

Rocking RENO



A new family tradition—Marina, John and Joe Dutra in Kimmie Candy's Reno retail location, adjoining the company's brand new production facility.

Kimemie Candy Co. may have only 19 employees in Reno, Nev., but with strong global distribution and a brand new production facility, it might just be the biggest little candy company in the world. **by Kelly Rehan**

At a glance: Kimmie Candy Co.

Headquarters: Reno, Nev.

Sales: Approaching \$10 million

Manufacturing facilities: 2 (Busan, Korea; Reno, Nev.)

Employees: 19

Brands: Sunbursts, ChocoRocks, Baby Dino Eggs, LiFuel, Heart Tarts, Cubbies

Monthly output: 250,000 lbs.

Sales distribution breakout: U.S. distributors – 50%; retail stores – 40%; private label, commercial and international – 10%

Management team: Joe Dutra, founder and president; Art Neumann, executive vice president and coo; Oo In Jung, v.p. manufacturing; Bernie Leas, controller; Pete Herrlinger, project manager; Randy Jones, graphic artist.

Oftentimes, the willingness to take risks unlocks the true potential of a company. A leap of faith requires courage and confidence and can bring unimaginable rewards. That being said, you need to know which risks are worth taking.

For Joe Dutra, his big leap into an uncertain future took the form of a 40-ft. container filled with candy-coated, chocolate-covered sunflower kernels.

Dutra, a third generation farmer from Sacramento, Calif., and Saudi Arabia's largest corn seed distributor, was tipped off by a friend about the container of sweets abandoned on a San Francisco dock.

Though he was looking to diversify his agriculture business, Dutra was understandably nervous about breaking away from his familiar farming roots.

"I was successful with my agriculture business, but the candy industry encompasses all the good things in life—good moral values,

children, families," Dutra says. "If you give someone \$1,000 worth of hybrid tomato seeds, they view it as work. You give someone a small pack of candy, and they think of it as joy."

Plus, Dutra couldn't deny his fascination with the candy sunflower kernels.

"I looked at the product sample and ended up buying the entire container," Dutra recalls. "That was the base of what I decided to start my candy company on."

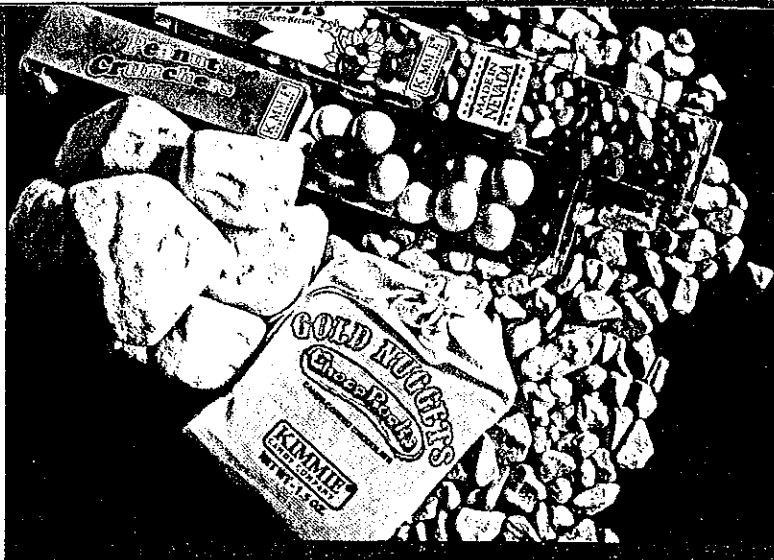
That was 1998, the company is Kimmie Candy Co. and the candy-coated, chocolate-covered sunflower kernels are now known as *Sunbursts*—undoubtedly the company's most unique treat.

"The *Sunburst* line has always connected with my agriculture background," Dutra explains. "One of the most beautiful things you could ever see is a field of sunflowers. Being from a farming family, you always think about what's basic to life and earthy types of things. *Sunbursts* just happened to be a perfect deal for us."

Today, the company operates solely as a panning operation. Besides *Sunbursts*, Kimmie Candy's other earthy inspired offerings include *ChocoRocks* (mini, candy-coated chocolate pieces) and *Boulders* (large, jawbreaker-like chocolate chunks with candy shells).

Other fun and colorful brands, such as *Kandy Kookies*, *Baby Dino Eggs* (chocolate peanuts) and *Heart Tarts*, have found fortune as well.

"I never wanted to be a low-cost, bulk candymaker—I always wanted to have a product that I was proud to give,"



A selection of Kimmie Candy products, including *ChocoRocks Gold Nuggets*, *Boulders* and *Sunbursts*.

Dutra says. "In the farming world, you look at quality and it's the same with candy."

Since its establishment in 1999, Kimmie Candy has enjoyed an uncanny string of good luck. At not even a decade old, the panning operation globally distributes from Spain to Turkey and generates nearly \$10 million in annual sales. Also, its current production facility in Buson, Korea will soon be joined by a new plant stateside in Reno, Nev.

While Dutra's leap from corn to candy has turned out to be a risk worth taking, it wasn't easy convincing consumers to try a candy-coated, chocolate-covered sunflower kernel.

"Within eight to nine months of starting the business I knew I was going to go broke if I stayed in the U.S.," Dutra says. "I decided that I wanted to be a branded company, so we spent tons of money on trademarks and character and logo development."

Also, pushing his long-standing family tradition to the back burner weighed heavily on Dutra.

"I felt guilty for getting out of the farming business,"

Dutra says. "My kids grew up with farming, but by the time they were old enough to work I was out of it. That was my legacy, and I broke the chain. The candy business might have to be the new familial link."

A new tradition certainly seems to have formed—wife Marina has embraced the new business and Dutra's 23-year-old son John has an active presence within the company as the warehouse logistics manager where he oversees product shipments and manages inventory.

"John also is involved now in the set up of the new factory such as installing machinery," Dutra says. "Growing up on a farm, John has a great deal of background on how equipment works, so he is very valuable as a hands-on person for the company. I think in the future John will know a little about everything and move into management."

The Kimmie Candy team—(back row, left to right) Randy Jones, Oo In Jung, Bernie Leas, Pete Herrlinger, Art Neumann, (front row) Joe Dutra, Marina Dutra, John Dutra.





Dutra with wife Marina behind the retail counter, which features an array of seasonal and private label varieties.

While Dutra had his family's support, he didn't have the financial backing he needed to grow. So at the end of 2000, Dutra first brought in his long-time friend and agriculture business partner, Alvaro Tomas from Brazil as a partner in Kimmie Candy, and then looked at transferring production from the company's original small facility in Rocklin, Calif., to Buson, Korea, to alleviate rising domestic ingredient and packaging costs.

"In Korea, we could buy 1,000 shippers for the same unit price of buying 10,000 shippers in the States because the Korean market is able to scale down," Dutra notes. "Their pricing was a lot more applicable to starting a new company."

Almost overnight Dutra's panned confections began impressing national distributors and were even welcomed in international markets like Turkey, Spain, Japan, Kuwait and Canada. Led by the unique taste and appeal of *Sunbursts*, Kimmie Candy's confections began winning over consumers young and old.

characteristic dynamic of hard work and innovation. Plus, Reno's weather patterns and business-friendly atmosphere made it perfect for panning.

"The transition [to Reno] was a very positive one, and it sat well with a number of issues," Neumann notes. "One was the business climate, but the other was the actual weather climate in Reno. It's conducive to panning candy, which requires moderate temperatures with a very low humidity average."

Nevada attracts companies, particularly those from California, because it doesn't have any inventory tax. Additionally, workers' compensation rates in Nevada sit at under 5% on the dollar, while California charged 24%.

Besides the business perks, it didn't take long for Dutra and Neumann to discover why Reno is known as the "biggest little city in the world."

"By the time we'd been to Reno three times to look for facilities, a large network of people knew that a candy company was thinking of coming to the area," Neumann recalls. "By the time we got here, the whole town knew we had arrived."

"Reno's big enough where there's always something to do, but it really has a small town feel. It's easy to walk around downtown—it's very quaint."

While Kimmie Candy had a city, it had yet to find a facility. In fact, it wasn't until late 2005 that the company purchased its current headquarters. The building seemed appropriate enough for candymaking, but the look of the building provided the impetus to buy.

The exterior of Kimmie Candy's new Reno production facility reflects the company's lively and lighthearted personality.



While the move to Korea was an initial success, the company had difficulty importing its products from Korea after the September 11th tragedy. Dutra decided it was time to bring the candymaking back to the U.S., and now he had the sales and funds to do it.

In 2004 Dutra made two vital decisions—he hired Art Neumann as executive vice president and chief operating officer and established Reno as the new headquarters for Kimmie Candy.

Neumann's high-tech experience combined with Dutra's agricultural background created the company's

The façade was perfect to paint. The decorative rock strips that adorned the front were painted a dark "chocolate" brown and the stripes between were painted orange, yellow, blue and green—bright colors that reflected the company's lighthearted and funky identity. The same bold colors were also splashed inside on walls, doors, shelves and display cases.

"We could pick stainless steel, but we're a candy company—we wanted to make it fun," Neumann says.

The building also possessed another coincidental quality—12 white panels above the front door perfectly fit

each letter of Kimmie Candy (including the space between the words).

"It really is unusual how the letters all fit—the building was just so set up for it," Neumann adds. "The facility really lent itself to Kimmie Candy—and it is a jewel in terms of finding it. On the market today it would go for \$2 million. It's hard to find stand-alone buildings of 16,000 sq. ft. near Reno's downtown."

The company paid \$1.3 million for the facility and began filling it with \$500,000 worth of customized automation. Between the Reno and Korea facilities, the company now owns 60 panning machines.

The Reno facility, which Dutra says is an exact replica of the Korean plant, is scheduled to begin production at the end of this summer. But even when the Reno plant reaches full capacity in 2008, Dutra says the Korean plant will continue producing to keep up with growing demand.

Dutra estimates that the two facilities will crank out 250,000 lbs. of candy per month. But as the company prepares for 24-hour production with new high-capacity machinery, he expects the number will increase to one million lbs. by next summer.

The shift of the company's production to Reno also prompted the lead candymaker from Korea, Oo In Jung, to relocate to the states.



Dutra describes Kimmie Candy's product portfolio to assistant editor Kelly Rehan.

"We believe [Jung] is one of the best panners in the world, he does such a tremendous job," Dutra says. "Panning is part science and part art. People who are good panners are like artists—they have to look at the color of the sugar coat they're putting on, they have to look at how dry it is because it's all perception of when they add the next coat. And if you look at the quality of our *Sunbursts* or *ChocoRocks*, we believe there's nobody who can do better than us."

Jung has assumed the post of v.p. of manufacturing and will ensure a smooth changeover once candymaking begins in Reno.

While bringing production back to the states will certainly strengthen Kimmie Candy's ability to efficiently distribute nationally—even more importantly—it integrates innovation and production together under one roof.

And though the company's portfolio already has a variety of colorful offerings—from healthful *Sunbursts* to



Flanked by Marina, Dutra and two crates of fresh *Peanut Crunchers*, candymaker Oo In Jung shows off one of the company's panning rooms.

whimsical *ChocoRocks*, the internal development team is always in R&D mode.

"We don't buy brands, we create brands," Neumann says. "And being a panning company, what we focus on is the development of centers. I know that merger/acquisition is the way a lot of companies grow their business, but for us being panners we have the ability to select a wide variety of centers, and so we don't have to look at other types of companies. It's easier to grow a company through its core value system."

To emphasize his point, Neumann says the company is currently experimenting with a coffee bean center that would be coated in chocolate and a candy shell.

Of course, more manufacturers today are combining coffee with chocolate. Still, Kimmie Candy hopes to stay ahead of the curve with other trends. Nevertheless, the company offers no sugar-free products, which may sound risky since it prides itself on the good-for-you *Sunburst* line.

"When the [sugar-free] trend started, we took a good look at it and decided to pass on it because it had done its bell curve and has come down. A lot of companies that devoted enormous amounts of money to it have not done well," Neumann says.

"But as a candy itself, the *Sunburst* line has been cited by a dietician as one of the healthiest candies you can buy in this country," he continues. "For us, having a product that already fit the parameters of being a nutritional-based candy suggested that we already had a product that fit the ideals that were being promoted. We're a small company—we can't jump on every bandwagon."

And considering the company was established on a product that was years ahead of the curve, it's no wonder Kimmie Candy doesn't settle for just any passing fad.

"I think we were a little bit ahead of our time when we started Kimmie Candy because our goal with the *Sunbursts* was to have a product that was healthier and better for you, and in the 1990s none of that had caught on yet," Dutra says. "Consumers would say, 'it's candy, it's not healthy,' but now eight years later we have a whole different culture with regards to chocolate and candy."

Undoubtedly the new wave of health-conscious consumers has propelled *Sunbursts* from an obscure candy/kernel combination to an expert-endorsed healthful confection.

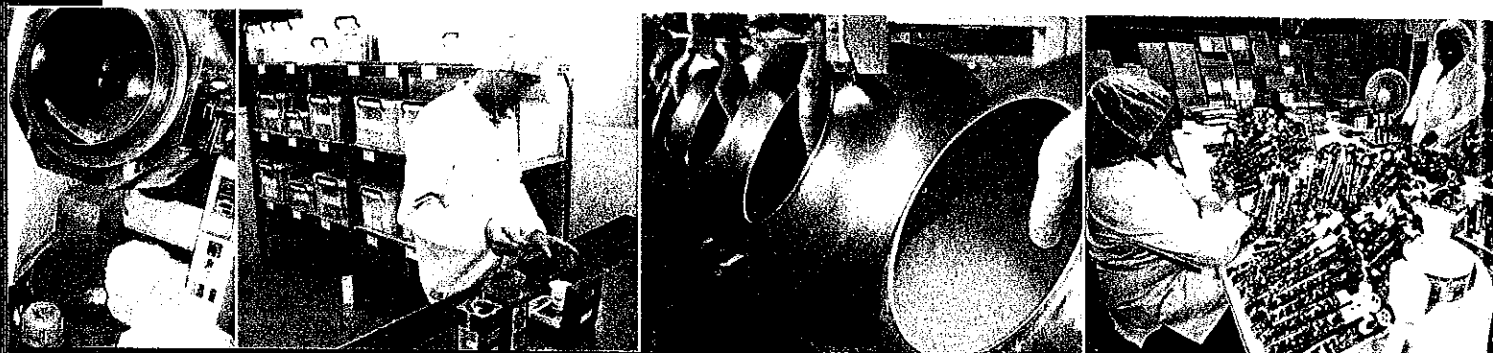
The process to create the unique treat takes three days and involves four different rooms, but it all starts with the kernel. Kimmie Candy purchases high oleic, long-shelf life kernels from Minnesota.

"Our kernels tend to distinguish our product—they're probably one of the most expensive kernels on the market," Dutra says.

attributes, Kimmie Candy created a Sunburst line extension called *LiFuel*.

The concept, which was developed in 2004, is the first designer nutraceutical in the country. Basically, each color of Sunburst candy features a certain vitamin, supplement or nutritional value. For instance, yellow might be Vitamin C, blue may represent Vitamin D or brown be caffeine.

Depending on the activity or behavior, you would determine the value system yourself—making it simple if perhaps you needed more iron and less Vitamin D. And *Sunbursts* perfectly lent themselves toward the design of the idea.



(Left to right) A worker in the Korea plant adds sunflower kernels to a roaster. A food scientist in Korea mixes colors for candy coatings. In the sugar room, the *Sunbursts* are sprayed with a bright coat of color made of sugar, water and dye. Workers gear up for the holiday season by packing green, red and white *Sunbursts* and *Peanut Crunchers* in festive tubes.

The roasted kernels are placed in a panner before being sprayed with chocolate. The company is currently working with Blommer Chocolate, but is looking to add other suppliers once Reno is up and running.

Once the chocolate is melted in a melting room, it is transferred to a spray room by means of a pressurized spray tank.

In the spray room, the dry roasted kernels receive seven coats of liquid chocolate in the panning machines.

Blowers then dry the freshly coated kernels with dehumidified air. The kernels then move to the polishing room to smooth out any physical imperfections. Afterwards, they must rest for 18 hours, which, Dutra explains, allows them to dry uniformly.

Meanwhile, in the sugar melting room, sugar, water and coloring are combined in a thick syrup.

Once the chocolate-covered kernels have dried, they return to the panners where they receive the final touch—a ladel of hot, colorful syrup. As the candy tumbles in the panner, it's constantly being coated while the blowers dry the kernels.

As an increasing number of consumers have opened up to the idea that candy can, in fact, possess healthful

"First, you need a delivery system that is small and incremental, you can't eat a whole ounce of Vitamin C at once," Neumann says. "It also has to relate to color—they just can't be all blue or you wouldn't be able to figure it out," he adds.

LiFuel will be packaged in a designer six-compartment jar or in 10-gr. bags of pre-created ratios of nutrients ideal for physical activities such as running.

But instead of targeting solely health-minded consumers, the Kimmie Candy team wanted to apply the concept to all demographics.

"When we decided to create a designer nutraceutical, we recognized that if we applied the nutrition to physical activities alone we'd be subjugated to people who were specifically looking for health benefits," Neumann noted. "So what we did was created it around behaviors, and that changed the way in which it could be marketed. Once you adopt a psychology or behavior, you've opened up the product to just about anything and everything."

Eventually, the company hopes to develop *LiFuel* suitable for just about any type of activity—from night driving to video gaming.

Taking a less conceptual stance, the company is also planning the release of its first dark chocolate *ChocoRock* and all-natural and organic lines of *Sunbursts* by the end of 2008. The organic lines will feature organic chocolate and sunflower seeds, while the all-natural confections will contain all-natural colors and chocolate.

And unlike sugar-free, the company sees the presence of dark chocolate and organic to be a more permanent fixture

in the confectionery industry.

"Organic and all-natural will never go away," Dutra says. "It just boils down to cost—people who want organic will simply have to pay more."

While it remains to be seen whether betting on *LiFuel*, organic or dark produces a winning hand, Dutra clearly already feels pretty lucky.

Though he says he's still very much connected to his farming roots, Dutra's decision to bank on the crate of candy-coated, chocolate-covered sunflower kernels was far more rewarding than it initially appeared.

"We just want to be successful at what we do and happy with the products we make—and right now we're both," Dutra says. "We've just had so many good things happen over the years that have propelled us forward. I think you're going to be hearing a lot more about Kimmie Candy."

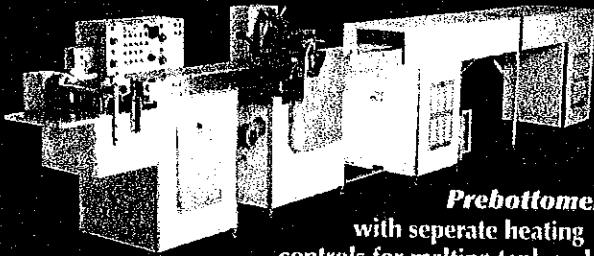
Risk and luck aside, Kimmie Candy has ultimately reaped what it has sowed. ☺



Fitting right in with the neon surroundings at Reno's Peppermill Casino, Dutra displays a selection of ChocoRocks and Gold Nuggets.

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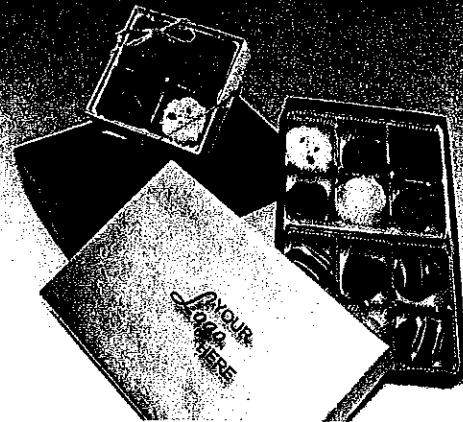
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