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## Brazil

## Tree Nuts

## Macadamia Production in Brazil

## 2006

**Approved by:**

Elizabeth Mello, Agricultural Attaché  
U.S. Embassy

**Prepared by:**

Bernardo M. Oliveira e Silva, Agricultural Assistant

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**Report Highlights:**

Macadamia nut production in 2006 is expected to recover from last year's decrease by about 16%, reaching 3,350 tons nut in shell (NIS) and 760 kernel tons. In 2005, reduced import demand by the U.S. discouraged production. Domestic consumption is on the rise, forecast to reach 90 kernel tons in 2006. Industry expects to increase internal consumption 25% by 2008.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brasilia [BR1]  
[BR]

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## Executive Summary

Although Macadamia nuts are not the main tree nut crop grown in Brazil, production has been growing steadily and is gaining visibility in the local market. The macadamia tree was introduced in Brazil in 1931, but production only started to expand in the 80's. Most of Brazil's macadamia nuts are grown on the Southeast region of the country, concentrated in the states of São Paulo (33%), and Espírito Santo (31%), Bahia (18%) and Rio de Janeiro (10%). Hawaiian varieties represent 80% of all macadamia grown in Brazil.

According to industry figures, the number of macadamia growers in Brazil is currently estimated around 180. The number of commercial bearing macadamia trees in Brazil is currently estimated at around 714,000, covering an area of about 3,250 hectares.

Although Brazil has been producing macadamia nuts since early 1980's, official data is scarce and has only been available since 1998. Statistics are obtained through industry contacts and the Brazilian Macadamia Producers Association (AMB). Post uses a July - June reporting year for macadamia nuts. Production has grown gradually over the years, reaching an estimated 3,350 MT in 2006, with exports comprising about 95 percent of total production. Today, Brazil ranks sixth in global macadamia production.

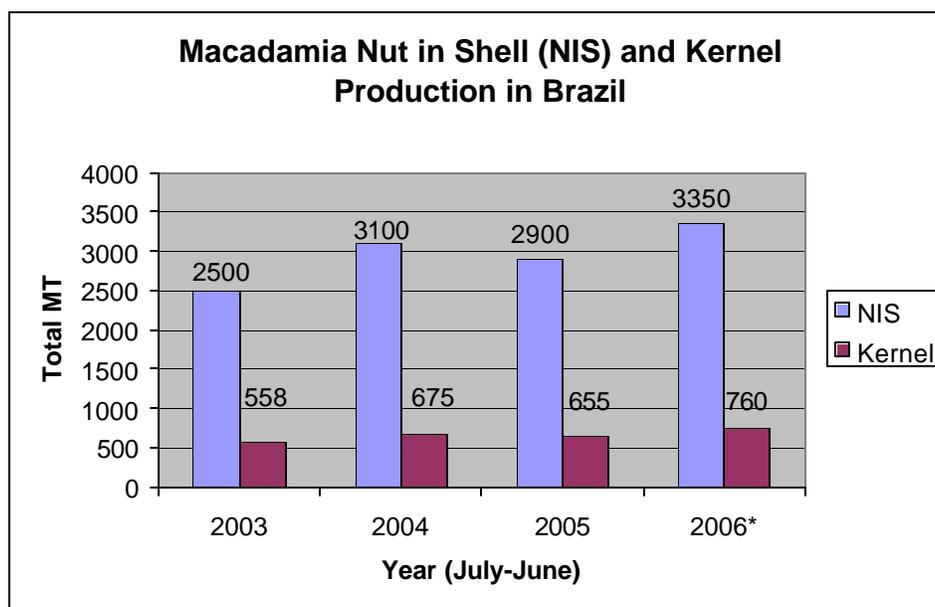
Nearly 88% of total Macadamia production is exported, of which approximately 72% is sold to the United States, 26% to Europe and the remaining 2% to other countries, such as Saudi Arabia and Japan.

## Production

Brazil is the largest producer of Macadamias in South America and is ranks sixth in global production. Forecasts for the 2006/07 crop reach 3,350 tons nut in shell (NIS) and 760 kernel tons, a 16 percent increase from 2005.

In addition to the increase in planted area, there was a significant elevation in kernel recovery (KR%), rising from 19% in 1998 to 24% in 2005. An additional factor contributing to the rising production is the entry of orchards planted in the late 1990's into production.

Although production has increased during the past five years, 2005 experienced a slight reduction (6%). Industry sources claim this was due to Hawaii's record harvest in 2005, reducing the demand for imported Brazilian macadamias.



According to data from Brazilian Macadamia Producers Association (ABM), the average density of orchards is 220 trees per hectare and the annual average productivity is approximately 20 kilos of nut in shell (NIS) per adult tree. Cost of production of macadamias in Brazil is around US\$ 1000 per hectare and producers claim that the average return of the investment is approximately 8 years.

Macadamia trees become fully productive after 6 years. Forecasts for production increases in the next 5 years are optimistic since nearly 31% of the planted trees are not fully matured.

Macadamia Trees and Planted Area in Brazil		
Age	Trees	Hectares
0 - 6 Years	326,000	1,500
> 6 years	714,000	3,250
Total	1,040,000	4,750

## Consumption

Consumption of macadamia nuts in Brazil is still very small, basically due to its high value. Although Brazil's per capita income has been increasing over the past decade, the demand for other nuts, such as Brazil nuts, cashew nuts and peanuts is still higher. Industry sources claim that macadamias are twice the price of Brazil nuts and 14 times more expensive than peanuts. Still, there is good perspective of internal demand growth as exchange rate remains unfavorable and consequent export reduction will channel the production internally

Currently, the domestic market consumes approximately 91 kernel tons, an increase of 80% from 2003. Industry expects to increase domestic consumption by 25% until 2008. Macadamia nuts sold internally are normally peeled and salted, packaged in bags of 100 and 150 grams. Lower graded macadamia nuts are sold to small processors and crushed for oil and butter. Currently, macadamia oil and butter processing capacity is around 200 liters per month.

There are three medium-sized macadamia nut processors in the states of São Paulo, Espírito Santo and Rio de Janeiro, each with processing capacity of 2,000 tons per year, directing the majority of their products to the foreign market. There are approximately five small-sized processing units in Brazil, which focus on supplying the internal market.

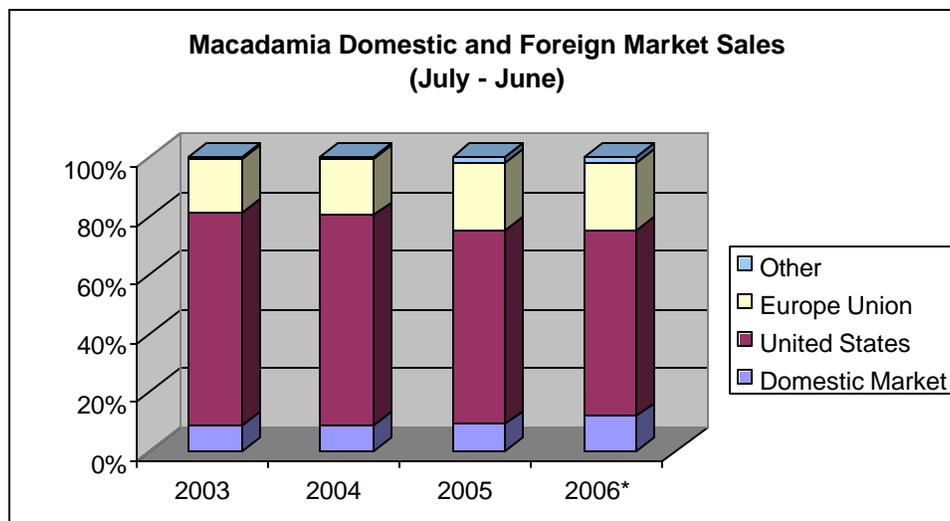
## Trade

*Note: The Brazilian Government does not separate Macadamia nuts from the general category of "other" nuts in its official trade data. All trade data is supplied by Post private sources.*

Brazil Macadamia Exports							
In Kernel Tons							
July to June							
Country	Quantity			% Share			% Change
	2004	2005	2006	2004	2005	2006	2006/2005
World	615	595	670	100	100	100	13
United States	480	430	480	78.05	72.27	71.64	12
European Union	130	150	175	21.14	25.21	26.12	17
Others	5	15	15	0.81	2.52	2.24	0

Exports are estimated at 670 kernel tons in 2006, showing a 13% increase from the previous year. Among the major markets for Brazilian macadamias, the U.S. remains the largest buyer, accounting for 480 tons in 2006. Hawaii's record macadamia harvest in 2005, and constant valuation of the Real, has negatively impacted the Brazilian macadamia sales abroad. Future export trends for Brazilian macadamia will depend on Hawaii's ability to supply the U.S. market.

Brazil does not import macadamia nuts. The import tariff for macadamias is 10 percent.



### Policy

According to ABM, the industry does not fall under any government policies. ABM is currently seeking partnership with APEX, the Brazilian Export Promotion Agency, to initiate export promotion campaigns of Brazilian macadamias abroad.

APEX is responsible for coordinating and financing up to 50 percent of the cost of promoting Brazilian products overseas and its goal is to attract more small and medium sized companies into the export business.

Another measure studied by the Ministry of Agriculture, Livestock and Food Supply (MAPA) and ABM is the development of a program similar to the PIF (Integrated Fruit Production) Program to increase nut quality, reduce production costs and use environment friendly procedures.

The PIF program was developed by Inmetro (Brazilian Standards Institute) and MAPA to substitute conventional practices applied to Brazilian fresh fruit production. Primarily directed to small and medium producers, the program has helped boost exports, add value, and increase the credibility and professionalism of the Brazilian fruit industry.

### Marketing

According to ABM, the average price received by the producer was US\$ 1.00 per kilo in 2004 and an estimated US\$1.40 in 2005.

Macadamia oil is sold per kilo wholesale in 50-liter containers for US\$ 80 and retail markets for approximate US\$ 27 per bottle (185 ml).