been severely impacted by COVID-19. You know, farmers lost a lot of their markets from supermarkets to restaurants, to the tourism hospitality industry, cruise ships, the schools with the farm to school program, road side stands, ag tourism operations. So even farmer's markets shut down. So, when COVID really hit us, our farmers were really concerned about being able to sell their products. They had already harvested. things were in the ground, things were harvested, things were being processed, things were ready for delivery, things were ready for the markets and everything closed, or they closed or scaled back a lot. So, the farmers were, were really struggling and, and I think that answers a question. I can go along what happened, but really, like everybody else. I mean, they were concerned about where are they going to sell their, their crops.

[Ron Mizutani]

Same for you, Eric I'd imagine that the fishing industry immediately took a hit, especially when the restaurants closed down. Just a little bit about the impact.

[Eric Kingma]

Yeah sure, no problem. And thanks Denise, Hawaii Ag Foundation. Aloha everyone. You know, the Hawaii longline fishery is one of the largest food producing industries in the state and it's not necessarily an industry. Sometimes industry gets a bad term or bad name, but really, it's about food production. And you know, we produce high quality centerplate in the best restaurants all the way down to you know, poke grade, fry grade fish. So, March 14th, we saw an immediate impact and our sort of auction value dropped 80% overnight. And you know, it's not just the fishermen, but the foods, the cold chain, the supply chain involves wholesalers down all the way through to food service and retail and the elimination of restaurants, hotels, catering really dropped the value and it has persisted.

So, what happened was we saw a hundred boats tie up. We have a fleet of 140, a hundred boats tied up in Honolulu Harbor. And, really the, the tie up basically is you lose either money tying up or you lose money going fishing and you lose less money tying up. Since then, it's, it's recovered

a little bit as things are opening up, but now imports are affecting our market. But you really, as conditions persist as tourism is delayed, you know, we're looking at severe impacts, similar farmers and probably half of the hundred-million-dollar revenue that we expected this year is going to be lost. So, you know, that translates into delayed repairs on vessels. And if you're in the fishing business, if you delay your repairs, you're not going to be in the fishing business too much longer. So, you know, going forward, we're really worried that if vessels don't continue to have the revenue, the supply is going to drop off and that's going to affect Hawaii consumers, you know, the restaurants all the way down to you know, everyone else.

And I just want to make this note that Hawaii residents consume seafood at twice, three times the national average. So culturally, you know, community-wise – fish is really important, and you got to keep that supply coming.

[Ron Mizutani]

You know, it's about supply, it's about inventory. And when you talk about inventory, Chad, you talk about food distribution, really changing since the pandemic arrived on our shores, hasn't it?

[Chad Buck]

Absolutely. We supply the retailers, grocers, and clubs on every island and the biggest disruption to our food supply was on our air freight side. We bring in about a million and a half pounds of air freight a month and mostly, highly perishable products. And when the plane stopped flying to Hawaii, the food stopped coming. And as the national news was covering and showing pictures of out-of-stocks across the nation, across all channels, the only way that we can make up for the lack of lift... So, on a normal day, we could be bringing in from LAX, from San Diego, from San Francisco all the way up to Vegas to bring that product in. And without those planes flying, we've had to engage in and charter entire jets to make up for that. And no jet wanted to fly to Hawaii just to fly to Hawaii and deadhead back. And so, we had to engage, charter airlines that were actually flying to Asia. So, they could just stop in Hawaii and continue on their track to Asia. And so, on a charter and on the planes that we used to bring in or we'd be on that lift every day, that would just sprinkle throughout the day, all the way to Hawaiian, nine at night. And, now we're getting full planes. And so, it's all hands-on deck taking the equivalent of four to five truckloads, semi-truck loads on a plane coming in just to fill the needs. So, our biggest hoop to jump through is just keeping Hawaii stocked with the lack of lift.

[Ron Mizutani]

Really innovative thinking, you have to change, you have to pivot. I mean, we've heard that word pivot so much since this pandemic hit and same with, I'd imagine retail, Lauren with beverage retailers and the retail sector really hit hard. I mean, just your thoughts on how that, how that all came about? And your response.

[Lauren Zirbel]

Yeah, definitely a huge increase in volume at the very beginning and with panic buying, we did see a little bit of the empty shelves on certain items, but thanks to the foresight of a lot of our

distributor members like Chad, we actually came out a lot better than most of the mainland, as far as empty shelves, much, much better than California, where you just saw just empty shelves, everywhere, a lot of panic.

We actually came out pretty well here. I think, considering the challenges we have being one of the most remote or the most remote place in the world, we looked pretty good from a food supply standpoint. After the panic buying was over, we really kind of started to see things level out, and we started to see the impact of the recession and people just not having enough money to buy food, which, you know, we know you've, you've seen firsthand as well. That's been sort of an ongoing challenge for us as well.

[Ron Mizutani]

For yourself, Jason, first of all, thanks for opening your home to all of us here today. And the supply chain really hit with, for the food service disruptions and everything because of COVID maybe your thoughts from Sysco's point of view.

[Jason Wong]

Sure. Thanks, Ron. I don't think a lot of people understand that there are two distinct supply chains here in the U.S. that really split pre-COVID half in food service being meals away from home. So that could be restaurants, hotels, hospitals, anywhere you're going to meal away from home. And then 50% in retail that was split about rough numbers, 300 billion, 300 billion across the U.S.

COVID hits, just like in my house, I showed up when everything in the restaurants got shut down, I had a house full of ramen noodles and rice that I've never seen piles before. So, we saw this shift when the restaurant shut down, everybody moved over to retail and that volume went up that we were just talking about.

Now, if you think about it, whether it's like a Tyson chicken, they have their plants, most of the time they split their production. Food service sizes, which is going to be more of a bulk pack to your retail sizes that you're going to go and get in the grocery store. But when this hit, they had to pivot. So, all of the demand that we had for them dried up, so they moved their production lines to food service. So, what's happening as the business is starting to snap back across the country and here those factories, they're not ready to come back in food service sizes, they're still supporting retail.

So, we're seeing a lot of supply chain gaps. There's also demands on new things, gloves. Okay. The demand on gloves is going crazy. We're about to see a 100% price increase on gloves from the manufacturers. Masks, right? Who would have thought everybody's going to have masks, but then you also had the meat packing plants on the mainland where they had some disruptions because of COVID. So, the supply chain right now, is in tough shape. And I think that in being

in the middle of the Pacific, that is going to persist because where we're three weeks out, four weeks out, when we place orders. So, it is going to affect us here for quite a long time.

[Ron Mizutani]

And then you talk restaurants and Tom, I'm going to pull you into this right here with the restaurant association. The restaurants, as we know instantly took a hit. And really, when you look at the closed dine-in operations, how significant was that? I mean it sounds like a really silly question cause we all know it's huge, but how significant?

[Tom Jones]

Well, Hawaii has about 90,000 restaurant employee food service workers. So one of the first things that we had to deal with was, you know, determining what we're going to do with our employees and many restaurants or not, you know, doing takeout, the high end restaurants, or in some cases, restaurants that are in the food, the hospitality area or tourism area. So, they had to close down 100%. So immediately we had, you know, we had major layoffs and then those restaurants that were able to they were doing, you know, take out, are able to transition, to take out still had to lay off probably 50 to 70% of their employees as well. So it was a big burden on the economy in that way, every day I was watching the numbers going up and up and I was thinking some of my employees are on that, you know, that list, that tally that kept growing, but any event, the restaurants were, you know, shifting to take out.

And so again, you know, as Jason mentioned, we had to be looking for gloves, for more sanitizers—we couldn't get ahold of sanitizer products, things like that. It was really a challenge. And of course, consumer confidence and we watched our sales go right down to about 10% on, I think, March 18th or 19th, right around then, and then slowly over the next, you know, two or three weeks, we saw our numbers starting to get back up to 15 and 20. And there's been a general slow recovery in the takeout area for restaurants that could provide takeout. And then two weeks ago, you know, we had the restaurants reopened, tomorrow bars open. I think, some restaurants are, you know, in the 40, 50, they're doing 60%. I think they're, they're very lucky right now.

So, I think that's our big concern is consumer confidence. And then as that starts to increase, we hope, then the next question will be, you know, do the consumers have money to spend in the restaurants and will they be able to get out and, you know, shop with us and dine with us.

[Ron Mizutani]

Tom, I'm going to ask you in the second round of questions, cause I really want to know about when we look at restaurants that aren't going to come back, because that's reality. Now switch to you, Brian, because people think, well, the farmers are good. Are the farmers good? I mean, do we, are we seeing farmers and farms shutting down? Or is this something that you folks have been able to adapt?

[Brian Miyamoto]

I have to move forward. You know, unfortunately a lot of times we don't know when the farmers shut down, they'll just shut down. It doesn't make the news. Like some of our unfortunately some of our popular restaurants. Farmers lost, you know, about 50% during this period. It's about 1.5 to \$2 million a week in sales. So, you know, the farmers, again, they have struggled, but what the farmers were able to do, some of the small farmers was once again to pivot, to find innovative markets with literally everything shut down or closing. Some farmers markets were able to stay open. And, and we do appreciate that they were deemed essential businesses but online farmers markets, Kona Farm Bureau started one. We did one here on Oahu called Farm to Car CSA, started ramping up home deliveries, services like, Oahu Fresh and Farm Link that were really connecting the consumer directly with the farmer really helped with the direct sales.

So, the smaller farmers, you know, were able to find sales. It was great to see it at the farmer's markets, really that interest, and a lot more buying of local. But, our medium to large farmers that were permanently servicing these, these larger businesses, the hospitality and the restaurants, they really struggled. So, you know, one of the things that came up with something that you're involved in, Ron, not just here on Oahu with the Hawaii Food Bank, but on the neighbor islands also, and our philanthropy community and our counties coming in and really providing funds for the food banks to buy the farmers that have scale.

Our papaya growers who ship most of a lot of the papayas from Hawaii Island to Canada and Japan and the United States that shutdown. Pineapples, primarily a tourist crop, if you really think about it, we don't eat pineapples really every day. They had Maui Gold and Dole here just had a lot of pineapples. So, by having these, these big food distributions that were buying the local products really help our farmers kind of manage through this difficult time. They're still struggling.

We still need to reopen our economy, but you know, as far as them shutting down, I imagine some, but we really haven't heard of anybody. You know, farmers, they're resilient. So, you know, they're finding a way, their margins are razor thin to begin with, but these are our farmers are the salt of the earth. And, you know, they're finding ways to continue.

[Ron Mizutani]

I think we all need to have skin in the game. And that was one of the reasons why Food Bank decided that we need to make active purchases to be a part of the solution.

And then when we think about our long line industry, Eric, that's the same reason why we approached you. And we said, hey, how can we keep our fishery industry still going and keeping those boats on the ocean?

[Eric Kingma]

Yeah. And you know, we're not in a good position, you know, the fishing industry, the wholesale process, or distribution companies, we're not in a good place. And, you know, we appreciated that offer. And we had some concern because fish is a perishable product. So, the cold chain is essential to get that product to consumer. And, you know, we'd have to set up, I think, a little bit more logistical support, to get that sort of, the amount of, you know, the unit of fish to a family and how much we could provide. So, you know, we are still actively seeking to get more fish out to the, those in need. And to do that, we're going to need government support because it's only a finite amount of fish that we're bringing in, and you know, the market impact, the decline was really rough in our industry.

And, you know, fishing is, it's a dynamic enterprise. So, what we're facing right now is, it's almost like the equivalent of farmers seeing a drought. So, the fishing conditions in the North Pacific are seasonal. And right now, the long liners can't catch that much fish, whereas local trollers are actually doing quite well. So, you know, the fishing industry is more than just the long line industry. It's also the local troll bottom fish guys, which also have been hit really hard too, because they lost their market value as well, as well as the wholesale distributors.

So, we're all connected. We're all sort of, you know, it's all integrated, to the consumer. But, without increased demand locally, and a lot of that is driven by the amount of visitors, we're still going to be in a very weak market position. The one thing with our fish is that it's, it is high quality, it's highly marketable, and so, there is demand in the mainland for it, and that helped boost some of the local prices. But, what we're seeing now is fresh imports coming in from South America, central America, South Africa at cheaper prices than what we can deliver and that's eroding the market too. So, without our local economy being brought up, we are going to very weak position going forward.

[Ron Mizutani]

There's no substitute to opakapaka and local fish in our Hawaiian waters. When we talk about rising costs, Chad, your thoughts on the food shortages and how it's affecting us here in Hawaii? Not just people like you, but even the consumer at home.

[Chad Buck]

Absolutely. Early on when Lauren was mentioning that you take a look at CNN or the news channel showing the empty shelves across the state, one of the areas that was hit the hardest were just fresh eggs and you couldn't, the fresh egg shortage while everybody was kind of hoarding and going crazy and just, you know, emptying the grocery stores hit the entire nation. And, we had a little bit of an edge because Hawaii is used to putting in, we've got a long supply chain coming from the mainland.

We'll bring in about a half million dozen eggs a week to feed Hawaii, and so we had orders already in the pipeline already moving, but that shortage, the entire egg market in the U.S. is driven by the earned and varied market, and so the pricing for eggs changes weekly. As the

entire mainland was wiped out of eggs and the grocery stores and the clubs, etc, the price just shot through the roof and it hit historical levels. At about two months ago, eggs were at the historical high ever in Hawaii, in a, not Hawaii—in the mainland’s history. And so, two years prior there was the Avian Flu and that’s because there was just a shortage of eggs, of egg farmers being able to produce. And so, this was driven by just the demand that went through the roof. So, the markets went through the roof. Hawaii was fortunate enough because of our supply chain and relationship, and frankly, our supplier just had an, an awful lot of aloha for Hawaii and would short others because demand went up 2 to 300% and would short other customers just to fill Hawaii orders. And so, we’re really fortunate to do that.

One of our customers, one of our largest customers, the buyers from the mainland group had reached out and asked if we could actually turn some containers around and send it back to the mainland. They were so short on the mainland.

[Ron Mizutani]

Go figure, right?

[Chad Buck]

Yeah. So that drove prices extremely high, and then the restaurants shut down, and then there was a glut. And so now we’re back to almost your historic lows. During that time, when the restaurants shut down, dairy producers were pouring milk in the fields, and because they just had nowhere to go with the product, the price for milk went through the floor. Dairy producers, just in the last, about 40 days, address that by culling an awful lot of their herd.

Now hamburgers really cheap and July is going to face about a 40 cent per gallon increase, which will bring it back up to what’s pretty much normal for the state. So, we are starting—after the crazy spikes and the shortages—for the market to just level out right now, pretty close to where it was pre-COVID.

[Ron Mizutani]

Lauren. I saw you shaking your head a lot, doing what it was Chad was talking about, you know, what? You look at the food and beverage, especially on the retail side. A lot of people are asking like the restaurants, like our farmers, and will they survive? I mean, can they really recover from this? We’ll get into tourism in a second, but without that. Share your thoughts.

[Lauren Zirbel]

Well, it’s hard. I mean, we, so as an association, we represent retail grocery, but the majority of our members are suppliers and they by and large have done massive layoffs and are struggling very much. And they do not anticipate that their figures will get anywhere close to normal until the tourism economy is restarted.

You just look, they were, tourists were 20% of our population and they were the largest spending portion of our population by a long shot. So, you know if you're a beverage company, it's devastating to you. And especially if you're more of a high-end commodity, that's also very devastating because our population locally has been hit very hard economically, and they simply do not have the money to spend on a lot of these high value items. So, yeah, I mean, I don't know the timeframe we're trying to be optimistic, you know, I don't want to be a downer, but yeah, we do require, tourism to come back in order, I think for the jobs to come back and for the, for the supply chain to look anywhere close to where it did in January.

[Ron Mizutani]

Jason, I'm glad you, you pointed out to those watching today. There's a difference. I mean, even when we look at food bank, we say, "Hey, do you have retail product? Do you have, industrial size?" you know, how do you navigate through all of this right now, especially when Lauren talks about it. And we'll talk a little bit in a little bit about tourism with all of us, but how do you navigate that? I mean, just truly, you have to change your thought process here in Hawaii especially being geographically isolated.

[Jason Wong]

Yeah. That's it, it's a great question. And I think Chad said it about his supplier. It's going to require a lot of aloha and flexibility. Like Tom has a restaurant, we're a supplier, we're having tough times getting things. We've had product that's, still sitting in our warehouses and we just need a lot of flexibility working together because without tourism, our restaurants, our hotels, meals away from home, they are going to struggle.

So, what's happening is because we don't have that volume. We're not able to make the loads on the mainland. We can't build the trucks to get those loads over here. And when you can't do that, guess what happens? The price goes way up and it's going to make it unaffordable for our customers. So, we're trying to work with what we have, be very flexible, with our customers work on new menu ideas, things that we can do to better cater to the local population because of like Lauren was saying, hey, maybe they're not right now. Maybe people aren't going out for \$60 steak, but how do we work together and re-develop a \$10 plate special with what we have on Island and working together to help everybody get back up on their feet? Because this thing is going to take time to recover.

We need tourism back. That's a fact. And without it, we're going to have this slow leg up. And at this point, everybody's just trying to get to break-even, on the food service side. I think retail, was on the, on a good side of this, they've had their own challenges, but on the food service side, restaurants and, just all of the distributors here, we're all chasing breakeven and making sure we can keep our people working.

[Ron Mizutani]

Yeah. I mean, that's twofold cause you you're talking about the, the success of your restaurant, but also the people that work there. Tom, and, and now that we have seen more restaurants,

reopening bars, reopening tomorrow, will they recover first of all? And secondly, are some of them not coming back?

[Tom Jones]

Certainly, some restaurants, the iconic restaurants will hopefully survive. We've just last week. We had an announcement about, or, you know, seven local restaurants, the week before that it was LikeLike. Of course, the restaurant industry is a very labor intensive, you know, industry we're dealing with a highly perishable product and the margin is, you know, you say razor thin. And so, you know, there's, there's no secret that restaurants are one of the most volatile industries that you can be in. And so, this pandemic is challenging us, you know, beyond our limits. And so many, you know, restaurants will probably not survive. I think, the National Restaurant Association estimated about a month ago that they thought that it would be probably about 15% of restaurants would not be able to reopen after the pandemic. And, I think the, Independent Restaurant Coalition, which is another group that represents independent restaurants is looking at that number being closer to 20%.

So, I'm sure there will be additional closures over the coming weeks. As we struggle through this, you know. Thankfully there's been PPP money for, you know, for the industry and for us, particularly with our labor and our high rents, that's been particularly helpful, but of course that's not going to last forever. When we get to July, you know, August, those funds that we received, you know, back in April are gonna start to run out. And so, without, significant, you know, participation by our customers, it's going to be really challenging.

[Ron Mizutani]

Well the restaurants that had found a niche can really separate themselves with the dine in, dine out.

[Tom Jones]

Right.

[Ron Mizutani]

But again, all of this is driven by, by our visitor industry. And it seems like that's what we were going right here. So, I'm going to, I'm going to switch gears a little with everybody, and I encourage also those who are watching online to, to, call in with your questions or the chat.

But I'll start with you, Brian. Let's talk to tourism a little bit, we have no real specific date yet. And folks keep in mind the same question, cause I want to hear your thoughts on all of it. What does that mean for the future of farmers and, and then also our local economy?

[Brian Miyamoto]

Well, can we start with Jason? You know, we hear everybody talk about needing to diversify our economy, and that's great from the farming industry cause there's so much focus on agriculture, but in order to, for agriculture to really increase as GDP, we actually need investment. We do need investment. We need investment from government, investment from the consumers, investment from private, we need PPP you know, public, private partnerships. We need to build capacity. So, there's so much, there's probably too much to answer here.

But in the short term, we do need the tourism market to come back. We do need the people. We do need the, the restaurant industry, to start buying more. We've got some great chefs, chefs that are affiliated with Hawaii Food and Wine. I mean, I'm looking at Denise, Roy, Chef Allen, Chef Roy. I mean, these chefs really help boost our agriculture industry. We need to support them, and we need them to be in business. If they're not in business, if our restaurants go out of business and even some supermarkets. I hope they don't. I mean, where are farmers going to sell to? I mean, it's great to see the swap meet, reopen up. We need the markets there, what we need the purchasing from, is our locals to continue. Their buying habits, not to go back, but we do need, I mean, what is it? 250 - 300,000 people a day. That's just eating twice a day. That's a lot of mouths.

So, we do rely on the hospitality industry for the success of our farmers. Some crops like macadamia nuts that I'd bring up, coffee, right? Highly dependent on our tourism and the hospitality industry. Something that really gets left out for agriculture is our nursery industry. Some of them lost 50 to a hundred percent of their business, similar to restaurants. You know, I'm glad we're wearing local lei here, right? But with Mother's Day, struggling with graduations not being around, with tourists not coming in to where the beautiful Lei or the hotels and all these, these establishments that use the local nursery products to decorate their lobbies and their hotel rooms and all that. These guys were getting clobbered and still getting clobbered. So, we really are dependent on, on, you know, not just local market, which we want to increase, the local purchasing of local farm products, but also the hospitality industry.

[Ron Mizutani]

Absolutely. Buy local. That's the message, you know, it's not a cliché, it's, it's very real. And when I look at you, Eric, I think about the imports that are coming in, that are creating competition that really affects our long line industry, but also just the fishing industry in general. And without the visitor industry coming back, that import can get even more of a player, can it not?

[Eric Kingma]

Yeah. And, you know, as we all know, when supply channels of cheaper products get a foothold, it's hard to overturn those. And, it's very important. You know, our industry does rely on, visitors, on the visitor industry. I think visitors arrive to Hawaii and they're not really looking to eat a steak, they want to eat Hawaii, fresh seafood. And now we've seen the proliferation of poke popularity across the country. And so when, the difference between say, gassed frozen poke, that they might get in California versus a fresh bowl of, you know, Hawaiian poke, I think you see their eyes light up, you know, and so, it really is hurting us without hotels, you know, hotel

restaurants, that demand. But then getting to Brian's point, you know. I would just encourage, you know, Hawaii residents, you know, no need to wait until new years to have your sashimi. Let's go for it now, and you know, make the choice at the retail establishment to, you know, maybe don't need the everyday poke, that's gassed, cheaper. Buy fresh Hawaii poke, three times a week. You know what I mean? Just spread out your, your choices and you can make, you can make a difference here locally. And we know, you know, seafood is so important to Hawaiian, our community, our multi—you know, diverse community is so important culturally. So, we really want to just ensure that the supply is coming in, that we can continue that to get fish, to local residents. In the meantime, while tourism is still delayed.

[Ron Mizutani]

Chad, how does that impact you though with no tourism? I mean, we went through a whole laundry list of things that affected you immediately when COVID hit, but we have a unique problem in Hawaii cause that's our driver.

[Chad Buck]

Absolutely. We, one of the things that we do, we use our platform because we're in every retailer, grocery, and club in the state, for local manufacturing. So, we distribute for about 20 local manufacturers and help them get to market with their product. Quite often we'll help them with ingredients as well, just doing our best to help them be successful. We've been, working with them if they were, we've got customers of ours that only sold into the tourism industries and they became customers of ours because they needed to get into clubs. They needed to get into retailers and grocers. And so, we've been able to, we've been able to help the manufacturers, pivot and start spreading some of their products into the grocers and retailers.

We have a bakery that we support that lost all the mainland flights as they were catering to the mainland flights. And so, we had to kind of double down and, and increase our efforts to help them get into the, the areas since they lost it in tourism. And, quite frankly, for nobody in Hawaii, no matter what you're doing depends on a hundred percent local. As Lauren mentioned, tourism is 20% of our consumption and they do spend a whole lot more than anybody else is, as far as demographics go.

And so, if you are any type of business and you are struggling or marginal at a hundred percent in January, this is going to put you over the edge. And until tourism comes back in a very real way, we're going to see the toll of this start to roll out now and we're going to continue to see it until our government decides to put a plan together. And put the wheels back on the bus.

[Ron Mizutani]

I think this could be a whole topic in itself and Lauren, I know you're very passionate about this as well. We need, there's folks that are gonna say, we need this thing to move forward from the retail side. Can they survive without our visitors spending?

[Lauren Zirbel]

I mean, I don't think that the job creation side of it is sustainable and can survive at the level it was in January without tourism. I think if we really didn't bring back tourism, let's say when another two months, there will be a lot of people going out of business and people will have to leave the state because there will not be jobs for people here. We just simply cannot sustain the population with jobs, if we don't bring back tourism, it's not possible. There's no equation in which that works.

You know, we really want to encourage people to support the local manufacturers and the farmers and fish, but the truth is we don't have the numbers, the sheer numbers to get people back to where they need to be, and really to get our distributor members, a lot of them back to where they need to be to hire back the people they had to furlough until we have some type of a safe reopening plan implemented. So that's why we really do think it's important to know the plan, to know the date, to know how it's going to be safe, but to move forward with that pretty quickly at this point.

[Ron Mizutani]

You know, Jason, I can imagine being the head of Sysco in Hawaii, not only are you thinking about supply inventory, a chain, chain being disrupted, you're thinking about your people. That's what keeps me up at night, when do furloughs become layoffs and how does that impact not only the business, but the spirit of, of people and how do you keep them focused and make sure that they still have the job to come to. I mean, that moves me emotionally, and I know it does to you.

[Jason Wong]

Yep.

Well, you really pivoted on some questions to me, didn't you?

[Ron Mizutani]

Yeah well, sorry about that. Brian told me to.

[Jason Wong]

Brian, really.

[Ron Mizutani]

I wanted to. But it really, this is impactful to you.

[Jason Wong]

And that one moves me because we were rocking along so well, and nobody could have predicted this happening. And I think everybody around this table have been impacted and I've talked to our folks at length through this crisis, and I said, we have two goals right now. The first goal is one to get everybody full schedules, it's working because they're hurting because we've got reduced hours and they've still got bills to pay. And number two is to get our family back. And that's really what we want. I mean, it's not, we're not chasing big profit and moving cases and chasing the metrics. It's like get our family back. Cause I look at the distributions of big food distributions that we were lucky enough to partner with you, Ron. And seeing 4,000 families come through those and see the need, and to see the line wrapping around the stadium, we've got to get our people back to work. They need it. I mean, they're hurting, and until we get the dates on tourism back, so we can count on it and plan for it and say, okay, you know what? We're going to see this volume jump up and we can bring these people back—it's not good, and our supply chain does not turn on a dime. If I place an order today for food, we're not getting it for three weeks. By the time the manufacturer on the mainland ships it, brings it out to the west coast, gets it on and we get it in between islands. It's a three week process, so we can't just wait and think, 'okay, we're going to get an announcement from the government. Oh, you're we're good next week.'

And, I can't imagine for the airlines, the hotels, everybody, farmers. Brian—since Brian called me out, I'll call Brian out. He knows that, you know, we buy a ton of local produce. We are one of the biggest buyers of local produce and our sister company Armstrong Produce, because we got to get what our restaurant customers need, and they demand local. So, we aggregate all those purchases and without them up and going, we can't support those local farmers. So, it is all interconnected here in the state.

[Ron Mizutani]

For sure, Tom, you know, what Jason was talking about when we seen the cars that came through these massive distributions, very moving, very emotionally exhausting, very humbling to watch. And I continue to tell the volunteers don't judge, we don't know what makes them stand in line. We don't know their stories. Some of them were restaurant employees. Some of them have spouses, both impacted by furloughs or unemployment. That's very real. Now the restaurants are back open, but it's still gonna take a while before fully staffed. Like Jason talked about.

[Tom Jones]

Yes. Yeah. In particular, I think the servers are probably the most affected because they relied on tips. And so, and they were fairly well compensated. So, for them to lose their, you know, not only their regular income, but their tip income was really devastating. I think they account for about 40 or 50% of the restaurant, you know, employee population. You know, some of us are lucky because we have, you know, restaurants that can do takeout and we're serving the local customers, but for the restaurants that are in hotels or that are heavily dependent on tourism, because they're, you know, in those areas, they're closed and they're going to stay closed for quite some time.

And when tourism starts to reopen, it's going to be a slow process. So even, you know, day one, when the plane starts to bring tourists in, again, it's going to take a while for those numbers to get to points, you know, to levels where restaurants can actually start to open and be profitable. So we've talked to some of the restaurateurs on Maui in particular where, you know, tourism is such a big part of their economy, even more than Oahu and they're just closed and they're going to stay closed until, you know August, September, some of are talking, you know, waiting until December. So, all those employees, it's going to be a while. The sooner we get the economy up and going, you know, gradually we'll start to pick up, we'll start to create those jobs and bring them back.

[Ron Mizutani]

Thank you, Tom. I want to get to, someone's question who's watching online. Ethan. Ethan asks, what are ways the different players in Hawaii's food system can work together to increase the competitiveness of Hawaii's agriculture?

I'll give that to you, Brian.

[Brian Miyamoto]

First of all, I wanted to talk about what Jason and Tom talked about, you know, as far as planning, and if you're seeing, you know, September, October, November—farming is long range planning, right? You plant because there's a market. The problem we have when COVID hit was you had product in the ground, product that was harvesting, and without a market. You've already put the money into that product, into that crop. And now you potentially can lose, you know, or even harvesting—that is going to cost you even more because you have to pay the labor.

So, you know, fortunately we didn't hear a lot of our farmers plowing under, but without the income, again, to support local, buy local so that they have the income to plant. But without a plan, why would a farmer take that chance? They already do anything with the weather, with pests, with so many variables that make farming difficult. Why would I put money in if I don't have a market that I can depend on? Again Ron, you've been talking about the big food distributions that helped with some scale, but even smaller markets, like farmers markets. We depend on both the locals and the tourism industry. So, in absence of that, you know, it is really difficult for the farming industry to look forward to plant.

But anyway, the question, I'm sorry.

[Ron Mizutani]

No, just, but it kind of relates because it's about competitiveness as well.

And on the ag side, I mean how do you team with everybody planned ahead, even without knowing? Not knowing, when tourism will come back in full force to make sure that you can still be competitive in the farm industry.

[Brian Miyamoto]

So farming, like every other business, is a business. And in order for farmers to keep farming, they need to make a profit. So, we need to lower the cost of production. And again, that goes a long way.

The cost of their lease, land costs, access to affordable water, the labor cost, the marketing, transportation, energy costs, all of those things. Those are the policies that, you know, our legislature really helping us with. So, lowering the cost of production will lower the costs of that end product, which will make us competitive.

You know, we've got partners already strengthening the relationship. Our partners will help with the distribution and all these different channels and markets that our farmers need. But again, when we understand that farming is first and foremost a business, I think we're going to understand how to really help our farmers and our ranchers and our fishermen succeed.

[Ron Mizutani]

We need farmers to have incentives. We need our fishery and fishing industry to have incentives as well. And that's going to come through government support and policy makers understanding the role that they too have to play in order for you folks to continue.

[Eric Kingma]

Yeah, that's right. I mean, I think it's, it's about Hawaii's future. It's about food security and we're, it's a wakeup call, I think right now for fishing sort of the larger scale boats that, that I deal with before a boat leaves the harbor, it's a \$40,000 bill, you know, that's just the trip expense before it even leaves. So, these are, it's a, it's an investment to go fishing and then it's a gamble.

But you know, the return can be good, and it can be profitable, and it is a business, but the business is to provide a healthy, sustainable, clean product to consumers. And, you know, seafood is, is a healthy choice. And so, you know, supporting increased consumption of fish is something that we would definitely support and that takes, you know, programs and education and outreach, but you know, it is a future, and this is a wakeup call. And I think we do have to start to innovate, think about Hawaii's future, not only just in the next couple of months, but it is a long-term deal for us.

[Ron Mizutani]

I'm going to be at both of your sides when this session really begins because we need to be advocates, in this cause because hungry as we've all seen during COVID has evolved. But as COVID hit, a lot of other things surfaced, and all with good intent.

And Chad I'm going to ask this question to you, and it's from somebody watching. Do you envision a solution to the severe lack in food safety? Certified co-packing and processing facilities for local ag and entrepreneurs. Again, folks who have the right intent but maybe not quite, the knowledge or expertise that is needed. Especially when you talk about refrigeration or Department of Health standards.

[Chad Buck]

Right. One of the things that's lacking so much on the ag side, as far as being able to get to market is the food safety, and whether that's the farm side for a wash pack, food safety certification, third-party audits that the grocers, the clubs, the retailers require, particularly if you're on a national level, that your standard needs to be the international level or GFSI standards for that. We distribute, we're the largest distributor of local beef throughout the state. We work with all the ranchers on all the islands. We're also the distributor for local eggs. We're seeing now and, to this question, one of the biggest areas that we can support local ag is to help them get to certified standards, to be able to get their products into the grocers.

We've met with Donavan Dela Cruz's office regarding the Whitmore project, we're looking at a shared wash pack, a hui for food safety. So, we have full time food safety directors, officers, etc. at HFA and how do we take that expertise that a company of our size has and enables that with the farmers to be able to bring them up to spec, bring them up to speed, as far as check all the boxes that are necessary to get into a retailer, a club, or a grocer? We were working now with the ranchers as well on getting them up to BRC standards on the slaughter and processing.

We've got great product. We've got great agriculture. I mentioned earlier the volume that comes through on the flights coming in—all that product should be produced here. It's almost criminal that we're not producing this and having food security for ourselves and guarding our people and guarding our state. But, in order to get the volumes and capacity and the economy on a scale that are necessary, we're going to need the food safety to sell into those that the bigger retailers, the bigger grocers, the bigger clubs, etc. So, a shared program is exactly where it needs to be and we're hoping that we'll see that take shape.

[Ron Mizutani]

Lauren, retailers learn valuable. We all learned valuable lessons already in the last couple of months. If you had one takeaway and you've heard from your constituents as well, what would that be from COVID, lesson learned? I know it's a tough one because we've learned many, but what would that be?

[Lauren Zirbel]

I think, probably, what I saw immediately happen was the emphasis on taking care of the employees first and making sure that they're safe so that they can continue to serve the general population. And really, it has been a safety-first mantra from the very beginning.

We had no playbook for anything like this. We had to make it up as we go, because we could not close and people would have starved if we closed. So, we just had to make up a, you know, how to make this work, as we went, and I think we did a very good job, a very admirable, admirable job and our employees are really, very brave, and heroes in delivering the food and stocking the shelves and, you know, people that just went in and did their job every day but under tremendous pressure, and I think that's been pretty inspiring to watch as well.

[Ron Mizutani]

Yes, Dr. McKinney, retailers really, I mean, those frontline folks were frontline folks. There's no doubt about it. I do have a question for Brian, from Eva, with the challenge for farmers to get connected with food distribution programs, to food banks, etc., during this time, how do we connect? And I believe she may be a farmer.

[Brian Miyamoto]

That name sounds familiar. If that's Eva Lee, if that's you, Eva, then she is a farmer. And we just spoke the other day. Call us. We're doing it here on Oahu, our Kauai guys are doing it on Kauai, Maui County Farm Bureau is working with the County of Maui—they put like 200,000 and on Hawaii Island, we've got Tim Richards and the Big Island Farm Bureau groups. I think they were about \$200,000 as far as local purchasing for those in need. So, you know, if we can't connect you, we will find somebody that can connect to you.

But if I could really quickly, I know we run out of time, address what with Chad's talking about with the food safety issue, it is a challenge for small farmers. So there is a need for food hubs, something that Chad's talking about, you know, food hubs scattered across the state where small farmers can have shared services, shared costs, and they can start distributing to larger markets because some of our small farmers, again are small. So really, you know, one, one of the policies that we want to push, and support is more food hubs to support our small growers. Again, because I agree with Chad, there are some limitations to where they can sell because of certain requirements, as far as food safety is concerned.

[Ron Mizutani]

I agree with you. Food hubs—we talk about resilience as a community, as a state that is mandatory to be a part of that conversation. Jason, I'm going to switch gears on you again. I hope you don't mind, not to play with your emotions, my friend, but we talk short term because that's what we're dealing with right now.

What about long-term? I mean, and it's like asking your finance committee for a budget that you really don't have an idea, 'cause it's, it's all a guessing game at this point, but for you, you can't be guessing. You've got to make analyzed educational decisions about long-term for Sysco Hawaii.

[Jason Wong]

Sure. But I'm going to change back on you for a second, 'cause I want to just talk about, add to Ethan's question about on the food service side and food safety. The restaurant industry, if you

think about some of the challenges we've had, whether it's Chipotle across the mainland, other local establishments where we had some hepatitis issues. The food service side has been at the forefront of food safety and the BRC certification that Chad mentioned, there's only, I believe, there's only two companies in Hawaii that have that top-level certification—HFA and Sysco. We've got to have that to protect our folks.

Now, Sysco actually has programs to buy insurance for small farmers because we support local. And I want him to get this point out because he talked about incentives for the farmers, help them grow more. We can't buy enough. We actually run out of local produce and we need more. Our customers, the restaurants, they want more but we run out and we have to supplement with the mainland. So, anything that we can do to help give them capacity and more consistency across the year, we're all in. So, I know the demand's there and we're there to help. We want to distribute that product. Our customers want it. So, anything that we can do as an industry to support the farmers -we're all in.

[Ron Mizutani]

That's kind of a bridge to my question, cause that's gotta be part of the long-term planning, even for a Sysco Hawaii. That that is all part of why we're here, resilience, food chain, disruption, what we're seeing in COVID, that's part of a long-term planning as well as being a part of that solution.

[Jason Wong]

Yeah, we've partnered with the Makaweli Ranch on Kauai for a long time. We work with Chad and other local products, different farms, and we want to continue to develop those partnerships in a food safe manner. And it's going to take some education, some backing by the government, but I know we can get there, but to quickly go to your question—Ron, is what we're are planning for the long-term—I'm actually going, our fiscal year ends at the end of this month. And I've been asked for some projections and really what my projections are really based on, is when are we going to get some dates for the tourists to come back? And I can't give a good projection and it actually looks, and I'm not a, I'm not a pessimist by nature. I'm an optimist. But if I don't see any dates for tourism, it looks slightly flat to up from where we all are right now because we have inter-island going off right now that's not going to give the, a huge boost to our—I'm going to say to the food service side of the business—when that tourism comes back, we do believe it's going to take and the restaurant, the food service side, about three to four years to get back to 100%. And my numbers are actually a little worse than what Tom shared. We're betting that 25% of restaurants never recover. That is a big number and they are big employers. I don't think people realize how many people, restaurants, and hospitalities employ not only in Hawaii but across the country.

[Ron Mizutani]

Wow. I mean, that's sobering numbers. I mean, it really is Tom. And my last question is for you. When we, when we look at our restaurant friends and I was a waiter—server—so I know how important tips are to just livelihoods. I want to end on a positive note because these numbers are sobering very real, but at the same time, lessons learned as well for the restaurant industry. What's your takeaway from COVID?

[Tom Jones]

Well, this is a real, it's a human problem, a humanity problem with really really serious economic impact. And what I've been seeing is that the solution really is humanity. And you know there's a lot of really difficult stories from the financial side, but our employees, how they've responded, you know, they're concerned for each other, for the company, our concern for them, they're concerned for their customers. It's been really amazing. We've had employees offer to work for free just to keep the business going. And, we've had customers that are dining with us just to keep us in business. They show up they're hungry, but they say, "hey, we came out to support the restaurant." You can see that, some of our landlords, that's I think one of the biggest challenges for restaurants right now is, you know, we have these, you know, fixed obligations that we need to make and it's really a challenge, but some of our landlords now are really starting to work with us and, and help us out.

So, I really think that the folks, you know, at, at all ends of the spectrum are coming together. We're all in this, you know, we're all in this together. I'm seeing more and more of that. So, I'm hopeful that that's going to be the solution for us.

[Ron Mizutani]

Thanks, Tom. I liked that, you know, we, we are rising resilient people.

[Tom Jones]

It's a people business.

[Ron Mizutani]

We are just in every industry and I want to end there and I'm going to hand it over to Denise, but I wanted to say one more thing to all of you, thank you for your good work. And I am going to get emotional looking at Jay there, cause we've all grown our friendships, our relationships, but at the end of the day, it's about Hawaii. It's about buying local. It's about supporting as much as you can—the local economy.

When I look at our role in the food bank, it's about serving as well, having that servant heart. So, on behalf of everybody around this group, thank you for your good work. You guys are on the frontline every day. And I'm very grateful from my perspective. Like I said, we were not prepared for COVID. Nobody was. My budget, not ready for COVID. COVID, wasn't ready for Hawaii. And I really believe that as a state and as individuals and as families we're coming together, just like Tom said. So, thanks again for you guys. Great work. Denise. Thank you.

[Denise Yamaguchi]

Thank you. And I want to thank Ron cause all the great work that you're doing with the food bank and helping everyone. And I also want to thank our panelists for being here this evening, and also all of you out there who joined us for EAT THINK DRINK. Thank you again for your

patience as we, this is our very very first webinar for EAT THINK DRINK. We normally have these at a fancy venue with food and cocktail, but unfortunately, we weren't able to do that tonight. And for those of you who are able to add-on an EAT&DRINK order, we want to thank you for supporting our participating local restaurants: MW Restaurant, Foodland Farms Pearl City, Gyu-kaku Mililani, Kalapawai Café and Deli, Roy's Ko Olina. The Restaurant at Hotel Wailea, Hula Hulas on the Big Island, and Big Island Brewhaus.

We had a couple of lucky draws for those of you who joined us tonight. –

And I have five lucky winners of a CSA basket. That's going to be curated by the Hawaii Farm Bureau. And those winners are Michael Kawatachi, Wyatt Lotz, Susan Park, Natalie McKinney, and Derek Gabriel.

We also have a winner of a 12-month subscription to Honolulu magazine, Jean Suzuki.

And finally, for all of those, for all of you who are part of the Hawaii Agricultural Foundation network, you know that we have an online listing of restaurant and farms called Food-A-Go-Go, and I'm happy that Broken Rice, one of our restaurants has generously donated a meal for four-two appetizers, four entrees, and a dessert with delivery by Elite Delivery, our delivery partner, and that winner is Liane Lum. Our team will be in contact with all the winners on details on how you can redeem your prizes.

We hope that all of you stay connected and continue the conversation as we move forward to a stronger and more resilient Hawaii.

On behalf of the Hawaii Agricultural Foundation, mahalo for your support of our local agriculture and food industries, enjoy the rest of your evening.