

## **New market opportunity opens for South African macadamia producers**

*Selling the nut as an ingredient rather than a snack offers the means for continuous industry expansion*

Dateline – At a time when drought and onerous input costs resulting from the Rand's weakness are putting the rest of South African agriculture under pressure, the South African macadamia industry is set to buck the trend by entering into a period of significant growth.

While South Africa is the world's largest producer of macadamias, the industry globally is small, comprising only 1% of tree nut volume. The potential for growth in the industry is, therefore, significant, with South Africa standing to gain most from any expansion.

To ensure the South African industry's growth, however, Alex Whyte, marketing manager of Green and Gold Nuts, the world's largest macadamia nut marketer and responsible for sales for Green Farms Nut Company (GFNC), South Africa's oldest and one of the world's largest processors and marketers of macadamias, believes the industry must make some refinements to the value chain. "We need to commit to considerable capital expenditure at processing level and collaborate, possibly through a levy, on the creation of new markets. Specifically, we should look at the food ingredient sector."

Whyte has just returned from exhibiting at Food Ingredients (FI) Europe 2015, the world's largest food ingredient expo, held this year at the beginning of December in Paris.

The expo has some 1 400 exhibitors and close to 30 000 visitors from 119 countries. Most of the visitors are professionals focused on creating innovative food products to satisfy the demands of increasingly sophisticated consumers. To stay competitive, food manufacturers must continuously provide new nutritional value and taste sensations.

The expo is linked to an online food ingredient network with over 100 000 members, globally.

"FI Europe is an ideal way to reach a vast new set of customers in just a few days," Whyte says. "Also, the fact that FI Europe accepts you as an exhibitor gives you credibility in an industry that is absolutely insistent on quality. To achieve the same levels of exposure through conventional marketing would take decades and millions of dollars.

"So, our presence at FI Europe opened a door for South African macadamia producers and processors into a market that could change our industry for ever. Walking through that door, however, is going to call for some changes in the way our industry operates."

Globally, macadamias make up only 1.5% of tree nut production – and 80% of macadamias are sold as snacks. In South Africa, the industry currently produces some 13 000 tons of macadamia nut kernel, most of which are processed locally and exported as snacks to markets in the United States, Europe, and China.

However, many farmers have planted new trees and output is expected to double by 2020. Securing offtake for the increased volumes of nuts could be challenging, as snack consumers are more familiar with almonds, cashews, and hazel nuts.

“Part of Green and Gold’s macadamia marketing is education of retailers and their customers on the taste and health benefits of the nuts,” says Whyte.

“We are also pro-actively introducing macadamias as snacks to markets where they are not yet consumed. These are slow processes, however. To increase sales to match the additional volumes we’re expecting, we need to sell our nuts to manufacturers of products like cookies, bread, ice cream, and chocolate. In fact, we see most of the future growth in macadamia volume going to the ingredient and food manufacturing sector.

“Macadamias work extremely well as ingredients, both in terms of taste and texture. We could very easily emulate the almond industry, in which 80% of the product is sold as an ingredient and only 20% as snacks.”

Whyte was gratified to find that FI Europe placed particular emphasis on natural and organic ingredients, with several pavilions dedicated to such products. “Consumers are becoming extremely health and environmentally aware. In that context, macadamias are a great option. As a tree-based industry, we are carbon neutral. Because the trees are robust, they need limited amounts of fertilisers and pesticides.”

FI Europe also has an entire pavilion dedicated to the promotion of imports from developing countries.

Whyte believes that this and the trend towards natural, organic products represent a window of opportunity for South African macadamia producers and processors to make significant inroads into the food manufacturing market.

“To achieve this, however, we must be able to guarantee supply. Food manufacturers won’t invest in us if we don’t invest in ourselves. That means, for starters, investing in processing equipment that will ensure 100% food safety of our nuts. The machinery is expensive but crucial to our being taken seriously by major food manufacturers.

“We’re also going to have to invest in relevant ISO and FSSC certification, which will probably mean adaptation of factories and training of staff. Green Farms Nut Company was the first in South Africa to achieve both and continues to keep its facilities at the

cutting edge of production technology to ensure food safety for their customers and efficient production for their farmers.

“However, it’s vital for all stakeholders that the industry presents a consistently responsible and professional image to our potential markets. One bad apple can tarnish the entire industry. We’re at a turning point. If we commit collectively, we grow collectively. If we hesitate, we stagnate.”

*Word count - 896*