



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 1/28/2004

GAIN Report Number: GT4005

Guatemala

Tree Nuts

Macadamia

2004

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Report Highlights:

Guatemalan macadamia production and exports have increased around five percent in the last year. In addition, the Guatemala nut industry is capturing the value added by manufacturing macadamia by-products.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Guatemala [GT1]
[GT]

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Executive Summary

Guatemala's macadamia nut production increased around five percent in the last year in comparison to 2002. In 2004, nut production is expected to increase by around 5 percent as new plantings start to bear fruit.

Guatemala's nut production for 2003 is estimated at 10290 MT (wet-in-shell basis). Production in the year 2004 is forecast to increase to 10780 MT (wet-in-shell basis). During 2003, weather changes did not affect nut production. In 2003, average yields were 5.8 MT/Hectare, steady from the 2002 average yields. In the year 2004, average yields are not expected to change.

Guatemala's macadamia nut exports for 2003 reached 9900 MT (wet-in-shell basis), up from the calendar year 2002 exports of 9500 MT (wet-in-shell basis). In 2003, 5300 MT (wet-in-shell basis) were exported to the U.S. and the rest was distributed between Japan, Taiwan, Hong Kong, Singapore, Canada, Sweden and Norway. Increases in exports and production compensate for decreases in price, leaving processors and producers in fairly good shape for 2002. It is expected that the same trend will follow for the year 2004.

Guatemala's macadamia nuts are exported at 1.0 to 1.5 percent humidity levels. Macadamia kernels are vacuum packed in 25 pound bags for export. There are no policies that subsidize or encourage exports. There are two producer/processor/exporter companies in Guatemala. Both companies are planning to continue to increase exports as well as production. In 2003, 25 percent of production was kernel and 75 percent finished goods. For the year 2004 the same trend is expected. In the macadamia industry the diversification trend to finished products such as oils, cosmetics and confectionaries continues. In 2003, consumption remained steady, with great emphasis in the cosmetics area. Domestic consumption is expected to remain steady for 2004.

PSD Table

Country	Guatemala					
Commodity	Macadamia (HA) (1000 TREES) (MT)					
	, Inshell					
	Basis					
	2002	Revised	2003	Estimate	2004	Forecast
	USDA	Post	USDA	Post	USDA	Post
	Official	Estimate	Official	Estimate	Official	Estimate
	[Old]	[New]	[Old]	[New]	[Old]	[New]
Market Year Begin		01/2002		01/2003		01/2004
Area Planted	3875	3875	3990	3990	0	4105
Area Harvested	1690	1690	1775	1775	0	1860
Bearing Trees	265	265	278	278	0	291
Non-Bearing Trees	380	380	380	380	0	380
Total Trees	645	645	658	658	0	671
Beginning Stocks	110	110	50	50	0	80
Production	9800	9800	10290	10290	0	10780
Imports	0	0	0	0	0	0
TOTAL SUPPLY	9910	9910	10340	10340	0	10860
Exports	9500	9500	9900	9900	0	10450
Domestic Consumption	360	360	360	360	0	360
Ending Stocks	50	50	80	80	0	50
TOTAL DISTRIBUTION	9910	9910	10340	10340	0	10860

Production

The Guatemalan nut crop for 2003 is estimated at 10290 MT (wet-in-shell basis) up by around five percent from the 2002 production of 9800 MT (wet-in-shell basis). In 2004, production is forecast to increase to 10780 MT (wet-in-shell basis). Since no official data are available, the PS&D table was developed using data obtained from industry representatives. The conversion factor utilized to convert from wet-in-shell basis to shelled kernel is 19 percent.

In 2003, weather conditions didn't adversely affect the macadamia industry and diseases were present at a lower than normal level. Average yields for 2003 were estimated at 5.8 MT/Hectare, steady from the previous year's average. In 2004, average yields are expected to remain steady. Some increases in yields are expected in the next couple of years as new plantings begin bearing fruit, new trees are planted and older trees mature.

Guatemala's planted area for macadamia nuts during 2003 was estimated at 3990 hectares, of which 1775 hectares were harvested. Planted area for 2004 is expected to increase to 4105 hectares as new trees are planted. Harvested area is expected to increase to 1860 hectares as young trees begin bearing fruit. Planted area and harvested area vary since many plantations are not yet in production due to new trees planted.

The majority of macadamia plantations in Guatemala are at intermediate elevations along the Pacific slope, in the departments of Sacatepequez, San Marcos, Quetzaltenango, Suchitepequez, Santa Rosa, Huehuetenango, Solola, Alta Verapaz and some in Quiche. Guatemalan macadamia nuts are harvested throughout the year, but peak months are May, June, July and August. Flowering begins between late August and early September but most flowering occurs during the months of October, November and December.

Currently, there are two significant producer/processor/exporter companies in Guatemala, Nueces del Pacifico which accounts for about 40 percent of the Guatemalan macadamia nut export market and Agronomicas de Guatemala (Patzulin) which accounts for 60 percent of

the market. They purchase macadamia nuts from individual producers for processing and export to other countries. There are over 100 macadamia producers in the country, ranging from small to large plantations. Most of the macadamia production is intermixed with other crops such as bananas, plantains, beans etc., but according to producers most of it is now being intermixed with coffee as shade for the coffee plant. With coffee prices in somewhat of a slump, farmers are turning to macadamia production and yield improvements to compensate for the loss in income. Several years ago coffee prices were high and many coffee producers invested in improved agricultural practices in coffee plantations so they do not have to invest much more on agricultural inputs to improve macadamia production.

Macadamia processors divide the shelled nuts according to their size and appearance. The initial grading of kernels for size and color is done by machine, with a final classification conducted by hand. Classification table follows:

- Style 1 - large whole kernels
- Style 2 - 90% large kernels 10% halves
- Style 3 - 50% whole kernels 50% halves
- Style 4 - halves
- Style 5 - large to medium nut pieces
- Style 6 - medium to small nut pieces
- Style 7 - small nut pieces
- Style 8 - powder

Consumption

Macadamia consumption in Guatemala continues to be at a low level because of high market prices the low purchasing power of most Guatemalans, and lack of consumer awareness. Most of the Guatemalan population is not familiar with macadamia nuts and their uses, but that is starting to change. The brand John Macadam has found acceptance for macadamia by-products such as oils, confectioneries, processed nuts and especially cosmetics, creating a niche market for macadamia. Local retail prices for macadamia are around \$9.00 bottled/pound. In 2003, Guatemala consumed 360 MT of wet-in-shell macadamia nuts. In 2004, local consumption is expected to remain steady at 360 MT of wet-in-shell, due to stalled consumption of higher valued items in response to the rough economic situation that most of the Guatemalan population is experiencing.

Traditionally, most macadamia nuts in Guatemala were consumed as snacks. Nowadays, Plantaciones Nuez del Pacifico, which sells under the John Macadam brand, is marketing and selling cosmetic macadamia by-products, oils and confectionery in addition to the traditional bottled or packaged snacks. John Macadam processed macadamia nuts are placed in jars and is being sold in grocery stores.

Export			
Trade			
Matrix			
Country	Guatemala		
Commodity	Macadamia, Inshell Basis		
Time period	Jan-Dec	Units:	metric tons
Exports	2002		2003
for:			
U.S.	5000	U.S.	5300
Others		Others	
Japan	1000		1100
Sweden	1200		1200
Norway	1200		1200
Canada	600		600
Taiwan	300		300
Singapore	200		200
Total for	4500		4600
Others			
Others not			
Listed			
Grand Total	9500		9900

Trade

Macadamia nut exports for calendar year 2003 reached 9900 MT (wet-in-shell basis), around a five percent increase from 2002 exports of 9500 MT (wet-in-shell basis). In 2003, exports to the U.S. were 5300 MT. In 2004, total exports are forecast to increase further to 10450 MT (wet-in-shell basis). In 2003, 25 percent of exports were on a shelled kernels basis and 75 percent as finished goods. In 2004, the same ratio is expected. Guatemala's macadamia nuts are exported at 1.0 to 1.5 percent humidity levels. Macadamia kernels are vacuum packed in 25 pounds bags for export. There are no export policies that subsidize or encourage exports.

The average macadamia kernel export FOB price during 2003 was between US\$ 2.80/lb and US\$ 2.90/lb. In 2004, the average price is expected to remain steady at the US\$ 2.80/lb level. According to the two exporting companies, their market efforts for the next five years will be to increase exports, especially to their strongest market, the United States. Producers are receiving technical assistance from both exporting companies in order to improve the Guatemalan macadamia nut quality.

Stocks

Guatemala does not hold large volumes of macadamia nuts in stock because most are exported immediately. Ending stocks for 2003 were 80 MT (wet-in-shell basis), an increase from the ending stocks for 2002 of 50 MT (wet-in-shell basis).

In 2004, ending stocks are forecast to decrease again to 50 MT (wet-in-shell basis) due to a larger demand for product. Macadamia stock have been owned by the exporter.

Policy

The Guatemalan Government has no policies of subsidies or assistance to producers or exporters. However, the Guatemalan Coffee Association encourages coffee producers to utilize macadamia nut trees as shade for coffee plants to help the environment and at the same time help farmers to diversify their agricultural practices and sources of income. Some technical assistance has been provided by the Guatemalan Coffee Association.

Marketing

Plantaciones Nuez del Pacifico, which is represented by the John Macadam brand in the last years, has begun penetrating new niche markets with different macadamia by-products such as oils, cosmetics and confectionery. There is a relatively small yet growing up-scale end of the food and small market in Guatemala. The increase in quality hotels, and tourism will add the local consumption of macadamia nuts and further processed products. In addition, Plantaciones Nuez del Pacifico is currently manufacturing for the Roland brand out of New York. Plantaciones Nuez del Pacifico is using the remaining macadamia powder from the oil extraction to process granola bars in order to produce a healthy snack. In addition, recently Plantaciones Nuez del Pacifico closed the negotiations for a joint venture with the U.S. based company Caldac from California.