



14 December 2022

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 Five-Year Outlook: Five-Year Forecast Ranges
- 2023 Crop Estimate
- 2023 Licence Update: Reserve Prices for 2023 Licence Release
- Grower Zespri Share Alignment
- Update on EPA Review of Hydrogen Cyanamide

2023 Five-Year Outlook: Five-Year Forecast Ranges

The Board today reviewed and approved the publication of the 2023 Outlook, following discussion of current supply and demand levels and some of the headwinds the industry is currently facing.

The Outlook provides an overview of Zespri's Five-Year Plan, covering the five-year period through to 2027/28 and provides a snapshot of how our medium-term strategy will be implemented along with some of our medium-term challenges and opportunities.

The Outlook also includes the following forecast OGR ranges for this five-year period:

- For SunGold Kiwifruit, the forecast range is \$8.00-\$12.00 per tray.
- For Organic SunGold Kiwifruit, the range is \$10.00-\$14.00 per tray.
- For Green, the forecast range is \$6.50-\$8.00 per tray at declining volumes.
- For Organic Green, the forecast range is \$9.00-\$11.00 per tray at flat volumes.
- For Zespri RubyRed Kiwifruit, the forecast range is \$10.50-\$16.50 once volumes exceed 3 million trays.

There will be further discussion of the Five-Year Plan in our next round of Grower Roadshows in early March 2023.

The 2023 Outlook document will be made available on Canopy and on Zespri's website next week.

2023 Crop Estimate

The Board received an update on Zespri's first crop estimate for the 2023 season.

As has been signalled in recent months, the warm wet winter is likely to have contributed to variable budbreak and combined with the changeable wet and windy weather during pollination and the October frost event, is expected to result in reduced fruit volumes in 2023.

There remains much uncertainty at this early stage of fruit development, and we will have a better indication of crop volumes from the February 2023 estimate. At this stage the indication is that we can expect the total crop to be approximately 10% less than volumes harvested in 2022.

This estimate will continue to be refined over the coming months.

2023 Licence Update: Reserve Prices for 2023 Licence Release

The Board has approved the remaining aspects of the 2023 Licence Release process and rules supporting next year's licence release which will take place using an ascending-price open auction process.

Today the Board also confirmed the opening (reserve) prices for the 2023 Zespri SunGold Kiwifruit and Zespri RubyRed Kiwifruit licence release being approximately a 25% discount on last year's minimum price.

The ascending-price open auction will begin with the following opening (reserve) prices:

- Restricted SunGold Pool (Hayward/Green14 cutover) Reserve Price/Ha: \$340,000 excl GST.
- Unrestricted SunGold Pool (Open pool) Reserve Price/Ha: \$340,000 excl GST.
- RubyRed Pool Reserve Price/Ha: \$33,000 excl GST.

The reserve price has been calculated on the basis of a 25% discount on the 2022 minimum accepted price for each licence pool, and constitutes a starting point for bidding only. Zespri does not consider the reserve price to be the market value of licences, and encourages prospective bidders to seek their own financial and other professional advice prior to submitting bids in the auction process.

There were several other processes and rules discussed and determined today. These, along with a timetable will be made available on Canopy in the coming weeks and will also be published in the December Kiwiflier. There will be training available in the new year for growers on the auction system. Please also refer to the October and November Kiwiflier for details on how an ascending-price open auction works.

Grower Zespri Share Alignment

Strengthening grower shareholding of Zespri has been a focus of the Board throughout the year, with a number of options being considered to help unshared and "under-shared" growers become Zespri shareholders.

The Board today discussed a range of initiatives proposed to be implemented in 2023 and 2024 to help improve grower Zespri share alignment and ownership. We will consult with growers on these proposed initiatives early next year.

An NZX listing is a prerequisite requirement for many of these initiatives as they occur on an on-going basis, for example a targeted dividend reinvestment scheme. Zespri will commence initial work on an NZX listing process early next year at the same time as conducting grower consultation on the proposed initiatives. The current restrictions on who can purchase Zespri shares (eg. NZ growers only) will remain and can be accommodated on the NZX platform.

Update on EPA Review of Hydrogen Cyanamide

The Board received an update on the review being undertaken by the Environmental Protection Authority (EPA) into the use of hydrogen cyanamide (Hi-Cane).

The EPA today released its revised recommendation on the use of Hi-Cane. Having initially recommended the product be banned in five years, it is now recommending a ban in 10 years' time. This recommendation was provided to the Decision Making Committee of the EPA, which holds its public hearings in Tauranga in March 2023 and the final decision regarding the use of Hi-Cane is expected mid-2023.

We're disappointed the EPA's position remains that the benefits of Hi-Cane's use don't adequately outweigh the risks. Independent advice provided by Zespri and NZKGI demonstrated Hi-Cane can be used safely for people and the environment, the importance of the product to our industry, and the benefits it provides our local communities and the New Zealand economy.

We'll continue to keep the industry updated as the process continues.

2022 Licence Appeal Update

Earlier this year, an unsuccessful bidder for Gold3 licence challenged the rejection of their Gold3 bids during the 2022 Zespri Kiwifruit Licence Allocation Process. Following a hearing, the Court acknowledged that although the rules permitted Zespri to determine a commercially reasonable price, the process followed in validating and evaluating the relevant bid was flawed. Accordingly, the High Court ordered Zespri to validate and evaluate the bid submitted by the plaintiff within 10 working days of the decision.

Having regard to the unique circumstances of the 2022 Licence Allocation process and the decision to apply a minimum cut-off price, the Zespri Board accepts the Court's decision. While the Court's decision was related to a single bidder seeking 1.3ha of SunGold Kiwifruit licence, in the interests of fairness, the Zespri Board directed the Evaluation Panel to validate and evaluate all bids declined in the 2022 Licence Allocation Process for both Gold3 and Red19 which were treated in the same way as the bidder who took the court action.

The Licence Evaluation Panel has evaluated all previously unsuccessful bids from the 2022 licence release and communicated directly with such bidders with respect to the validity of their bids. If this process results in additional hectares of licence being allocated, Zespri will communicate that in due course.

As noted above, Zespri has undertaken a review of all aspects of the licence allocation process ahead of the 2023 season, which will be conducted through an ascending-price open auction process.

Best wishes for the festive season

Finally, I'd like to thank all growers and our industry colleagues for your efforts in what has been a particularly challenging season in light of increasing costs, the ongoing impact of COVID-19 and fruit quality issues.

We know that next season is again likely to be tough, but like we have before, by working together our industry can address the challenges in front of us and be in a strong position to meet the growing demand for our fruit and return more value to our growers and communities in the years ahead.

I hope you can spend some important time with family and friends over the break and on behalf of the Board, I hope you enjoy the festive season and look forward to seeing you again in 2023.

Best regards

Bruce Cameron
Chairman