

Act 194, A Bill Relating to Agricultural Marketing

Annual Report Period: January 2004 through December 2004

Re: AGRICULTURAL MARKETING IN HAWAII

The Agribusiness Development Corporation (ADC), in response to Act 194, Session Laws Hawaii (SLH) 2002, submits its response below.

The Twenty-Second Legislature requested that the ADC assist existing agricultural cooperatives on the island of Maui to develop a marketing plan and strategy that fully represents all segments of the diversified agriculture sector on Maui. ADC shall provide its knowledge and resources, as well as solicit assistance from successful local agricultural entrepreneurs and other sources to develop a marketing plan and strategy and submit an annual report to the legislature on its findings, recommendations, and progress. As reported last year, the ADC board of directors decided to expand the project from Maui alone to include Hawaii, Kauai and Oahu and utilize the expertise of the University of Hawaii's College of Tropical Agriculture and Human Resources (CTAHR) by executing a Memorandum of Agreement.

Through this partnership, ADC and CTAHR have developed projects with objectives that will help to (1) identify ideal goals or targets for marketing agricultural products as well as successful strategies and techniques used by industry; (2) demonstrate such strategies and techniques, and (3) assist industry to adopt the practices. The approach used is to teach firms to market rather than market for them, while providing a support network for services and information that individual firms could not independently acquire.

The following ongoing activities are supported by the agreement between ADC and CTAHR.

Hawaii

Tea (*Camellia sinensis*) industry in the state. Major thrusts of the larger project include creating a demonstration farm (established in the year), a pilot processing plant (slated to be operational for upcoming winter/spring harvest), and guidelines for industry in production and processing. A related request to ADC was for assistance in starting up the processing plant. Activities specific to the ADC project included developing an analysis template and cost information (from demonstration farm and processing plant). These will help producers evaluate their individual situations, and will be used in the larger project to evaluate various marketing strategies for specific target markets. CTAHR also assisted industry members who are considering forming cooperatives and who are developing proposals for external funding that include a marketing component. We envision a new multi-million dollar industry for the state, in which appropriate marketing will play a crucial role.

Potted plant industry. ADC has served as a catalyst in leveraging the initial investment to help the nursery growers with their cost/marketing problems. According to the Hawaii Agricultural Statistics Service, the farmgate value of potted & cut foliage and potted flowering plants was \$23 million in 2003, of which a large portion is exported. Competition is keen, and costs are increasing in part due to problems with pests such as the coqui frog and stinging caterpillar. Many marketing/production decisions are currently made without precise cost information.

Support from ADC was used to meet with industry to assess their needs, then to develop a proposal to USDA (w/ A. Kawabata). This proposal includes collaborating with industry and computerizing a manual method for calculating costs of potted plants, then implementing that system with cooperators. This information will be critical for pricing and assessing alternate marketing strategies, as well as for general business management. If successful, the system may be expanded statewide via the industry organizations and using the “farmers helping farmers” concept, where the initial collaborators will be recruited to share their knowledge.

Basically, ADC provided seed money to get the resources needed (approximately \$20K) to address industry needs, serving as a catalyst and in turn, CTAHR will be leveraging the initial investment to help the nursery growers with their cost/marketing problems.

This project also supported a presentation on introduction to marketing and adding value, as part of Kona Coffee Industry’s “Talk Story” series. This was followed by ongoing discussions on possible future activities such as direct marketing, Internet marketing, and marketing orders. A second activity supported by ADC was to develop two proposals - first to assess needs, and second, to train socially disadvantaged growers in various aspects of crop production, including marketing. (see Oahu)

Maui

Maui Onion Growers Association (MOGA). Maui onions had \$1.5 million in farmgate sales in 2003 and have a worldwide reputation as a premier sweet onion. Unfortunately, others have tried to capitalize on this reputation at the expense of industry. This project was used to meet with MOGA and create proposals (w/ R. Shimabuku) to HDOA and Maui County for developing promotional /informational materials, and to develop an industry certification program based on MOGA’s geographic trademarks for Maui Onions.

Maui Farmers Exchange (MFX). ADC supported a seminar for MFX staff and board of directors on the co-op’s role in marketing and adding value, as the introductory session of a planned series of such workshops aimed at increasing the knowledge and capabilities of MFX and its members. CTAHR also advised MFX on a scheduling system for crop production that would provide the co-op with better supply information, and will help members with record keeping.

Produce growers. Proposals submitted to Maui County and HDOA (w/ R. Shimabuku) for an introductory/refresher short course and subsequent small group training on farm record keeping and cost of production. Participants will be able to estimate their own costs of production and

marketing, and will have hands-on training in using such information for production and marketing decision making. The first group of participants will be recruited in subsequent programs to train others. ADC funded the development of these proposals.

Kauai

Through the Kauai Community College entrepreneurship program called *Food Industry Career Pathways*, the ADC supported three lecture-workshops in general marketing and adding value as well as one-on-one discussions with participants on individual problems. These sessions contributed to their basic marketing skills and their knowledge of adding value.

General. Participant in Kauai Food Industry Forums, a series of discussions including activities related to the papaya disinfestation plant and community kitchens, among others.

Oahu (and Hawaii Island)

ADC's project supported the development of three proposals (w/ S. Swift) to assist socially disadvantaged farmers by first assessing their needs, then conducting workshops including training in basic marketing and business management skills. CTAHR has been notified that two proposals totaling \$115,000 have been approved, so ADC's investment on this project alone has been leveraged nearly twelve-fold.