



Marketing Koa

W. Lloyd Jones, Martin & MacArthur

I spoke earlier in this symposium as President of HFIA. Now in these remarks I am changing hats and speaking as CEO of Martin & MacArthur, which is my paying job.

At Martin & MacArthur we have three businesses. All of which depend on koa. We have a distribution business selling hardwood lumber and plywood and picture framers supplies. We make furniture—both residential and for hotels. We have retail stores, including one at Aloha Tower Marketplace that sells our furniture and gift items by over 300 craftspeople.

We are not unique in any one of these businesses, although I don't know of anyone else with the same combination of businesses. My perspective is that of an organization that is dealing with the end-users of koa. I will try and give you some facts about what the marketplace is telling us, and I'll try lay out some of the economics of these businesses in Hawai'i.

We use a lot of koa, which we buy from various cutters and millers of lumber. I cannot answer the question that is frequently asked, "How much is koa?". Price varies tremendously by grade and quality. We sell solid koa at retail at prices ranging from \$8.40/bft to almost \$30.00/bft. The things that influence the price are grade (number of knots and defects per board), width, length, (everyone wants long, wide boards), color (dark, rich, red wood commands a premium), figure (amount of character and definition in grain—bland koa can look like monkeypod), and degree of curl (fiddleback, the characteristic that gives koa its wonderful luminescence). This amount variation in price of a type of wood is unique to koa.

I looked up our records, and the price we pay today is three times the price we paid 10 years ago for like grades.

The threefold change in price has caused some changes in the use of koa. There are not accurate figures on koa usage, and I hope that the Department of Agriculture will include forest products in its statistical surveys of agricultural crops. So the estimates we have of useage are "guestimates." My guestimate is that there is

now approximately one third the koa cut annually as there was 10 years ago. The laws of economics are inevitable. Previously, much was used in millwork on the Mainland by designers who used it in their palette as a very beautiful albeit pricy wood. It is now only used in very special, very limited applications.

Our major use for koa is for picture frame molding. Approximately two thirds of the wood we purchase goes to picture frame molding. We think that, industry-wide, perhaps as much as one third of the koa cut goes to picture frame molding. In an attempt to conserve koa, three years ago we introduced a product that is a thin veneer over a finger joint poplar substrate. Even though we believe this product to be cost-competitive, we still sell solid koa two to one over veneer. Our customers, picture framers, tell us that much of the buying public still demands solid koa.

In our lumber distribution business, we sell numerous species of wood. We have tried to be supportive of the spirit of HFIA's annual woodshow and carry Hawaii-grown woods other than koa. Although over 100 species of wood were in the woodshow, we can only carry wood that we have some degree of confidence will have a continued supply. There is no use carrying a wood that our customer cannot purchase when he comes back a month or two later.

We offer conventional hardwoods imported from the Mainland, Hawai'i-grown woods, and imported exotics. The prices change with market forces. In our experience, other than koa, the list of Hawai'i-grown woods represents less than 2 percent of the wood we sell. The imported exotics represent probably twice that quantity. There is just not a big demand for exotic woods.

We have tried to introduce some Hawai'i-grown woods into our furniture lines. We have tried Hawaiian ash, curly kamani, and curly mango. The only one of these that has had any acceptance has been the curly mango. We have been able to sell perhaps 1 or 2 percent of the furniture we make in mango. There has been no acceptance of kamani or Hawaiian ash.

A more significant trend has been the use by Main-



land designers of alternate woods for public-area furniture of hotels when designing "Hawaiian furniture." We are seeing lots of furniture that is designed based on traditional Hawaiian furniture designs, but is built with a less expensive wood than koa. The recent remodel of Kahala Mandarin is an example of this, where most public-area furniture is stained Honduras mahogany but designed after historic Hawaiian pieces.

Now let me touch on the trends we see at our retail store, particularly what we see at Aloha Tower Marketplace. There we are dealing with a clientele that is one third local and two thirds visitor. As well as our furniture, we sell the works of over 300 of Hawai'i's craftspeople, probably two thirds of whom are working in koa. With the increase in value of koa, and the increased skill and sophistication of these craftspeople, this is a growing business. Locals and visitors alike treasure something made of koa (especially, fine work). It not only is beautiful, but it speaks of Hawai'i. Despite our best efforts to introduce other woods, it is koa that

sells. When we buy wooden pens for example, we might buy a batch of 50 koa pens and five from other woods. When the 50 koa pens are sold, there will be two or three non-koa pens left.

Even in an item as subjective as a turned bowl, where the skill and art of the bowl-turner is so important, we still sell many more koa bowls than all other woods combined.

I think the craftsmen that make a living from woodworking and who do such fine work in non-koa woods in the Woodshow will tell you the same thing—making the non-koa pieces for the Woodshow is a diversion, then they go back to koa to make a some money.

In summary, my first message is that koa sells. It sells because it is beautiful and because it conveys the magic of Hawai'i. For a long time into the future, koa will dominate any hardwood forestry in Hawai'i. Second, premium grades of koa are important. The scientists and foresters who can tell us how to grow premium koa are as important as the scientists and foresters who can increase yield.

Koa Economics and Resource Values

Ed Winkler, Winkler Wood Products

I will discuss koa economics and marketing focusing particularly on stumpages and values of the resource base itself. That's where I think all of the economics come from. If a landowner doesn't make the decisions to plant trees or protect his forest so that the trees will grow, we won't have any koa as a resource base, and there won't be any economics. I'm just going to focus on what happened with the royalties over the past 16 years, and it's quite interesting.

First of all, I would like to acknowledge one of the greatest things that has happened over the past 16 years in the County of Hawai'i, and that is when finally we got a councilperson, Keiko Bonk, who literally went to work for us and actually made changes to the county tax structure in regard to property taxes. That is something (which maybe some of you people aren't aware of) that has been a tremendous disincentive to forestry in Hawai'i. And even more beyond that, I think it was a detriment and a serious problem to our ecosystems, a

problem many people have been working on for 20 years and more. It took 20 years to make that change, and I'm really pleased that it finally came about. But that change didn't come about on its own. It took work from everybody, including a lot of people that I see here, who worked on committees and made presentations and wanted to make the change. All it took was someone in the county to hire someone to physically figure out how it would work. HFIA, for example, put a lot of emphasis on that over the past few years, had a committee working on it, and spearheaded that kind of tremendous change.

As with a lot of the things that can happen in regards to our forest, it is important to come together in partnerships and learn to make changes and make the proper changes and do things together and not apart. I think that the only way that there is going to be economic-based forestry of any sort in the state of Hawaii is through partnerships, through large landowners and