

Green & Gold Macadamias

Market report: August / September 2020



Green & Gold
MACADAMIAS



CONTENTS

03 **Overview**

04 **Global crop supply**

06 **Market overview**

9 **Conclusion**

10 **Contacts**

OVERVIEW

Cultivating trends in any sector is a challenging task given the globe's current and unprecedented circumstances.

The ebb and flow of the macadamia fruition have been complex to predict, mostly due to the Covid-19 pandemic and a lower than expected supply of macadamias this year. Green & Gold Macadamias is navigating this confluent market dynamic by effectively marrying supply with demand, and most of its crop is sold.

The season started strongly with the world's largest retailers moving confidently to secure their projected 2020 requirements. However, sellers to the travel sector and manufacturers of impulse lines have been hard hit.

Downward crop revisions are largely attributed to adverse weather conditions, together with pest and disease control concerns. Countries and geographies have been affected individually and collectively, and so have the core macadamia segments of snack (retail), foodservice, and food manufacturing.



GLOBAL CROP SUPPLY



As the season progresses it has become apparent that, based on official estimates from the International Nut Council (INC), the global macadamia crop is likely to be 3% down (inshell) on the 2019 crop. This may seem counterintuitive given the rapid increase in orchard plantings over the last few years.

The downward trend in available supply is largely underpinned by decreased output in the two leading macadamia countries of origin, South Africa, and Australia.

Due to unfavourable weather conditions, Australia predicted a lower output, however, the severity of the downward revision of South Africa's forecast was not anticipated. Gratefully, this is somewhat offset by noteworthy crop output increase in Kenya.

China's official 22% (inshell) growth estimate appears impressive. However, it is widely accepted that due to the country's large number of smallholder growers (and the challenge this presents in accurately capturing data), these figures are overreported. Unofficial (and probably more accurate) forecasts for China's production are around 20 000 mt tons inshell, down 33% on the official 30 000 mt ton number.

China consumes most of its domestic crop and is also a significant net importer of macadamias.



20 000 mt tons in-shell

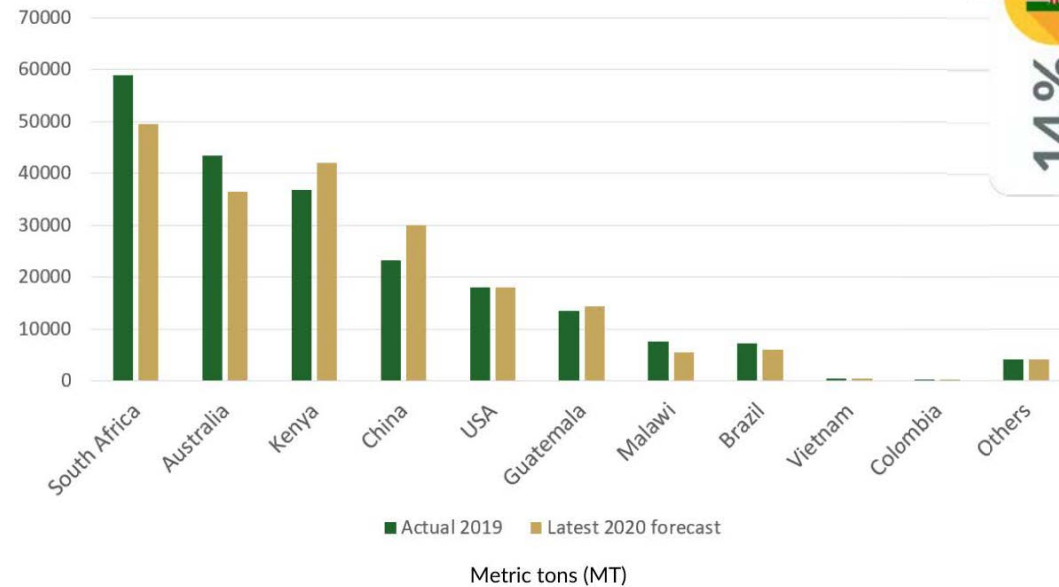
GLOBAL CROP SUPPLY

South Africa's downward revision may come as a surprise. Actual numbers become clearer mid-harvest and the South African Macadamia Association (SAMAC) has attributed this to climate, mature orchards, insect damage, and disease.

Due to early season commitments, 60% of the country's crop is likely to be shipped to China this year. Kernel output will be roughly half of what it was in 2019.

The silver lining looks to be the decent Kenyan crop, that will mostly be cracked and processed to kernels.

Global macadamia crop (INSHELL)



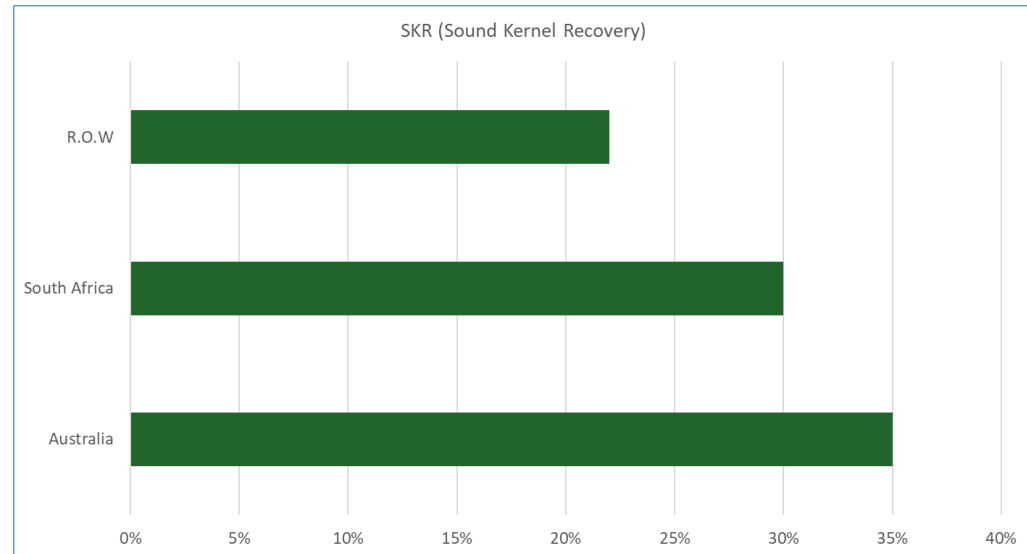
MARKET OVERVIEW

In general, prices are stable and forward contracts for macadamias are at levels of previous years. Retail sales of snack products and home baking packages are reported to be performing buoyantly as consumers look to eat healthy, luxury products at home during this time. However, changes in demand have been observed in the foodservice, travel, and convenience sectors.

Sound kernel recovery (SKR) tends to indicate the size and grade of the nuts available in the market. On average, Australia's is 35%, South Africa's 30% and the rest of the world's producing regions achieve approximately 22%. Lower crop output from Australia and South Africa means the market may be short on premium size products.

Macro trends like vegan and plant-based eating, together with macadamia health benefits being better understood continues to underpin growing demand for the product. But, as the economic aftermath of the pandemic unfolds, longer-term consumer spending and habits remains to be seen.

Specific trends are observed in the three core sectors of snacks (retail), foodservice, and food manufacturing.



MARKET OVERVIEW

Snacks (retail):

For the most part, this sector has held firm or even increased in sales, albeit demand for impulse related products is coming down. Private label snack products have performed well as consumers seek value in a brand they trust.

Lockdown related supply chain concerns and potential delays have seen retailers ensure their macadamia pipelines are well stocked and many have been calling off deliveries ahead of schedule.

In Europe, German retailers (who account for the largest snack market), report a spike in sales as many people turn to a healthy snack to pass the time while isolating at home. Additionally, many retailers appear interested in launching new “at home” macadamia baking packs.



MARKET OVERVIEW



Food manufacturing:

Impacts on food manufacturing is dependent on the type of manufacture, whether it be making biscuits for a large retailer, or small boutique ice cream maker. Each is individually affected. A slightly lower price for some ingredient grades has been observed.

For example, Germany has a strong confectionary industry both for domestic and international markets. Exports have come to a halt with less affluent countries deprioritising sweets, local German sales have increased during this time, but not enough to compensate for export revenue loss.

New product development on nut butter, ice creams, and other macadamia related products continue.

Foodservice:

Outside of tourism, the foodservice sector has been perhaps the hardest hit of all, and therefore naturally follows its course to macadamia sales. Many restaurants are closed, and those that are open are far less frequented than normal as people opt to stay home and socially distant.

Macadamias have a unique heritage in the travel sector as a popular gift and souvenir for tourists to Hawaii and Australia, this market too has been profoundly affected. Nut inshell sales to China remain steady though the product is moving more slowly through importers and distributors. Sales are largely attributed to China's low levels of inventory at the start of the 2020 season.



CONCLUSION

The macadamia industry's structure and size places it resiliently, perhaps also uniquely, given the current macro context within which we are operating.

Supply is down this year, and raw material (nut inshell) contracts are committed at the start of each season. We eagerly observe trends as they emerge.



CONTACTS

AMERICA,
AUSTRALASIA & CHINA



Brian Loader
CEO

Gold Coast, Australia
T +61 7 5575 2497
M +61 433 153 133

LATIN & NORTH
AMERICA



Beatriz Egreja Camargo
Sales & Marketing Manager

São Paulo, Brazil
T +55 14 3652 6299
M +55 11 99727 4307

EUROPE, AFRICA &
THE MIDDLE EAST



Alex Whyte
Sales & Marketing Manager

White River, South Africa
T +44 208 133 0484
M +27 720 311 838

CHINA



Sabrina Li
Key Account Manager

Shanghai, China
T +86 21 5150 1897
M +86 139 1628 5563

ASIA



Bobby Tan
Market Manager

River Valley, Singapore
T +65 6801 0668
M +65 9735 0500