Ramping up the hazelnut industry through market development

AMANDA SAMES
PH.D. STUDENT,
DEPARTMENT OF
CONSERVATION BIOLOGY,
UNIVERSITY OF MINNESOTA
ON BEHALF OF THE
MINNESOTA HAZELNUT
FOUNDATION
Why market development?
<table>
<thead>
<tr>
<th>Chef interviews</th>
<th>Landscaping focus group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on culinary uses</td>
<td>Focus on hazelnut shells</td>
</tr>
<tr>
<td>• High-end and mid-range restaurants</td>
<td>• Small-scale landscapers</td>
</tr>
<tr>
<td>• Chefs with an interest in local foods</td>
<td>• Garden center owners</td>
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<td></td>
<td>• Businesses with an interest in eco-friendly garden or landscape materials</td>
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</tbody>
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The interviews

Questions

- Current use of hazelnuts or hazelnut products
- Interest in MN hazelnuts and products
- Taste testing of raw and roasted nuts, oil, and meal
- Expectations for price and quantities

<table>
<thead>
<tr>
<th>Affiliation</th>
<th>Interviewed</th>
</tr>
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<tbody>
<tr>
<td>Chefs</td>
<td>6</td>
</tr>
<tr>
<td>Restaurateurs</td>
<td>2</td>
</tr>
<tr>
<td>Men</td>
<td>6</td>
</tr>
<tr>
<td>Women</td>
<td>1</td>
</tr>
<tr>
<td>Dine-in restaurant</td>
<td>5</td>
</tr>
<tr>
<td>Catering service</td>
<td>2</td>
</tr>
<tr>
<td>High-end (&gt; $20/plate)</td>
<td>4</td>
</tr>
<tr>
<td>Mid-range ($10-$20/plate)</td>
<td>3</td>
</tr>
<tr>
<td>Total interviewed</td>
<td>7</td>
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</table>
Hazelnut use and appeal

- Every interviewee is currently using hazelnuts, but is importing from out west.
- Only one interviewee regularly uses hazelnut oil, and it is also imported.
- Every interviewee was very interested in purchasing from local sources and considered local product origins to be very important for their business.
- No interviewees were aware of where they could purchase consistent supplies of MN hazelnuts.
Every interviewee preferred the flavor of MN hazelnuts and oil to imported nuts and oil.

The flavor of the nuts was described as “sweet,” “clean,” “delicious,” “fresh,” “rich,” “nutty,” “hazelnutty,” “mellow,” “pecan-y,” and “soft.”

The oil was described as “fresh,” “raw,” “delicious,” “more flavorful,” and “clearly superior [to imported hazelnut oil].”
Chef interest: Consistency and convenience

Consistent access to products and convenience of getting them were two key caveats to chef interest in purchasing local hazelnuts.

“If we put the work into creating and advertising a dish, talking about the new product, I don’t want to have to tell people that we suddenly can’t make it anymore.”

“Convenient distribution matters. Most people will decide what to buy based on price and convenience.”
# Product preference rankings

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw kernels</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Blanched and peeled nuts</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Oil</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Meal/ground hazelnuts</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Roasted nuts</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

1 = most preferred product  
5 = least preferred product
Willingness to pay: Kernels

Interviewees are currently paying between $9 and $12/lb for blanched and peeled kernels. None are currently purchasing just raw kernels.

Only one interviewee would not consider paying more for MN hazelnuts. All others would prefer cheaper nuts, but be comfortable paying between $14 and $16, with the full range of expected prices from $10 to $20 per pound of blanched and peeled, or raw hazelnut kernels.
Willingness to pay: Oil

Only one interviewee regularly purchases hazelnut oil and provided a current price of $23.16 for 500ml.

Among other interviewees, expected prices ranged from $15-$30/liter.

Willingness to pay for the oil will also depend on freshness. The fresh flavor was described by all interviewees as the primary selling point for the oil.
Willingness to pay: Meal and roasted nuts

Only one interviewee currently purchases hazelnut meal, and provided a current rate of $16.38/lb. All other interviewees did not know what price to expect for the meal.

Since none of the interviewees were interested in purchasing roasted nuts, they were not asked to provide an expected price.
Willingness to pay: Sustainability

We focused on chefs with an interest in local foods. There is significant overlap between chefs interested in local products and sustainable products.

For 5 of the 7 interviewees, having an organic or sustainably produced hazelnut was important enough that it would affect the price they are willing to pay.

Several interviewees expressed a desire for distinct branding for organic hazelnuts and processing systems that would allow that distinction.
“The story matters…it absolutely affects my willingness to pay a certain price for a product.”

“It’s the story that will help the local guys compete with Bergin [Nut Company].”

“If we could tell our customers the story of how eating MN grown hazelnuts is good for soil and water, and tell them about the farmer who grew the nuts, it would help justify the cost.”

“I’m not going to be very interested in generic branding that sounds like it could be from anywhere or is a big, industrialized product.”
Quantities: Kernels

Most interviewees currently use approximately 5-10 lbs per week and would expect to use the same amount of locally grown hazelnuts.

Interviewees indicated that quantities change with the seasons and could range as high as 15-20 lbs per week depending on demand and menu.

Caterers were less confident in predicting average demand because usage can fluctuate significantly depending on clients.
Quantities: Oil

Anticipated quantities of oil were heavily dependant on price.

“Oil doesn’t fill people up.”

Interviewee expectations for oil usage ranged from $\frac{1}{2}$ liter per month to 2 liters per week, again depending on price.
What about the shells?

Positive characteristics
- Good color
- Durable
- Sustainable
- Local

Negative characteristics
- Heavy
- Squirrel attractants
- Limited quantities

<table>
<thead>
<tr>
<th>Affiliation</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garden centers</td>
<td>1</td>
</tr>
<tr>
<td>Landscapers</td>
<td>2</td>
</tr>
<tr>
<td>Men</td>
<td>2</td>
</tr>
<tr>
<td>Women</td>
<td>1</td>
</tr>
<tr>
<td>Total participants</td>
<td>3</td>
</tr>
</tbody>
</table>
How can we make the shells useful?

- A mulch for wildlife gardens
  - As long as you don’t mind critters possibly eating your flowers
- Biomass for energy production
- Roadside mulch
  - Where it can be applied with heavier equipment
- Component in erosion control
  - Heavy weight could be an advantage here
- Replace rocks in planters or green roofs
  - Using the shells to create a layer that allows water to filter out
- Brown matter for compost
  - On-site compost production could yield a higher-value end product than trying to market the shells themselves for composting.
Summary: Implications for producers

- Don’t assume anything about your target market until you’ve talked to potential buyers.

- Before investing equipment or distribution mechanisms, understand buyer needs and interests.
  - Consider products, quantities, prices and distribution concerns

- Consider the story you tell about your product.
  - Is it honest?
  - Is it the story you want to be able to tell?
  - Is it appealing to your target customers?
  - Does it help you justify the price you’re asking for?
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Questions?

Amanda Sames
same0057@umn.edu
Department of Conservation Biology,
University of Minnesota