



**27 October 2022**

Hi everyone,

I've just arrived in North America for the International Fruit Produce Association Global Produce Show, having recently spent some time meeting with our customers and our teams in Europe. Those meetings have provided an important opportunity to reconnect, to discuss the challenges we've faced this season and to reassure our customers of the efforts we're making to address these ahead of the 2023 season.

Our industry has been working hard to get quality Zespri Kiwifruit through to our retailers, and it's pleasing to see continued strong demand for our fruit in market. As of last week, in total across all varieties we've delivered just under 146m trays, or 88% of our full year plan.

Class 1 SunGold Kiwifruit is approaching completion, with over 90m trays delivered this year (92% sold through), with Europe completing sales of our New Zealand-grown crop last week and now transitioning into our Northern Hemisphere supply season with strong early sales. Class 1 Green is now 81% sold through, with just under 48m trays delivered. Organic SunGold and Green Kiwifruit sales are tracking well with these fruit groups 96% and 72% delivered respectively, compared to 90% and 78% last season. As of last week, there is just under 20m trays to deliver across all fruit groups, compared to nearly 25m trays at the same point last season.

Although our market teams have continued to work hard to improve returns, and we have seen positive movements on freight costs and foreign exchange, quality remains a challenge this season. The moves that have been made to strengthen our onshore quality assessment processes have allowed us to identify poorer quality fruit onshore, helping protect our brand and reduce costs. However, we have seen the weekly rates of onshore fruit loss trending above those considered in our August forecast. While the forthcoming November forecast will be refined over the coming weeks, quality impacts will likely see OGRs revised downwards, particularly in the Organic Green, SunGold and Organic SunGold Kiwifruit categories. This will be released to the industry on 23 November.

Improving grower profitability remains a key focus for 2023 and improving fruit quality to reverse the trend of rising fruit loss and quality costs will play an important part in this. We've appreciated the feedback received from the wider industry over recent weeks, and this is being used to inform the work currently being undertaken to develop an industry Quality Action Plan, with this process being led by the Industry Advisory Council (IAC).

A core component of this Quality Action Plan is rebalancing commercial drivers that incentivise high quality fruit for our early season, mid-season and late season requirements. While discussions at the IAC continue, consideration is being given to reducing KiwiStart payment rates in 2023 to help rebalance KiwiStart and Mainpack returns. Any changes to KiwiStart payments will be considered in light of the ongoing need to incentivise sufficient volumes to start the season well, optimise labour and reduce peak pressure points throughout the season. As part of this rebalancing and to help encourage consistent high quality supply throughout the season, consideration is also being given to increasing time rates which support returns for good storing fruit.

Confirmation of these potential changes and details of specific rate amendments will be provided following IAC approval and more details on the Quality Action Plan will be included in the October Kiwiflier.

We certainly know how hard this season has been for our industry, particularly for those growers affected by this season's frost. Thank you to everyone throughout the supply chain for your continued efforts to ensure we finish this season as strongly as possible and deliver quality fruit to our customers, and I look forward to seeing you at Fieldays in a few weeks.

Best regards

Dan Mathieson  
Chief Executive Officer