

MACADAMIAS ON THE RISE

Green & Gold Macadamias Market Report: May 2019



Green & Gold
MACADAMIAS

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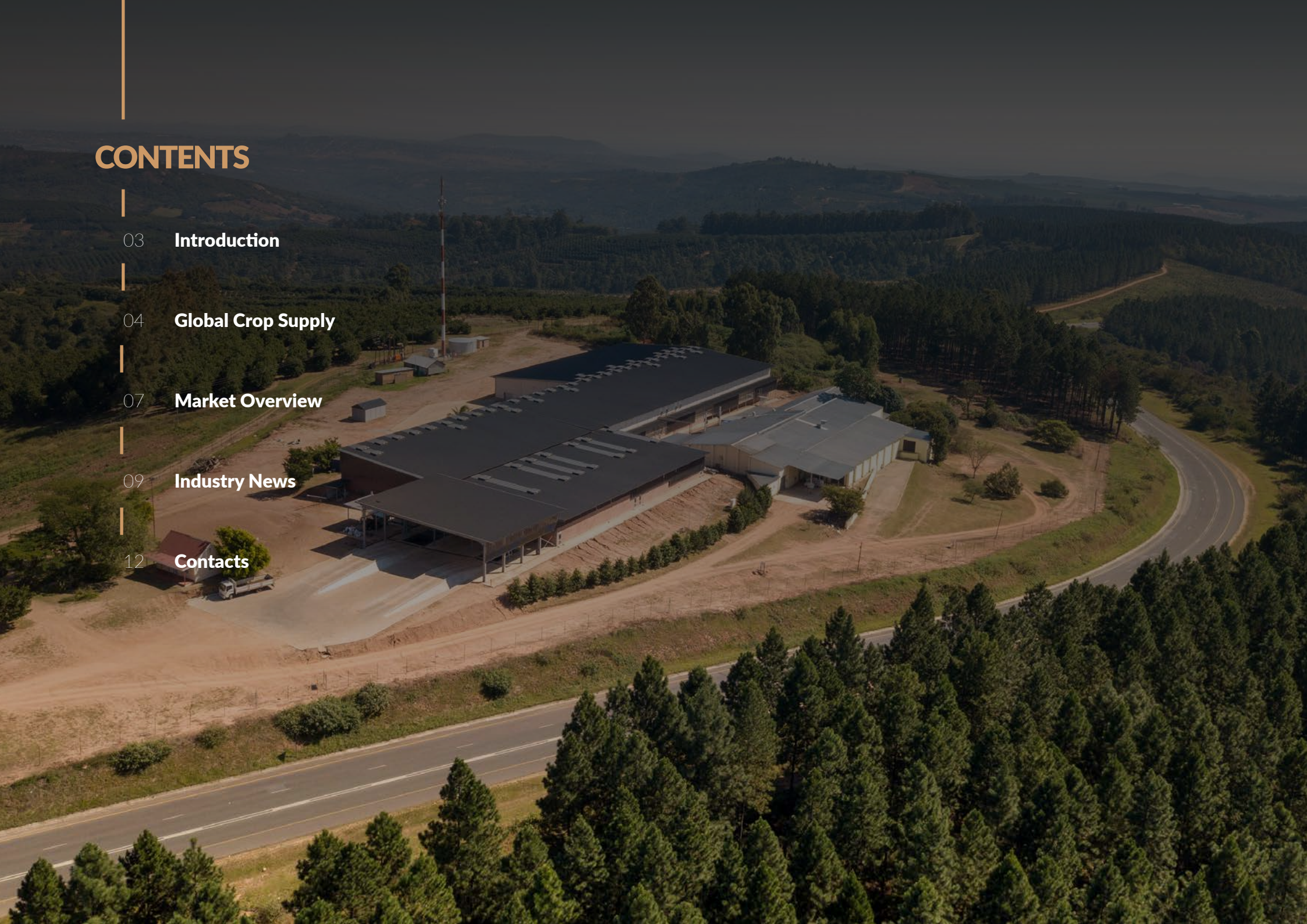
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INTRODUCTION

The EAT-Lancet Commission report released earlier this year advocates that 40% of our daily protein should come from nuts. This, together with the ever growing trend to plant based eating, means the nut industry is set to radically continue its growth trajectory. Total tree nut supply value has almost doubled since 2008, and is estimated to reach 37.5 billion dollars in 2018 / 2019. Macadamia value has increased by 103% in this time.

Continued growth in demand for supply has seen the macadamia industry critically reinvest into the sector. South Africa, the world's largest producer, has for example planted an average of 15 000 new hectares the last three years.

"Both demand and supply growth leaves the market relatively tight in the short to medium term. While the longer term view looks to ease as supply begins to meet demand." *Brian Loader, CEO, Green & Gold Macadamias*

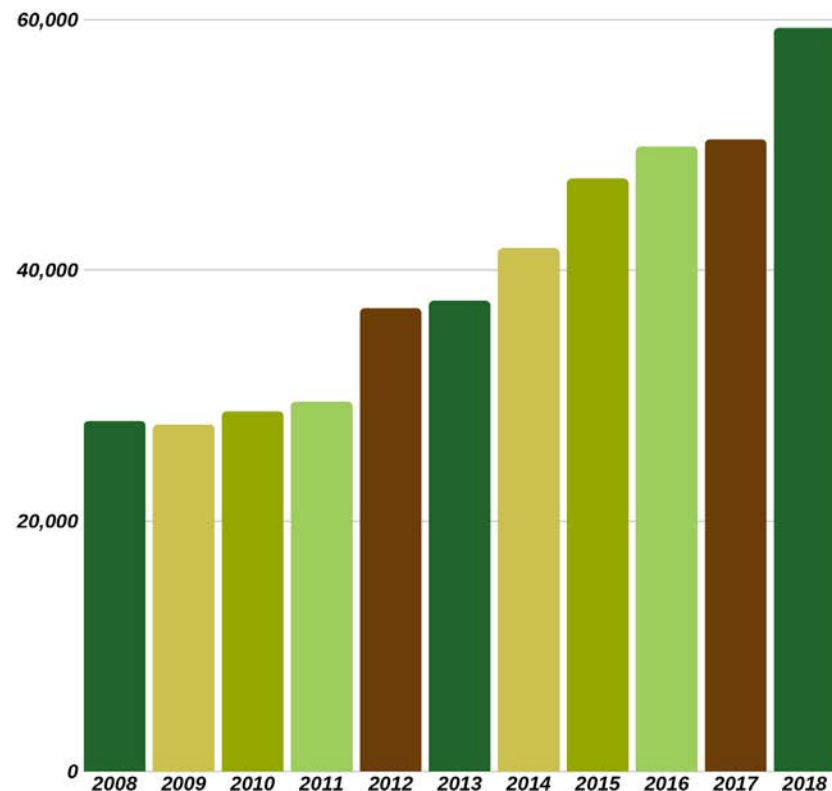
"Transformation to healthy diets by 2050 will require substantial dietary shifts. Global consumption of fruits, vegetables, nuts and legumes will have to double, and consumption of foods such as red meat and sugar will have to be reduced by more than 50%. A diet rich in plant-based foods and with fewer animal source food confers both improved health and environmental benefits." *Prof. Walter Willett MD, Harvard, EAT-Lancet Commission Report*



GLOBAL CROP SUPPLY

Total tree nut production has risen sharply over the last decade. Macadamia supply, has increased by an impressive **57% in 2018 / 2019**, when compared against the prior 10 year average. Each year the macadamia crop grows by an estimated **3000 mt tons (kernel)**. 2018 saw the global crop supply reach **59 300 mt tons (kernel)** - **up 18% on 2017**. South Africa (29%) and Australia (25%) together produce more than half the world's macadamias.

WORLD MACADAMIA PRODUCTION Kernel Basis (Metric Tons)



+57%
over prior
10 year
average

GLOBAL CROP SUPPLY FORECAST

2019 supply forecast was 5% up on last year, however the latest projection looks to be 1% down. Notwithstanding the downward revision supply is anticipated to increase 9000 mt tons (in-shell) on 2018. This is largely due to East Africa growing regions being down 15 - 20% due to drought. Hawaii, also due to adverse weather conditions, is anticipated to produce less than expected.

South Africa's production remains on the rise increasing from 56 500 mt tons (in-shell) to a forecasted 58 500 mt tons (in-shell) in 2019.

China's crop is up 40% at 29 962 mt tons (in-shell). This is likely to be absorbed within their domestic market without affecting import appetite. Chinese consumption is growing not only in nut in shell, but also for kernel and as an ingredient.

"Our crop growth projection remains extremely positive, from 1,100 tonnes to 2,000 tonnes over next 7 years. G&G has a large network of reputable producers and have an established strategic customer base, in a variety of segments around the globe. We are confident that the market will be geared to absorb the increase of our Maclands product" *Graham McLean, Managing Director Agriculture, Camellia Group.*

Growing region	Current anticipated crop forecast
South Africa	58 500
Australia	49 900
East Africa (Kenya and Malawi)	38 516
China	29 962
USA	18 000
Brazil	7 500
Other	30 050
Total	232 428

Table 1: Revised 2019 forecast in key growing regions (mt tons in shell)

"South African product quality looks good, however we anticipate smaller nut kernel recovery. This is largely attributed to orchard recovery process following drought in 2017." *Allen Duncan, CEO, Green Farms Nut Company*

ESTIMATED WORLD MACADAMIA PRODUCTION

Kernel equivalent - Metric Tonnes

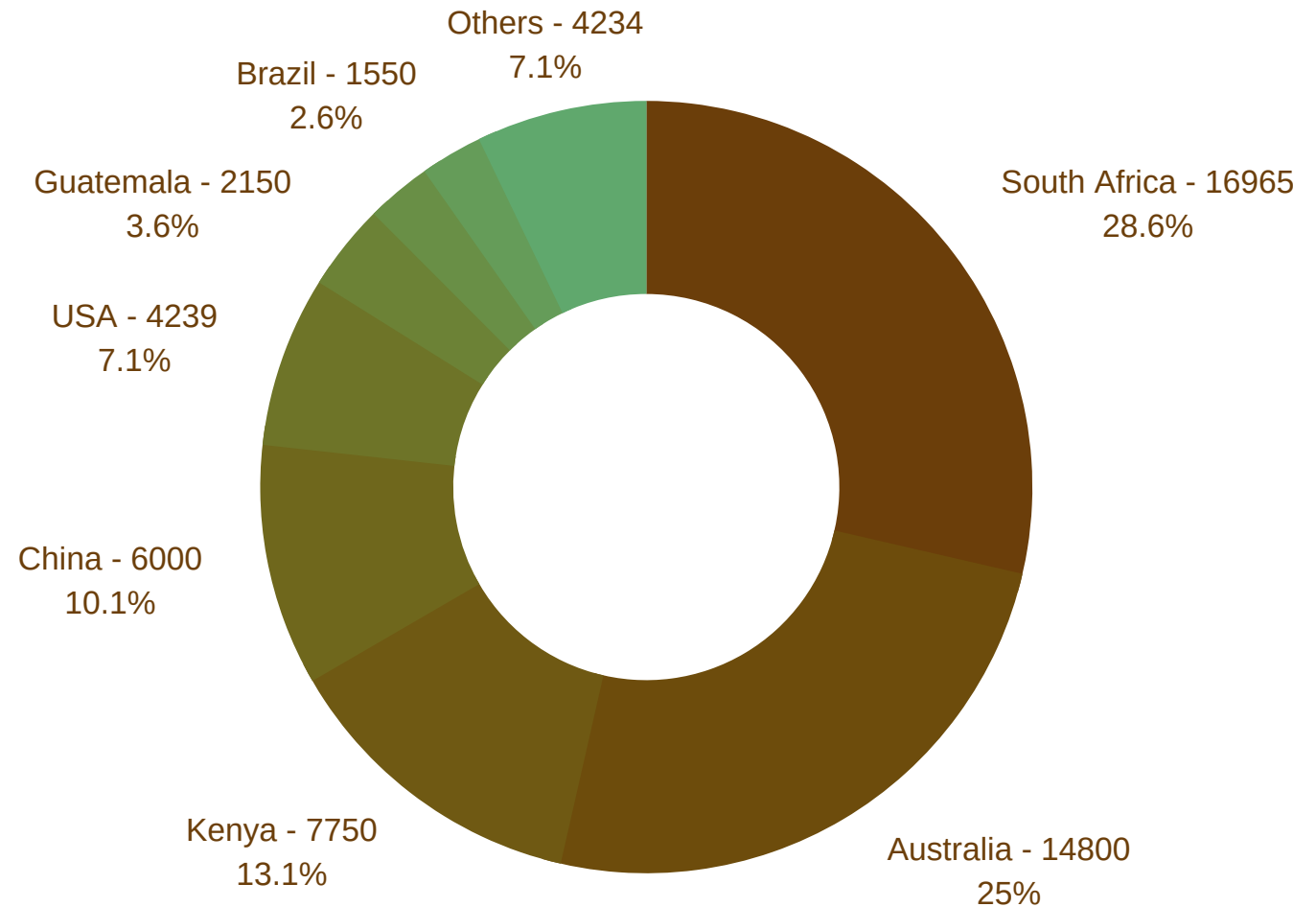
GLOBAL CROP SUPPLY FORECAST

The market remains tight, however is expected to ease over the long term as plantings come into production. Given projections of more available supply, the opportunity for organisations to explore how macadamias are used as an ingredient (rather than snack) is more tangible.

Green & Gold Macadamias has launched an ongoing programme to inspire innovation in how macadamias are used at all levels of the supply chain.

2018 MACADAMIA PRODUCTION

Kernel Basis (Metric Tons)



MARKET OVERVIEW

The U.S. remains the largest consumer of macadamia kernel. And China of nut in-shell. Whilst it is too early in the season to predict how much supply will be available throughout the year, it is recommended to forward buy for the season based on need.

G&G is committed to supporting their customers. Its recent partnership with leading UK listed business Camellia Plc sees G&G grow their kernel supply base by 20%, despite downward pressure on 2019 supply.

“Market demand remains resilient - and macadamias maintain their place at the premium end of the nut segment - this means kernel and nut in shell prices remain bullish. Customers continue to be open to talking about macadamias as an ingredient - as a dairy alternative, in pastes and butters - amongst others,” *Jens Borchert, Director, California Direct.*



MARKET OVERVIEW

Despite earlier uncertainty around the Chinese market, it has continued to buy and import aggressively. This, together with growth in demand for kernel in their domestic market has resulted in prices remaining buoyant.

Nut in-shell appears to be joining the fray of the typically bullish kernel market. Still predominantly driven from China, albeit with a tighter specification for product, the in-shell market too is experiencing upward price pressure. Chinese market for kernel is also on the rise, which means nut in-shell market is paying competitive kernel prices.



INDUSTRY NEWS

INTERNATIONAL NUT COUNCIL CONGRESS

Hosted 23 - 25 May in Boca Raton, Miami, this year's INC has once again attracted key industry players and stakeholders throughout the tree nut sector. With 1 300 delegates from over 60 countries this marked the largest ever gathering, - signalling the continued emphasis of nuts as a necessary and innovative food.

G&G, together with some of their processor partner networks including Green Farms Nut Company, Stahmann, Suncoast Gold and Queen Nut, took the opportunity to gather valuable market updates. It offered immersion into cutting edge thought leadership and unrivalled networking opportunities.

The G&G network once more established their position in market as a global leaders in macadamia producing, processing and marketing.



PARTNERSHIP WITH CAMELLIA PLC

A strategic marketing partnership between G&G and AIM listed Camellia Plc commenced in January this year. This adds to G&G's extensive processor and producer partner network in key growing territories including Australia, South Africa, Kenya, Malawi and Brazil. Both organisations take a long view of the macadamia market, and emphasise growth in supply, together with changing consumer demands, means planning for the future central to philosophy.

Consumer trends around healthy plant based eating - and sensitivity to sustainable, ethical and traceable food production - is likely to result in unprecedented innovation in how macadamias are consumed (not only as a snack, but increasingly as an ingredient).

Global supply of macadamias has increased over 50% in the last 5 years to 210,000 tonnes in-shell. According to the International Nut Council, the crop is projected to double again by 2023. Innovation will be the key to the market's ability to absorb this volume.

"G&G has cultivated longstanding direct relationships with key customers and leading retailers. Market diversification, together with the vision for value add and vertical integration, places G&G in a strong marketing position for years to come." *Graham Mclean, Managing Director of Agriculture, Camellia.*



PRODUCT INNOVATION

G&G invests into an ongoing programme to inspire innovation in how macadamias are used at all levels of the supply chain. A leading new product development laboratory was selected to deliver the first phase of the initiative. This tested macadamias as a dairy alternative in creating a mushroom soup, mango smoothie and yoghurt. Results demonstrate tangible business possibility while delivering to healthy eating consumer demands.

A key finding is that due to their high healthy fat content, macadamias have very high and stable emulsification properties. This means little to no product separation, together with the preservation of creamy texture. Additionally, macadamias are neutral in flavour (unlike coconut for example) which makes way for a variety of applications. It is also an excellent flavour carrier, again due to its high fat content.

Focus group findings supported that, from both taste and texture perspectives, participants could not tell that macadamia was used instead of milk for both the soup and the smoothie. The yoghurt texture resembled that of dairy yoghurt, however participants could taste that macadamias were used. For some that was positive, for others not. Acceptance and preference testing received a variety of scores.

“It is only a matter of time before macadamias take their rightful place alongside other nut counterparts. In dairy alternatives, bakery, butters, pastes and others. Not only because of the health necessity of plant based eating - but also because of its intersection with better preserving our planet. Many of our customers are strategically focussed to reorient their business in support of plant based foods.”

Brian Loader, CEO, G&G



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