

MARCH 2019



Zespri 5 YEAR OUTLOOK



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INTRODUCTION

Purpose of this communication

This outlook provides a summary of Zespri's rolling Five Year Plan, which is updated and reviewed by the Zespri Board annually. This updated publication covers the period from 2018/19 to 2023/24.

The outlook gives a snapshot of how Zespri's medium-term strategy will be implemented by category and sets out the challenges and opportunities ahead. The Outlook relies on several assumptions and the further out we look, the less certain we become of these assumptions, and the more the plan becomes directional.

Our intent is to provide information for growers to inform their business decisions, whether that is investing, divesting or changing their variety mix.



Key points from this Outlook

Zespri's purpose is to deliver long-term value for growers and shareholders by helping more consumers lead healthy and delicious lives. Our strategy is to market the world's leading portfolio of kiwifruit 12 months of the year.

The industry continues to be in a period of strong growth. In this context, Zespri remains committed to preserving its position as the category leader through delivering a high-quality product and a premium, branded strategy.

This updated five-year outlook sees a continued evolution of the industry to cater for increasing supply volumes of SunGold globally and continued implementation of the market development framework.

Zespri's strategy is essentially unchanged, but we highlight the following general points:

- We are in a period of strong demand creation and several factors underlie our confidence. Zespri has developed good quality demand through market development, brand and category growth – underpinned by high quality Green, the popularity of SunGold, and strong sales and marketing. A focus on taste and quality, underpinned by a meaningful and recognisable brand, helps to place us above the competition.
- SunGold continues to find growing consumer demand and this reflects in strong distributor and retailer support.
- SunGold is expected to drive future growth and is likely to overtake Green in its share of the total Zespri portfolio in 2019.

- Another feature is that the share of volume from northern hemisphere locations will increase to around 18 percent of total supply in the next 5 years, compared to 11 percent today.
- A balanced portfolio will remain important, with demand for Organic a significant opportunity.
- Meeting the demand requires a step change in the pace of development. It requires investment and innovation by Zespri, growers, post-harvest operators, customers and partners across the supply and distribution base. The implications of such significant growth in supply place demands right across the industry.
- Supply costs will likely continue to increase, especially for SunGold as volumes come on stream. This is because of the need for strong investment in post-harvest in New Zealand to build extra capacity for packing and storage.
- The effect of general inflation in on-orchard inputs and the flagged increase of the minimum wage to \$20 per hour from 1 April 2021, will also be factors in the ability to maintain net orchard gate returns, particularly at the lower end of the per hectare orchard gate return forecast.

Overview of demand and supply

- This five-year outlook sees an increase in total global Class 1 supply from 170 million trays in 2018/19 to 216 million trays in 2023/24. This is equivalent to 27 percent volume growth.
- Of this total volume of supply, our plan forecasts New Zealand supply of nearly 177 million trays and non-New Zealand supply of around 40 million trays.
- New Zealand supply of conventional SunGold increases from 66 million trays in 2018/19 to nearly 108 million trays in 2023/24. This is based on an average yield assumption of approximately 13,500 trays. This growth is being driven by the ongoing programme of licence release.
- Zespri intends to continue releasing SunGold hectares out to 2022 and our current demand forecast support releases of up to 700 hectares per year. This is to meet the year-on-year constrained target demand growth volume of 8 to 10 million trays. It is important to note that the programme is subject to annual review that would consider any potential new risks to our current outlook. This would include both demand-side and supply-side factors such as significant changes in average yields.
- Should the SunGold licence release continue as planned there will be 9,600 hectares of both SunGold and Organic SunGold planted in New Zealand by 2022/23. When fully mature by around 2026 this will deliver around 140 million trays at current yield estimates.
- New Zealand supply of conventional Green is forecast to reduce from 81 million trays in 2018/19 to around 62 million trays in 2023/24.
- The five-year plan forecasts strong growth in Organic SunGold from around 840,000 trays supplied in 2018/19 to over 4 million trays supplied in 2023/24. This growth is being driven by the licence release programme for organic greenfield developments. Zespri intends to continue releasing Organic SunGold licence for greenfield developments out to 2022, subject to annual review, and our current demand forecast supports release of up to 50 hectares per year.
- On the supply side, our strategy is about optimising delivered quality to markets through a lean and efficient supply chain which effectively passes market signals back to growers and partners across our supply base. This is about optimising our portfolio, taste and ready-to-eat quality and working relentlessly to improve our supply chain processes.
- On the demand side our strategy is about optimising product choices and service levels for our retail and distribution customers. This is delivered through a robust, sustainable, supply chain that reliably delivers safe, healthy, traceable, high quality, branded kiwifruit, supported by world class sales and marketing.

Delivering on our long-term mission

- Aligned to our purpose of delivering long-term value is a mission to grow global sales revenue to \$4.5 billion by 2025.
- This is an aspirational goal. Zespri is committed to ensuring that sales growth delivers value for growers. This is through our continued focus on delivering a premium-branded strategy, supported by investment in sales and marketing, innovation and 12-month supply and ongoing supply chain improvements.
- Our strategic drivers to deliver on our strategy and mission are to increase demand, fulfil demand and innovate.
- Increasing demand involves growing demand ahead of supply; increasing overall frequency of consumption; and building consumer resonance with the Zespri brand. Our goal is to grow the category and Zespri's share of the category through attracting new buyers globally and increasing the frequency of consumption in targeted markets.
- To fulfil demand, we are seeing strong growth in both New Zealand and non-New Zealand supply. Our Zespri Global Supply (ZGS) business continues to be a source of competitive advantage allowing Zespri to supply retail customers for 12 months of the year.
- The \$4.5 billion in targeted global sales in 2025 equates to volume supply of around 245 million trays from both New Zealand and ZGS. Note, however, Zespri considers that the potential level of demand in 2025 – as opposed to forecast supply – is up to 260 million trays. The volume of trays and mix of products contributing to the target will change with the plan announced in October 2017 to accelerate SunGold licensing in New Zealand and will be dependent on the mix of conversion to SunGold versus new plantings.
- This plan does not reflect the impact of commercialisation of any new variety within the five-year horizon. An additional contributor to sales growth toward the end of the period to 2025 would be the potential commercialisation of new proprietary green and/or red varieties.
- In 2018/19, Zespri together with Plant & Food Research invested around 1.5 percent of New Zealand revenue in innovation, with this potentially increasing in the future. New cultivar development forms the biggest share of our innovation programme. The development of new products in our portfolio, with strong consumer appeal and great agronomics, will help create value for the industry.



INDUSTRY CONTEXT

Opportunities

The macro-level trends for the next five years continue as we have previously reported. There are several positive factors for the business environment and for marketing a premium, healthy product, including:

- **Health and wellness:** Consumer preferences increasingly favour natural, fresh premium food products. This is reflected in retailer food categories in the outer aisles (e.g. fresh produce) performing better than the centre aisles (e.g. packaged foods). There is also an increasing focus of governments and populations on healthy food, particularly as obesity and diabetes become ever more significant concerns.
- **Ageing populations:** Older consumers generally eat more fruit, are wealthier and respond to health messaging.
- **Rising middle classes and increased urbanisation:** Rising middle class and urbanisation in developing economies will support spend on protein and high-quality fresh food.
- **Focus on food safety and sustainability:** Governments, retailers and consumers are demanding greater compliance on the complex issues of food safety and sustainability. The scale of the New Zealand kiwifruit industry provides growers a competitive advantage through offering major retailers with secure supply and safe, socially-responsible food production systems.
- **Online shopping:** The increasing volume of sales through online channels, driven by 'digital' natives born into the online generation.

In addition to these broad trends, there are several factors that are positive for the New Zealand kiwifruit industry:

- **Demand for organics and convenience:** Demand is continuing to increase at pace for organics and convenience in both produce (fresh cut or other processed formats versus whole fresh fruit) and service (e.g. online shopping).

- **Leveraging free trade agreement opportunities:** For example, the South Korea FTA has significantly reduced tariffs on New Zealand kiwifruit imports. Similarly, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership agreed in 2017 provides benefit for both producers and consumers, and supports sales of New Zealand kiwifruit into Japan.
- The growing presence of **brands and consumer goods marketing** activity in the fruit category.
- The continued development of **production and supply chain technologies** that will increase productivity and reduce costs in the longer term.
- Increasing consumer attention on **sustainability**. Both an opportunity and a challenge the industry must respond to. This especially includes strong consumer attention on plastics in packaging with the drive to reduce plastics gaining momentum, especially in Europe but also in other countries. Sustainability is a significant priority for Zespri. It is important to note that while stronger performance in terms of our impact on the environment, and our contribution to communities and the economy will create value, it will also require strong investment by Zespri on behalf of the industry.
- **Changing global demand and supply dynamics.** The continuing increase in imports from major economies such as China can create supply shortages and impact procurement pricing for other countries.

Challenges & Risks

While our future is positive, growers should assess the business of growing and exporting kiwifruit from New Zealand as being relatively high risk and configure their businesses accordingly.

Some factors growers and investors should be aware of include:

- **Biosecurity:** The broad spectrum of pests and disease that can affect crop quality, volume and market access. For example, the high risk and potential consequence of Brown Marmorated Stink Bug have made it a priority for biosecurity readiness activities for both KVH and the Ministry for Primary Industries. Growers will also be aware of the fruit fly response in the Auckland suburbs of Northcote, Devonport and Otara this year.
- **Loss of market access:** While Zespri is working hard to broaden our market base, the loss of any major market during a season could result in an over-supply of fruit relative to demand. Market access can be impacted by several factors, either indirect or direct. For example, phytosanitary, regulatory, food safety, biosecurity, compliance changes and broader global trade relations and geopolitics. Zespri is working to mitigate this risk by maintaining a broad demand base and faster development of large volume markets, close monitoring of our environment, strong government relations and adherence to robust supply protocols. This is combined with a good risk management framework and risk mitigation strategies for various scenarios.
- **Brand reputation and sustainability:** The need to move quickly on sustainability: for example, addressing concerns around plastics, non-degradable and non-recycled material in our packaging. Sustainable packaging is one of Zespri's priorities and we are taking action. For example, during 2019 we will use nearly 20 percent less plastic for the liners in our transport packs.
- **Growing conditions and sustainability:** We know that we are affected by environmental challenges, including climate change. Better management of challenges such as nutrient loads on orchards are also a focus.
- **Increasing competition:** As competitors try to leverage the category demand and value space created by Zespri. The competitive environment continues to become more challenging and includes more volume of competitor red and yellow varieties especially during the Northern Hemisphere supply window. More branded kiwifruit products are being seen in the market. We are continuing to monitor change in this space.
- **Supply deficiencies in volume and quality:** Deficiencies can enable competitors to fill the gaps resulting from Zespri's strong demand creation driven by consumer pull.
- **Speed of business capability development:** Through people, process and systems to support the growth required. Continued investment will be required to support the plan.
- **Increasing on-orchard costs:** Through inflationary pressure, flagged legislative changes to the minimum wage, other compliance costs and costs of servicing debt.
- **Global economic risks:** Such as increasing global debt levels and market and debt bubbles in some countries raising the risks of economic volatility and financial crises.
- **Labour:** As kiwifruit production increases, so will the demand for seasonal labour to pick, pack and prune. While there are ongoing discussions with government to source required labour as well consideration of potential long-term solutions around automation and the use of offshore resources, in the short-term NZKGI is focussed on attracting workers to the industry through a combination of public relations and improving worker welfare. Enough labour in terms of numbers and experience will be critical to maintain the industry's pace of growth.
- **Exchange rates:** Industry returns have benefited in recent years from favourable currency rates, supported by Zespri's hedging policy. However, growers should be aware that there is potential for negative impact due to exchange rate movements in future years.



CATEGORY UPDATES

Green (Hayward)

Situation and challenges

On the demand side for Green we continue our focus on developing sales channels and marketing the health benefits of this fantastically healthy product.

There is continued demand for Green although supply during the 2018/19 season at 81 million trays exceeded the optimal volume of approximately 60 to 70 million trays. We think there will be the opportunity to continue sustainable growth of around 2 million trays per year as supply resets to a lower base and as we build demand ahead of supply.

We continue to build our understanding of the extent to which consumers substitute Gold for Green. Currently the data suggests there is a relatively small substitution effect depending on the price differential, but it appears Gold is taking more share from other fruits than it is from Green kiwifruit. There is demand for Green and sufficient Green is required to maintain a balanced portfolio for our customers and maintain our category leadership position. Most of the competitive kiwifruit grown outside of New Zealand is still Green and for the most part of an inferior quality and sold at a cheaper price point. This creates challenges in attracting new consumers to Zespri's premium Green.

Zespri continues to focus on increasing the per tray return for Green and, all other things being equal, we aim to maintain average orchard gate returns of over \$60,000 per hectare. Per tray orchard gate returns

will vary based on yield and year-on-year volume change. Per hectare returns are forecast to continue to increase, however this trend will be challenged should there continue to be significant movements in year-on-year Green supply. As we progress through the five-year plan, our ability to create more Green demand early in the season remains critical and we will monitor this closely.

On the supply side, Green has seen high yield volatility over recent seasons. The volume was over 80 million trays in the 2015/16 season and then a record crop of 91 million trays in the 2016/17 season. The 2017/18 crop volume reduced to 65 million trays and then increased strongly again in 2018/19 to 81 million trays supplied.

However, we forecast that supply of Green will decline particularly over the later years of the next five years. We think the ideal demand for Green is around 60 to 70 million trays – helping to maintain value and avoiding pushing sales too late. We must be able to supply a full portfolio of products to key customers to remain category leaders.

Through this five-year planning horizon, the planted area of Hayward is expected to moderate through the ongoing availability of SunGold licence. This will tend to have the effect of reducing Green hectares and supporting Green returns.

Green (Hayward)

Marketing and market development

Optimising the taste attributes of the product remains the most important aspect of differentiating Zespri Green from competitor Greens around the world and maintaining our price positioning. That is why the last taste review was so critical, particularly in the context of improving Green yields. Higher volumes are more manageable when taste performance is also good. Expect Zespri to initiate further Taste Zespri reviews depending on taste performance of successive crops. Zespri will also continue to invest and focus on providing customers and consumers with ready-to-retail and ready-to-eat kiwifruit.

Building demand for higher volumes requires several elements:

- Investing in market and sales channel development to build a broadened distribution base.
- Optimising product quality, taste and availability for early and late supply.
- Strengthening retail relationships, creating awareness of Zespri's quality attributes.
- Investing in brand marketing to create consumer demand for our premium proposition.
- Focusing strongly on health communication to recruit more regular eaters of kiwifruit to the category, particularly around the digestive health properties of Green Kiwifruit.
- Offering 12-month supply to customers to maintain Zespri's position.

In terms of market allocations, Europe will continue to take the largest share of Green through the next five years. However, as volumes decline, higher returning markets should make up a higher proportion of the demand.

In the long term, Zespri is focused on deepening penetration into the value chain and enhancing retail relationships.



Green (Hayward)

Orchard Gate Return

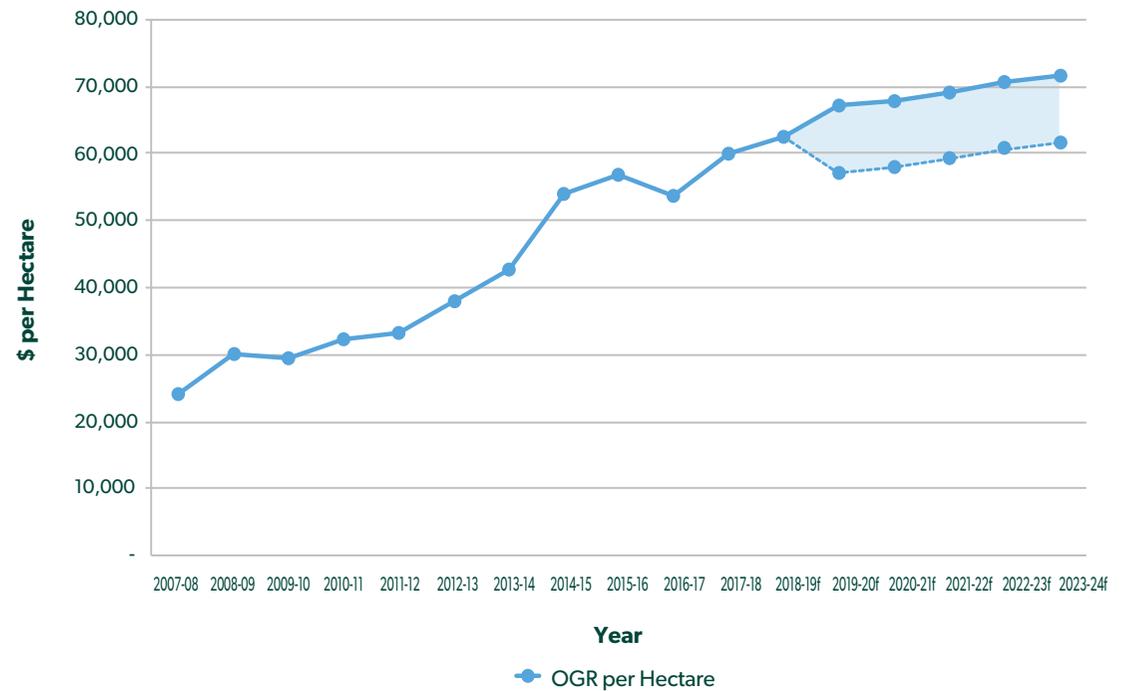
The February 2018/19 forecast shows the Zespri Green average OGR per hectare at \$62,454.

The result on a per hectare basis reflects the exceptional yield of large-sized Hayward. The projected OGR range per-hectare, based on Zespri's Five Year Plan, is shown opposite.

On-orchard costs are not provided in this chart and we note that costs can vary quite significantly from orchard to orchard. Growers will know their costs best from their own experience and data.

We note that there are several cost factors outside of Zespri's control that could increase inflation at a rate above historic trends. This includes, among other things, continuing increases in wage rates and potentially in costs associated with compliance.

ZESPRI® GREEN OGR PER HECTARE



Gold

Situation and challenges

The forecast supply of NZ SunGold is nearly 108 million trays in 2023/24. The Outlook takes account of existing plantings coming into full production and Zespri's decision to accelerate SunGold licence allocation, announced in October 2017, with 700 hectares of conventional to be released annually up to 2022.

The effect on volume of this revised plan comes into play especially at the back end of the five-year plan. It is important to note that planned licence release will only be confirmed at the end of each season depending on quality and demand growth performance of SunGold.

The focus on growth of SunGold is driven by the positive market and consumer response during the past four or five seasons.

Taste is even more important for SunGold than it is for Green because SunGold especially does not deliver on the consumer promise at lower dry matter levels and discourages repeat purchase. Growers have supported measures to improve the financial incentives for growing better-tasting fruit by moving the Gold Minimum Taste Standard (MTS), reducing sampling variability and modifying the Taste Zespri Grade. A second adjustment in the MTS was made for the 2017 season. This focus on taste is even more important given the plethora of potential new varieties from competitors coming into the market.



Gold

Marketing and market development

We will continue to invest strongly in SunGold promotion in strategic markets, with investment declining as a percentage of revenue through to the end of the plan as SunGold becomes established and volumes increase allowing economies of scale.

Achieving sales rate growth in markets requires a good supply of early, great-tasting fruit and extended logistics capacity. The tools we use are: price, promotion investment, investment in sales and marketing resources, distribution expansion and focus on taste.



Gold

Orchard Gate Return

The February 2018/19 forecast shows the Zespri SunGold average OGR per hectare at \$144,822, which is up from \$114,553 in the 2017/18 season.

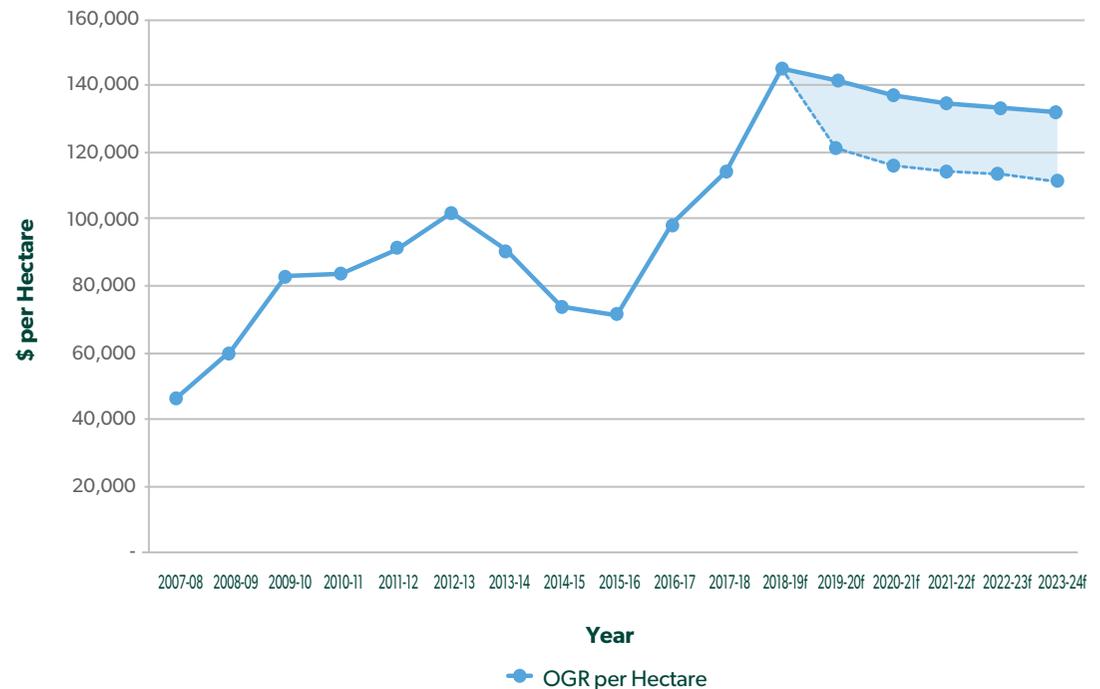
This is explained by a strong increase in average yields as SunGold orchards come into full production. The category also benefited from strong consumer demand supporting pricing – helping to increase average returns on a per tray basis at the same time as growing supply.

The projected OGR range per hectare, based on Zespri’s Five Year Plan, is shown opposite. For planning purposes, this assumes the continued release of additional tranches of SunGold licence, which are subject to annual stop/go decisions.

For guidance, Zespri has plotted out three more scenarios for OGRs per hectare based on average per tray returns at either \$9 per tray, \$8 per tray or \$7 per tray. These are shown in the table overpage. These are illustrative figures and, as stated, Zespri’s modelling suggests average per-hectare returns can be sustained above \$100,000 over the five-year timeframe (assuming a continued lack of Southern Hemisphere Golds), on volumes growing to over 108 million trays in 2023/24. The scenarios are based on an average of 13,500 trays per hectare, a relatively conservative estimate, and we note that actual yields may be higher.

[READ MORE](#)

ZESPRI® GOLD OGR PER HECTARE



Gold

Orchard Gate Return – continued

	2019-20f	2020-21f	2021-22f	2022-23f	2023-24f
@ \$9 OGR per Tray	119,984	120,614	120,849	121,492	121,005
@ \$8 OGR per Tray	106,653	107,212	107,421	107,993	107,560
@ \$7 OGR per Tray	93,321	93,811	93,993	94,494	94,115

On-orchard costs are not provided in the OGR range chart and we note that costs can vary quite significantly from orchard to orchard. Growers will know their costs best from their own experience and data.

There are several cost factors that could increase inflation at a rate above historic trends. This includes, among other things, continuing increases in wage rates and potentially in costs associated with compliance.

Organic Green and Organic SunGold

Situation and challenges

Organic Green and Organic SunGold are an intrinsic part of Zespri's overall portfolio offer.

There are several positive general factors for the category. Organic sales around the world are growing strongly, underpinned by broad consumer desire for healthy, nutritious, safe and good tasting foods.

The core markets for Zespri organic kiwifruit remain North America, Europe and Japan, which account for over 80 percent of global sales by volume. We expect organic sales in China, Korea, Taiwan and South East Asia will grow but off a low base.

We expect Organic supply of Green will continue to fluctuate, with volumes supplied likely to stay above 3 million trays during the five-year period. However, demand is exceeding supply with stronger demand signals being seen in market than previously. The challenge will be to unlock the value associated with this strengthening demand to support a requirement for more supply. During 2018/19 Zespri achieved a strong increase in average returns on both a per hectare and per tray basis, which is encouragement for growers in the category already or considering the category.

Organic returns are volume sensitive. Again, it is important to keep demand ahead of supply and to avoid large changes in volume year-on-year.

Organic SunGold is expected to continue to grow through to around 4 million trays by the end of this planning window. Zespri has announced it plans to release 250 hectares of licence for greenfield Organic SunGold plantings over the five years to 2022 and 50 hectares have been released in 2018. A further 50 hectares are being released in 2019.

Remaining releases will be subject to annual review. In addition to the Organic SunGold licence release, we are seeing strong interest in conversions to organic over from conventional SunGold orchards.

Organics have moved beyond historic norms, to a position where demand now exceeds supply, with a growth trend that is forecast to continue.



Organic Green and Organic SunGold

Marketing and market development

Zespri's market and onshore teams are seeking to maximise the returns for organic supply through:

- Developing organic market opportunities in high value markets.
- Optimising specialist organic distribution and targeted marketing to pursue growth in organic sales in Japan and to optimise value captured in Europe.
- Taking a lead role with organics within the product portfolio in North America.
- Developing a customer base at premium pricing for Organic SunGold.
- Expand consumer research to improve the understanding of the needs and value of organics to our consumers.
- Driving awareness of our Organic offer through clearly differentiated packaging.

During 2018/19 Zespri increased the Organic SunGold premium to \$2.20 per tray from \$2.00 and this takes effect from the 2019/20 season. This will be reviewed on an annual basis.



Organic Green

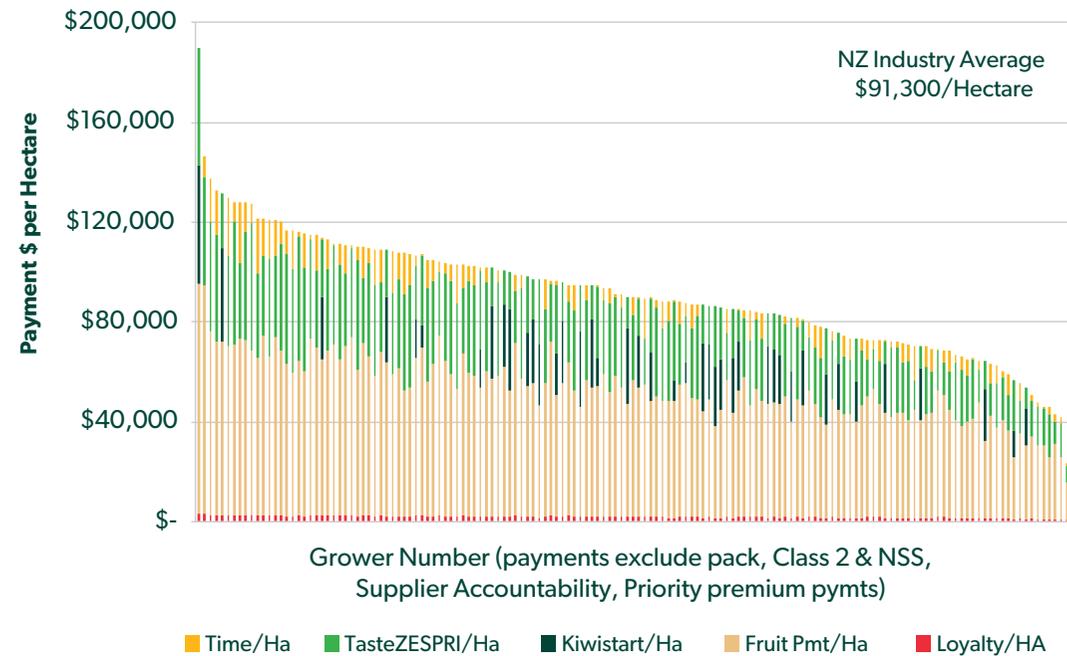
Distribution of performance across orchards

Based on the February 2018/19 forecast, the average Fruit and Service Payment for Organic Green, including loyalty, paid per hectare is \$91,300.

The average yield is 7,956 trays per hectare which is significantly higher than the average 5,862 trays per hectare in 2017/18.

The average size per tray is 33.3, compared with 33.4 for the previous season. The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (56 percent), which comprises a submit payment of \$2.25 per tray and progress payments of \$4.32 per tray. The Taste Zespri Grade contributed \$3.34 per tray on average, up on the 2017/18 season, and taste contributed 29 percent of the overall Fruit and Service Payment (excluding loyalty).

**ZESPRI® ORGANIC GREEN Kiwifruit
Fruit & Service Payments 2018/19**
(based on E5 February Forecast)



Organic Green

Orchard Gate Return

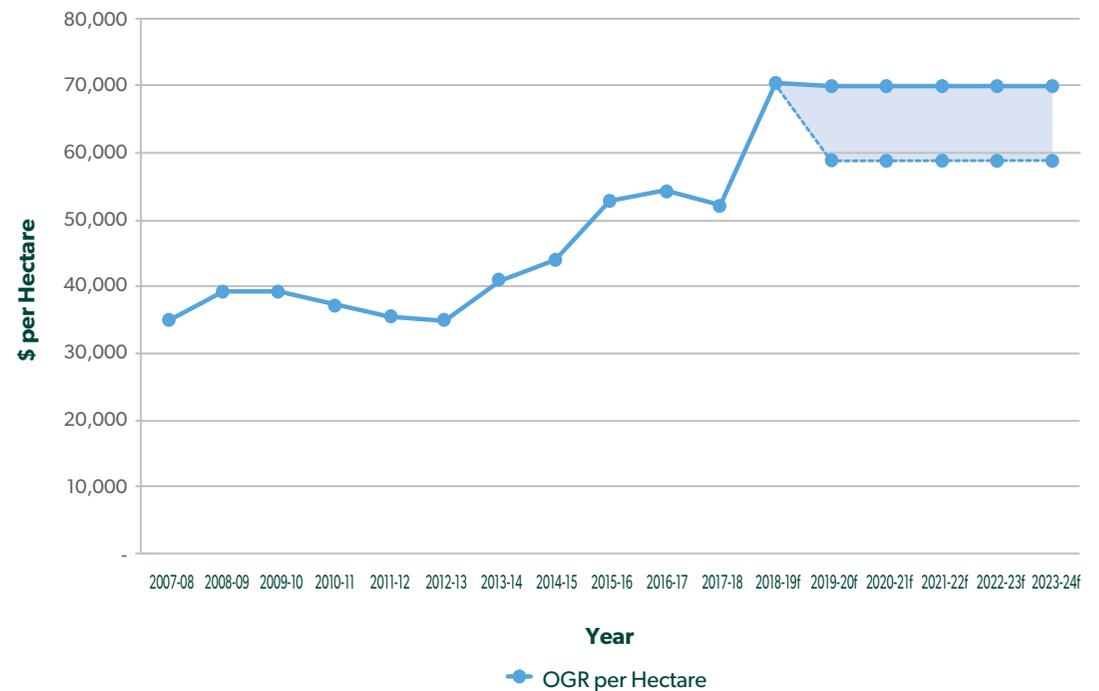
The February 2018/19 forecast shows the Zespri Organic Green average OGR per hectare at \$70,643, which compares to \$52,375 in the 2017/18 season.

The strong average per-hectare returns have been driven by both yield and market returns. The total volume of trays supplied was 3.5 million trays versus 2.8 million trays in 2017/18. The projected OGR range per hectare, based on Zespri's Five Year Plan, is shown opposite.

On-orchard costs are not provided in this chart and we note that costs can vary quite significantly from orchard to orchard. Growers will know their costs best from their own experience and data.

There are several cost factors that could increase inflation at a rate above historic trends. This includes, among other things, continuing increases in wage rates and potentially in costs associated with compliance.

ZESPRI® ORGANIC GREEN OGR PER HECTARE



Sweet Green (Green 14)

Situation and challenges

Sweet Green volumes supplied decreased from 1.2 million trays in 2017/18 to 900,000 trays in 2018/19.

The key proposition for Sweet Green has been early supply of sweet tasting kiwifruit, which customers and consumers are able to differentiate from Green. We have struggled to differentiate Sweet Green from Hayward and subsequently it has been difficult to deliver a sustainable price premium in market.

Zespri is closely reviewing the performance of Sweet Green and how to maximise value from the variety. Sweet Green has been challenged by quality issues and a small profile, although its performance during the 2018/19 season was better than the previous year in terms of quality.

Its sweet and early proposition has a place in the Zespri portfolio for the foreseeable future and when Sweet Green is managed appropriately, it has strong consumer liking. Our focus ahead remains on supplying a high taste offering, as early as possible, to complement the Green sales programme.

Our focus includes:

- Line pricing the Sweet Green offer with Green, at least until there is trade confidence in the product.
- Supplying early to Japan (at the same time or earlier than Hayward) and in a continuous volume to sustain programmes.
- Balancing supply to Europe to facilitate market access and shipping options.
- When Sweet Green quality is good, it has strong consumer liking with no detrimental impact on the brand and this, combined with its early attributes, means it still can deliver value to consumers in the market.



Sweet Green (Green 14)

Marketing and market development

The market opportunity for Sweet Green continues to be based on a proposition of early supply, sweeter taste and a more convenient eating experience through easier ripening.

Our ability to successfully execute will depend on being able to deliver reliably good quality, good tasting Sweet Green kiwifruit to our markets early in the season.



Sweet Green (Green 14)

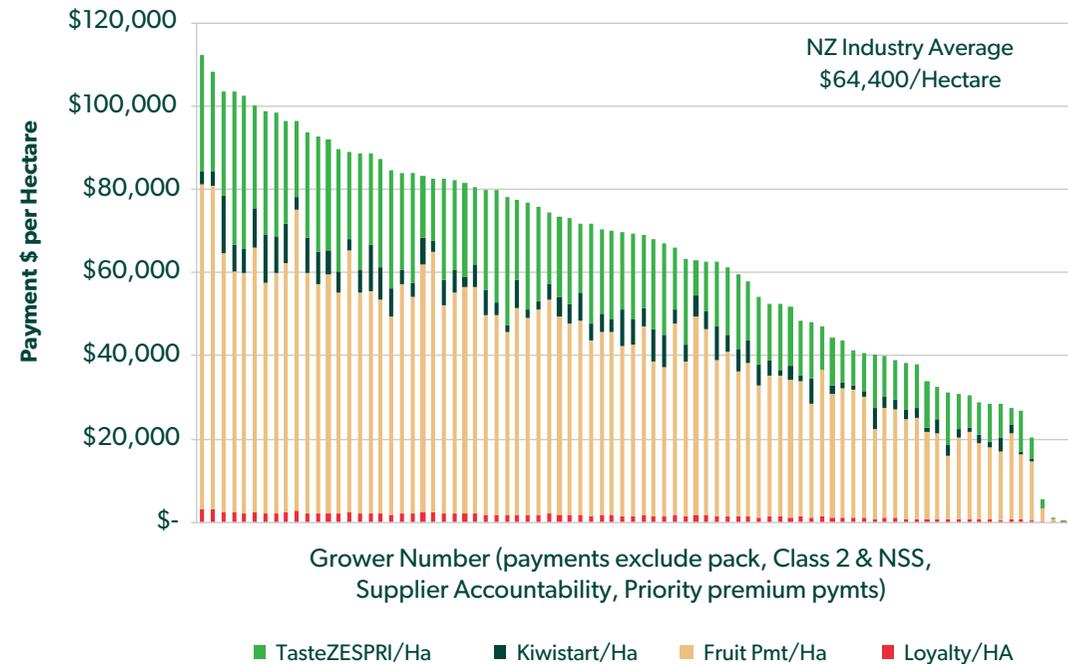
Distribution of performance across orchards

Based on the February 2018/19 forecast, the average Fruit and Service Payment, including loyalty, paid per hectare is \$64,400.

The average yield is 6,404 trays per hectare which is down from 6,941 trays per hectare in 2017/18. The average size per tray is 35.4, compared with 34.1 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (65 percent), which comprises a submit payment of \$2.80 per tray and progress payments of \$3.71 per tray. The Taste Zespri Grade contributed \$2.76 per tray on average, which is a strong increase on the 2017/18 season. Taste contributed 28 percent of the overall Fruit and Service Payment (excluding loyalty).

**ZESPRI® GREEN 14 Kiwifruit
Fruit & Service Payments 2018/19**
(based on E5 February Forecast)



Sweet Green (Green 14)

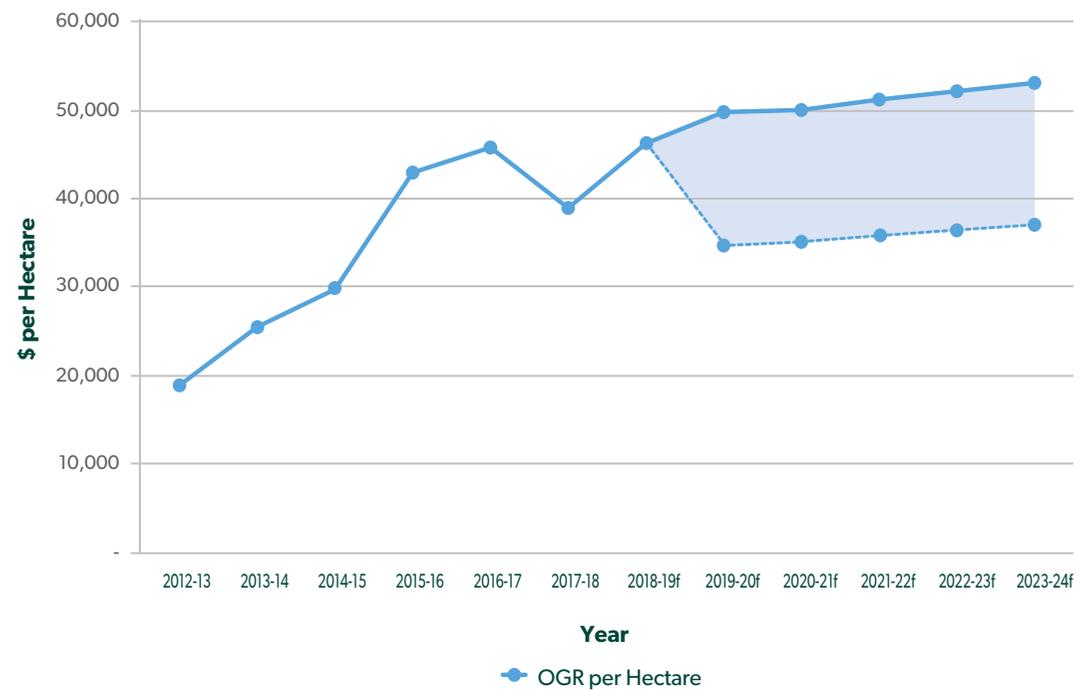
Orchard Gate Return

The February 2018/19 forecast shows the Zespri Sweet Green average OGR per hectare at \$46,151, which is up from \$38,937 in the 2017/18 season.

On-orchard costs are not provided in this chart and we note that costs can vary quite significantly from orchard to orchard. Growers will know their costs best from their own experience and data.

There are several cost factors that could increase inflation at a rate above historic trends. This includes, among other things, continuing increases in wage rates and potentially in costs associated with compliance.

ZESPRI® GREEN 14 OGR PER HECTARE



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