



23 March 2023

Dear Industry Colleagues,

I write to update you on today's meeting of the Zespri Board of Directors which included discussion on the following issues:

- 2023 Season Update
- 2023 OGR Guidance
- 2023 Submit Payments
- 2023 Licence Update

2023 Season Update

The Board acknowledges the challenging start to the year the industry has faced given the impact of adverse weather events such as Cyclone Gabrielle, inflation and rising costs, and reduced 2022 season OGRs.

We're expecting a positive start to the 2023 season with our first charter vessel carrying the first of this season's SunGold Kiwifruit currently en route to Japan having departed the Port of Tauranga this week.

With less volume expected this season, the industry has an opportunity to reset so that we are doing everything possible to once again deliver consistently high quality fruit to our markets, including in the years ahead when we expect volumes to increase.

The Board acknowledges the efforts being made right across the industry including from growers, post harvest operators and within Zespri to address fruit quality as part of the industry Quality Action Plan. This work is critical to reducing quality costs and maximising the value Zespri can return to growers and our communities.

2023 OGR Guidance

The Board recognises the importance of providing the industry with early guidance on grower returns this season, particularly after a challenging 2022 season.

Growers should note that the guidance range outlined below is based on an estimated Class 1 crop of around 145m trays this season. The 2023 per tray OGR indications are above 2022 season returns, with the upside of the ranges reflecting the investment we're continuing to make to help build strong market demand, improved pricing from reduced volumes this season, as well as expected improvements in fruit quality driven by the work being undertaken across the industry as part of the Quality Action Plan. The downside in the forecast reflects the potential for ongoing costs associated with quality as well as inflationary pressures – both onshore and in-market. There also remains some uncertainty on the overall crop and orchard yields for the coming season given recent weather

challenges including the impact of frost and Cyclone Gabrielle, and there is a likelihood for many growers that actual OGR per hectare results will be well outside the estimated published ranges particularly for impacted growers and Red growers with a wide variety of orchards at varying levels of vine maturity.

As this season's fruit volumes and quality is better understood, further updates will be provided regarding OGRs, the initial 2023/24 corporate profit range and dividend estimates.

Pools (Fruit Categories)	2023/24 March OGR Guidance (Per Tray)	2022/23 February Forecast (Per Tray)	2023/24 March OGR Guidance (Per Ha)	2022/23 February Forecast (Per Ha)
Zespri Green	\$6.50-\$8.50	\$5.55	\$52,000-\$68,000	\$55,395
Zespri Organic Green	\$9.00-\$11.00	\$8.04	\$51,000-\$63,000	\$56,398
Zespri SunGold Kiwifruit	\$10.50-\$12.50	\$9.79	\$124,000-\$148,000	\$134,962
Zespri Organic SunGold Kiwifruit	\$11.00-\$13.50	\$11.58	\$94,000-\$116,000	\$125,909
Zespri Green14	\$7.50-\$10.00	\$6.31	\$34,000-\$46,000	\$38,366
Zespri RubyRed Kiwifruit	\$17.00-\$20.00	\$21.99	\$27,000-\$31,000	\$41,543

NB: OGR per hectare ranges are industry averages, based on current producing hectares and associated average yields data and may change significantly once crop volumes and producing orchard data is finalised. Per hectare results this season will vary across growers due to the impact of weather events. For Red growers, per hectare OGRs are also likely to be variable due to the impact of vine maturity on yields and profile.

2023 Submit Payments

The Board notes the updated Class 1 submit payments that have been approved by the Industry Advisory Council as part of efforts to assist grower cashflow.

This follows a review undertaken by Zespri to ensure that the value paid in submit remains relevant to growers with regards to harvest and packing costs, as a proportion of the Total Fruit and Service Payments that Zespri pays each season. This review considered current and historic harvest and base packing costs, submit as a proportion of Total Fruit and Service Payments over time, timing of cash receipts from customers versus timing of cash paid for Total Fruit and Service Payments, and Zespri's seasonal borrowing and potential borrowing capacity.

The following Class 1 submit rates will be effective from the 2023 season:

- Green (excluding size 42) and Organic Green (all sizes) submit rate of \$2.75 per tray (+\$0.30 per tray).
- Green conventional size 42 submit rate of \$2.55 per tray (+\$0.30 per tray).
- SunGold and Organic SunGold submit rate of \$3.60 per tray (+\$0.30 per tray).
- Green14 submit rate of \$2.95 per tray (+\$0.15 per tray).
- RubyRed submit rate of \$3.60 (+\$0.30 per tray).

The increased submit payments will be deducted from fruit value, such that the amount available to pay out as progress payments will be decreased by the value of the increase in submit payments.

To the extent that a submit payment (Standard Advance Payment under the 2023 Supply Agreement) has been made prior to the amendment, an additional payment will be made to account for the increase in submit rates on or before 31 March 2023.

2023 Licence Update

The pre-approval to register for the 2023 Zespri Licence Auctions closed on March 17 and Cooney Lees Morgan will spend the next 2 weeks validating all of the applications to bid. All approved bidders will receive notifications after April 6 advising them of:

- Their approval to bid
- Maximum bid area
- User name and password for the auction site
- Instructions on how to submit a pre-set bid

Zespri will contact all eligible bidders in early April with dates and details on how to participate in a practice auction which will be scheduled for the week commencing April 17.

Zespri strongly recommends that all registered bidders watch the instructional videos provided on the Canopy website [here](#) and attend a practice auction. Practice auctions will be online which means you will be able to participate remotely.

All the best for the remainder of the harvest and for the 2023 season.

Best regards

Bruce Cameron
Chairman