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Big Island's 'mac' business is going nuts

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Fed up with its recurring problem of not enough nuts, **Island Princess** has decided to expand its macadamia nut orchard by adding 45,000 trees in the next couple of years.

It was the same problem that had forced the candy maker and retailer to become a farm owner five years ago. After plowing \$15 million into the farm operations and planting 60,000 macadamia nut trees, Island Princess President Michael Purdy is back with shovel in hand.

The company expects its revenue to reach \$10 million this year. And Purdy wants to ensure that the orchard's production keeps up with demand. Predictions are more than optimistic -- 10 percent to 20 percent growth for the next four years and a 100 percent increase after that. In 2003, the orchard produced 2.3 million pounds of wet nuts from its 60,000 trees.

Since the 1989-90 season, when macadamia nuts brought \$45 million in revenue to the state, the commodity has been on a downward trend. As Australia and developing countries entered the market, prices farmers got per pound of nut nearly halved to 50 cents, prompting many small growers to get out of the business. For instance, Island Princess bought its macadamia nut supplier's 1,030-acre orchard from bankruptcy court in 1998.

Over the past couple of years, the number of acres in production has leveled off at 18,000 acres in crop and 17,800 in harvest. However, due to lack of investments and maintenance of farms, the yield per acre dropped. Last season, net production was at 51 million pounds, down 4 percent from 2002. Prices, however, perked up by a couple of cents to 53 cents a pound in 2003 and helped the commodity to bring in \$30 million in revenue for the year.

"Prices are up and demand is high right now," said Don Martin, agricultural statistician with the Hawaii Agricultural Statistics Service. "There is a general sense of optimism in the industry."

Recent weather conditions dampened this scenario. The rains and storms on the Big Island, where most orchards are located, brought relief to some farms in the South Kona and Kau districts while heavy winds hindered flowering and brought down trees in other areas. Mac Farms of Hawaii, the state's largest macadamia nut grower, lost 2,500 trees to the storm.

Martin is unsure how the weather will impact production until harvesting season, which starts in late summer.

Local farmers take comfort in the fact that competitors such as Australia and South Africa also have been impacted by adverse weather, meaning that worldwide production and demand might finally find a balance.

In such a scenario, Island Princess can be anything but bullish, Purdy said.

"It's tough to be a businessman and a farmer," he said. "There's a great deal of uncertainty in agriculture; it's an unnerving type of venture."

But he decided to go ahead and take a risk in expanding and investing \$2 million over the past year in building a new nursery, upgrading equipment and maintenance.

"We are a reinvestment company," he said. "We want to invest in the future because we are in it for the long haul."

To that end, Purdy takes home \$1,300 in pay monthly while his wife works for no salary. Island Princess employs more than 150 workers.

Reach Prabha Natarajan at 955-8041 or pnatarajan@bizjournals.com.