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Africa's pomegranate industry**

The economic contribution of the macademia industry in South Africa

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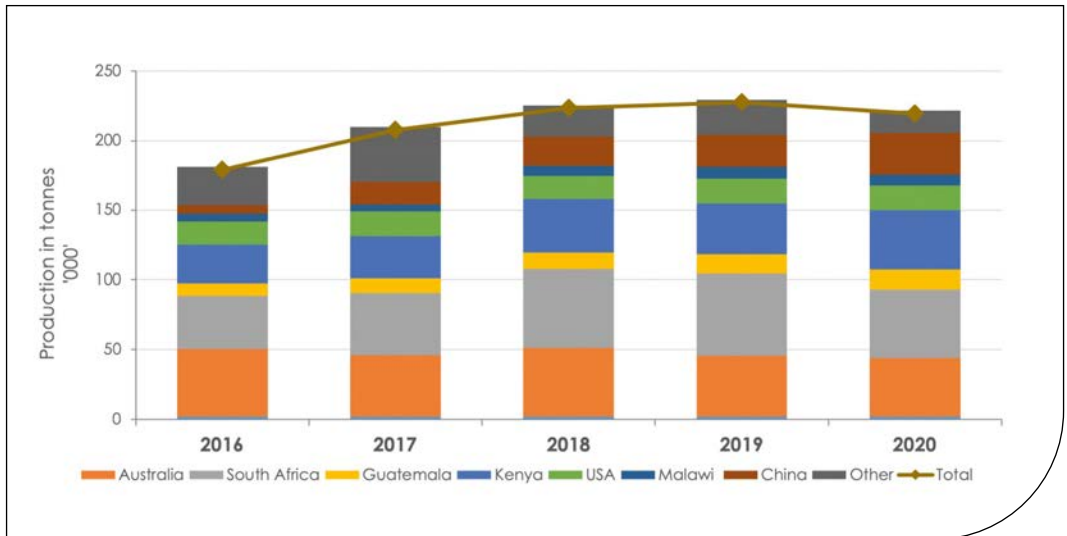
1. Introduction

The macademia nut industry is among the fastest-growing agricultural industries in South Africa. Macademia trees are produced for their edible kernel (nuts). The macadamias are consumed in many ways including as a snack (e.g. coffee-glazed macademia, honey-roasted macademia), bakery and confectionery (e.g. muffins, chocolates), and other uses (e.g. cosmetics, beverages and oils) (INC, 2018). In line with South Africa’s policies that promote high-value, labour-intensive, and export-led growth, this sector has the potential to contribute positively

to the economy. In 2020, the macademia value chain created 27 000 jobs, with a full-time equivalence of one worker per hectare (SAMAC, 2021). For a detailed analysis of the macademia industry, the following sections will present global trends, major markets, South Africa’s industry performance, and potential markets.

Figure 1 represents the world macademia nut production and the growth over five years, increasing from a minimum of 178 937 to 224 411 tonnes between 2016 and 2020 (SAMAC, 2021).

Figure 1: World macademia nut production (tonnes) (2016–2020)



Source: SAMAC, 2021



The major world producers of macadamias for the past five years include Australia, South Africa, Guatemala, Kenya, the United States of America, and China (see Figure 1). South Africa's macadamia nut production was at 48 295 tonnes (under 50 133 ha) in 2020, a decline of 17,7% from 2019 (SAMAC, 2021). It is forecast to grow by 18,2% (to 57 834) in 2021 (SAMAC, 2021), whereas the world macadamia nut market is set to grow by 6,6%. Over the past ten years, the world increase towards healthy eating has led to the growth in the macadamia nut industry, improving the industry's production by 24% relative to the previous decade (Kalaba, 2019; Venter, 2019; Wood, 2020). However, this product is considered a luxury commodity in many regions.

Macadamia nuts remain a small sub-sector of world nut production, accounting only for 1,28% of the total global market share (ABSA, 2019). Figure 2 shows world macadamia nut exports from 2007 to 2020. World macadamia exports of shelled nuts and nuts-in-shell (NIS) have shown growth from 37 000 tonnes in 2007 to 101 000

tonnes in 2020, and ultimately to a value of R13 billion in 2020 (ITC, 2021).

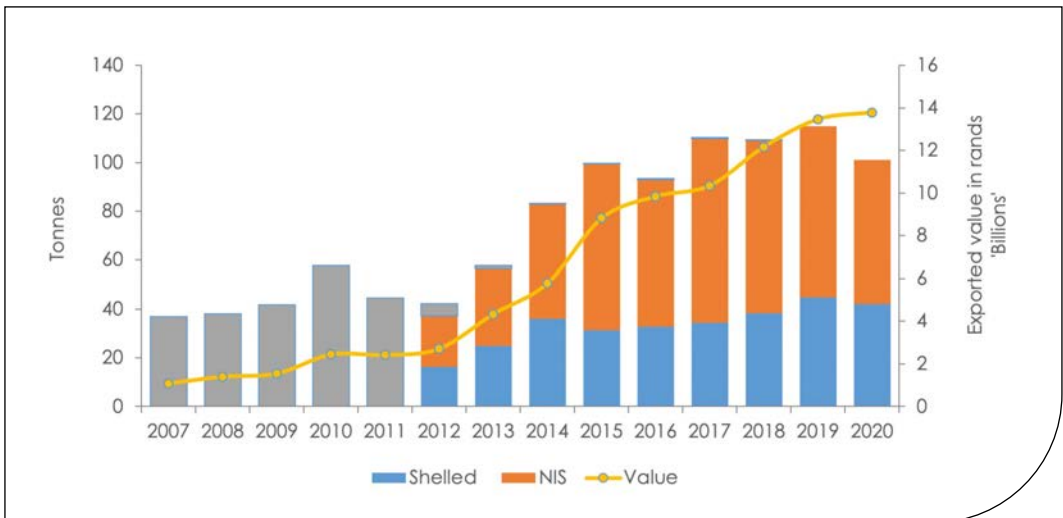
In 2020, South Africa remained the leading exporter of macadamias in the world, accounting for 29 604 tonnes, followed by Australia at 26 846 tonnes and Hong Kong at 8 283 tonnes in 2020 (see Table 1). The South Africa's macadamia nut exports in volume terms (tonnes) showed a growth rate decline of -0.78% over the past five years (2015–2020).

China (28 140 tonnes), Vietnam (22 238 tonnes), and Hong Kong (12 025 tonnes) remained the world major importers of macadamias in 2020 (see Table 1). The five-year growth rate of imports in China should signal the importance of this market to South African exporters and producers of macadamia nuts.

2. South Africa's market performance in the macadamia nut industry

South Africa's macadamia nut production is dominant in Limpopo (LIM), Mpumalanga (MP) and KwaZulu-Natal (KZN). The total

Figure 2: World macadamia nut exports volumes and value

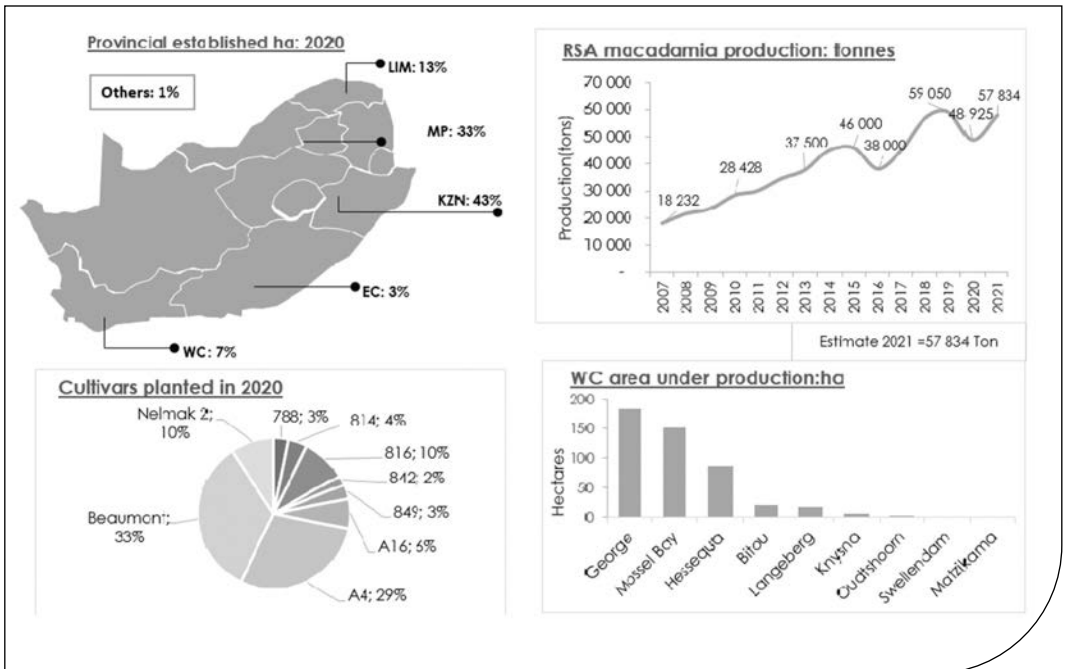


Source: ITC, 2021

Rank	Exporters	Tons: 2020	5-Year Growth (%)	Importers	Tons: 2020	5-Year Growth (%)
1	South Africa	29 604	-0,78	China	28 140	5,39
2	Australia	26 846	1,23	Viet Nam	22 238	0,00
3	Hong Kong	8 283	-10,00	Hong Kong	12 025	-10,58
4	Guatemala	6 629	16,24	USA	8 558	-7,53
5	Zimbabwe	4 684	7,92	Germany	3 774	3,41
6	Kenya	4 600	2,06	Kyrgyzstan	3 411	0,00
7	China	3 046	4,28	Thailand	3 290	64,04
8	Uganda	2 975	97,10	Japan	2 572	2,58
9	Brazil	2 274	46,41	Netherlands	2 271	-1,55
10	USA	1 836	-24,77	South Africa	2 245	-4,92
	Other	10 277	3,47	Others	10 496	-3,31

Source: ITC, 2021

Figure 3: Breakdown of provincial established hectares in South Africa



Source: SAMAC, 2020; StatsSA, 2020



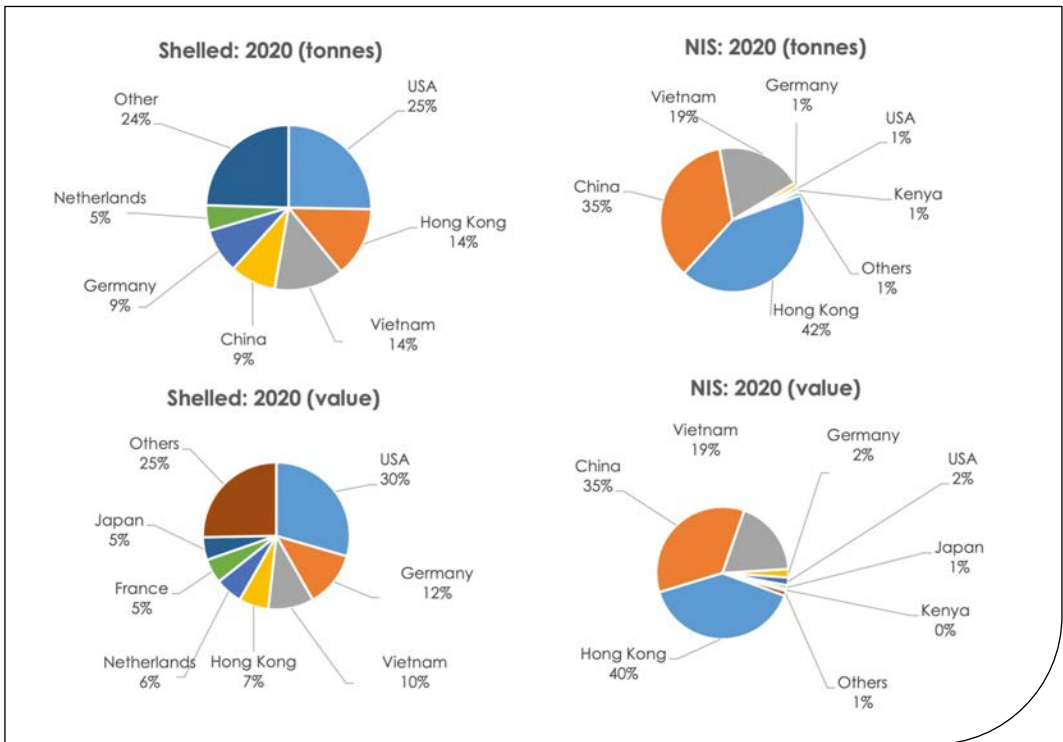
area under macadamia nut production in South Africa is currently 50 133 ha with newly established hectares in KZN (43%), MP (33%), LIM (13%), and the WC (7%) (SAMAC, 2021; StatsSA, 2020).

Beaumont is the dominant cultivar grown in South Africa, followed by the cultivars A4 and 816 in 2020 (see Figure 3). The Western Cape established 373 ha of macadamia nuts in 2020, with a total area of more than 500 ha under production. When taking 2017 as a benchmark year at 202 ha (270 tonnes), this would translate to 264 jobs created on Western Cape macadamia nut farms (Sibulali, 2020; StatsSA, 2020). About 70% of the Western Cape’s macadamia nut production takes place in the George and Mossel Bay regions (see Figure 3).

About 98% of South Africa’s macadamia nuts are exported to the global market. South African macadamia nuts have shown a pronounced exponential growth over the past decade, leading the country to export 29 602 tonnes of its production in 2020 (ITC, 2021; SAMAC, 2021). South Africa showed a pronounced growth of R345 million in 2007 to R4,5 billion exported in 2020.

Figure 4 lists the major markets of the South African macadamia exports. In 2020, 25% of South Africa’s shelled macadamia exports (volume) went to the USA, followed by Hong Kong (14%) and Vietnam (14%) among the top importers (ITC, 2021). On the other hand, South African NIS macadamia exports went to Hong Kong (40%), China (36%), and Vietnam (19%), accounting for

Figure 4: South Africa’s top export markets in volume and value terms: 2020



Source: ITC, 2020

7 214 tonnes, 6 046 tonnes and 3 303 tonnes, respectively. To take advantage of different export markets and to meet processing needs, the South African macadamia nut industry requires more cracking facilities.

3. How competitive is the SA macadamia nut industry in the global market?

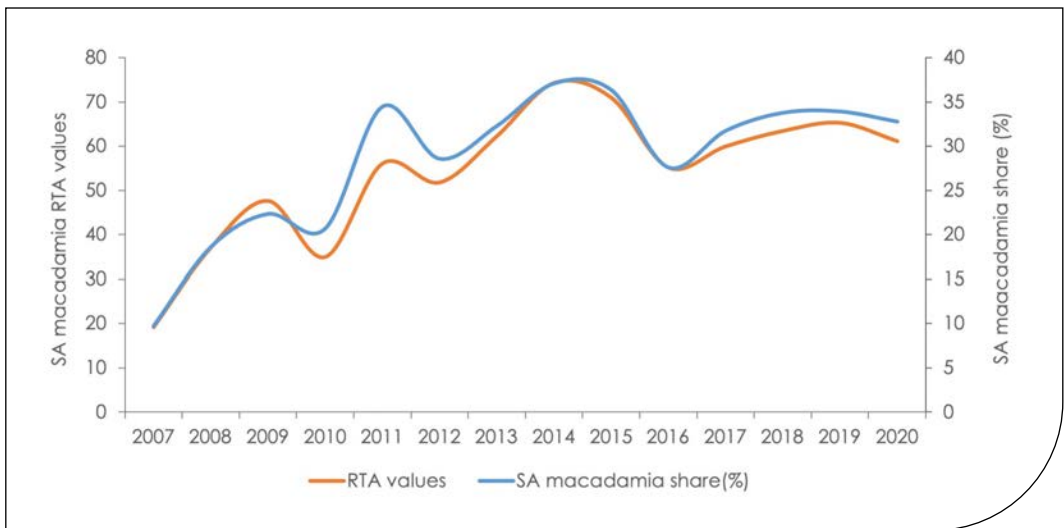
To measure the competitiveness performance of the South African macadamia nut industry, a composite index, Relative Trade Index (RTA), was used in Figure 6.

Barr (2019) refers to the RTA index as a comprehensive analysis of competitive trade analysis determined by exports and imports at market prices. An RTA value above 1 indicates a competitive advantage, whereas a value less than 1 justifies an absence of competitiveness (Forsberg & Hartmann, 1997). From Figure 5, the South African RTA value of macadamia nuts recorded the highest value in 2014 and showing a sharp decline in 2016.

4. Attractive export markets for South African macadamia nut industry

Searching potential markets for South African macadamia exports is crucial. In doing so, the Market Attractive Index (MAI) was developed to identify these markets (Sibulali, 2020). This index is the result of indicators such as gross domestic product (GDP), population, exports, and tariffs. Using the MAI value between 0 and 100, the higher MAI index signals attractive markets for South Africa. Using the specific macadamia nuts Harmonized System (HS) codes, the MAI of the two macadamia nuts products were analysed. The top three attractive markets for shelled macadamia nuts in 2019 (HS: 080262) included Kuwait, Saudi Arabia, and the USA. On the other hand, the most attractive markets for NIS macadamia nuts (HS: 080261) include Hong Kong, Malaysia, and China in the same period. Nonetheless, South Africa has lost shelled macadamia export market shares in Hong Kong and

Figure 5: The RTA values and SA macadamia share (%)



Source: ITC, 2021



Malaysia from 2015 to 2019, with declines of 8% and 100% respectively.

5. Discussion and recommendations

Around the world there is a strong demand for macadamias, because of growing production over the past few years, reaching 224 411 tonnes in 2020. South Africa (22%), Kenya (19%) and Australia (19%) remained the leading world producers in 2020. The major importers of South Africa's macadamia nuts in terms of value and volume include Hong Kong, China, the USA, and Vietnam. The current expansion of new plantings in the Western Cape shows a potential to create jobs in the province in future. For the macadamia nut industry

in South Africa to remain successful, it needs to maintain a competitive edge on the global stage. Optimisation of value-adding activities and searching for new markets and improving access to them, are crucial. Given the world demand for macadamia nuts, the Western Cape has the potential to increase its investment flows into production to supply markets such as the USA, Germany, and Japan with shelled macadamia nuts, whereas potential markets for NIS macadamias are the UK, Malaysia, and the United Arab Emirates, among others. Finally, more emphasis should be placed on innovative research and consumer education about the health aspects of macadamias, for the industry to take advantage of world growth opportunities.

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