

Learning from Value- Added Nut Businesses in the Midwest



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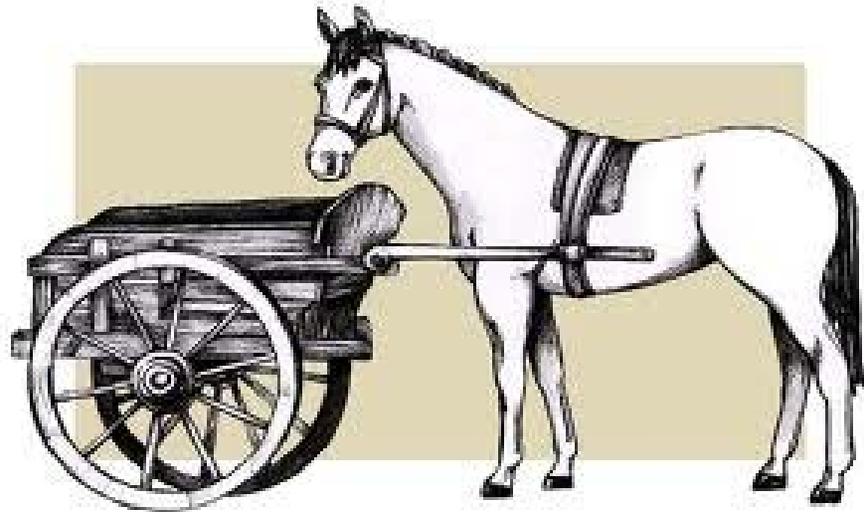
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Research Goals

- ❧ Tell the story of similar value-added but industries/businesses in the Midwest.
- ❧ Guided by four questions:
 - ❧ WHY was value-added processing pursued?
 - ❧ HOW was this accomplished?
 - ❧ WHAT were/are important obstacles?
 - ❧ WHAT were/are the most important opportunities/innovations?
- ❧ Carried out through newspaper, journal & internet research as well as interviews with owners, managers, growers, key personnel.
- ❧ Goal isn't to prescribe or suggest a particular path for Midwest hazelnuts.



☞ Putting the cart before the horse?



- Developing a cultivar and boosting production acreage are indeed important!
- Knowing the story of other similar value-added industries helps potential growers/investors see what's been done in the past. (Especially if growers wish to own part of the processing enterprise)
- Connect Midwest hazelnut industry to helpful resources.

Case Studies

- œ Hammons Products Company (Stockton, MO)
- œ **Missouri Northern Pecan Growers, LLC (Nevada, MO)**
- œ **Chestnut Growers Incorporated (Royal Oak, MI)**
- œ Prairie Grover Nut Growers (Wapello, IA)
- œ Heartland Nuts 'N More (Valparaiso, NE)
- œ Ginseng & Herb Cooperative?
- œ Wisconsin Hops Exchange?
- œ Midwest Aronia Association?

Missouri Northern

- ❧ Lamented having to “take prices” from large southern processors after selling what they could roadside. (No local processing; most growers are family farmers trying to diversify income)
- ❧ Marketing challenge: Northern pecans smaller than southern varieties.
- ❧ BUT: Claim of sweeter taste and higher oil content. Sound familiar?

- ❧ Five growers in Vernon County, MO formed Missouri Northern Pecan Growers, LLC in 1999.
 - ❧ Process nuts locally.
 - ❧ Give Northern pecans a distinct identity.
 - ❧ Preserve local way of life?

- www.mopecans.com

- *Nevada Daily Mail* 9/6/04

Missouri Northern

- ❧ On average, processes 500,000 lbs of pecans/yr:
 - ❧ Conventional pecan meats
 - ❧ Organic pecan meats
 - ❧ Chocolate-covered pecan products

- ❧ Sell direct to consumer and through small specialty/health food stores.

- ❧ Proactive place-based marketing strategy to preserve the “story” while still reaching wider markets.
 - ❧ E.g. “Cooler climate, slower growth make these rare pecans sweeter and better tasting. Delicacy of the Osage Indians.”

Missouri Northern



1. 2003 organic certification.

- Not perceived as a particularly burdensome process by managing partners (but a lot of paperwork)
- 3 years w/o unapproved chemicals (+ record keeping!)
 - Could potentially establish hazelnuts conventionally, then switch to organic.
- After organic transition, MNPG grew significantly. Correlation? Perhaps.



2. Pursuit of a Geographic Indication

2010 SARE Project FNC08-725

Final Report; *Nevada Daily Mail* 9/6/04

Geographic Indications

❧ What is a GI?

❧ Used traditionally in Europe, a legal protection to distinguish a product's "terroir."

❧ e.g. Parma ham, Roquefort Cheese, Champagne

❧ Protects products from imitation and may add value.

❧ Generally not owned by individual company (as in a trademark) but shared by all in a particular region.

Geographic Indications

- ❧ “New local” wherein individual producers and microclimates retain local uniqueness as they market to wider audiences. Give “local” credibility.
- ❧ Can give market-based support for local food systems and cultural traditions, and aid in regional rural development.
- ❧ Less well-established & protected in the US, but mechanisms do exist.
 - ❧ Sometimes through trademarks and collective marks
 - ❧ More often through “certification marks”
 - ❧ Convey certain geographical standards and qualities
 - ❧ Not owned by those who use them. (Usually owned by an association or governmental body)

Geographic Indications

- ⌘ Thus far in US, has mainly been used by wine growers / spirit distillers. (e.g. Napa wines)
 - ⌘ American Viticultural Area must have 85% of wine derived from fruit grown in the area.
 - ⌘ Upper Mississippi AVA became largest in 2009.
(Currently sitting just within the boundary)
 - ⌘ Also Idaho Potatoes, Vidalia Onions, & Florida Citrus
- GIs only for for big, established industries?

Missouri Northern & GIs

- œ In 2009, Missouri Northern received a roughly \$15,000 Sustainable Agriculture Research & Education (SARE) grant toward pursuing a GI for Northern Pecans.
 - œ Goal is to capture most value possible.
 - œ 1st step: Defining the production area
 - œ Using the grant money for genetic testing of pecan populations in their area. Trying to determine genetic distinctness from southern pecans (already clear for Midwest hazelnuts). Or is it the soil/climate?
 - œ Ultimate goal is branding and getting GI protection for “Northern Native Pecans”

❧ Part of a larger project

❧ Working with **Dr. Elizabeth Barham** of University of Arkansas and leader of Missouri Regional Cuisines Project.

❧ Aim is to make US geographic indications more robust

❧ Upshot: Midwest hazelnuts may have similar opportunity. “Midwest Native Hazelnut?”

❧ Fundamentally different from hazelnuts sold on commodity market (Oregon, Turkey, Italy, etc.)

❧ Role as an alternative land use to corn/soy in vulnerable areas IS a value that can be marketed.

- ❧ Missouri Northern's progress will be very interesting to monitor.
- ❧ Dr. Barham potentially a good person for midwest hazelnut growers to contact. (Could discuss feasibility, pros and cons of attempting to develop a GI.)
- ❧ Vision of MNPG's project is "to use the research...as a pilot project for other grower groups wishing to pursue the development of GIs."

Chestnut Growers, Inc.

- ☞ Producer owned and controlled agricultural processing and marketing cooperative.
- ☞ Co-op formed ten years ago.
- ☞ Peeled-frozen chestnuts, dehydrated sliced chestnuts, chestnut flour, fresh. Chestnut chips for a local brewery.
 - ☞ Own only chestnut peeler in country.

Chestnut Growers, Inc.

- ❧ Most chestnut growers are small operations.
- ❧ Farming is not primary source of income for most growers.
- ❧ 3 major grower groups: chestnut enthusiasts, hobby/retirement farms, large diversified operations.
- ❧ Many orchards still growing, yet to reach maturity (not yet turning a profit).
 - ❧ Two waves of plantings: mid-1990s and early 2000s
- ❧ Current harvesting strategy is by hand.
- ❧ Lack of consistent supply a major issue.

Postscript

(Reiterating Jason and Jeff)

- ❧ University & Government assistance important!
 - ❧ USDA SARE grants (MNPG's GI efforts)
 - ❧ USDA Value-added grants (MNPG hired marketing consultant; Heartland upgraded buildings, purchased equipment)
 - ❧ Formal advising (CGI closely linked to Michigan State, helps with connecting to markets)
 - ❧ Collaboration (Hammons and UMissouri Center for Agroforestry)
- ❧ Using the whole nut!
 - ❧ Hammons: Black Walnut shells for industrial abrasives.
 - ❧ CGI: Chestnut chips for beer.
 - ❧ Missouri Northern: Pecan topping "shaker"

The next steps...

- ❧ Interviews with owners, managers, growers, key personnel.
 - ❧ How are grower prices determined?
 - ❧ Why was the particular business structure chosen?
 - ❧ What were/are the enterprise's biggest challenges or pivotal moments?
 - ❧ What is the future outlook?

- ❧ Write-up and publish!



Words of Wisdom...



(or at least words of experience)

- ☞ “Like any normal business starting out, we’re just hoping we meet the right need at the right time... We try to **innovate** each year a little bit.” (CGI co-op member quoted in *The Chestnut Grower*, Fall 2008)
- ☞ “MNPG’s goal is to capture as much value from marketing **highly differentiated** pecans as possible.” (2010 SARE Project FNC08-725 Final Report)
- ☞ “Many local suppliers do not have the capital or volume to keep up... Unless they are **part of a cooperative or organized supply network**, most small producers cannot effectively participate with large retailers.” (Giovannucci, Barham & Pirog 2010)

What do **YOU** want to know?

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