



9 August 2022

Hi everyone,

We're now past the half way point of the sales season for all fruit groups.

As of week 31, we have sold more than 60m trays of SunGold Kiwifruit and delivered more than 61% of this season's SunGold Kiwifruit crop, compared to 60% at the same time last year. We've also sold more than 24m trays of Green, and delivered 40% of this season's Green crop which is similar to where we were this time last year, noting we do have 8.5m less trays of Green to deliver this season. Across the Organics pools, we've sold 0.9m trays and delivered 30% of our Organic Green crop, compared with 33% at the same time last season. We've also sold 1.8m trays of Organic SunGold Kiwifruit, with deliveries well ahead of the same time last season (57% vs 50%).

While the rain and cold weather continues to blanket New Zealand, our Northern Hemisphere markets are experiencing an unseasonably warm summer, with the availability of European summer fruits leading to a crowded fruit market. Nevertheless, we are continuing to see steady demand for our fruit and markets are preparing campaigns ready for a post summer fruit boost to re-engage consumers with our products and should generate the run rate lift that we would normally expect.

Fruit quality remains an ongoing and significant issue this season and as noted in our previous update, Zespri is continuing to work with our colleagues across the industry and with our partners to address the immediate and longer term issues to ensure we see improvements this year and into the years ahead. We are not alone in facing this challenge, with quality issues evident across other global fruit categories this season, and our competitors and colleagues have also battled labour shortages, supply chain congestion and inflationary pressures, all of which impact grower returns.

These ongoing cost pressures and the challenges associated with this season's fruit quality will be reflected in the next Zespri OGR forecast which will be released on 23 August. Since publishing our indicative OGR range in June, the costs associated with this season's fruit quality will be updated and fruit loss is expected to be significantly above the levels considered by our earlier forecast, resulting in less fruit available for sale. While pricing is holding in most markets where we continue to look for opportunities to improve net value, the cost increases we are seeing with freight, labour and quality mean that this season's returns will be under pressure. We will continue to refine our forecasts over the coming weeks as more information becomes available, however at present the indications are that conventional fruit returns are likely to be at the bottom and possibly even below the ranges published in June. Organic fruit, where quality is closer to last season, is currently tracking between the mid-point and the lower end of the range published in June.

Looking ahead, our focus remains on supplying our customers and consumers with the world's best quality kiwifruit, and maximising the value we can return to the industry for the remainder of the season. Demand for fresh, tasty and nutritious kiwifruit continues to grow in our major markets and we remain confident in our long-term demand growth and value position with our partners. Realising this growth potential and continuing to maximise value will be closely linked to our ability to deliver the high-quality fruit that the Zespri brand is known for and the major fruit quality review

is focused on ensuring that fruit losses and costs return back to reasonable levels which will require a collaborative effort across the industry.

I look forward to seeing you in person or online at our upcoming AGM at Trustpower Arena on August 24, and our Grower Roadshows which start on August 29 where we will discuss these matters in further detail.

Regards

Dan Mathieson
Chief Executive