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HIGHLIGHTS

The 2024 SA pecan crop is almost all collected

China remains the dominant buyer of pecan NIS from South Africa

Macadamia vs Pecan comparison

Potential changes to South African NIS Pecan market dynamics

Shipping from South Africa

The 2024 SA pecan crop is almost all collected.

At weekending 23 August 2024, SAPPA (South African Pecan Producers Association) reports 33 318mt of NIS delivered to processors. This is a record crop for South Africa. It is bigger than 2022 which ended at 31 849 mt NIS . Potentially there remains a further 4 weeks for deliveries to come in from the farms.

Of the intake, only 22 249mt has been graded. This information shows that 94% of the total graded is >55% sound kernel ratio. That is excellent quality in terms of kernel fill.

The size of pecans graded until now illustrates

Size Grade	Percentage of total
Jumbo (J)	4,5%
Over Size (OS)	28,5%
Extra Large (EL)	36%
Large (L)	23%
Medium (M)	7%
Small (S)	0,5%

China remains the dominant buyer of pecan NIS from South Africa

China remains the dominant buyer of pecan NIS from South Africa, with at least 94% of the crop being exported to that destination. Traditionally, NIS was the preferred product at consumer level, where the pecan was roasted and packed inshell. The consumer would typically buy three or four pecans in a shrink-wrapped plastic packet.

The Chinese market is changing. Supermarkets in China are selling pecan kernel. The kernel is mainly junior mammoth halves natural. However, the kernel s also value added in a number of ways. An example is pecan whole half coated with a combination of sugar and salt, then roasted. That is an interesting crunchy texture with a sweet/ savoury flavour.

The region where the nuts are processed is very affluent. The supermarkets are well positioned and stocked. Consumers are clearly selective in terms of variety and quality of

products the buy. E-commerce continues to be a very important distribution channel for Chinese market.

There is no doubt the Chinese market for pecans is buoyant and will continue to grow. The demand is now spreading from exclusively the bigger jumbo and oversize NIS to include the medium, and large size NIS. The whole spectrum of pecan NIS sizes is in demand.

Redsun's observation for the shift is

1. Evident economic upliftment of the man in the street, selecting the easier kernel snack over the traditional "in shell" product that involves the cracking process by the consumer, and
2. Most importantly, China is very price sensitive. The smaller large and medium pecans is bought at cheaper prices than the premium price levels of the OS and J pecans. This is a major reason for the move towards a kernel market at consumer level.

There exists very strong competition among nut processing factories in China. The supply in South Africa pecans is sought after. The timing of the SA pecan crop vs the other pecan supply options being Mexico and USA is attractive.

Macadamia vs Pecan comparison

As demonstrated by the macadamia market of 2023, the Chinese market can move enormous volumes "at the right price". In 2023, there was an oversupply of macadamia in shell in South Africa. The price dropped. China normally buys 25 000mt of Macadamia NIS from South Africa annually. As a result of the drop in the price due to marketing and processing issues, South Africa exported 50 000mt of macadamia NIS to China in a single year (2023). It is confirmed that during August 2024, there was nothing left over from the double quantity of macadamia NIS from SA. It is all about price.

Potential changes to South African NIS Pecan market dynamics

FJMH are produced from medium to large NIS pecans.

That means the market of this size pecan NIS will become more competitive in SA due to the Chinese demand. The supply of these sizes is limited as seen on the chart at the beginning of this report. There is about 30% of total for M and L. XL can fall into the cracking and NIS market (36%). The traditional NIS product (OS and J) exported to China will probably have price competition from the smaller size NIS. There will be a smaller gap between the OS and J on the one hand and the XL, L and M on the other.

The availability of junior mammoth halves will be under pressure from South Africa for the European kernel market. The opportunity exists to develop a market for the bigger mammoth half market. This size is produced from Large and extra large NIS. According to USDA standards, a Mammoth Half is <250 pieces per lb (<55 pieces per 100gr). A junior mammoth half is between 55-66 pieces per 100gr

The pecan pieces supply will continue to grow, along with the increasing volume of pecans being produced in South Africa.

Shipping from South Africa.

Shipping of product from South Africa is slow at present. the reason seems to be the following

1. Shortage of “food grade “ containers in all South Africa harbours. There is no reason that can be given for the shortage. The fastest source of food grade containers is the incoming containers being unloaded and returned to the shipping company. This shortage affects all shipping companies. Although there is a booking that Redsun has secured on a ship, we cannot load because there are not enough food grade containers available. On MSC Cassandre /NZ431R we could not load 12 containers due to the shortage of food grade containers. We are now trying to load MSC AVNI / NZ433R . So far we are 10 food grade containers short.
2. Weather conditions in Cape Town are causing loading to be stopped. Vessels are not able to enter the harbour. Cape Town there is a 1 - 4 days delay. In Durban the delay is 9-14 days due to weather conditions. There are apparently 8 m high swells. Port Elizabeth was closed for two days this week. Expectation is positive that the weather will improve with the approaching spring season.
3. Defective and malfunctioning equipment at the ports are also causing delays.
4. We are also finding that there are smaller vessels calling at the South African ports. MSC CAROLE / NZ436R has the ETD of 21 September. The ship is already fully booked. Redsun has only 15 containers booked on that vessel.

Redsun is very concerned about the delays in shipping as it is affecting the service levels to our customers. Our Cape Town shipping warehouse is filled to capacity at 60 containers waiting loading instructions. The problems is across all the shipping lines serving South Africa.

SIAL Food Fair

Redsun will be exhibiting at SIAL food fair from 19-23 October 2024. Our booth is at Hall 8. Please come and visit us to discuss further.

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