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Nut campaign helps mac growers compete

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Local growers and processors of macadamia nuts are trying to gain leadership of the global market by branding the product as "Hawaii's nut."

Some growers say the branding campaign, launched in late 2000 at a cost of about \$250,000 a year, is beginning to show some results.

In truth, the macadamia nut is grown on three continents, and Australia is the market leader. However, the Hawaii Macadamia Nut Association, which represents growers and processors — mostly on the Big Island — is promoting "100 percent Hawaii-grown" mac nuts in an effort to get ahead of the global competition and encourage small farmers to return to growing the nuts.

"Go Nuts about the Hawaii nut," the branding slogan says.

To many Asian consumers, the macadamia nut is the "Hawaii nut."

"This resonated with me," said Mike Purdy, president and CEO of Purdyco International Ltd., parent of Island Princess Macadamia Nut Co. "A business associate in China showed me a 25-pound box of mac nuts he bought and showed it to me as a Hawaii nut, even though the box clearly said the nuts were from Australia. In his mind, it was a Hawaii nut.

"We have to capitalize on it," Purdy said. "We are going to take ownership of the market and not let Australians, Africans or South Americans take it away from us. We created the market ... We have to cash in on people's perceptions that it is a Hawaii nut."

Hawaii is the second-largest producer of macadamia nuts in the world, behind Australia. The state's total crop production was 56 million pounds and valued at \$32.5 million for the 2001-02 season, according to the Hawaii Agricultural Statistics Service. Most of Hawaii's crop is used for local and mainland consumption; approximately 3.2 million pounds are exported annually — mainly to Japan and Canada. Hawaii's specialty lies in retailing high-end, value-added products such as flavored nuts, candies, cookies, ice cream, popcorn and oil.

Other countries have taken over the wholesale market, offering lower prices that Hawaii cannot compete with. Island Princess' Purdy lost his Japanese wholesale client this year when a South African company underbid him by more than 35 percent.

Australia, South Africa, Guatemala and Brazil export nearly half of their crops to the United States — the world's biggest market for mac nuts. In 2001, the U.S. imported 11.6 million pounds (5,264 metric tons) of macadamia nuts.

"We cannot compete in the global market, head for head, dollar for dollar," Purdy said. "But we can create an awareness and perception of value for 100 percent Hawaii-grown mac nuts."

His company, under the Island Princess label, exports 60 percent of its production and sells 40 percent to local and mainland markets. Purdy, who owns 1,100 acres of macadamia orchard, produced 3 million pounds of wet-in-shell nuts last season and hopes to double that to 6 million pounds this season.

The branding campaign gives other players in the industry, apart from the big two (Mauna Loa and MacFarms of Hawaii), a fighting chance to capture the tourist and mainland market, said Richard Schnitzler, president of Hamakua Macadamia Nut Co. Hamakua processed 6 million pounds of nuts from 1,500 acres and saw a 30 percent increase in sales during the past year, and Schnitzler attributes a significant part of that success to the campaign.

Along with the promotions, the "Hawaii nut" campaign created "The Great Hawaiian Mac Nut Trail" on the Big Island, marking out farms and retail centers similar to a West Coast winery tour.

The idea was to bring tourists directly to the door of small farm operations, as nearly 94 percent of the state's mac farms are 10 acres or less. There are 650 farms on the islands, a nearly 20 percent drop from five years ago, when the state had more than 800 farms. Lower yield per acre due to disease, falling prices, weather conditions and tougher market competition all played a factor in the decrease, industry observers say.

Today, farm prices average 58 cents per pound, according to the statistics service. Smaller growers get an even lower price, closer to 50 cents a pound, Schnitzler said. At 18,000 acres, the state has the least amount of land dedicated to macadamia production since the 1984-85 season.

However, retail prices for a pound of macadamia nuts have gone up to \$4-\$5 from \$3.25-\$4 a year ago. This price difference motivates producers such as Schnitzler to aspire to the retail market. Currently, his Hamakua Macadamia Nut Co., which generated revenues of nearly \$5 million last year, caters primarily to the bulk buyers — candy, ice cream, cookie and snack makers — and private-label buyers.

"We are starting a serious effort to enter into the value-added, finished-goods market because the price is more stable," he said. "At the bulk end, we tend to fluctuate with worldwide commodity prices."

Industry observers say the branding campaign will work only if growers and manufacturers work in conjunction with it and adopt strategies such as Schnitzler's. It's too early to say how much the campaign has helped the local industry, but the onus is on Hawaii manufacturers and growers to make it work, Purdy said.

"The campaign cannot work alone," he said. "Unless you have industry involved — small farmers walking around and asking people, 'Are you buying Hawaii-grown mac nuts?' and manufacturers and processors promoting it — the campaign cannot work. We need the campaign to keep the industry from shrinking even more."

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