Key facts:

- Local hazelnut production was **106 tonnes** of kernels for the year ending December 2012.
- Hazelnut production is expected to increase significantly over the next decade.
- Australia imported **2,783 tonnes** of hazelnuts in 2012, the vast majority of which went into processing.
- Hazelnut exports are small but offer potential for growth.
- The current domestic retail market value of hazelnuts purchased by consumers is **$1.75 million**.
- Total hazelnut consumption, in-shell and kernel, per capita for 2012 was **3.3 g**.
- Domestic consumption of in-shell hazelnuts is flat.

Distribution channels and markets

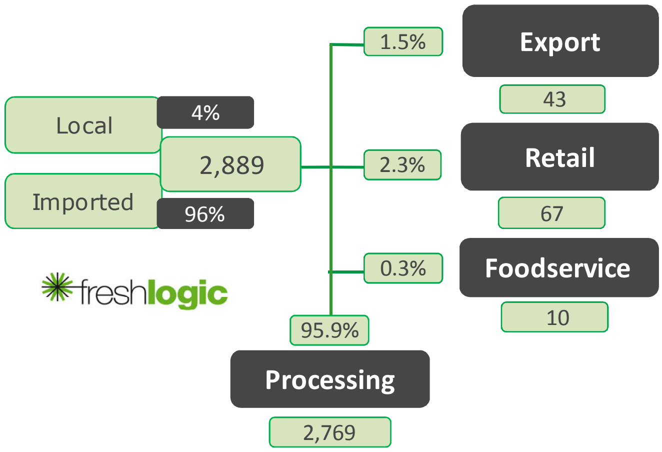
Locally produced and imported hazelnuts are distributed into export, processing, local retail and foodservice distribution channels, as outlined in Figure 1.

Supply chain flow to market

Local Australian hazelnut production was 106 tonnes for the year ending December 2012. This was supplemented with a further 2,783 tonnes of imported product.

The vast majority of imported hazelnuts come in kernel or shelled form, with a very small proportion of in-shell imports. Turkey is the main supplier of imported product, and hazelnuts from this origin are typically smaller than domestically produced nuts. Italy also supplies some imports into the Australian market.

Figure 1 **Hazelnut supply chain (tonnes)**



The vast majority of the available supplies (96% or 2,769 tonnes) were used for processing by the confectionery and bakery industries. Almost all of this processed volume was imported, while local production was distributed through retail, food service and export channels. The retail channel is the largest buyer of locally grown hazelnuts, with 56% of the unprocessed volume. Export and food service accounted for 36% and 8% respectively, as seen in Figure 1.

Hazelnuts represent less than 1% of fresh nut retail sales in Australia, where the leading products are almonds and cashews.

Retail channel

The retail channel sold **67 tonnes** of hazelnuts in 2012, both in-shell and kernel. This generated an annual retail value of **$1.75 million** at an average price of **$26.82 per kg**.

Hazelnut pricing is at the higher end of the retail nut category, but lower than other higher volume nuts such as macadamias.

Hazelnuts are sold loose and in a range of prepacks, in both in-shell and kernel form. Kernels represent a larger share of sales, but large in-shell nuts fetch a premium price in many retailers over kernel. Hazelnuts are offered in three sections in most Australian supermarkets; fresh produce, baking and health foods.

Locally produced hazelnuts are also often sold directly by growers on roadside stalls or at farmers' markets, included in the retail figure above.

There is an insignificant level of retail promotional activity, which reflects the low level of sales generated in the Australian retail distribution channels.

Foodservice channel

The foodservice channel distributed 10 tonnes of hazelnuts in 2012. Some chefs prefer in-shell Australian hazelnuts for their local origin, size and freshness, while kernels are still widely used.

Processing Channel

The vast majority of imported hazelnuts are destined for the processing channel for use in manufactured food, confectionery, spreads and baked goods being the most prominent of these.

Domestically produced hazelnuts struggle to compete in this space because of the lower cost and higher volumes of imported product.

The large and stable demand from the processing sector serves as a floor underneath hazelnut kernel wholesale pricing in Australia.

Consumers

Per capita consumption

The per capita consumption for the year ending December 2012 of hazelnuts, kernels or equivalent, purchased through retail for home consumption was **2.9 g.** The per capita consumption of hazelnuts purchased and consumed in foodservice away from home was **0.4 g.** Therefore the total hazelnut consumption per capita was **3.3 g.**

Consumption profile

The main preparation method for hazelnuts is focused on cooking. Hazelnuts can be used in any dish involving nuts, with some recipes specifically requiring hazelnuts. The majority form of consumption is in desserts, such as cakes, muffins, chocolate dishes, praline or pastries. This demand is filled by hazelnut kernels.

In-shell consumption is much smaller, and are often used for fresh snacking consumption. In-shell hazelnut consumption in Australia is static for a number of years. Hazelnut meal, or ground hazelnuts, also has a presence on the market, and is part of the rising demand for gluten free flour alternatives.

Global consumption

Australian hazelnut consumption is low compared to other Western markets in Europe and North America, where the nut is a traditional part of regional cuisines. Declines of in-shell hazelnut consumption is a global trend, with the noted exception of China, where consumers prefer in-shell nuts.

Hazelnut consumption in the US has been static in the last few years, outpaced by rising consumption in all other nut categories.

Consumption in Europe is also steady. In Italy, the second largest producer of hazelnuts in the world, processing accounts for 90% of the crop while fresh consumption takes the remaining 10%.

Figure 2 **Use profile**

Hazelnut consumption profile		
	Breakfast	
	Lunchbox	
	Mobile snack	✓
	Grazing & platters	✓
	Spread	✓
	Salad	
	Beverage	
	Cooked component	✓
	After dinner dessert	

Production

Hazelnut production is centred in Australia's south, in regions cool enough to meet chilling requirements of the tree. Australia produced 106 tonnes of hazelnut kernels in 2012. Production is low when compared to production of other tree nut varieties in Australia such as Macadamia nuts (more than 11,000 tonnes of kernels) and almonds (more than 50,000 tonnes of kernels). The main production areas are the Central Tablelands of New South Wales, north-eastern Victoria and Tasmania. However, there are also orchards in southern New South Wales, the Adelaide Hills, the Dandenong Ranges in Victoria, and the Manjimup district of Western Australia.

Hazelnut production in Australia is carried out by a mix of commercial-scale growers with between 1,000 and 10,000 trees, and smaller producers with less than 1,000 trees.

There have been significant new plantings in recent years which are expected to come into production over the next decade, and there is also a significant number of currently-producing orchards with immature trees. Australian production is forecast to increase significantly as those young trees reach full maturity at an age of 15 years.

This increase in production will put pressure to expand on the current market, and will potentially require competition with imports and efforts to expand consumption of hazelnuts in Australia, or to develop exports.

Tasmanian Production

With a number of recent plantings, Tasmania is forecast to significantly increase its production of hazelnuts over the next decade. Tasmanian production is forecast to increase to 50-60 tonnes once current plantings mature. Tasmania has one of the largest orchards in Australia, with 5,000 maturing trees.

International trade

Australia imported **2,783 tonnes** of hazelnuts in 2012, a 15% growth on the prior year. Imports have fluctuated over the last five years, but the long term trend is one of moderate growth.

The vast majority of imports are in kernel form and are destined for processing in the confectionary and bakery industry, which itself forms a base level of demand under the hazelnut category.

Exports of hazelnuts from Australia are limited. There are some spot opportunities for both in-shell and kernel hazelnuts in markets around the Asia-Pacific region. China is the most significant potential market for Australian hazelnuts, but lower pricing on the export market than on the domestic front in the face of strong international competition is the key hurdle.

Seasonal supply

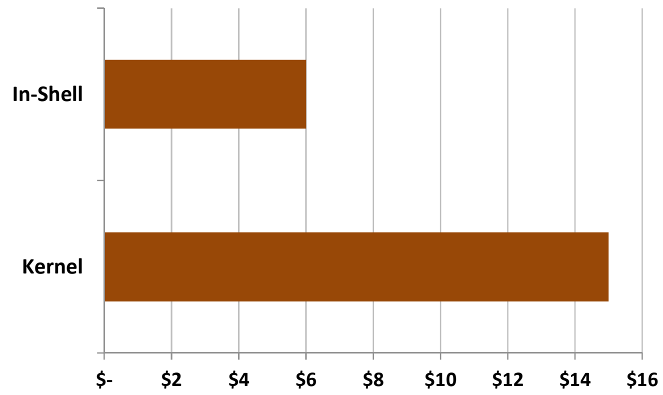
Hazelnuts are harvested in late summer and early autumn and can be held for long periods. Domestically produced nuts are available for most of the year, and imported hazelnuts are available year round.

Wholesale

Fresh market wholesale prices are currently only regularly recorded for the Melbourne wholesale market. Hazelnut pricing is separated into two regular tiers in the Melbourne market; in-shell hazelnuts have a price of $6 per kg, while kernels sell for $15 per kg. The main driver of this price difference is the 60-65% reduction in weight in the cracking process.

Sydney wholesale prices have a reputation for a slight premium over other wholesale prices, likely as a result of larger growers supplying this market with more consistent quality product.

Figure 3 **Melbourne hazelnut wholesale prices ($/kg)**



Outlook for sector

- Consumption of in-shell hazelnuts is flat in Australia. Hazelnuts have not experienced the kind of growth apparent in other parts of the nut category, particularly in Australia where they are less well known than other nuts.
- Local production struggles to compete with imported hazelnut kernels on price, although quality is generally considered to be higher.
- A significant increase in production volumes from existing plantings is expected over the next decade, much of which is currently aimed at the in-shell market. This production will need to either expand local consumption, replace imports or develop new export markets.
- The fragmented nature of hazelnut production will make coordinated industry action difficult.
- Hazelnut retail pricing is comparable to other nuts and it is unlikely that price serves as a significant hurdle to consumption.
- There is little marketing support for hazelnuts in Australia. A consumer communication and marketing strategy offers potential to tap into the broader demand growth for nuts. Consumer awareness of nut nutritional value and health benefits could provide a platform for promotion.
- Hazelnut flavouring is a popular component of many manufactured food products, indicating consumers are familiar with and appreciate the flavour profile. This may serve as a lever to stimulate consumption of domestically produced hazelnuts in the future.

Data sources

- Mealpulse™ consumer panel Freshlogic
- Adwatch™ retailer promotional data Freshlogic
- DFAT import and export data
- Wholesale market pricing data
- ABARES
- ABS
- Freshlogic ThruChain™ model

Further information

1. Hazelnut Growers of Australia

www.hazelnuts.org.au Ph. +612 6372 3224

2. Australian Nut Industry Council

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3. Horticulture Australia Limited

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