



## NEWSLETTER NUUSBRIEF

25 June 2018

To our valued suppliers,

Following a number of enquiries from our growers regarding rumours about the Chinese market, we would like to communicate our perspective on the situation.

Issues have stemmed from the trade war between the US and China (CNBC news article: [China says the US has "initiated a trade war", and Beijing isn't afraid to fight back](#)).

Macadamias are extensively exported into China through "grey channels", which are used to avoid high import duties into the country. Due to the ongoing trade and tariff duty conflict between the US and China, Chinese authorities have clamped down on all "grey channels". This is to ensure China's retaliation tariffs imposed on the US have the intended effect. Unfortunately, macadamias appear to be caught in this cross-fire.

As a result of this, Chinese ("grey channel") importers are dialling down their activity this season and are attempting to delay shipments in the hope that the embargo will pass. This has seen a slight softening of the nut in-shell price.

The impact of this may play out similarly to 2015. Whereby the new Chinese premier intended to demonstrate a clamp down on corruption and so also closed off "grey channels" which resulted in huge contract defaults. In the long term, fundamentally the Chinese market at a consumer level remains durable, however it is the route to this market which is compromised.

For exactly this reason, one of our strategic imperatives has always been to ensure we spread our risk in all markets around the globe to ensure we don't leave our growers exposed. And as such we planned to only sell 20% of our 2018 nut in-shell intake to China. Because of this we feel secure that our growers are not likely to be overly affected by this issue.

However, we will continue to monitor the situation carefully. Should it deteriorate - as it did in 2015 - we will reduce our exposure to China to under 20% to ensure minimum risk to our grower base. The longevity of our relationships with, together with our loyalty to the kernel market, means that we are well positioned

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to serve the very the growing demand of this reliable active buying market. Additionally and our 3 processing facilities have capacity to crack our entire intake if necessary.

A positive to the ongoing trade war between the US and China is the weakening Rand. The majority of our currency has not been covered for the 2018 season and we will look at potentially revising our exchange rate offer. Please also remember that any exchange rate benefit will get passed on to you at the end of the season.

We will keep you updated on market developments and rest assured our professional marketing team are responding proactively.

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