

Macadamia farmers explore new markets amid price challenges

By Lindi Botha | 8 March 2024 | 6:30 am

Macadamia prices paid to farmers reached rock bottom last year, leading to many farmers seeking alternative markets for their nuts rather than the traditional approach of selling to local processors.



Giraf Macadamia Drink is one of the brands offering a milk-alternative for especially the vegan market and unlocking more value-adding opportunities for macadamia nut producers.

Photo: Lindi Botha

This is however pushing the split between nut-in-shell (NIS) sent to China and kernel sold elsewhere unfavourably towards the former.

Speaking at the AmberMacs Expo, held in White River, Mpumalanga, Philip Mofarrige, managing director of AmberMacs, cautioned that an overdependence on the NIS market would place South Africa in a precarious position.

“We will be giving any marketing power we have away to the Chinese if we don't diversify our markets and spread risk.”

He said in addition to selling a substantial portion of the local crop to kernel markets spread across the world, value-adding would be the biggest driver of the industry's sustainability.

“South Africans are very innovative and resourceful; we are already seeing a range of products coming onto the market (flours, butters, milks, nougats) and there is far more scope to create a sizeable value-added industry in South Africa. This is how we will grow the market.”

With prices dropping below the point of profitability for many farmers, selling NIS directly to international buyers knocking on from gates has been tempting, since prices offered are slightly higher than those offered by processors in South Africa. But he said this was a short-sighted and potentially harmful action since it would cripple the industry in the long term.

“Farmers need to ask themselves what will happen when the buyer disappears with their nuts but fails to pay them, or if the shipment is rejected due to quality issues. These are issues I have faced as a processor – imagine if it happens to your whole crop.”

Economists speaking at the expo predicted that prices would recover this year by at least 15% on the back of improved economic conditions and low stock levels. Juan Winter, managing director of Source BI, said that on average, farmers should be getting around R38/kg of NIS this year.

He noted most of the macadamia trees in South Africa were not yet in full production, meaning that volumes would rise significantly in the coming years, placing pressure on prices. “The wave is only starting now.”

Rising input costs were also affecting income: farmers were receiving nearly R204 000/ha in 2019; this dropped to just over R82 000/ha last year.

“Prices have sky-rocketed while income has dropped. We've also seen a decrease in yields, with the average farm in 2019 yielding 3 051kg/ha, while last year it stood at

2 427kg/ha. All these factors influence farmers' ability to repay loans and stay in business."

With prices expected to rise, Winter predicted that income should rise to nearly R122000/ha while production costs would remain stagnant at R67 000/ha.

Winter too cautioned against an overreliance on the Chinese market and said short-term gains in prices needed to be balanced against long-term sustainability.

Both highlighted India as a potentially lucrative market, but much work needed to be done to gain favourable market access.