



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/7/2006

GAIN Report Number: SF6007

South Africa, Republic of

Tree Nuts

Annual

2006

Approved by:

Scott Reynolds
U.S. Embassy

Prepared by:

Patricia Mabiletsa

Report Highlights:

South Africa's 2006 macadamia nut production is expected to increase to reach 19,500 MT wet-in-shell (WIS) because of expanded area harvested and enough rainfall in production regions. South Africa's macadamia production is projected to reach about 44,000 MT (WIS) in 2010, and expected to further double by 2016, when all new plantings have reached full production. South Africa's processing industry is still having enormous untapped potential.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1]
[SF]

Table of Contents

Executive Summary 3
Production 3
 Production Subcategory 4
Consumption..... 5
Trade..... 5
 Trade Subcategory 6
Source of Data: World Trade Atlas 6
Stocks 6
Policy 6
Marketing 7
Tariff Rates 7
Source: Jacobsen Book of Tariffs 7

Executive Summary

South Africa's 2006 macadamia nut production is expected to increase to about 19,500 MT wet-in-shell (WIS) from 18,500 MT (WIS) in 2005 because of expanded area harvested and enough rainfall in production regions.

South Africa's macadamia production is projected to reach 44,000 MT (WIS) in 2010, and expected to further double by 2016, when all new plantings have reached full production.

Total exports are expected at about 14,900 MT wet-in-shell. North America is South Africa's largest export market for macadamia nuts. Other major export markets are Asia (Japan and Hong Kong), the Middle East and Scandinavian countries.

South African macadamia industry indicates that land claims are one of their major issues that raise uncertainties for farmers. Land, as a political and social issue, dates back from the Native Land Act of 1913, which dispossessed blacks and exploited their social domination to the land. The current government of the Republic of South Africa imposed an obligation to land reform by facilitating restorative land justice, increasing access to land and improving tenure security. After ten years of democracy (since 1994), the government acquired more than 3 million hectare (only 3% of the total 87% of the agrarian commercial land) through a "willing-buyer, willing seller" policy and benefited about 1.2 million people. As the policy proved to be ineffective, the government is re-phrasing it with an indication of acquiring 30% of the agrarian land by 2014, by introducing pro-active acquisition of land targeting groups in the land market. The government also plans to complete restitution cases by 2008. These pose challenges to farmers in terms of investing on the land.

Production

BACKGROUND

South Africa's largest macadamia production areas are in Limpopo and Mpumalanga regions.

The table below indicates average total production per region.

2004				
Source	IIMPOPO	KZN	MPUMALANGA	TOTAL
WIS (MT)	6,531	781	4,938	12,250
DIS (MT)	5,944	687	4,315	10,946
TSKR(MT)	1,417	207	1,156	2,780
USK(MT)	239	43	177	459
SKR%	23.8	30.1	26.8	25.4
USKR%	4.0	6.3	4.1	4.2
TKR%	27.8	36.4	30.9	29.6
Unsound % of NIS Delivered	14.5	17.3	13.3	14.2

Source: SAMAC

The South African Macadamia Growers Association (SAMAC) is a dynamic organization, funded and directed by macadamia industry growers, processors and traders. The industry is export based and has tremendous growth and development potential to increase macadamia nuts production and exports. Its membership is open to anyone interested in macadamias worldwide. In South Africa, non-grower members pay an annual membership fee of \$168.63/year. A grower pays an initial joining fee of \$163.63/year and thereafter pays production levies. International membership rate is US\$ 210.00 a year. SAMAC has co-operation with other African macadamia producing countries like Kenya, Malawi and

Zimbabwe. SAMAC is a member of the International Tree Nut Council (INC).

Processing nuts are delivered with a moisture content ranging from 5% - 20%, and are kept in curing facility with a warm air to maintain an optimum moisture content of 3% that separates the kernel from the shell. Cracking is done mechanically, and kernels are graded according to oil content and are sorted for styling. Two quality inspections are conducted before the kernels are further dried to maintain optimum moisture content for packing, at less than 1.5%.

South African macadamias have an average “crack-out” of about 25%, which means 75% of the nut-in-shell weight at 3% moisture are just waste materials, consisting of a very hard, solid shell.

Research

In 2005, SAMAC reports a total expenditure of about US\$53,038.00 used on about 10 research projects. Research is funded by farmer levies and no government assistance is available.

Challenges

The South African Macadamia Association (SAMAC) plans to start predicting production volumes and identify new markets in line with their accelerated increase in production. To do so, they are looking at ways of assuring accurate tree census reports. The Industry will also address quality issues to be competitive in their markets.

Production Subcategory

South Africa, Republic of Macadamia, Inshell Basis							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	7000	10,300	0	14,300	0	15,000	(HA)
Area Harvested	3150	3,150	0	4,070	0	5,300	(HA)
Bearing Trees	1100	1,500	0	1,800	0	2010	(1000 TREES)
Non-Bearing Trees	1800	2,000	0	2,200	0	2,400	(1000 TREES)
Total Trees	2900	3500	0	4000	0	4410	(1000 TREES)
Beginning Stocks	450	567	480	7015	480	13665	(MT)
Production	16000	12,800	0	18,150	0	19,500	(MT)
Imports	0	7,698	0	5,000	0	3,500	(MT)
TOTAL SUPPLY	16450	21065	480	30165	480	36665	(MT)
Exports	15300	12,250	0	13,500	0	14,900	(MT)
Domestic	670	1,800	0	3,000	0	6,000	(MT)

Consumption							
Ending Stocks	480	7,015	480	13,665	0	15,765	(MT)
TOTAL DISTRIBUTION	16450	21065	480	30165	0	36665	(MT)

Consumption

In 2006, domestic consumption for macadamia nuts is expected to increase to total 6,000 MT (WIS). However, local consumers are reported to have been complaining about low quality nuts on sale.

Prices are expected to drop by US\$2 from 2005 to average about US\$10/kg in 2006.

Trade

South Africa, Republic of Macadamia, Inshell Basis			
Time Period	Jan-Dec	Units:	MT
Imports for:	2003		2004
U.S.	84	U.S.	111
Others		Others	
Malawi	7,476	Malawi	3,594
Zimbabwe	2,619	Zimbabwe	2,355
Zambia	720	Bukina Faso	474
Singapore	384	Singapore	411
China	372	China	204
India	192	India	159
Malaysia	81	Zambia	102
Pakistan	15	Malaysia	75
Netherlands	12	Belgium	48
Israel	9	Kenya	45
Total for Others	11,880		7,467
Others not Listed	570		120
Grand Total	12,534		7,698

Source: WTA

The World Trade Atlas data for 2004 shows macadamia imports about 39% lower than in 2003.

South Africa, Republic of Macadamia, Inshell Basis			
Time Period	Jan-Dec	Units:	MT
Exports for:	2003		2004
U.S.	4,917	U.S.	3,213
Others		Others	
Netherlands	2,391	Netherlands	1,812
Canada	1,785	Mozambique	1,179
U.K.	1,038	Germany	1,116
Japan	999	Spain	1,005
Germany	825	U.K.	942
Spain	807	Japan	642

Mozambique	678	Hong Kong	606
Zimbabwe	495	Canada	522
Hong Kong	459	Belgium	381
Italy	288		156
Total for Others	9,765		8,205
Others not Listed	5,487		4,045
Grand Total	15,252		12,250

Source: WTA

South Africa's total production is usually recorded in Kernels, which is 25% of the wet-in-shell weight.

Trade Subcategory

Tree Nuts Imports and Exports (Volume: MT, Value: Million US\$)					
		Jan-Nov 2004		Jan-Nov 2005	
Imports		Volume (MT)	Value (US\$)	Volume (MT)	Value (US\$)
0801	Coconuts, Brazil nuts, & Cashew nuts, fresh & dried	6,668	11.68	6,999	14.32
0802	Almonds, Hazelnuts, Pistachios, Walnuts, Chestnuts, shelled/in-shell, fresh/dried	1,893	9.40	1,632	12.18
080290	Macadamia Nuts	2,494	3.03	2,062	2.96
Total		11,055	24.11	10,693	29.46
		Jan-Nov 2004		Jan-Nov 2005	
Exports		Volume (MT)	Value (US\$)	Volume (MT)	Value (US\$)
0801	Coconuts, Brazil nuts, & Cashew nuts, fresh & dried	256.00	0.24	149.00	0.23
0802	Almonds, Hazelnuts, Pistachios, Walnuts, Chestnuts, shelled/in-shell, fresh/dried	21.00	0.04	62.00	0.46
080290	Macadamia Nuts	4,146.00	30.02	12,415.00	62.67
Total		4,423.00	30.30	12,626.00	63.36

Source of Data: World Trade Atlas

Stocks

South Africa's annual stocks for macadamia nuts are expected to reach 15,000 MT in 2006 because of a gradual increase in production.

Policy

The Macadamia industry is still an organization free from government intervention. It is levy funded by its members, and does not fall among the group of products that are controlled under the Agricultural Products Standards Act, which regulates standards for products sales(local and exports).

Marketing

SAMAC expects lower prices for 2006(US\$10) than in 2005 (US\$12/KG). Its strategy is to maintain selling prices for nuts as constant as possible in order to secure market shares. Market potential is still enormous and untapped especially for processed products.

Tariff Rates

Tariff rates for 2006		Last Updated: 07-June-2002		
HS Code	Description	STD Duty	MFN Duty	Permit Required
0802.11	Almonds, In-shell	Free	Free	Free
0802.12	Almonds, Shelled	Free	Free	Free
0802.2200	Hazelnuts/Filberts, Shelled	Free	Free	Free
0802.2210	Hazelnuts/Filberts, In-shell	Free	Free	Free
0802.31	Walnuts, In-shell	Free	Free	Free
0802.32	Walnuts, Shelled	Free	Free	Free
0802.50	Pistachios	Free	Free	Free
0802.90	Macadamia Nuts	Free	Free	Free
2008.1910	Walnut Kernels, In airtight containers	Free	Free	Free
2008.1920	Other nuts, In airtight containers	Free	Free	Free
2008.1999	Other nuts, In any other container	Free	Free	Free

Source: Jacobsen Book of Tariffs

South African tree nut processors, mainly for macadamia, basically crack and shell the nuts. A small amount of the nuts are value-added, either by in-shell flavoring/seasoning or roasting the nuts. Tree nuts are sold to local retailers/wholesalers packed in small plastic bags as snack foods. Lower graded nuts are crushed for butter and oil, used for salads, cooking and cosmetics, like luxury soaps. However, South Africa does not have enough facilities for oil processing, and it is expected that the steady increase in production for macadamia nuts will create demand for more value-added products.