

ALOHA OIL: Gody Soriano and Barbara Gray work the oil press.



PHOTO: KAREN KOGALSKY



Oils of Aloha's pure and vitamin-fortified product.

THE INDUSTRY OF OIL

For 20 years, Oils of Aloha has manufactured pure kukui and macadamia oils and innovative skin and haircare products

by Jolyn Okimoto Rosa

What's red, white and blue, larger than an elephant and smells like macadamia nuts? The answer is a custom-made macadamia oil press, which for Oils of Aloha generates not only oil but also revenue. For Matthew Papania, president of the Waialua company and the one who pieced the system together from second-hand equipment, the noisy machine is also a work in progress.

"Nothing is new, just how it is set up," Papania says. For example, the main part of the machine – which happens to be blue and was originally used in the South to press peanuts – was painstakingly modified for the size and texture of macadamias.

Much has changed since Dana Gray and his wife, Barbara, bought the company out of bankruptcy in 1988. The company was making mostly kukui leis and jewelry. Back then, people knew

a lot about the kukui nut but not much about the oil. The same goes for macadamia oil. That's no longer the case.

Although its headquarters in Waialua is easy to miss, Oils of Aloha is Hawaii's largest producer of kukui- and macadamia-oil products, and its clients include international cosmetic giants, whose names Oils of Aloha officials couldn't disclose due to confidentiality agreements.

The company uses a special, natural oil-extracting process and then infuses both kinds of oil with antioxidants (Vitamins A, C and E for kukui and Vitamin E for macadamia). The company has done extensive testing on the purity and scientific properties of its

oils, making them ideal for pharmaceutical and cosmetic uses. Besides bulk kukui and macadamia oil, Oils of Aloha manufactures a line of kukui skin and haircare products, including moisturizing cream and lotion, soaps and shampoo, macadamia cooking oils and an after-sun treatment that incorporates both oils.

How does one grow a business – not just any business but a Hawaii-based manufacturer that was running in the red – into one with multimillion dollar sales? Dana Gray, who retired last year, says a lot of his company's success is luck. But there's much more to the story if you press on.

Gray had just retired as a manager of Liberty House downtown when an attorney friend told him about "this interesting little kukui nut company on the North Shore." He checked it out, and, undeterred by the company's financial problems, he was intrigued by the idea of selling kukui oil. He learned that people claimed the oil had curative powers. "I thought it would be fun to try to sell 'snake



FILL'R UP: Oils of Aloha's macadamia nut oil is enriched with Vitamin E.

oil," he says. Soon after he bought the company, Gray met a Japanese businessman who asked if he could make macadamia oil. He found he could, and Oils of Aloha doubled its oil inventory.

As Gray learned more about kukui oil, he realized there was science backing its mystique, and he became a believer. Native Hawaiians have used the oil for centuries to treat various skin ailments. By working with scientists, dermatologists and other researchers, as well as Native Hawaiian kupuna, he found kukui oil to have proven effectiveness in treating both chemical and

sunburns, dry skin and conditions such as psoriasis. The scientific explanation points to the oil's natural blend of fatty acids – A-linolenic and linolenic acid, Omega 3 and Omega 6 – which help control skin-barrier functions and prevent excessive water loss.

Macadamia oil contains high levels of monounsaturated fatty acids that make it a stable oil ideal for use in skincare formulations. One of the

oil's main components, palmitoleic acid, helps to maintain the structural integrity of the skin cell.

Oils of Aloha starts with wild-harvested kukui nuts. Local nut companies such as Hawaiian Host and MacFarms of Hawaii supply the macadamia nuts, which are ones left unused because they are smaller, discolored or have other blemishes.

The nuts are put in an expeller press, which naturally extracts the oil without using chemical solvents. The raw oil is then pressurized, filtered, refined, bleached and stabilized. The oil is stored and shipped all over

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the world in 210-kilogram (about 189 pounds) containers. Orders range in size, and this year have included 7.5 tons to Switzerland and 5 tons to Russia.

At present, about 50 percent of the company's revenue comes from its own skincare products. Another 10 percent is from its line of macadamia cooking oil and the remaining 40 percent is from bulk oil sales, Papania says. Oils of Aloha, which already has its products in local stores, recently hired sales representatives in Southern California. He expects to have its kukui oil certified as organic by July, and hopes that will boost its bulk sales.

This year promises to be an exciting one for the company. Not only is 2008 its 20th anniversary, but also, after moving its production to a new, larger facility at the end of 2006, Papania expects the company to be hitting its stride.

The company outgrew its space in Waialua by 2004, so, strange as it may sound, the company had been trying not to grow for several years. That wasn't easy. "Either we ran out of stuff or we didn't have sales," says Papania. There was some growth in 2007, but it was a year of adjustment.

While some companies seem to put a great deal of effort in search of the "next best thing," Papania is more cautious. "We are always looking for different products to market, but it has to be unique and we have to have a significant advantage."

While Oils of Aloha has shown it is possible to run a successful manufacturing business in Hawaii, the question remains as to how the company manages to compete. Why, for example, would companies all over the world (25 at recent count) choose to do business with a small company in Hawaii with high shipping costs?

First, the startup costs for an oil production facility are high. It's a particularly risky

investment for macadamia oil, which is a lower-priced oil. Another factor is know-how. One can't just go out and buy a macadamia- or kukui-oil press. Of course, there are competitors – Australian and South African macadamia-oil companies, for example – who may be able to beat Oils of Aloha on price, according to Papania. But the company's reputation and 20-year track record are significant.

Says Papania: "We have the advantage of people knowing us. And if they are going to buy oil, they will look to us first."