

Hawaii Retail Grocer

FALL 2019

the magazine of the hawaii food industry association

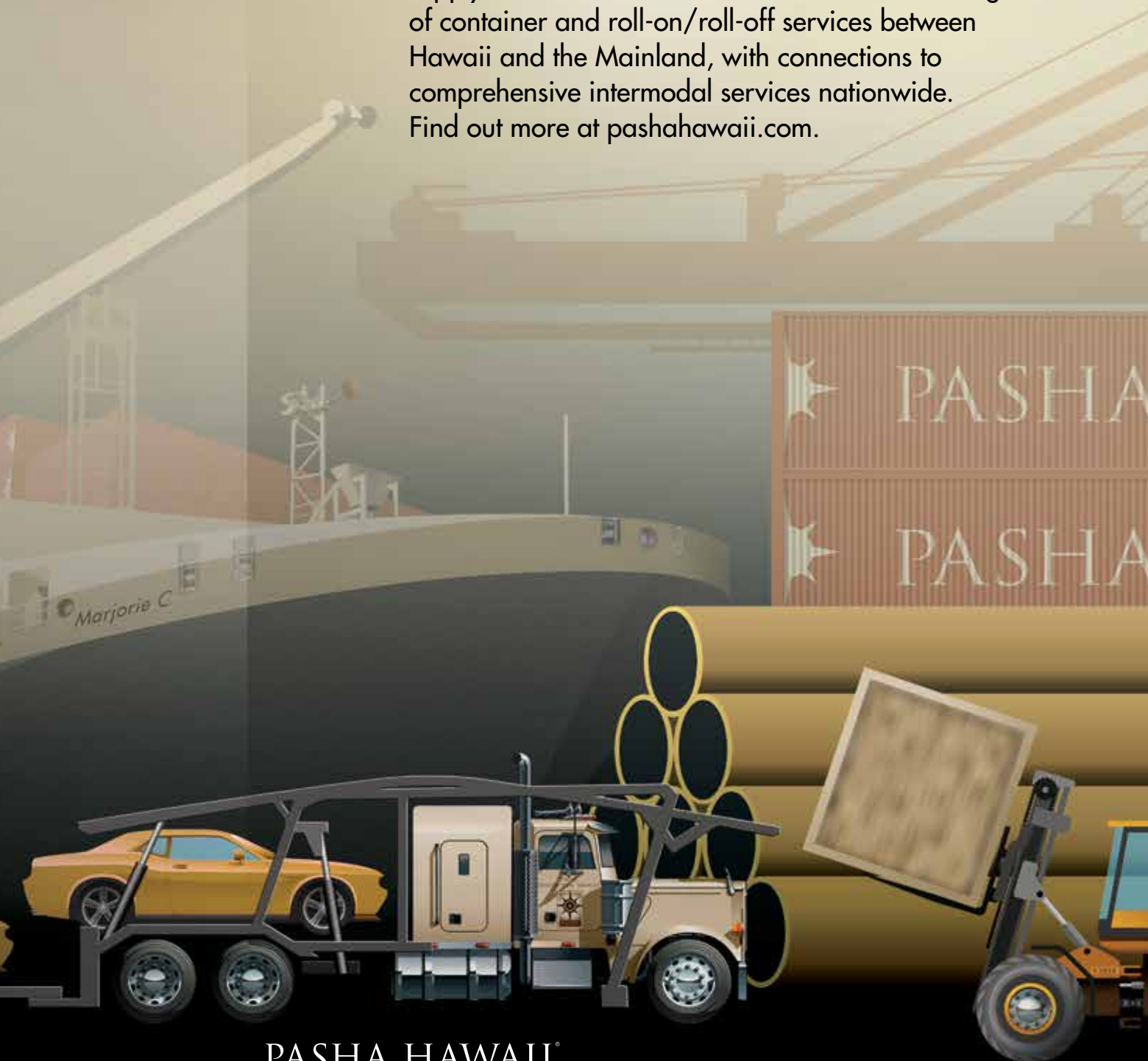


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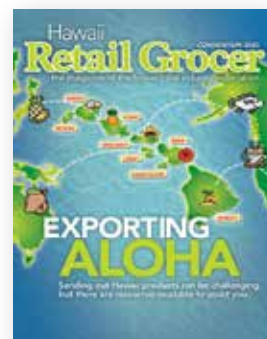
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LEGISLATIVE UPDATE

BY LAUREN ZIRBEL

This summer, we've been working on several county measures related to single-use items and waste. On July 1, 2019, the Hawaii County polystyrene ban, Ordinance 17 63, took effect. When this bill was initially heard in 2017, HFIA's testimony noted that the wording of the bill could create a circumstance where a much larger range of products were banned than was intended.

Defining Recyclables

HFIA's main issue with the original bill was a deeply flawed definition of recycling, which led to considerable confusion and worry amongst members of the food industry. The original bill stated that items would only be allowed if the county recycling program accepted them. This was problematic because items accepted by the county recycling program change frequently and with little notice.

HFIA worked with the county and other stakeholders to create Bill 74 Draft 2, designed to fix these and other issues in the ban, and to ensure that it was limited to the products it was originally intended to restrict.

In particular, we made sure that a common-sense definition of recyclable was inserted and that ASTM certified compostable paper containers were allowed. The fixed bill passed by the County of Hawaii Council on July 9, 2019, and Mayor Kim signed it on July 19, 2019.

Honolulu Ban Bill

More recently, we've been monitoring and testifying on measures moving through the Honolulu City Council. Resolution 124 urges the city's administration to divert plastic, cardboard and other recyclables to H-Power, and to invest the resulting income in the development of an Oahu recycling facility. The council has since postponed

this measure. HFIA continues to monitor this resolution.

Honolulu Bill 40 would ban plastic bags for prepared food items, single use plastic utensils and straws. HFIA submitted comments noting that the effective date of January 1, 2020 would not allow industry enough time to comply with the law.

HFIA also noted complications that would likely result from passing this bill, such as a shortage of compliant products and cost increases.

HFIA will continue to work on industry-led solutions that enable businesses to meet increasing consumer demand for environmentally sustainable products and packaging.





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CHAIR'S MESSAGE

Aloha HFIA Team,

I'm honored and excited to serve as the new Chairman of the HFIA and I look forward to a successful term ahead. My goal is to ensure we continue to bring value to all of our retailers and suppliers through effective government and community relations. We all have a voice and it must be heard when it comes to proposed legislative bills that could potentially be harmful to our business.

This year we've created a new event designed to introduce new members to HFIA and educate them about why our association is vital to the security of Hawaii's food and beverage industry. *Another Day in Pair-A-Dice*, was an evening "just like Vegas" at the Honolulu Country Club on September 20. We enjoyed a fantastic evening sharing the benefits of HFIA with new friends, and raising funds for the Hawaii Foodbank. We plan to make this a regular event and we look forward to *Another Day in Pair-A-Dice* next year.

A big mahalo to our event sponsors, including American Savings Bank, HMAA (Hawaii Medical Assurance Association), Meadow Gold, Paradise Beverages, Simplicity HR by Altres, Pint Size Hawaii, Okimoto Corp, KTA Super Stores, PepsiCo, Honolulu Star-Advertiser, UHA Health Insurance, Tamura Super Market, Advantage WEBCO Hawaii, Foodland and Coca-Cola Bottling of Hawaii.

We have welcomed sixteen new HFIA members this year and I look forward to working with all of you. It's great to see membership growth. New members and member

retention are very important to our success in advocating for our industries. Together, we can make a positive impact in the local marketplace.

Please join me in welcoming Diede Construction, Inc., Simplicity HR by Altres, Ted's Bakery, Commodity Forwarders, Hawaii Volcanic Beverages, Hawaiian Kine Trading Company, Moo Pods Inc, Ball Corporation, Market Advantage, Hawaiian Electric Company, Hawaiian Host, UHA Health Insurance, Coca-Cola North America-Syrup Plant, Ko'olau Distillery, HMMA and FarmLovers Markets.

I recently had the opportunity to attend the 25th Annual Made In Hawaii Festival where more than 400 local exhibitors showcased their products. It was great to meet and see many small businesses make a large impact in the local communities we serve. Festival Director Amy Hammond does an amazing job bringing this festival to life each year.

Thanks to all of our members who were able to attend and to HFIA Executive Director Lauren Zirbel and Desiree Rose for supporting our HFIA registration table. I look forward to working with all of you. Let's make a positive impact together.

Mahalo,
Joe Carter, HFIA Chairman



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NGA Continues Work on Reforms and Protections Through Summer Recess

BY THE NATIONAL
GROCERS ASSOCIATION

Members of Congress returned to Washington, D.C. in September with just 13 workdays ahead of the end of the fiscal year. Prior to heading home to their constituents for the August recess, a \$2.7 trillion budget deal was passed that prevented impending sequestration cuts and the nation from defaulting on its debt for the next two years. Although this deal brought a breakthrough in some of the gridlock, at the time of this writing, Congress continues to work to find a path forward for a long-term government funding solution. As such, there's never a shortage of issues before Congress that directly impact the supermarket industry. Below are a few policy issues that the NGA government relations team is actively engaged in on behalf of independent grocers:

Taxes

An important policy debate unfolding in Congress this fall will revolve around taxes. As previously reported, a drafting error in the Tax Cuts and Jobs Act (TCJA), known as the “retail

glitch,” has prevented retailers from being eligible for full and immediate expensing for interior remodels to stores. Legislation titled “The Restoring Investment in Improvements Act” (H.R. 1869 and S. 803) has been introduced by Reps. Jimmy Panetta (D-CA) and Jackie Walorski (R-IN) and Sens. Pat Toomey (R-PA) and Doug Jones (D-AL) to fix this error.

While the bill continues to gain bipartisan support, Congressional leaders remain reluctant to advance the bill quickly. NGA continues to urge lawmakers to fix the retail glitch as soon as possible whether it's passed as standalone legislation or attached to another “must-pass” legislation, such as a funding bill.

DIR Fee Reform

Pharmacy Direct and Indirect Remuneration (DIR) fees, which have had significant negative impacts on independent grocers, are imposed by plan sponsors and

their Pharmacy Benefit Managers (PBMs) on pharmacies participating in Medicare Part D networks. These fees lack transparency as they are assessed well after the point of sale, are unpredictable, and have no connection to performance. NGA members have reported dramatic increases between 87 percent and 250 percent in Pharmacy DIR fees.

Unfortunately, during a final rulemaking process, the Centers for Medicare & Medicaid Services (CMS) failed to include necessary reforms to pharmacy price concessions and the retroactive nature of DIR fees.

NGA has joined with several organizations to call the Administration and Congress to act on DIR fee reform. Currently, this coalition of trade associations is working to gather bipartisan support for the legislation, the Pricing Act (H.R. 1034 / S. 640), that would accomplish reforms that help end unpredictable retroactive pharmacy price concessions and deliver savings to patients and the Medicare program. NGA has met with House Democratic leadership to ensure that DIR reform is in the conversation this fall.



Argus Leader

Following a victory in the Supreme Court, a bipartisan group of influential Senators (Sen. Grassley (R-IA), Cornyn (R-TX), Feinstein (D-CA) and Leahy (D-VT) released a bill, §. 2220, the Open and Responsive Government Act of 2019 that would reverse the Argus Leader v. FMI Supreme Court decision. If enacted, the bill would mean that the store-level SNAP redemption data of every SNAP authorized retailer would be available in the public domain. NGA is working with our partners in the retail and business community on an appropriate response to this threat and educating Members of Congress on why we must preserve this important Supreme Court victory.

As we face changes and disruptions in both Washington, D.C. and the marketplace together, NGA will continue to stand up for Main Street local supermarkets and fight to achieve wins that allow them to grow their business, create jobs, and serve their



communities. With such a large economic footprint in the state of Hawaii, it is important that grocers engage in the political process. Your voice and grassroots efforts help to make a dif-

ference in our nation's capital for the entire industry. To make your voice heard on these and other policy issues impacting the supermarket industry, visit www.grocerstakeaction.org.

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New HFIA Chairperson Joe Carter with Adam Hilpert, Maxine Parker and Tim Parker

HFIA Celebrates 'Straight Outta Hawaii' at Summer Convention

PHOTOS BY ANTHONY CONSILLIO

The 2019 HFIA Convention was held in early June this year at the Aulani Disney Resort & Spa, Ko Olina. This year's theme "Straight Outta Hawaii" was all about honoring and recognizing all the things that make our state so special. The event paid homage to "local kine" business practices and our unique way of getting things accomplished here in Hawaii. Many of our member companies have local roots, and we all share local values and take great

pride in feeding our state.

We often talk about the HFIA 'ohana, and our convention was a chance for that family to get together and reconnect, to look back at what we've done this past year, make plans for the future, and have some fun together! We were so pleased to welcome attendees from so many of our member companies, big and small, old and new. Thank you to everyone who attended this year, to our Convention Committee, and to our amazing sponsors. We can't wait to do it again in 2020!



Miki and Sen, Glenn Wakai, Lauren Zirbel and Doug Marsh

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Joe Carter, Alex Kuch, Adam Hilpert and John Ioane



Carl Oshiro, Jose Quiocho, Lisa DeCoito, Mike Kaya and Gary Villanueva



Stan Brown, Brian Miyashiro and Charlie Gustafson

Buzzwords: Healthy & Organic

According to a report by L.E.K. Consulting, a whopping ninety-three percent of us are looking to eat healthy at least some of the time. Buzzwords like healthy, sustainable and organic are satisfying consumer demands for products that claim benefits to health and wellness, ethics, and the environment. L.E.K.'s study concludes that shoppers are willing to pay more for products that deliver on those benefits.

The new products showcased here are available through S&K Sales Co. and Brokerage of Quality Foods, Inc.

Amy's Organic

Consumers are looking for organic, healthy ingredients these days and **Amy's Organic** delivers convenience in the frozen aisle with two vegetarian products. Amy's Bowls now offer asian dump-lings in hoisin sauce, made with organic vegetable dump-lings, noodles and tofu. For breakfast, their new ranchero breakfast burrito is sure to satisfy your morning hunger with black beans, tomatoes, potatoes and cheddar cheese. amys.com



Sisters Fruit Company

Sisters Fruit Company is a family business named after two sisters who set out to create a healthy fruit snack that's both delicious and nutritious. Based in Cornelius, Oregon, their dried fruit chips are made with quality, natural ingredients and come in seven flavors, including red delicious, cinnamon, raspberry, cranberry, blackberry-apple, pear and mango. sistersfruitco.com



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Dr. Bronner's Organic Hand Sanitizer Spray is a convenient way to keep germs at bay. Available in peppermint and lavender, these purse-sized sprays quickly kill bacteria when no soap and water are available. Use as a deodorizer in your car or home by spritzing them, or safely spray them on keiki hands to clean up sticky messes, then wipe clean. drbronner.com



HFIA's Made in Hawaii Festival Celebrates 25 Years of Supporting Small Businesses

More than 50,000 attendees streamed through the doors of the Neal S. Blaisdell Exhibition Hall & Arena over the three days of this year's Made in Hawaii Festival, which ran from August 16-19, 2019

BY MEGHAN THIBAUT
PHOTOS BY JEFF CHUNG

Now celebrating 25 years of showcasing Hawaii-made products and promoting small businesses, the HFIA event featured 420 vendors from across the state this year. Amy Hammond, the festival director for many years, shared that about 40% of this year's exhibitors

were neighbor island businesses.

HFIA Executive Director Lauren Zirbel said the organization is proud to be a part of one of Hawaii's most successful small business incubators. "It has been a pleasure to watch small businesses grow over the past 25 years. We look forward to the next 25 years of showcasing Made in Hawaii

products through the festival, and to supporting small business development across the state."

The event is a perennial favorite for Oahu residents looking to explore new products to sell in their shops and stores, and for residents looking to support local businesses through their purchases.





EXPORTING ALOHA

Strategies and resources to help you overcome challenges and expand your customer base

BY MEGHAN THIBAULT

We reached out to John Holman, director for the Pacific region for the U.S. Commercial Service, an agency of the U.S. Department of Commerce, for guidance on some of the resources currently available to Hawaii companies looking to expand their consumer base abroad.

When we caught up with him, Holman had just returned from the Big Island, where he'd shared some of his expertise with local businesses there. Holman was quick to point out some of the fundamental services his agency provides. "We put together an export checklist and provide an assessment for new exporters," says Holman.

"We are the frontline trade agency for the United States and we have 80 offices around the world designed to grow U.S. businesses internationally. We help businesses of all sizes, from mom and pop shops to Google and Boeing," he continued.

"In the presentation that I give to local businesses, I start by telling companies that there are three keys to doing business internationally," shared Holman. "The first is motivation. The companies that are successful put time and energy into their export strategy."

While some Hawaii companies

succeed with an average product, it's really their level of dedication that makes all the difference, according to Holman. "The Hawaii brand really backs them up," he continued, noting that some brands with products better suited for export often don't succeed due to a lack of commitment.

The second determinant to successful exporting, according to Holman, is finding the path of least resistance. "The key is identifying markets where you can export at the lowest cost, with the least time and least amount of effort to generate the greatest return," he told us. "Japan and China are exciting, but those are two of the most difficult countries to succeed in for first time exporters."

One common obstacle in Japan, for example, is that food product ingredients are highly scrutinized, and many ingredients that are perfectly acceptable here in the U.S. aren't allowed in Japan. This was a hurdle encountered by Hawaiian Pie Co. (as you'll see in Part 2 of this story). For an average company, Holman says, it's not easy to reformulate their entire product. Packaging the product overseas is one way around this, but can be costly and logistically challenging.

"For most people, Canada, Australia and Singapore are easier markets. The U.S. has free trade agreements with all three of those countries. Food

product companies aren't going to have the same headaches getting into those markets," Holman assured us.

The third crucial ingredient to export success is finding great partners on the foreign side, according to Holman. "You need customers or distributors who are going to pay you, who will represent your brand well, and who will convey your brand values the way you want them represented," Holman points out. "They must have the skills necessary to help your company grow in that market."

While many Hawaii producers know how crucial those partnerships can be here at home, they are even more important when that partner is thousands of miles away, speaking a different language, says Holman.

The U.S. Commercial Service is a full-service agency that helps U.S. businesses find such quality partners, helping them navigate customs, logistics, standards and more. "We are your tax dollars at work. And yes, everything we do on the domestic side, including counseling and market intelligence are all free," says Holman.

"We do matchmaking in-country and offer introductions to pre-screened, vetted partners for Hawaii companies through our Gold Key Service, at a cost of \$950 for an entire day," Holman shared. The fee includes transportation, a translator and

meeting setup. “We also accompany them to the meetings,” says Holman.

If you’re not willing to commit to international travel just yet, Holman and his team will conduct an initial market check for just \$350—a fee that can later be applied to the Gold Key Service. This service includes the provision of a detailed market report and a survey of foreign businesses to find potential partners who may be interested in your product.

Holman points out his agency’s chief advantage, “Because we are the U.S. government, we gain access to partnerships and distributors, for example, that private sector entities may not have relationships with. We are trusted. We can open those doors.”

Another resource available to local businesses includes services provided by the Hawaii Pacific Export Council (HPEC) which Holman oversees. HPEC is a nonprofit organization whose programs are grant funded. One of those grants is the Hawaii State Trade Expansion Program (HISTEP) that enables HPEC’s export experts to provide free export mentoring and training programs. Members of the council are appointed by the Secretary of Commerce and provide guidance and education in their particular area of expertise.

Export University is one such program from HPEC that runs at least once a year in Hawaii, in conjunction with a series of seminars on export logistics that are scheduled throughout the year, and that are broadcast in real time. HFIA members can find an archived library of these resources on YouTube (<http://tinyurl.com/exportvideos>) featuring local speakers with unique areas of expertise and experience in foreign trade.

Foreign & Domestic Trade Show Opportunities

Another resource HFIA members can turn to are foreign trade shows. Holman’s international Commercial Service team supports Hawaii companies by engaging in matchmaking ahead of foreign trade shows to facilitate meetings with prospective distributors and buyers.

Foodex Japan and Fine Foods Australia are a few such examples, but there are similar food shows throughout Europe and Asia, according to Holman. The Tokyo International Gift Show (TIGS) is a popular destination for Hawaii businesses. It’s the Department of Business, Economic Development and Tourism’s (DBEDT) premiere event to promote export of Hawaii products in Asia, according to Dennis Ling, an administrator at DBEDT.

Some 80 local companies were in attendance in 2018, and with a smaller venue this September, 58 Hawaii companies participated this year. According to Ling, it has proven worthwhile, “In 2018, the 80 companies reported \$8.6 million in actual sales and projected sales for the following 18 months as a result of contacts made at the show. In 2019, approximately 10 companies are new to export. Subsidized booth space is made possible through a grant from the Small Business Administration (SBA) and state funding.”

DBEDT will also participate in other trade shows in 2020, Ling says, with a view to promoting Hawaii exports. These include the Surf Expo in Orlando in January, the Food and Beverage Show in Tokyo in March, the popular Natural Products Show in Anaheim in March, BIO in San Diego in June, Outdoor Retailer in June, and the Tokyo International Gift Show in October, 2020.

More information on these opportunities is available at invest.hawaii.gov, where HFIA members can subscribe to receive email updates.

Export Grant Opportunities

HISTEP Grants

Hawaii State Trade Expansion Program (HISTEP) grants are open to all companies, who can apply for funding of up to \$7,000 per year in competitive awards. The grants can be used, for example, to fund your company’s attendance at foreign trade shows such as TIGS. The process involves the submission of a 3-page export plan that’s reviewed by DBEDT’s panel. The grant cycle usu-

ally opens in December each year and closes at the beginning of January.

The Foreign Agriculture Service has offices in 25 countries across the world and also offers guidance and funding for U.S. agricultural businesses looking to develop their consumer base abroad. They offer market introductions limited to the countries where they have offices.

WUSATA® FundMatch Grants

WUSATA® FundMatch Grants, offered through the Western United States Agricultural Trade Association (WUSATA®), are funded through the Farm Bill. Theirs is a non-competitive, fund-matching grant program for agribusinesses that covers business expenses like advertising, international trade show exhibition and travel, in-store promotions and more.

“Made possible through the USDA’s Foreign Agricultural Service (FAS) Market Access Program (MAP), FundMatch supports small U.S. food and agricultural exporters as they reach worldwide consumers with 50% reimbursement on international promotional expenses,” according to their website.

Since the program is focused specifically on agribusiness, products must contain 51 percent agricultural content to qualify for WUSATA® funding.

Helpful Links

- **U.S. Commercial Service** – www.export.gov
- **Hawaii Pacific Export Council** – www.hawaiiexportsupport.com
- **Hawaii Pacific Export Council Export Seminars on YouTube** – www.youtube.com/channel/UCsrpANACZZfGj50SMI2_qJg/videos
- **U.S. Commercial Service’s Export Checklist** – https://invest.hawaii.gov/wp-content/uploads/2019/07/Exporting_Checklist.pdf
- **Hawaii State Trade Expansion Program (HISTEP)** – <https://invest.hawaii.gov/exporting/histep/>
- **WUSATA® FundMatch Program** – www.wusata.org/whatwedo/fundmatchprogram/

EXPORTING HAWAII: *Where's the Aloha?*

BY JESSE COOKE & KEITH DEMELLO
AT ULUPONO INITIATIVE

In fall 2014, *Hawaii Retail Grocer* ran a cover story titled “Exporting Aloha” that explored the trials and triumphs of Hawaii exporters.

While the story reported “opportunities for Hawaii products on the mainland – and internationally – are huge,” it also went on to caution members about the barriers to exporting aloha. Even at that time, Hawaii manufacturers could expect shipping costs at 20-25%, distributors’ fees at 20-25%, plus an additional 5-10% for brokerage fees. Five years later, the broad challenges discussed in the 2014 article remain. We’ll discuss some of the lesser-known issues we learned from two HFIA members in this follow-up article.

Hawaiian Pie Company and La Tour Bakehouse are two very different Hawaii Food Industry Association members in terms of scale, but they share many of the same obstacles to exporting quality products to the continental United States and foreign markets.

With roots dating back to a family-owned bakery founded in 1979, Hawaiian Pie Company specializes in buttery artisan fruit pies. Their experience at the recent 2019 Made in Hawaii Festival was fantastic. The company sold nearly 4,000 pies over the weekend, more than two average weeks of pie sales. Demand was so high the company had to close its doors for two days after the event to replenish their supply.

Hawaiian Pie Company expects to sell approximately 100,000 pies this year, not including an average of 25,000 “mini” dessert pies sold monthly to Hawaiian Airlines for first-class meal service. Despite strong demand, the closest the company has come to regular export sales are its sales to the airline. The costs and complexities to export goods



from Hawaii are still too significant.

Another family-owned and -operated business, La Tour Bakehouse, started with a single Vietnamese sandwich shop in Honolulu’s Chinatown district. Fast-forward a few decades, and La Tour Bakehouse now includes a 60,000-square-foot wholesale bakery operation, 20 Ba-Le sandwich shops, and five La Tour Café locations.

With more than 130 employees and approximately 20,000 pounds of dough processed each day, La Tour is many times larger than Hawaiian Pie Company. Their size makes it even more eye-opening that the two companies share many of the same challenges that prevent profitable export sales.

Exporting to International Markets

Local food manufacturers should be warned that there are significant upfront costs prior to exporting. For example, all food products exported

to Japan need to comply with Japan’s Food Sanitation Law. Japanese brokers, who are on the hook for any violations, will require tests to identify and quantify every ingredient, in every product. Some local companies will be surprised to find that acceptable ingredients in the United States may be prohibited in Japan. Food labeling laws in Japan also differ.

Hawaiian Pie Company found that the testing and labeling costs necessary to gain customs approval can range from \$2,000 to \$4,000 per product, subject to the type of product and category. Those figures may not seem like much, but with a plan to export your top 10 products, costs can quickly add up.

As we mentioned, shipping expenses, distributor’s fees, and brokerage fees can add 45-60% to the cost of a product exported to the U.S. mainland. Tariffs are an additional consideration when exporting to foreign countries. Tariffs on local bakery goods exported to Japan are a hefty 15-20%. Total costs added to a product exported to Japan reach 60-80% with the addition of tariffs. For La Tour Bakehouse, Hawaiian Pie Company, and many other local food companies, the numbers don’t seem to pencil out.

La Tour Bakehouse prides itself on using select quality ingredients and artisanal baking methods. This focus on quality has been critical for its success, but it has also created obstacles to selling to foreign markets like Japan.

For example, a company shipping various ingredients for production in Japan must pay customs based on every recipe component. Customs fees and taxes vary by ingredient and can also vary depending on where the ingredients were produced.

Ingredients from some countries may be banned outright. If a Hawaii product contains a banned ingredient, they’ll need to change the formulation of that product to bring it to market in Japan. The required process modifi-



cations in procurement and manufacturing to implement a permanent ingredient change can be significant.

An alternative to shipping in ingredients is to use ingredients readily available in the foreign market. But this solution adds an entirely new set of challenges, to which Hawaiian Pie Company can attest. Dairy products in the United States can differ from dairy products in Japan. Hawaiian Pie Company, whose products are known for their delicious buttery crusts, found that the butter and flour available in Japan altered the taste and texture of its pies.

According to Hawaiian Pie Company, the process of matching the taste and texture of locally made pies to ones made in Japan could take six months or more — an unfeasibly long time for a small, family-owned business.

Exporting to U.S. Mainland Markets

Market demand, large volumes, strict contract terms, and food safety audit requirements are some of the areas of caution offered by La Tour and Hawaiian Pie Company for exporting to U.S. mainland markets. And local exporters be warned: U.S. mainland markets can be just as risky as foreign markets.

Hawaiian Pie Company tracked its social media followers to identify mainland markets with promising demand. Once they pinpoint a promising market, the company will test that market by participating in large product expos or festivals. For

example, Hawaiian Pie Company was an exhibitor at the annual *I Love Poke Festival* in San Diego, which offered an opportunity to test products and measure interest. The 10-year-old festival is popular with former Hawaii residents and proved successful for Hawaiian Pie Company. Not surprisingly, the company believes regions with large populations of Hawaii residents are some of its most promising markets.

Making sure companies understand market demand is even more critical given the volumes and strict contract terms that exist with large, mainland customers. La Tour Bakehouse has found that mainland customers are often less flexible when it comes to product fulfillment and are quicker to enforce contract penalties on suppliers. Given the large purchase volumes of these transactions, penalties may quickly turn into substantial monetary losses that can make or break a small Hawaii supplier struggling to service a large account.

Mainland buyers often have contract terms in which a percentage of the returned product is reimbursable by the supplier. A rate of 10% may not sound like much until a mainland customer turns into half of your business and wants reimbursement for hundreds of thousands of dollars in returned merchandise.

Relatively new to the export complications list are the more stringent food safety requirements. Large customers require food safety audits of their suppliers. Conducted by food-safety auditing firms, these can cost tens of thousands of dollars.

While the expense of these audits is significant, the real costs are the process and documentation changes a supplier needs to implement in order to pass the audit.

La Tour Bakehouse described a frustrating lack of uniformity among food safety auditors. Large mainland buyers often have different auditing firms that may use different auditing standards. Often, a Hawaii supplier will need to do two food safety audits with two different auditing firms that could have a unique process and documentation requirements.

For small suppliers, La Tour Bakehouse recommends prioritizing customers that require the same food-safety standards and have the same food-safety auditor. This decision limits potential customers but also decreases the costs and operational requirements of multiple food safety audits.

In the end, the biggest challenge to exporting Hawaii products may be the lack of a consistent success model for producers to replicate. What is consistent, however, is the complexity involved regardless of operation size. Even local exporting workshops and available resources don't delve very deeply into the issue, perhaps recognizing that the process and potential solutions are not one-size-fits-all.

For now, solutions for meeting demand from other markets rest in the ability of local producers such as Hawaiian Pie Company and La Tour Bakehouse to be as creative with their operations and shipping processes as with their recipes.

NEW MEMBERS



FarmLovers Markets

Contact: farmloversmarkets.com

Primary HFIA Contact: Pamela Boyar, Managing Director

About: It is the vision and mission of our farmers' markets to create a business incubator for small farmers, food manufacturers and artisans, by creating a supportive and nurturing environment which cultivates economic growth, community health, and cultural awareness.

We are dedicated to the local grower. We do not allow any produce from the mainland, China or elsewhere to be sold at our markets. We are committed to creating and utilizing more sustainable agricultural land, and believe that through supporting local agriculture and the local economy, that more lands will be made available to the small farmer. This is a benefit to our entire island- as the less we must import, the better. We require that all the people selling produce at our market be growers themselves. We visit their farms and see their operations. We want to be of assistance in anyway possible—whether connecting them to available lands, granting opportunities, or other resources. We believe that these men and women are doing a huge service growing the food we eat, and we support their efforts any way possible. We hope that you will come out to our market soon with the goal of discovering just how unique we are!

Reason for joining HFIA: It is a priority of ours to create a meeting place for the community—young, old and everyone in between: a place of celebration. Each market

has a café where patrons gather with their market-purchased food and beverages, listen to live music, and talk-story. We have festivals to celebrate a seasonal crops or cultural themes, such as Hawaii Coffee Fest, Hawaii Cacao Fest and Taro Fest. Vendors will go out of their way to create festive recipes and value added products highlighting that crop. We often have special attractions such as chef demos, book signings, or nutritional demos.

We are thankful to be a new member of the HFIA community and hope to expand our network, to find new opportunities for our markets and our curated selection of vendors. We hope to continue to nurture these unique and talented small businesses, building a bridge between them and the community and bringing about more opportunity for growth. We hold five farmers markets every week—see our website at www.FarmLoversMarkets.com for locations and times. We hope that you will come out to one of our markets soon with the goal of discovering just how unique we are!



Hawaii Medical Assurance Association (HMAA)

Contact: hmaa.com

About: HMAA has been one of the most trusted local health insurance companies by small, mid-sized, and large employers for over 30 years. More than just a health plan, HMAA serves thousands of employers and their members by providing value-added products, service, and an

extensive provider network. Their medical plans cover traditional and comprehensive alternative care including chiropractic, naturopathic, and acupuncture. Additional benefits include dental, prescription, vision, life insurance, and Active&Fit programs. They also offer a variety of wellness services, discounts and incentives such as onsite biometric screenings (certain requirements apply) and their innovative Baby & Me maternity program. HMAA is passionate about your health.

Reason for joining HFIA: HMAA is excited about our new exclusive Preferred Provider Organization (PPO) Association Health Plan offering and partnership for HFIA members. Through this partnership, HFIA members throughout the state can take advantage of preferred pricing with HMAA, making healthcare more affordable for businesses and employees alike and giving them more options with healthcare benefits.



Moo Pods Inc.

Contact: moopods.com

Primary HFIA Contact: Samar Anthony, Founder

About: Our mission is to produce, distribute and offer the world's first dairy tea and coffee creamer in compact tablet form. Our aim is to help reduce greenhouse gas emissions from the conventional methods of the dairy industry. We offer a product that aims to simplify the lives of our consumers. One tablet with no artificial color or flavor is equal to a teaspoon of milk and sugar, with an 18-month shelf life and 10 calories

per serving. Moo Pods is ideal for home or office use, camping, yachting, on your airlines, hotel rooms, coffee shops or even in MRE's. Percentage of sales will help each local community. Moo Pods—Changing the world one cup at a time.

Reason for joining HFIA: "As a former resident of Hawaii I am honored to have joined the Hawaii Food Industry Association by launching a new product first and foremost into my favorite state. A percentage of all sales will be helping our local communities, I look forward to meeting the HFIA team and fellow members at an upcoming event!" – Samar Anthony, Moo Pods Founder



Ko'olau Distillery

Contact: koolaudistillery.com

Primary HFIA Contact:

Heather Pence, Chief Marketing Officer/Owner

About: The longtime dream and vision of close friends and U.S. Marine Corps veterans, LtCol Ian Brooks and LtCol Eric Dill, who teamed up with 15 year beverage professional Heather Pence, Ko'olau Distillery's Old Pali Road Whiskey is a smooth, hand-blended, oak-barrel-matured craft whiskey. Each batch is hand bottled and numbered.

Ko'olau Distillery sources locally-grown corn to deliver a bourbon-style base for the mash which is then blended with 4-year-old American whiskey and pure Ko'olau water at its Windward O'ahu facility. This produces a strong straight-up flavor, characteristic of good whiskeys, and the use of second-fill oak barrels softens the wood flavor while the local sweet corn lends a smooth caramel note.

Reason for joining HFIA:

Becoming a part of the HFIA means a lot to us because we are looking forward to working with local food manufacturers and retail businesses in Hawaii. HFIA's advocacy for sustainability fits with our mission. Just as our founders dedicated their lives in service to the country with the United States Marine Corps earning honors and commendations—often at great sacrifice—they believe in earnest stewardship of the land and its finite resources.

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#COCOLARENEW

Mitigating Risk in the Event of Disaster: A Look at the Vulnerability and Resilience of Hawaii's Food Supply Chain

BY ALEXIS CHAPMAN

The HFIA Convention frequently coincides with the start of hurricane season in Hawaii, so it's the perfect time to discuss hurricane preparedness and resiliency. As the businesses that feed Hawaii, HFIA members take their responsibility of readiness very seriously. Our panelists this year focused on identifying the different facets of hurricane preparedness and resiliency, how they've been preparing, and what still needs to be done to get Hawaii ready for the next big storm.

Moderator Jennifer Walter started the panel discussion held in June by identifying some of the biggest challenges Hawaii faces in preparing for a hurricane and bouncing back after a storm. Our reliance on a single major harbor and the location of our critical infrastructure in inundation zones pose critical challenges. She also pointed to the high expectations placed on various government agencies in case of emergency and noted that managing any type of disaster will require a very high level of cooperation and engagement across multiple sectors, including Hawaii businesses.

In light of these realities, Walter posed some tough questions to the panelists, asking what they want people to know about their business and industry during a disaster, best practices, specific challenges, and how to move forward.

The speakers touched on many areas of disaster preparedness and resiliency, with some agreement around a few key points. The first of these was a recognition that a disaster, such as a major hurricane, can cause interruptions at any point in the supply chain, and can even



cause disruption at many points at once. The panel agreed that this is an important starting point for all types of preparation strategies.

Several panelists discussed plans to better prepare our state by strengthening and hardening essential infrastructure like harbors, while simultaneously shortening the supply chain as much as possible before a storm. Encouraging individuals to have the recommended supply of food on

hand, and finding ways for our businesses to stockpile essential items closer to consumers are both crucial components of readiness plans.

When it comes to hurricane resilience, there was a lot of consensus around the value of flexibility. Figuring out how to best bounce back from a storm will mean taking stock of what's working and what's not, and finding ways to work around that. Collaborating with



Keynote panelists (from left): Chris Hamlin, Vic Angoco, Kelvin Shigemura, Jennifer Walter, Ron Mizutani, Keith Kiyotoki, Maxine Parker, with Lauren Zirbel.

Convention Keynote Panel

MODERATOR:

Jennifer Walter, Preparedness
Branch Chief, Hawaii Emergency
Management Agency

PANELISTS:

- **Ron Mizutani**, President
& CEO, Hawaii Foodbank
- **Keith Kiyotoki**, Sales
& Marketing Manager,
Young Brothers
- **Chris Hamlin**, Senior Vice
President, Pasha Hawaii
- **Vic Angoco**, Senior Vice
President, Matson Navigation
Company
- **Maxine Parker**, Director
of Grocery, Foodland
- **Kelvin Shigemura**, Vice
President, Armstrong Produce



new partners and being willing to make changes to meet customer and employee needs have served our panelists well in previous disaster situations and can guide the industry in the aftermath of our next emergency.

Our panel made clear that successful preparation and resilience in the aftermath of a disaster will depend

on our industry and our state's ability to learn from the past, communicate, and work collaboratively. There was no shortage of aloha and willingness to support one another during and after the recent floods on Kauai and the Big Island. This willingness made it possible for our members to overcome some significant logistical

challenges and help these communities move towards recovery.

From individuals to businesses to government agencies, there is still so much to do to be better prepared for a hurricane. This panel showed that our industry and our HFIA members are taking the kind of initiative that will move us all in the right direction.



Retail Management Certificate: Your Tool for Cultivating Future Leaders

BY ALEXIS CHAPMAN

The right management team is an essential component of business success. But in an era of historically low unemployment rates, finding the right people to fill crucial leadership roles can be a real challenge. The Retail Management Certificate is a powerful tool that enables local companies to develop leaders internally, elevating their existing team members through training.

Created by the Western Association of Food Chains (WAFC), the Retail Management Certificate (RMC) gives graduates valuable industry skills. The goal is to enable them to advance in their field and to become invaluable assets to their company.

Retail is a wider field than many realize. Nationwide, 1 in 4 four people works in a job that's connected to retail. Across the U.S., thousands of workers in every sector of the food industry have taken advantage of the



George Glukfield and Tracie Martin

program, from manufacturers to distributors, suppliers, wholesalers, and of course, retail employees.

The Retail Management Certificate is comprised of eight courses. Seven of these build business acumen and the eighth and final course links the various areas of the industry. These classes were created

with intensive input from industry experts to determine core competencies. They've been designed and tailored to benefit companies connected with food retail no matter where they are in the supply chain.

Safeway is one HFIA member that has been maximizing the benefits of the RMC. General Manager George Glukfield, commented on the value of the program, "In Hawaii, we have had participants in the Retail Management Certificate (RMC) program for many years for no other reason than it works. The classes and subjects apply directly to our business, and I have personally seen many of my employees grow in their business knowledge and leadership skills by attending the classes. It's important to me to invest in my people, and I can't think of any better way than through education."

The RMC Scholarship is one of the most important benefits that HFIA offers its members. Employees



of qualified companies can receive reimbursement for up to 50% of RMC tuition. HFIA views RMC as an investment in an individual or company, and as an investment in the future of our industry as a whole.

For individuals, this program is a way to set themselves apart in their career and set themselves up for success. For businesses, the RMC is a path to ensuring that the right people

have the credentials they need to be the leaders your company needs. For the industry as a whole, it's a way to elevate the skill level and make sure we're moving into the future of food retail with the right leaders in place.

We encourage all HFIA members to visit the Retail Management Certificate page of HawaiiFood.com to learn more and take advantage of this valuable program.

HFIA Member Feedback

"Safeway hosted four Career Advancement Workshops in Hawaii on June 4th, 5th, and 6th that were fantastic! We had 141 employees come to six sessions (two hours each) held across Oahu, Kauai, Maui and the Big Island. Employees heard about career opportunities with Safeway and pathways to education from special speakers like General Manager of Hawaii George Glukfeld, SVP Operations Kevin Lovell, and WAFC Representative Cherie Phipps.

The employees also met with exceptional Hawaii "District 15" Store Directors, Assistant Store Directors and Operations Specialists on our panels and during the mentee mixers on each island. These leaders all represent employees that have had success in their careers with Safeway and pursued education as a part of their path, including graduates from the RMC program."

– **Terra Powers**,
NorCal (including HI) Division HR
Manager, on Safeway Hawaii's
June Education Events

"The program gave me more confidence in my decision making and communication. I now have a better understanding of why and how companies plan for future business strategies. I also have a broader perspective of customer perceived value, where the price of an item is not always what drives the consumer. I keep these things in mind when making plans for my team in various targets given by our company be it in sales, shrink or customer service."

– **Tracie Martin**,
Bakery Operations Specialist
and RMC Graduate

Trending Wines & Spirits Categories

BY MEGHAN THIBAUT

Our unique location means that Hawaii is sometimes a bit behind the curve when it comes to trends. This is, in many ways, a blessing. So it is with fashion trends, consumer demand for trendy, buzzy beverages can rise and fall quickly. Given the costs of shipping and the often slow momentum of marketing new, unfamiliar products, beverage alcohol distributors and retailers in Hawaii are particularly wary of trendy items.

Rather than looking at trends, it may be wiser to examine what products have been trending over longer periods, with a view to determining which products will generate sales volume growth. This piece of wisdom holds true, especially for HFIA members hoping to avoid having dead inventory languishing on their shelves.

Remember the last time you sipped on confectionery-flavored vodkas like marshmallow or cotton candy? We don't either. Products like these have made brief appearances here in Hawaii, and then have fallen by the wayside, while other more enduring product categories continue to show no signs of stopping.

We informally polled some of the industry's best at this year's Southern Glazer's Wine & Spirits trade show this past August. The annual event is a showcase of the nationwide distributor's fall and holiday lineup of products and special packaging available to Hawaii retailers, hoteliers and restaurateurs.

SGWS experts shared some guidance about product categories that are showing enduring consumer demand; products that they expect to continue their meteoric popularity in the coming years.

Premiumization Still Reigns in Spirits

For close to two decades, consumers and spirits producers have been gravitating to increasingly premium distilled spirits. The more artisanal production methods, the better. It's not just hipsters who know



the difference between terms like single-barrel aged and copper-pot distilled, though a large part of the growth of super-premium products is now being driven by millennials.

Consumers, and particularly millennials, are opting for super-premium spirits brands over value brands, in search of unique products. The super-premium and high-end premium segments outpaced the value and premium segments of the market, showing a growth of 6 to 7% between 2012 and 2017, according to L.E.K. Consulting, a global management consulting firm.

Rosés Are Still Ringing Up Registers

According to Nielsen data, national growth of rosé wine sales have been in the double digits over the past five years, and show no signs of slowing down. Consumers recognize the value proposition that rosés offer, with French wines coming in at a lower shelf price for premium products. In the 12 months ending in May of this year, according to Nielsen, rosé made 3.1 percent of all wine sales. While that may not seem like much, that's an increase over 33.9 percent over the same period in 2018.

According to the local pros at SGWS, retailers should continue to make space on their shelves for rosés. Hawaii has the perfect weather for

year-round enjoyment of this erstwhile summertime beverage.

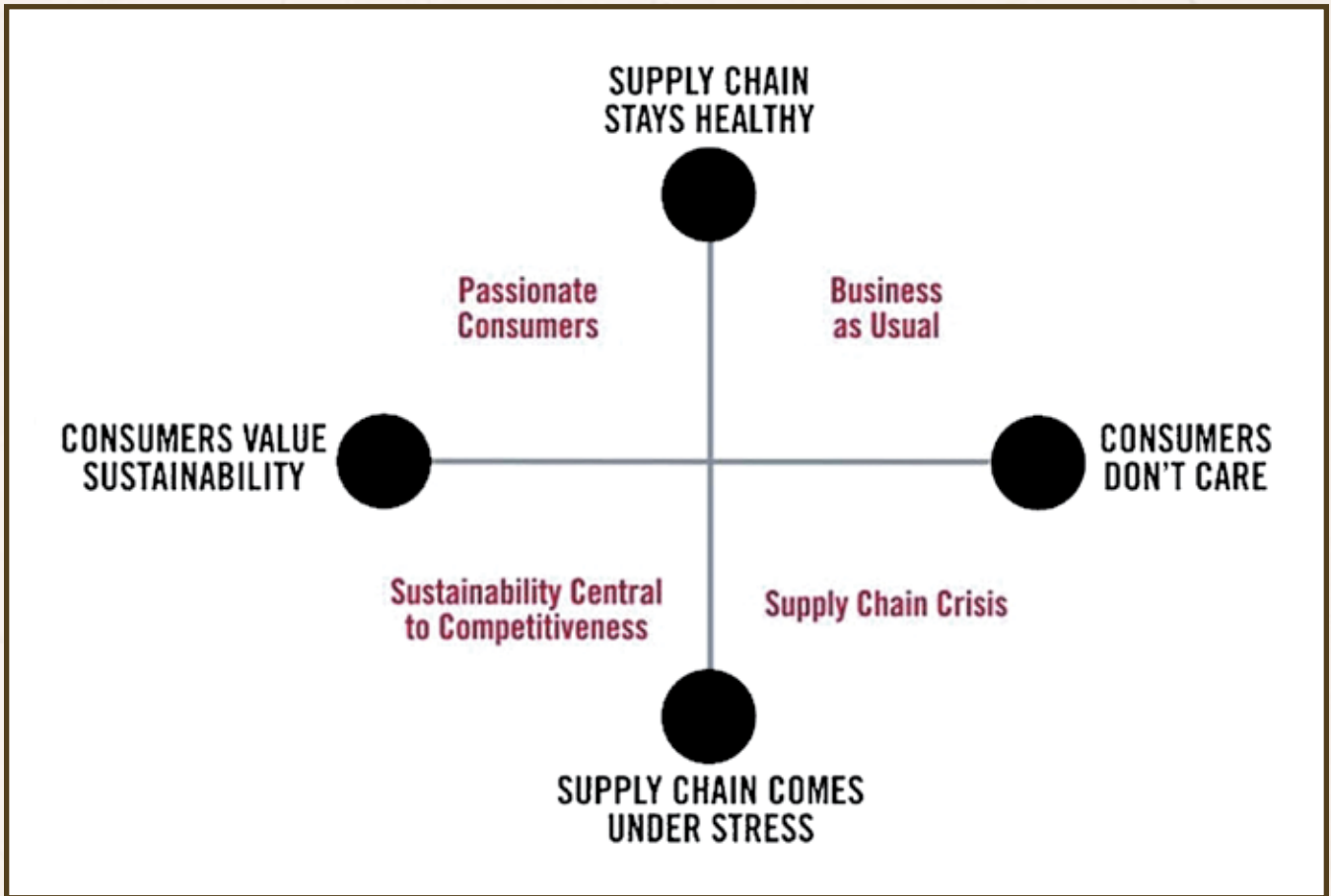
Oregon Remains the Wine Region to Watch

Speaking of rosés, Oregon is proving to be one of the most sought-after sources for one of the nation's fastest-growing categories, as well as other varietals that grow well in this cooler wine region. While Oregon has been popular for those in the know for a long time, lots of wine drinkers are now discovering it for the first time as a source for delectable rosés, Pinot Noir and more.

Sure, there are many wonderful wine regions of the world, but Oregon is still one of the most popular emerging ones, and the biggest California winegrowers continue to invest there, snatching up Oregon land as fast as it comes available.

Pinot Noir accounted for 57% of all planted acreage in the state last year, and 59% of all wine grape production, according to the Oregon Vineyard and Winery Report. Pinot Gris and Chardonnay were the next most planted grapes in Oregon.

The state has close to 800 wineries and 500 tasting rooms. According to the report's data, the Oregon wine industry had record levels of grape acreage, wine production and a 12% increase in sales across the United States last year.



Graphic Courtesy Harvard Business School Online, Sustainable Business Strategy

Analysis Helps Prevent Uncertainty

BY LAUREN ZIRBEL

One way that industry collaboration can effectuate change is to develop metrics and guidelines to address future problems. HFIA can serve as a conduit to bring companies together to address our shared values and sustainability goals.



One tool that can be helpful in addressing future trouble spots is scenario analysis. By pulling together a small group of high-level managers and posing questions like, “As you think about how things may change going forward, what keeps you up at night?” we can begin to identify critical areas of concern. Then you can ask, “If a visitor from the future

who could answer only two questions were to walk through that door, what would you ask them?” Once you identify two critical uncertainties you can draw a matrix to think about whether they are strategically interesting.

For example one strategically interesting scenario analysis may be “will supply chains stay healthy” as one matrix and “will consumer preferences demand change” as the other matrix. It can be helpful to name the four potential outcomes.

Here is one example. What do you think the chances are that these two forces will impact the food industry?

Once you determine the most likely future outcome you can start to develop next steps. It will be incredibly helpful for the food industry locally to come together and assess our future trouble spots. Once we do this we can move forward collaboratively,

eliminating any negative side effects of acting alone.

One successful example of industry collaboration is the commitment of the Consumer Goods Forum to achieving zero net deforestation in palm oil, soy, beef, paper and board by 2020. The members of the CGF were able to make this commitment for five key reasons: group membership was relatively fixed; member reputations were widely known, the group expected to work together over a long period of time; communication among members was easy; and finally, cooperation would be more profitable than mutual defection from the group.

We have these same conditions in Hawaii! If we work together, we can solve the big problems facing our industry in the least damaging way possible.



List of Events

SAVE THE DATES!

January

8 **Legislative Talk Story**
Hawaii State Capitol

16 **General Membership
& Board Meeting**
11:30a - 1p
Honolulu Country Club

24 **Annual Social**
5:30a - 9p
Honolulu Country Club

February

18 **Pau Hana with
Legislators**
5:30a - 9p
Hukialau Honolulu

March

26 **General Membership
& Board Meeting**
11:30a - 1p
Honolulu Country Club

April

3 **27th Annual Golf
Tournament**
11:30a Shotgun Start
Honolulu Country Club

June

5-6 **Annual Convention**
Aulani Disney Resort

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