

Reduced output positions macadamia nut industry for record prices

However, the industry needs to create demand for a possible sudden increase in yields

A combination of the drought in South Africa and Malawi, consistent production levels elsewhere in the world, and increased demand from the USA and China will result in record prices for macadamia nut farmers for the 2016 season.

So says Alex Whyte, responsible for sales for Green Farms Nut Company (GFNC), South Africa's oldest and one of the world's biggest processors and marketers of macadamias. He is also the marketing manager of Green and Gold Nuts, the world's leading macadamia nut marketer, with customers in the Americas, Europe, Australia, China, and other countries in the Near and Far East.

"The drought will cause the South African crop to be 10% lower than last year and 20% lower than the 2016 forecast for the industry. Because South Africa is the world's largest producer of macadamias, our reduced production will cause a global shortage even though production in the rest of the world will be at normal levels.

"Demand from China has increased significantly over the past few years. It's South Africa's biggest market and they are insisting on higher quality than before. Specifically, they are looking for larger inshell with low levels of unsound kernel.

"While this limits our options for exporting to that market, it does mean that if we offer the right quality, we can set the price."

In many cases, the drought will cause the kernels to be smaller than China wants. However, demand in the rest of the world for macadamia pieces remains constant, enabling farmers to get good prices for the smaller kernels when cracked.

"Overall, the prospects for the 2016 season are so positive that we're expecting record prices," Whyte says.

"What we do need to do now as an industry while things are looking good, though, is plan for a few years down the line, when the drought has broken and we could have a sudden oversupply."

Irrespective of the drought, the ongoing planting of macadamia nut trees will see a doubling of South African production by 2020. Whyte believes a gradual increase over several years is manageable, if the industry focuses now on continuously expanding existing markets and creating new ones.

“However, once the drought breaks, the trees that are ready to produce now will put us into an immediate position of oversupply. Prices could plummet. So, we need to take a position on how to deal with that.”

Whyte feels that a price crunch of this sort should be tackled by the industry acting cohesively rather than having individual players attempt to cope on their own. The South African Macadamia Growers association is about to launch a promotion campaign to promote South Africa’s macadamias both locally and internationally.

“A fragmented approach by a fragmented industry would make it much easier for the market to exploit our collective weakness. We need a united front.

“Also, we at GFNC have already been in talks with food and beverage product development teams all over the world because macadamias can make a superior health and taste contribution to items such as bread, cookies, and ice cream. By engaging with new product development departments now, these companies can be ready to launch new products as supply increases. This is one way Green Farms Nut Company is planning for the future.

“But, the ingredients industry is a vast new market that comes with its own, very specific set of requirements.”

Quality and food safety requirements in the ingredients sector, where the macadamias would be one of several ingredients in a product mixture, are far more onerous than in the snack industry, to which the majority of macadamias are currently sold.

“One supplier can certainly break into the industry by meeting the necessary standards and doing the marketing spade work, as we are,” Whyte says. “But customers would want guarantees of supply and one processor on its own cannot offer that. The ingredients market is a significant opportunity for the industry to grow and we all need to grab it together.”