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Dear Grower,

## 2007 Macgrove Project (MP07) half-year investor update

It is Rural Funds Management Limited's (RFM) pleasure to provide the 2007 Macgrove Project (MP07) Growers with the following 2021 macadamia industry and harvest update.

### Industry update

Total world production (kernel basis) of macadamias reached over 62,870 tonnes in 2020, up from just over 60,620 tonnes in 2019. Australia and South Africa were the largest producers of macadamias in 2020, each producing over 15,700 tonnes, equating to 25% each of world production (see Figure 1). China (14%) and Kenya (12%) were the next largest producers.

In 2020, Australia produced 46,900 tonnes on an in-shell basis. The quality of nut was very good despite drought conditions leading into the season. Good rainfall was received in January in most growing regions which helped to ease the extreme conditions.

Australian kernel sales totalled over 10,700 tonnes. The Australian domestic market was the largest customer at 33%, followed by the export markets of Japan, USA, Korea and Germany (see Figure 2).

Figure 1: 2020 estimated World Macadamia production.<sup>1</sup>

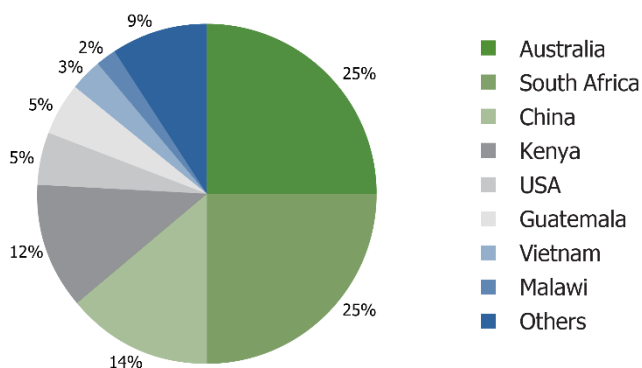
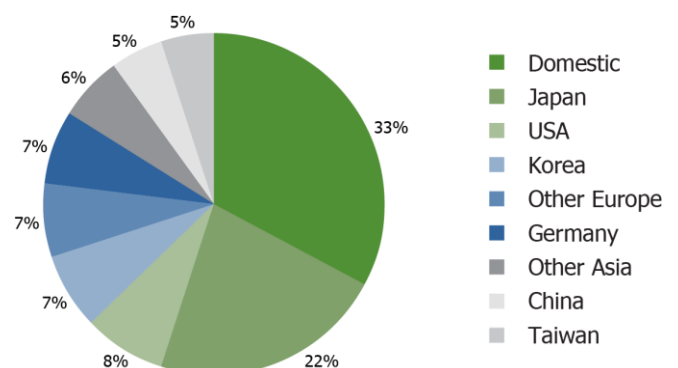


Figure 2: 2020 Australian macadamia kernel sales volume.<sup>2</sup>



In February, the 2021 Australian macadamia crop was predicted to reach 50,770 tonnes in-shell at 3.5% moisture content<sup>3</sup>. In July, the crop was downgraded to 48,500 tonnes, due to severe weather conditions affecting crops. Despite these conditions, it was reported that most regions are reporting a good quality crop. The 2021 farmgate price is lower than last year's price due to a rising Australian dollar and market conditions following the COVID-19 pandemic.

1. Source: INC Statistical Yearbook 2020/2021.

2. Source: Australian Macadamia Handlers Association via Australian Macadamias, figures subject to rounding.

3. Yield forecasts are at 3.5% moisture content, unless stated otherwise.

## Growing season and harvest update

The 2020 MP07 harvest was completed in late September. Operational focus within the orchards then shifted towards ongoing maintenance and preparation of the 2021 crop. This included machinery maintenance, pest and weed control, fertigation, pruning and applying fertiliser and compost. On site, 2,500 tonnes of compost was produced (see Figure 3) which was supplemented with extra certified compost from a third party.

Management is trialling and developing optical yield monitoring and counting technology. This is where nuts are counted using artificial intelligence using images that are taken of the trees. Samples of nuts are also taken which can be compared to the optical yield data. The technology will eventually assist management in predicting yields and tailoring nutrition programs in different areas of the orchard (see Figure 4).

**Figure 3: Farm staff produce approximately 2,500 tonnes of compost on-site, using discarded macadamia husks.**



**Figure 4: Optical yield monitoring and counting technology trials to predict yields and tailor nutrition programs.**



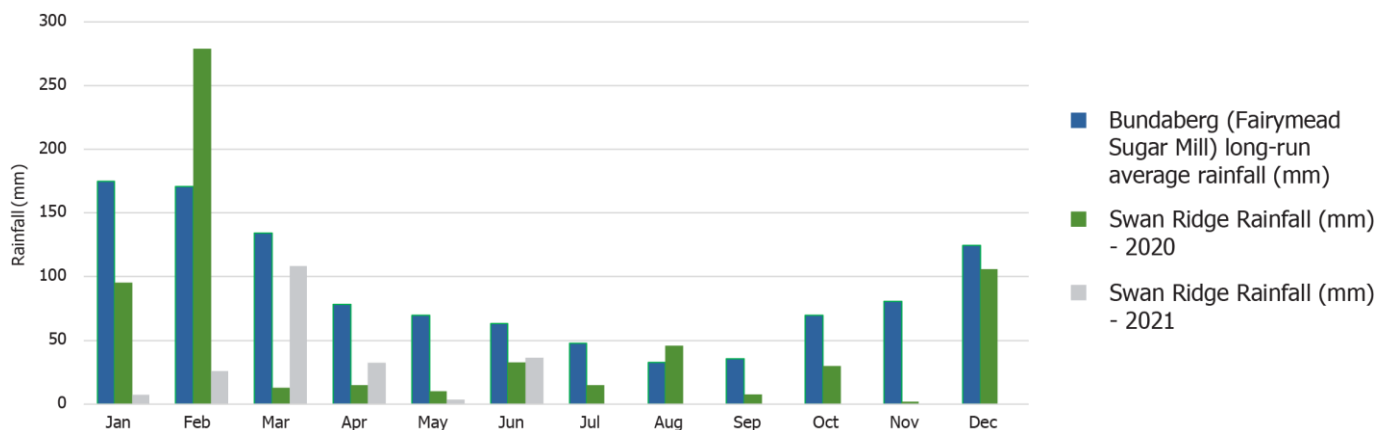
Flowering was well underway in October (see Figure 6). The growing season has been challenging due to hotter and drier conditions than is typical (see figure 5), which commenced at flowering and continued through the growing period. Temperatures in this period ranged from minimums in the low to mid-teens, to maximums of mid to high 30s.

During the growing season, management increased supplemental irrigation applications. Water allocations for MP07 are sourced from the Fred Haigh Dam and have been confirmed at 98% for the current financial year (FY22).

In November, fertigation and foliar spraying were completed at both Swan Ridge and Moore Park. Other maintenance work was conducted, such as the removal of mistletoe.

Nut size for the 2021 crop continued to increase while maintenance carried out in December included mowing and applying compost, solid fertiliser and herbicide. Rainfall continued to be below average through to June 2021, with March recording the highest at 108.5mm (see Figure 5).

**Figure 5: Bundaberg average and Swan Ridge annual rainfall (2020 and 2021).**



In January, samples were taken towards the end of the month to trial the assessment of nut size and kernel recovery. The preharvest clean-up commenced and insect management programs were undertaken due to increased insect pressure.

By late February, the preharvest clean-up was completed and harvest commenced on both orchards. The 660-741 cultivar varieties commenced their full-drop and the quality of the first-round harvest was very good. The 660-741 variety is one of 12 on the orchards and is usually the first to shed nuts.

**Figure 6: Flowering on the trees at Swan Ridge in October 2020.**



**Figure 7: Tree shakers are used to dislodge mature nuts that have not fallen naturally.**



In March, the first-round harvest was completed at Moore Park and by April the first-round harvest was completed on all trees with approximately 255 tonnes delivered to the processor.

The harvest progressed well into May without interruptions, with tree shakers being deployed on early drop varieties in late April, to dislodge mature nuts that have not fallen naturally (see Figure 7). In June, Swan Ridge received 36.6 mm of rainfall, however the harvest was only disrupted for approximately one week.

Harvest is expected to continue until late August.


### **FY21 results**

A Grower webinar is expected to be held in October to coincide with the release of the full-year Financial Statements. As usual the webinar will provide a further harvest update and details of the 2021 distribution. Invitations to the webinar will be sent to Growers and advisers in September by email.

The Financial Statements for the period ended 31 December 2020 (HY21) were published on 13 March 2020. These can be accessed on the RFM website [www.ruralfunds.com.au](http://www.ruralfunds.com.au).

If you have any queries concerning your investment, please contact Investor Services on 1800 026 665 or email to, [InvestorServices@ruralfunds.com.au](mailto:InvestorServices@ruralfunds.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sandra Walton'. The signature is fluid and cursive, with a long horizontal stroke at the end.

**Sandra Walton**  
**Senior Funds Administrator**