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## **REDSUN PECAN POST #1 – 2021 JULY**

### **Highlights of this Report**

#### **Information about the SA Pecan crop 2021**

#### **European Market for pecans**

#### **Redsun plan for the 2021 pecan season.**

#### **Construction of the Redsun Pecan Factory**

#### **Information about the SA Pecan crop 2021**

The timing of the pecan crop in SA is July to August. The crop is expected to be 18,000mt in South Africa. This is down from the original estimate of 22,500mt. (2020 was 21,000mt). The crop is also later than usual due to the warmer weather. Pecans require icy or frost conditions at harvest time.

As usual, China is the buyer of the major volume of pecans from South Africa (93%). They are buying gradually. No huge demand at this stage. The USD prices have not moved as yet. The only adjustments are as a result of movements in the USD/ZAR exchange rate. Farmers are concerned about the low prices.

The market is expecting the price to lift at the end of July due to the Chinese market becoming more active because their existing pecan stocks (Mexico 2020) will be almost depleted. Furthermore, at this stage the Chinese see no urgency to buy due to the growing crop size in SA. However, this will change when the Chinese realise the SA pecan crop is shorter than expected. We expect the price to increase by no more than USD 0,40 per kg higher in the OS, XL and L ranges. The medium and small prices will remain the same level.

The disposable income of the Chinese consumer is coming under pressure due to rising costs in a variety of areas. This may push more attention and price buoyancy towards the large, medium and small NIS

#### **European Market for pecans**

The European market remains very limited for the in NIS. Our estimate for the entire European NIS market is 600mt NIS per year. The use of NIS in Europe is limited to the Festive season from 10 December to 10 January. The product is typically XL and L polished NIS. The timing of the SA crop is ideal for this market. We believe there is a strong potential to grow this market. The pricing has dropped over the past year due to slower demand in China. In 2020, the XL / L combination of polished NIS was around USD 5,50 per kg. The same product today is USD 4,30-USD4,50 per kg.

Farmers in South Africa are usually assisted with a consistently weakening ZAR. However, since April 2021 to today, we have experienced a strengthening of up to 15% on the exchange rate. Pecans are a long term crop, and farmers must look to the long term future, as their volumes increase after the tree passes 7 years in the ground.

The strong interest by European buyers is for the kernel. That is shelled pecans. This is directed towards the mammoth halves, junior mammoth halves, topper halves, large pieces and small pieces. Demand is good and is consistent through out the year. The pecan is a relatively new product to Europe, which is more accustomed to the walnuts. There is work to be done to increase demand for pecans in Europe. Redsun is well experienced to perform this market development.

USA has been out of the pecan kernel market in Europe since January 2021. The reason is not clear. Sales to China from USA during 2020 crop were low. Therefore, the volume sold to USA crackers by farmers was more than in previous years. The prices were also competitive for the crackers, due to the slower sales to China. The slower sales were caused by the political stress between USA and China in October -Dec 2020. In addition, the import duty for USA pecans into China was 23% against SA and Mexico at 7%.

Most European buyers require the normal food safety certifications such as BRCGS from the processors. That restricts the number of cracking facilities in South Africa that will qualify to deliver kernel to European buyers.

### **Redsun plan for the 2021 pecan season.**

Object is to buy 500 mt of pecans nut in shell (NIS). The NIS will be divided as follows

1. 160-200 mt NIS polished. This volume will be sorted and polished at the Redsun facility and sold to our European customers. The sizes will be mainly XL, and L
2. 250-300mt NIS natural to be sorted and packed at the Redsun facility and sold to Chinese buyers. The sizes will be mainly OS and XL.
3. 50mt of NIS will be retained and used by Redsun for commissioning the Redsun cracking facility when it is completed in Keimoes, (roughly during December 2021). This should yield approximately the following
  - a. 7500 kg mammoth halves
  - b. 4000 kg junior mammoth halves
  - c. 3000 kg topper halves
  - d. 5000 kg large pieces
  - e. 5500 kg small pieces

Once our cracking factory is complete and commissioned, we plan to use the facility to process 1000 mt of NIS to be purchased from the 2022 crop. The volume will increase to 2000mt for the following year, 2023. Thereafter we have plans to double the capacity in line with the development of the SA pecan crop.

The SA Pecan crop is growing at an impressive rate. During 2011 the crop in South Africa was 4,900mt NIS. The 2020 crop, 10 years later, was 21,377mt NIS. That is an average of 33% growth per year.

The planning of Redsun is eventually to have a cracking facility that will crack 4,000 NIS per year (2,000mt kernel), and pack 2000mt NIS for in shell exports.

### **Construction of the Redsun Pecan Factory**

The work has commenced for the construction of the Redsun pecan cracking facility adjacent to the Redsun Raisin factory in Keimoes. This will be a factory with an initial size of 4,320m<sup>2</sup>, comprising part dedicated to NIS processing and part for cracking and kernel sorting.



Please let me have your comments or request for further information.

Peter Kuilman

6 July 2021