



## NEWSLETTER NUUSBRIEF

September 2018

Dear Valued Supplier,

As we are nearing the end of the 2018 harvest it seems fitting that we reflect and update you on the current macadamia nut market. Green Farms Nut Company (Pty) Ltd made the decision to limit our volumes to China to less than 10% this season, when we foresaw a possible escalation of the Trade War between China and the USA. This has proved a wise decision for the following reasons:

- The Chinese crop is projected to be  $\pm$  20,000 tons.
- The impact of the Trade War has de-valued the Yuan by 8%.
- Less appetite to risk the “Grey Channel”, means that buyers are having to pay high duties.
- Cash flows for both traders and buyers are tied up on stock in a basket of nuts, leaving macadamia nuts as a peripheral small player.
- Buyers are picking and choosing the large high Sound Kernel and especially large sized in-shell product only.
- We saw a similar pattern emerging in the pecan industry 7 years ago with Chinese buying focused solely on high SKR and sized in-shell. We would expect the Chinese buying of macadamias to follow a similar path as the supply increases over the upcoming years.

The above has resulted in a drop in demand and prices, and some buyers reneging on contracts in China.

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The exception to the above is product that is being channelled through Vietnam and in many cases being cracked for the kernel market, which is in turn is competing in the kernel consuming countries. We all know where this will end.

Green Farms Nut Company is in the extremely fortunate position to be able to crack 100% of our intake. The kernel market is still very strong and demand from our customers remains buoyant.

Although the 2018 harvest season is nearing the end, all three of our factories are open, in production and are still receiving deliveries. If you are a long standing supplier “spread the word” especially to those that have never delivered to us before, we have excess capacity at our new plant in White River. The early season teething problems are well behind us and we need more product to satisfy demand from our kernel customers.

The projections for 2019 are still good and our profit share for 2019 is once again looking positive. We continue to focus on building the South African industry and maintaining the future in the control of our hands and not giving it to external traders, please support this policy which will protect your long-term future ! We are planning further capacity expansions at all our factories for 2019.

We have “skin in the game” !

Kind regards

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