



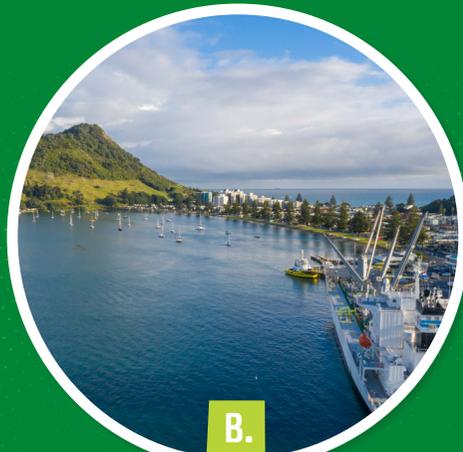
ZESPRI

5 Year Outlook



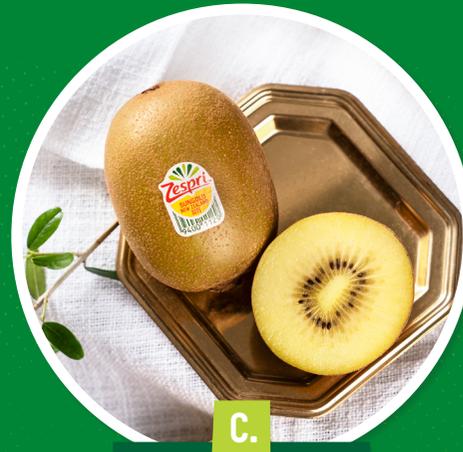
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BEYOND
2026

DECEMBER 2021



Introduction

Purpose of this communication

This Outlook provides an overview of Zespri's Five-Year Plan, which is updated and reviewed by the Zespri Board annually, with this edition covering the period from 2021/22 to 2026/27.

The publication provides growers, industry representatives and shareholders with a summary of how Zespri's medium-term strategy will be implemented by category and sets out some of the key challenges and opportunities ahead. It relies on several assumptions and as expected, the further out we look, the less certain we become of these assumptions, with the plan becoming more directional.

Our intent with this Outlook is to provide information for stakeholders to help inform their business decisions, whether that is investing, divesting or changing their variety mix.

Key points from this Outlook

Zespri's mission is to create sustainable long-term value for kiwifruit growers by offering consumers the world's leading portfolio of branded kiwifruit for all 12 months of the year.

Ensuring we deliver value to growers by doing the best for our consumers has guided us for the past decade, and will continue to guide us for years to come.

This Outlook reflects the continued lift in global demand for Zespri Kiwifruit, which has been accelerated by investment in sales and marketing to build our brand, as well as increasing demand from consumers for fresh, healthy and great-tasting products.

While we're seeing growing interest in the kiwifruit category, the Five-Year Plan does factor in the immediate headwinds the industry is facing, including: the ongoing impact of COVID-19

on the supply chain, greater shipping congestion and significant challenges in securing labour. More information on these risks can be found on page 5.

Ahead of the challenges facing the 2022 season, the industry has been planning its approach to smooth out the flow of fruit to maximise industry picking and packing capacity. This includes a rebalance of the trade-off between the taste incentive and Kiwistart rates, and operational planning on pack mix, supported by a shipping schedule designed to present our fruit to market for a strong early start to the season.

While refinements have been made to improve harvest flow for SunGold Kiwifruit, it is important to note taste remains a key driver of the value and sales generated in our markets around the world. Growers will be aware that we're undertaking a comprehensive Taste Zespri review ahead of the 2023 season, underpinned by the findings of the consumer sensory, grower enablement, and supply chain research projects.

While this Outlook acknowledges the challenges we're seeing in our current operating environment, what hasn't changed are the following general points:

- Zespri remains incredibly confident in the market outlook, with global demand for our fruit continuing to strengthen, along with the value we are able to capture for growers, if we maintain our approach of building market demand ahead of supply.
- Supply volumes are increasing with growers achieving strong yields per hectare, and with a continued focus on delivering high quality fruit to our markets. A focus on taste and quality, especially storage, accompanied by our brand purpose and level of recognition among

consumers, helps to place us ahead of the competition and to command a premium price.

- SunGold Kiwifruit consumer demand continues to rise, and this is reflected in strong distributor and retailer support.
- SunGold Kiwifruit will drive future volume and revenue growth, having surpassed Green in its share of the total Zespri portfolio in 2020 and again in 2021.
- Confidence in demand during the Zespri Global Supply (ZGS) season remains high with strong demand signals globally. ZGS is completing a strategy refresh in order to provide 12-month supply in support of the New Zealand supply season. The proposed increase in volume demonstrates the growth phase we are in as we continue to build supply to meet demand – across both Northern Hemisphere and New Zealand production locations.
- A balanced portfolio will remain important, with demand for Organic a significant opportunity, as long as the balance between supply and demand is maintained.
- Meeting demand requires continued innovation and investment by Zespri, growers, post-harvest operators, customers and partners across the supply chain. The implications of the strong growth in supply we are experiencing adds pressure right across the industry. Planning is underway to identify the most significant opportunities to make adjustments that will provide a smoother flow of fruit next season and to mitigate the impact of the looming labour shortage, as well as significant shipping disruptions and handling issues throughout the supply and distribution base.



- Supply costs are forecast to continue to increase for all varieties across all aspects of growing, harvesting, packing and cool-chain. This is driven by global shipping constraints, a labour shortage, costs associated with compliance and the need for strong investment in post-harvest in New Zealand to build extra capacity for growth in crop volume.

Overview of demand and supply

- This Five-Year Outlook sees an increase in total New Zealand Class 1 supply from 178 million trays in 2021/22 to 238 million trays in 2026/27. This is equivalent to 33 percent volume growth and includes the estimated commercial volumes of Zespri RubyRed Kiwifruit production established by 2025.
- Across the same period we are forecasting per tray Orchard Gate Return ranges of:
 - Zespri SunGold Kiwifruit: \$8.00 to \$12.00
 - Zespri Organic SunGold Kiwifruit: \$10.00 to \$14.00
 - Zespri Green Kiwifruit: \$6.50 to \$8.50 (depending on declining volumes)
 - Zespri Organic Green Kiwifruit: \$9.00 to \$11.00
 - Zespri RubyRed Kiwifruit: \$10.50 to \$13.00
- Of the 2026/27 total volume of Class 1 supply, our plan forecasts New Zealand supply of nearly 238 million trays and non-New Zealand supply of around 43 million trays. However, non-New Zealand supply is currently undergoing a strategy refresh to consider how its further expansion can support the New Zealand supply business.

- New Zealand supply of Class 1 conventional SunGold Kiwifruit increases from nearly 98 million trays in 2021/22 to 161 million trays in 2026/27. This growth is being driven by the ongoing programme of licence release as signalled below.
- Zespri remains committed to releasing conventional SunGold Kiwifruit hectares and our latest demand forecast supports the release of 350 hectares in 2022. This is less than the 700 hectares released in previous years, with the reduction driven by a need to maintain sustainable returns for growers and ensure supply does not exceed projected future market demand given improving grower yields. Onshore supply challenges including labour have also been factored in. The indication for SunGold Kiwifruit licence release during 2023-2026 is in the range of 350-700 hectares per annum, subject to annual review. This is to meet the year-on-year constrained target demand growth volume of 10 to 14 million trays per annum. It is important to note the programme is subject to an annual review that considers any potential new risks, as well as the level of market demand. The analysis of risk would include both demand-side and supply-side factors.
- Zespri will release 350 hectares of Zespri RubyRed Kiwifruit licence in 2022 via a Closed Tender Bid. The indication for Zespri RubyRed licence release in 2023 is up to 500 hectares, subject to annual review.
- The Five-Year Plan forecasts a significant rise in New Zealand supply of Class 1 Organic SunGold Kiwifruit from around 2.5 million trays supplied in 2021/22 to over 6 million trays supplied in 2026/27. There will be no release of Organic SunGold Kiwifruit licence in 2022.

Recent orchard conversions has meant there is sufficient supply to meet projected growth in market demand. Being a relatively small pool, it is sensitive to supply and demand dynamics. Potential future licence allocation will be reviewed annually.

- There is expected to be 9,650 hectares of both SunGold Kiwifruit and Organic SunGold Kiwifruit planted in New Zealand by 2023/24. When fully mature by around 2026, this will deliver around 160 million trays at current yield estimates. Zespri also currently has 3,610 planted SunGold Kiwifruit hectares in the ground in our offshore growing locations (as of 31 March 2021).
- New Zealand supply of Class 1 conventional Green is forecast to reduce from around 74 million trays in 2021/22 to around 59 million trays in 2026/27 through conversion to other varieties and removal of orchards, which should result in increased per tray value for the category. Green value is sensitive to supply and demand dynamics given the competition from non Zespri Green. Note this estimate does not factor in the potential loss of hydrogen cyanamide which would have a significant impact on green growers.
- On the supply side, our strategy is about maximising quality to markets through an efficient supply chain which passes market signals back to growers and partners across our supply base.
- On the demand side our market development framework and strategy are 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 to meets our consumer needs.





Industry Context

Opportunities

The macro-level trends for the next five years include several positive factors in terms of consumer and consumption trends that support the marketing of a premium, healthy product. Zespri has identified the following macro-level trends:

- **Health will be at the core of lifestyle decisions**, with fruit being the most consumed product at snacking occasions, especially around mid-morning.
- **An increasing focus on sustainability**, with consumers and retailers increasingly seeking products which align with their own values – including considering their impact on the environment and climate change. Regulators around the world are also increasingly demanding more sustainable practice, particularly with regards to plastics and packaging.
- **Demand for optimised living**, which will see a rise in products (fresh cut or processed format versus whole fresh fruit) and services (i.e. online shopping and automation) that are convenient for consumers.
- **Changing retailing landscape for fruit**, with discounters and e-commerce growing a bigger base. Determining the success model in these fast-growing channels is important.
- **Positive category growth globally**, coupled with significant category headroom, offers plenty of opportunity for Zespri to continue to pique the interest

of consumers. Demand is strong and growing, with more people wanting to buy our fruit because they know it tastes great, it is healthy, and it is grown in a way which is good for the environment and our communities.

- **Strong brands perform well in times of crisis with consumers turning to brands they know and trust.** On top of brand familiarity, consumers are also seeking assurance about the safety of products.

Within this context, Zespri has identified a number of areas to drive demand over the next five years, uplifting value and offsetting risks, including:

- **A globally-consistent and meaningful brand identity** with fewer campaigns, bigger impact and better results unlocking the interest of new consumers and resonating with our loyal ones.
- **Connecting with consumers** who support brands where looking after people and the environment is a core part of their business. Zespri is continuing its efforts to meet our sustainability commitments, including the need to take action to transition to a climate-resistant future, lift employment standards and make progress on sustainable packaging.
- **ZGS:** Our global supply strategy is critical to attracting new customers to our product and realising benefits for New Zealand growers through the advantages of 12-month supply.

- **Enhancing product sustainability:** A programme of work is underway to explore opportunities to provide the world with carbon zero kiwifruit as part of our goal to lead the kiwifruit industry's transition to a low-carbon future.
- **Greater digital transformation** through the Horizon programme which will enable Zespri to be more effective and efficient in how we optimise supply in markets and how we deliver our product to consumers and return value to growers.
- **Value-adding and more sustainable packaging** formats allowing better targeting, and placements in-store, increasing conversion and uplifting value. Immediate off the shelf solutions are a work in progress to leverage consumers' willingness to pay for value and more sustainable pack types, particularly in markets like Europe where the need is higher.
- **A Ready to Eat (RTE) initiative with select customers**, building on experiences in established RTE markets like Japan.
- **Sales excellence and capability** build being developed and implemented to improve joint business planning, distributor management and in-store execution.
- **Kiwifruit Breeding Centre** established in partnership with Plant & Food Research to speed up the development of new varieties to create more value for growers and attract new consumers to the category.



Challenges and Risks

While our future is positive, growers should consider the risks of growing and exporting kiwifruit from New Zealand within a context of there being both risk and opportunity and configure their businesses accordingly.

Some factors growers and investors should be aware of include:

- **COVID-19:** While the kiwifruit industry has robust health and food safety protocols to ensure only the highest-quality, safe kiwifruit gets to market, COVID-19 continues to impact the global supply chain. The long-term impact of the pandemic remains uncertain, though we expect significant ongoing disruption in the short-term.
- **Labour:** As kiwifruit production increases, so will the demand for seasonal labour to pick, pack and prune. The labour shortage for 2022 is estimated to be 6,500 people at the peak, compared to 4,500 in 2021. The industry and NZKGI continues to create a positive working environment for all workers, and has responded to the challenge with labour attraction campaigns, training programmes, and by enforcing compliance, increasing pay rates, investing in people and automation and establishing long-term pathways for permanent employment.
- **Unauthorised G3 in China:** The impact of unauthorised G3 plantings in China and the risk of further growth remains a significant risk. The harvest window is in direct competition with New Zealand fruit in the last quarter of the year and with non New Zealand-grown ZGS fruit in our counter-season. Zespri continues to monitor

unauthorised G3 plantings and while enforcement is challenging and complex, we have in place a framework to monitor our key channels and accounts. Zespri is continuing to work to understand the nature of the unauthorised G3 threat through a research and development programme assessing local fruit quality and industry practices.

- **Biosecurity:** Unwanted pests and disease could impact crop quality and volume, as well New Zealand's reputation and market access. For example, the high risk and potential consequence of Brown Marmorated Stink Bug has made it a priority for biosecurity readiness and response for both the industry biosecurity organisation, Kiwifruit Vine Health (KVH), and the Ministry for Primary Industries, and the industry remains alert to potential fruit fly incursions.
- **Loss of market access:** While Zespri is working hard to broaden our market base, the loss of access to 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, COVID-19, 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:** For example, addressing consumer concerns around plastics, non-compostable and non-recyclable material in our packaging as well as addressing the environmental challenges we contribute to and are affected by, such as water quality and climate change. We have implemented our industry sustainability framework and set a number of targets to support each of our priorities. They cover the following five areas:

1. Our packaging will be 100 percent recyclable, reusable or compostable by 2025.
2. By 2025 our industry will more effectively monitor nutrient inputs and losses as well as our impact on water, protecting and enhancing water quality.
3. We will become carbon positive by 2035.
4. We will be an industry where people want to work because they know it's a great place to work.
5. And we will do even more to help people lead healthier lives.

- **Climate change:** Zespri's climate change strategy sets out how we will work with the kiwifruit industry to help lead the transition to a low-carbon, climate-resilient future. Preparing for the impacts of climate change is important to us and we're investing in research on climate adaptation strategies. This includes future growing systems and the development of new varieties of kiwifruit that are more resilient to drought and pests.



In 2021 we commissioned research to understand our climate risks in all our growing regions, and published our Climate Change Risks & Opportunities report, aligning with the best-practice standard, The Taskforce for Climate-Related Financial Disclosure (TCFD). We also measured our core emissions at Zespri and published these in our 2020/21 Annual Report.

- **Hydrogen cyanamide:** At the time of publication, the Environmental Protection Authority (EPA) was consulting on its recommendation to phase out the use of hydrogen cyanamide over five years. Losing this product which is used for budbreak enhancement would have a significant impact on the industry and we're committed to making the strongest case to the EPA outlining how the industry can keep using the product safely – for people and the environment. Work underway includes the submission process itself; understanding any immediate restrictions on the use of the product; past research and trials into alternative products and on-orchard management techniques to reduce the impact of any loss of hydrogen cyanamide; and continuing our strategic exploration of new cultivars that may offer greater resilience to warmer winter climates in the future.
- **Increasing competition:** The competitive environment continues to become more challenging as competitors try to leverage the category demand and value space created by Zespri. This 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:** Continued investment will be required to support the growth including in people, processes and systems.
- **Horizon:** Horizon is an ambitious investment to replace ageing internal systems and processes and Zespri is continuing to take a phased approach to ensure that we manage programme delivery well. Each tranche of the programme requires a detailed business case and will be funded within the limits of our current funding model. Tranche one addresses foundational systems and processes within Zespri's finance and core supply chain, with solutions due to be delivered in August 2022. The initiation of the second tranche will include engagement with the industry on solutions across the extended supply chain, quality management, sales, and grower enablement, with delivery from late 2023.
- **Increasing on-orchard costs:** Inflationary pressure, ongoing legislative changes including to the minimum wage and workplace regulations legislation, other compliance costs including in the environmental regulatory space as these costs are expected to increase.
- **Global economic risks:** On top of the ongoing uncertainty created by COVID-19, we are seeing increasing global debt levels and market and debt bubbles in some countries, raising the risks of economic volatility and financial crises.
- **Shipping:** Ongoing pressure on the global shipping network continues to be challenging, although we're in a relatively strong position in Europe. We will be looking to procure 'buffer' shipping to allow for the increase in the 2022/23 season crop, and we'll be exploring the use of Advanced Movement in markets to alleviate the impacts.
- **Post-harvest capacity:** Growing post-harvest and cool store capacity is crucial to managing growing volumes to meet consumer demand. Zespri continues to work with post-harvest providers to analyse and identify opportunities to manage peak season volumes in packhouse and cool storage facilities.
- **Non-compliance:** Consumers, regulators and communities are increasingly concerned about compliance issues and brands being good members of their communities, resulting in a higher level of scrutiny on industries like ours. Any issues like worker exploitation, water quality, or poor spray management could attract negative attention, impact on our reputation, our social licence and our ability to operate without greater regulatory constraints, and to attract the value enabled by being a premium brand. Zespri will continue to work with the industry to enforce standards and take action against anybody failing to comply so that we can protect the value we have created together as an industry.
- **Exchange rates:** Industry returns have benefitted 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

ZESPRI GREEN (HAYWARD)

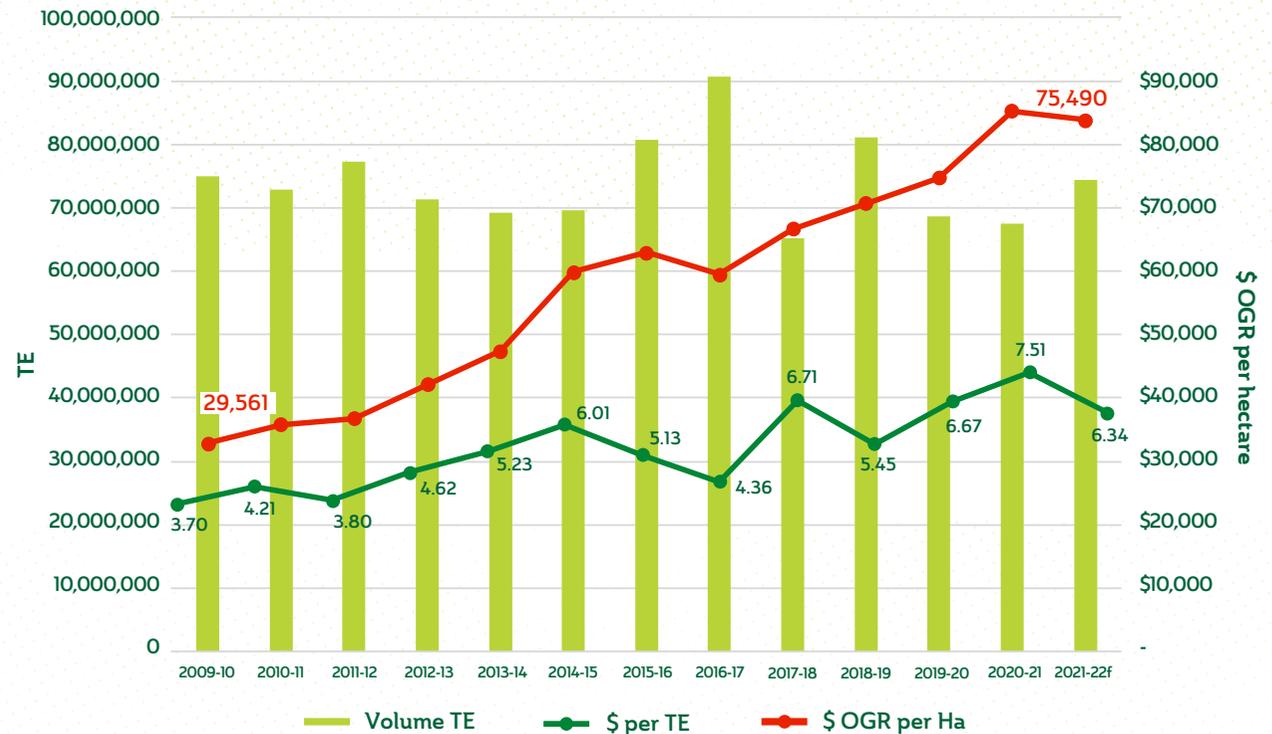
Situation and challenges

There is continued demand for Class 1 conventional Zespri Green, although large year-on-year fluctuations in supply do challenge the ability to hold and build sustainable value in the category in the long-term. As volumes decline, we expect Orchard Gate Returns of \$6.50 - \$8.50 TE or \$71,000-\$88,000 at the per hectare level, based on average yields. The supply versus demand dynamic is more sensitive for Green with the level of competition and supply volume in any given year impacting returns, with lower volumes delivering higher returns.

As well as a stabilisation in volumes, to be able to build demand ahead of supply, other key drivers for maintaining and building the value of Green are: maintaining our competitive advantage through delivering better quality, bigger size and higher taste fruit than our competition; continuing to work with customers to understand how providing ready-to-eat fruit can drive Green run rates; and, maintaining our focus on developing sales channels and marketing the health benefits of this healthy product.

We continue to build our understanding of the extent to which consumers substitute SunGold Kiwifruit for Green. Currently the data suggests there is a relatively small substitution effect depending on the price differential. It appears SunGold Kiwifruit takes more market share from other fruits than from green kiwifruit. There is demand for Green and sufficient supply is required to maintain a balanced portfolio for our customers as well as our category leadership. Most of the competitive kiwifruit grown outside of New Zealand is still green and for the

GREEN VOLUME VS RETURNS



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.

On the supply side, Green has seen high volume volatility over recent seasons as illustrated in the chart above.

However, we forecast that supply of Green will decline, particularly over the later years of the next five years, due to

grafting to new varieties and others making the decision to pull out of Green altogether, whether for economic reasons or alternate land use drivers.

This can be expected to have the effect of reducing Green hectares and supporting Green per tray and per hectare returns.





Marketing and market development

Optimising the taste and size attributes of the product remain the most important aspects of differentiating Zespri Green from competitor greens around the world and maintaining our price positioning. Zespri will also continue to invest and focus on providing customers and consumers with ready-to-retail and ready-to-eat kiwifruit.

Building strong demand 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, where possible.
- In terms of market allocation, Europe will continue to take the largest share of Green through the next five years. However, as volumes decline, market mix will also add value as higher returning markets such as Japan and Korea are anticipated to make up a higher proportion of the global allocation.

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

Points ahead

Hayward continues to be the predominant green cultivar globally, although we are aware of new greens with stronger consumer attributes, but not necessarily strong performance right across the value chain. We expect that in the longer term someone may be successful in breeding a better green that will take significant market share from Hayward should they be able to get the necessary consumer, storage and yield characteristics optimised. We are continuing our strategic exploration of new cultivars that may offer greater resilience to warmer winter climates in the future, with a focus on speeding up this process in light of the reassessment of hydrogen cyanamide and the impact losing this product would have on the industry, and in particular Green growers in warmer areas.

From a Zespri perspective, our high-level approach is to:

1. Work systematically to optimise the quality of Zespri Green kiwifruit and to grow demand for Green 12 months of the year at sustainable long-term value.
2. To continue the long-term work of breeding and commercialising a new green that will unlock further growth in the green category.

Through this planning window we aim to maintain average per hectare returns of \$71,000-\$88,000, subject to seasonal factors. We note that very low yield years, of less than 9,000 trays per hectare and other risks noted in this document, would challenge this outlook.

Zespri Global Supply view

Northern Hemisphere Green volumes are procured under a trading model, therefore available volumes and price are highly dependent on the fluctuations in supply in any given season.

While in the past we have sourced Hayward primarily from Italy, we are now sourcing an increasing amount of fruit from Greece. Procurement of Hayward from Europe has increased since 2018 to 36,000 tonnes of which over 30 percent is now procured from Greece.

As well as working with Italian growers on tackling pest and disease issues, Zespri has been working closely with Greek suppliers to fill this gap, with fruit quality improving significantly. We look forward to these Greek volumes increasing further in the coming years.



Distribution of performance across orchards

Based on the November 2021/22 season forecast, the average Fruit and Service Payment, including loyalty, paid per hectare is \$120,400. The average yield is 11,908 trays per hectare which is up from 10,214 trays per hectare in 2020/21. The average size per tray is 32.6, which is larger than the previous season result of 33.8. The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (46 percent), which comprises a submit payment of \$2.44 per tray and progress payments of \$2.11 per tray. The Taste Zespri Grade contributed \$3.17 per tray on average, and taste contributed 32 percent of the overall Fruit and Service Payment (excluding loyalty).

Orchard Gate Return

The November 2021/22 forecast shows the Zespri Green average OGR per hectare at \$75,490.

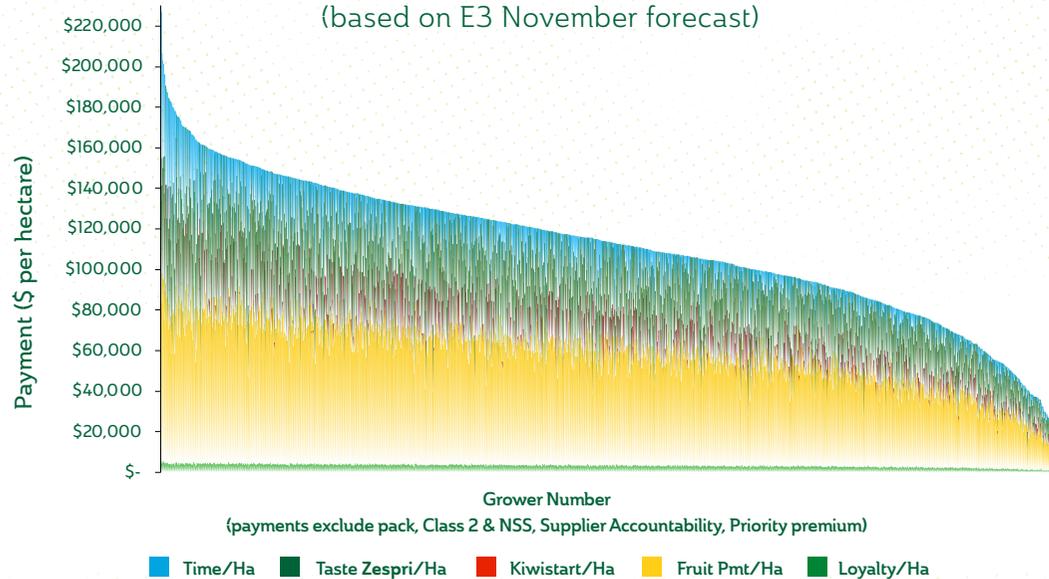
The projected OGR range per hectare, based on Zespri's Five-Year Plan is between \$71,000-\$88,000.

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.

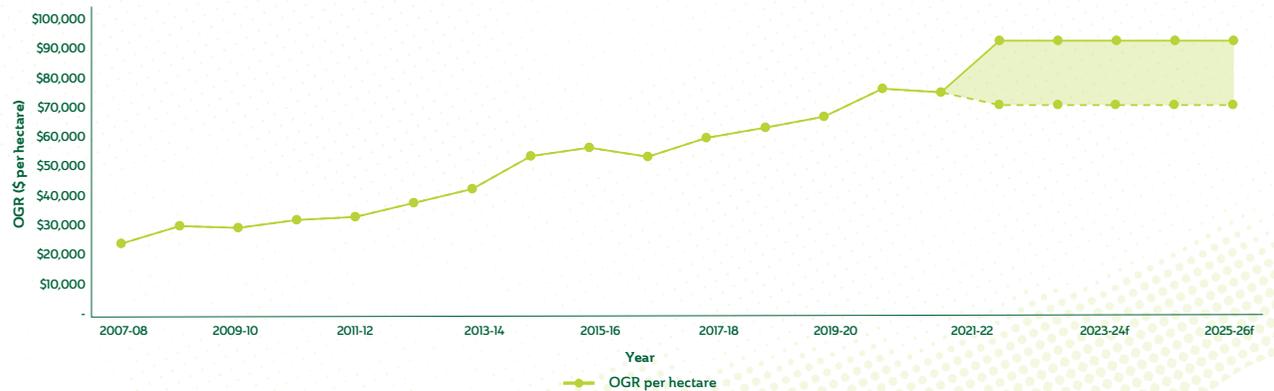
We note that there are several cost factors outside of Zespri's control that could increase at a rate above historic trends. This includes, among other things, continuing increases in wage rates, freight costs and foreign exchange fluctuations and potentially in costs associated with compliance.

ZESPRI™ GREEN KIWIFRUIT – FRUIT & SERVICE PAYMENTS 2021/22

(based on E3 November forecast)



ZESPRI™ GREEN OGR PER HECTARE

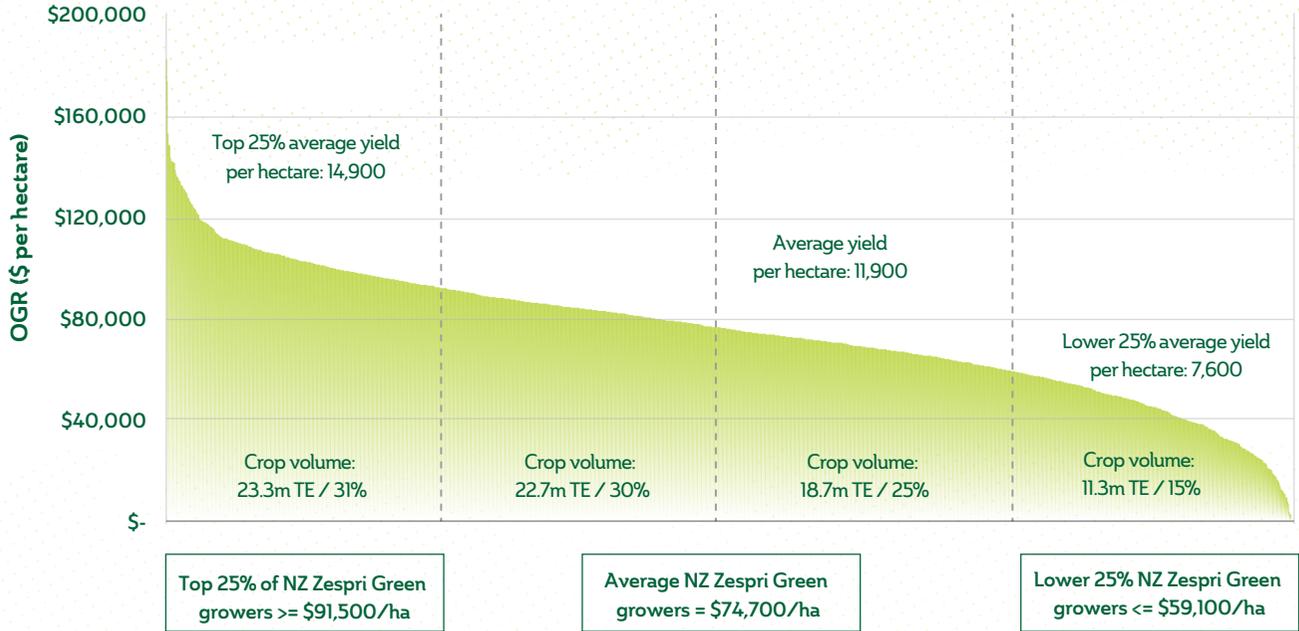




Orchard Gate Return

The graph shows the spread of orchards or part-orchards throughout the country and their expected orchard gate returns based on the November forecast for 2021/22. The orchard gate return is the average amount received by each orchard or part orchard after Zespri and post-harvest costs are deducted. In this case, an average of \$3.71 per tray for post-harvest costs was used. The data presented here shows the distribution of orchard gate returns across KPINs (as opposed to weighted volume average). It does not show net orchard return, which factors in average on-orchard costs.

ZESPRI™ GREEN KIWIFRUIT – ORCHARD GATE RETURN* 2021/22 PER HECTARE
(based on E3 November forecast)



*some payments are not allocated at an individual grower level and are excluded or estimated in this analysis.





ZESPRI SUNGOLD (GOLD3) KIWIFRUIT

Situation and challenges

The forecast supply of NZ Class 1 conventional Zespri SunGold Kiwifruit is 161 million trays in 2026/27. The Outlook takes account of existing plantings coming into full production and Zespri's decision to extend licence SunGold Kiwifruit release out to 2026, announced in October 2021, with 350-700 hectares of conventional to be released annually up to 2026, subject to annual review.

This Five-Year Outlook sees a reduction in the licence allocation in 2022 to 350 hectares to support Zespri's long-term strategy of maintaining demand ahead of supply. The indicative range of 350 hectares to 700 hectares between 2023-2026 provides the flexibility to support our long-term strategy of maintaining demand ahead of supply to take account of:

- Significant increase in yield per hectare assumptions for NZ Class 1 conventional SunGold Kiwifruit compared to the 2020 5 Year Plan.
- An early transition into production of over 1,000 hectares of non-producing SunGold Kiwifruit licences released prior to 2021.
- Time required for SunGold Kiwifruit licences to come into production and to account for production of SunGold Kiwifruit from organic orchards while awaiting their BioGro certification.
- COVID-19 driven labour and supply chain challenges.
- Post-harvest and cool store capacity constraints during peak weeks in the next few seasons.

It is important to note that planned licence release will continue to be reviewed annually and be confirmed at the end of each season, depending on quality and demand growth performance of SunGold Kiwifruit.

Marketing and market development

We will continue to invest strongly in SunGold Kiwifruit promotion in strategic markets, with investment declining as a percentage of revenue through to the end of the plan as SunGold Kiwifruit 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 to create demand are investment in promotion as well as sales and marketing resources, and in distribution expansion and a focus on taste and nutrition messaging.

Apart from investments into promotions to build awareness of SunGold Kiwifruit and expanding our distribution capabilities, we have also been identifying and developing a broad set of markets for growth through our market development framework to diversify our portfolio. Markets that have been identified through the framework and which have shown recent strong growth include North America, Vietnam and South Korea.

Points ahead

We think the current value positioning of SunGold Kiwifruit is sustainable in the current competitive environment, provided we keep demand ahead of supply and have steady year-on-year volume increases of continued high-quality fruit. Our pricing will inevitably come under pressure if our competitive environment changes unfavourably.

We are beginning to see this in the Northern Hemisphere as competitors' kiwifruit quality, such as the unauthorised G3 in China, continues to improve and their supply chain capabilities strengthen. Growers should anticipate alternative Northern and Southern Hemisphere supply options will eventually be successful and therefore returns will moderate in the longer term.

Modelling suggests average OGR per hectare returns can be sustained between \$121,000 to \$198,000 over the five-year timeframe (subject to a favourable competitive environment), on volumes growing to 162 million trays in 2026/27. As always, this Outlook is dependent on seasonal factors, such as volume, taste, quality and market conditions, and on broader factors such as biosecurity and market access.

The strength of our strategy is underwritten by the quality performance of SunGold Kiwifruit and our plan assumes that taste and storage characteristics meet customer expectations and continue to drive sales rates and maintain the sales window. In consideration of evolving consumer preferences, size 39s will be moved to non-standard supply for the 2022-23 season.



Demand growth remains strong, and we believe we can grow Class 1 conventional SunGold Kiwifruit demand across all markets by between 10-14 million trays per year. We will inevitably see a flattening of demand at some point in the future and understanding demand growth potential is a key focus for us. At the end of each season, we will review quality and storage-related performance together with the growth in weekly run-rates we have achieved in that season. We will also review the potential demand in each market and in new market or demand opportunities. Based on this review we will confirm the licence release volume for the following year.

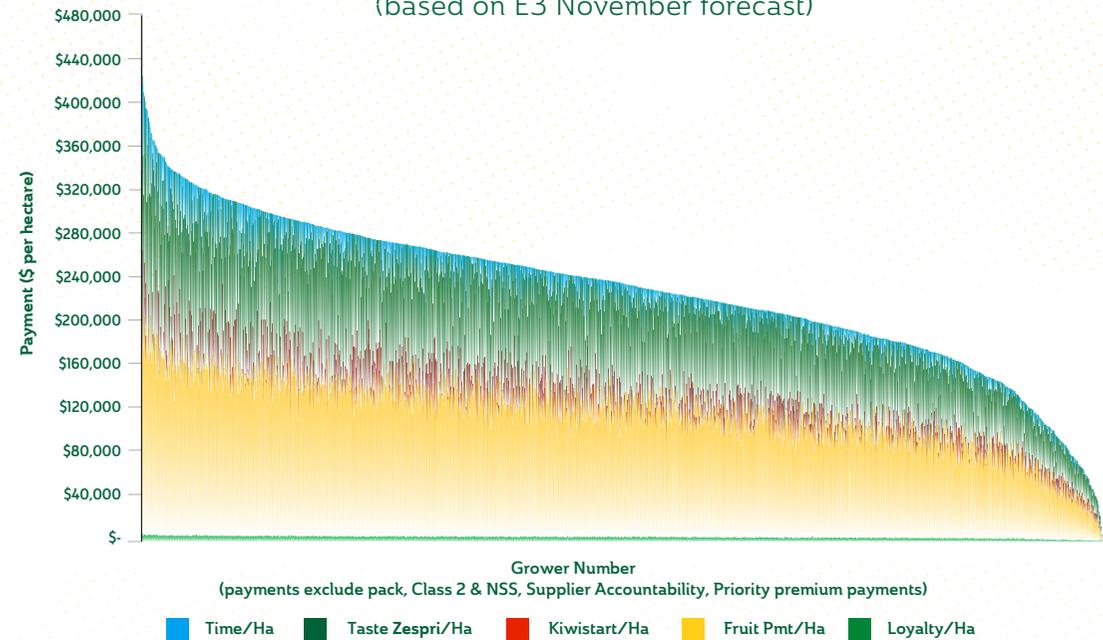
It is strategically important to grow SunGold Kiwifruit in the competitive context, to remain category leaders and hold shelf space and maintain customer relationships as the competition increases. SunGold Kiwifruit allows us to offer value-adding opportunities to growers to expand their production base with a proven high-returning Plant Variety Right product to strengthen our supply base.

Zespri Global Supply View

In October, the Zespri Board also approved a recommendation to proceed with the next step of commercial production of Zespri SunGold Kiwifruit in Greece (subject to approval of the business plan). As well as helping with Zespri’s ambitions to supply 12 months of the year, growing in Greece will also provide some risk mitigation if there are production issues such as frost, hail or pest damage in the other European production areas of Italy and France.

ZESPRI™ SUNGOLD KIWIFRUIT – FRUIT & SERVICE PAYMENTS 2021/22

(based on E3 November forecast)



Distribution of performance across orchards

Based on the November forecast for the 2021/22 season, the average Fruit and Service Payment, including loyalty, paid per hectare is \$244,957.

The average yield is 15,326 trays per hectare which is up from 14,276 trays per hectare in 2020/21. This includes orchards that are not yet fully mature. The average size per tray is 27.8, compared with 29.7 for the previous season.

Typically, the largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (47 percent in 2021/22) which comprises a submit payment of \$3.30 per tray and progress payments of \$4.04 per tray. The Taste Zespri Grade contributed \$5.81 per tray on average, and taste contributed 37 percent of the overall Fruit and Service Payment (excluding loyalty).





Orchard Gate Return

The November 2021/22 forecast shows the Zespri SunGold Kiwifruit average OGR per hectare at \$169,303, which is down from \$177,746 in the 2020/21 season.

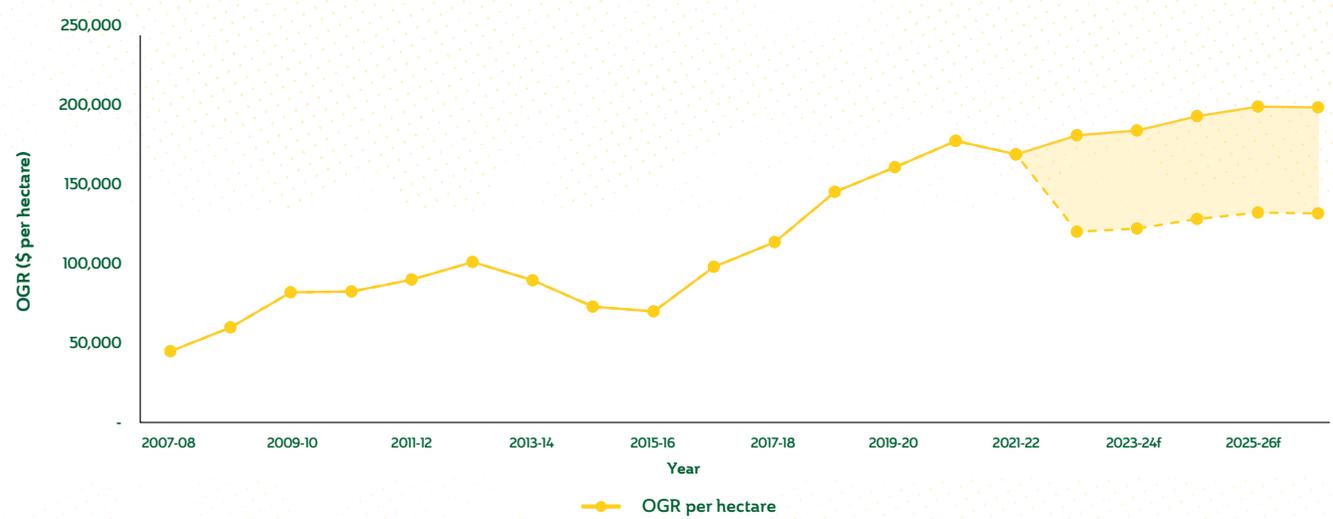
The 2021/22 season has seen multiple headwinds causing downward pressure on Orchard Gate Returns, including freight cost increases associated with global port congestion and fuel costs, foreign exchange on the strengthening New Zealand dollar and post-harvest cost increases associated with wage increases. Offsetting this is a continued increase in average yields as SunGold Kiwifruit orchards come into full production and the category has also benefited from strong consumer demand supporting pricing.

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.

For planning purposes, Zespri also announced a range of returns from \$8.00-\$12.00 per Class 1 tray at an average yield of slightly under 16,000 trays per hectare. These indicate that average per hectare returns can be sustained above \$120,000 over the five-year timeframe. This assumes the continued release of additional tranches of SunGold Kiwifruit licence, as signalled by the Zespri Board, which are subject to annual stop/go decisions.

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 costs associated with compliance.

ZESPRI™ SUNGOLD OGR PER HECTARE



Returns are based off both historical Hort16A figures and more recent SunGold Kiwifruit returns. 2020-21 and forward reflects SunGold conventional only (with SunGold Organic moving into a separate pool in the 2020 season).





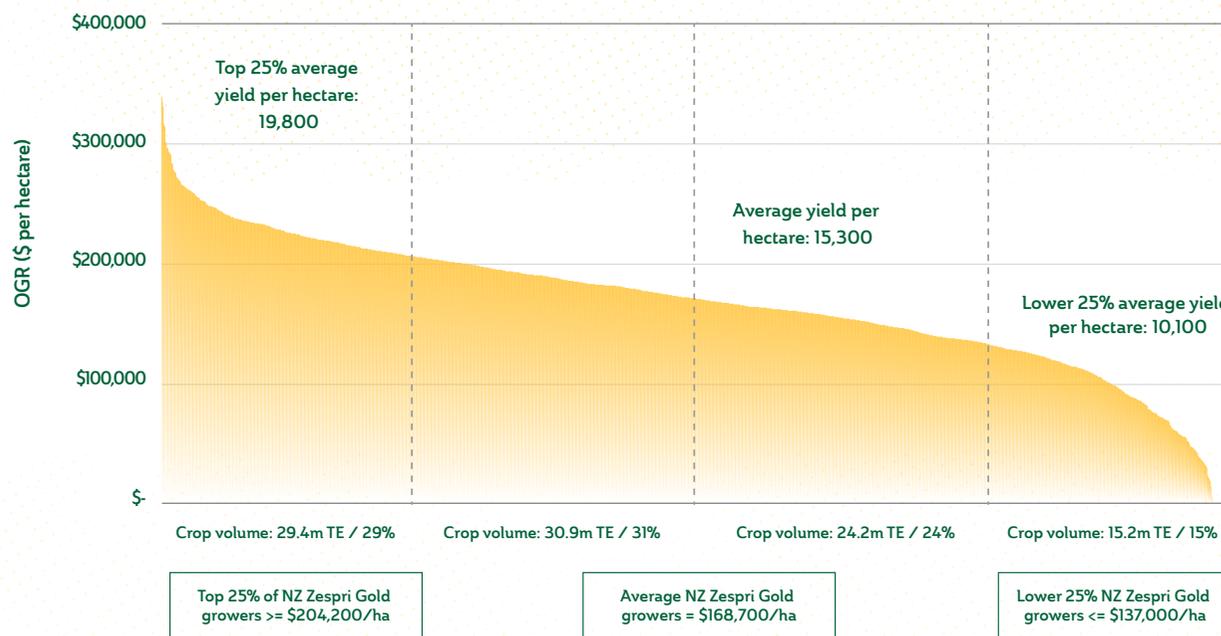
The graph opposite shows the spread of orchards or part orchards throughout the country, and their expected orchard gate returns based on the November forecast of 2021/22.

The orchard gate return is the average amount received for each orchard or part orchard after Zespri and post-harvest costs are deducted. In this case, an average of \$4.70 per tray for post-harvest costs were used.

The data presented here shows the distribution of orchard gate returns across KPINs (as opposed to weighted volume average). It does not show Net Orchard Return, which factors in average on-orchard costs.



ZESPRI™ SUNGOLD KIWIFRUIT – ORCHARD GATE RETURN* 2021/22 PER HECTARE (based on E3 November forecast)



*some payments are not allocated at an individual grower level and are excluded or estimated in this analysis.



ZESPRI ORGANIC GREEN and ZESPRI ORGANIC SUNGOLD KIWIFRUIT

Situation and Challenges

Organic demand remains a significant opportunity with many positive factors for the category. Globally, organic sales continue to grow strongly as we see organic food sales outpacing the growth of non-organic food.

This growth is underpinned by an increasing consumer desire for healthy, nutritious, safe and good tasting foods that are also good for the environment. As the world's population becomes more conscious of their consumption, they are increasingly willing to pay a premium for healthy products.

Across the global organic category, Europe and North America combined account for around 90 percent of organic food sales, with Asia markets accounting for just 7 percent of sales. The core markets for Zespri Organic Kiwifruit remain Europe, Japan and North America, which account for around 80 percent of Zespri Organic sales by volume.

We expect Class 1 Organic Green NZ supply to stabilise at around 3 million trays during the five-year period based on projected yields. There is continued strong demand for Organic Green and for the 2021/22 season, Zespri again is forecasting strong average returns on a per tray basis. Significant year-on-year changes in yields in recent seasons challenges the ability to hold returns at a per hectare level, and to hold and build sustainable value in the category in the long-term. The challenge is to return per hectare value sufficient to offset yield and size differentials compared to conventional.

On Organic SunGold Kiwifruit, due to higher than expected yields and more organic conversions, this Five-Year Outlook has

incorporated no Organic SunGold Kiwifruit licence release in 2022 to support Zespri's long-term strategy of maintaining demand ahead of supply. Accounting for this change in licence release plan, the forecast supply of Class 1 Organic SunGold Kiwifruit is still expected to increase significantly over this planning window from 2.5 million trays supplied in 2021/22 to over 6 million trays supplied in 2026/27. The Outlook takes into account greenfield developments coming into production, alongside conversions from conventional SunGold Kiwifruit coming into full organic certification, and yield improvements.

Market growth will be prioritised based on distinct consumer demand and the market opportunity to deliver a strong and stable return. With strong consumer demand in Europe and North America, we expect to increase organic volumes to these markets. While Organic SunGold Kiwifruit was not marketed in China in 2021, it is anticipated that China will be an important part of the market mix within the Five-Year Plan.

It remains strategically important to grow organic supply in the competitive context. Our organic offering allows us to be relevant to more consumers, by meeting a wider range of needs. This in turn helps Zespri remain category leaders, hold shelf space and maintain customer relationships.

Marketing and market development

Zespri's overall drive to maximise returns for organic supply will be supported by:

- Building capability and lifting value in Europe and North America, where there is strong demand for organics.

- Continuing to grow demand for Organic Kiwifruit in other core markets including China to diversify markets available for allocation.
- Further investment in consumer research to understand the needs of organic consumers.
- Deepening our reach in specialist organic distribution channels.
- Globally consistent brand positioning that aligns with the values of the organic consumer, reinforcing a premium position and driving consumer willingness to pay.

Points ahead

Zespri Organic Green Kiwifruit

Organic Green sales have been anchored by long-term customers in Europe, Japan, and North America, which when combined, represent over 90 percent of total sales for this variety. A similar allocation strategy is expected in coming seasons, with allocation prioritised based on distinct organic demand and the market opportunity to deliver a strong and stable return.

Zespri is modelling a range of \$9.00 to \$11.00 per tray for Class 1 Organic Green (at flat volumes). However, significant year-on-year changes in yield in recent seasons means there could be significant variability in per hectare average returns of between \$62,000 and \$76,000.



Distribution of performance across orchards

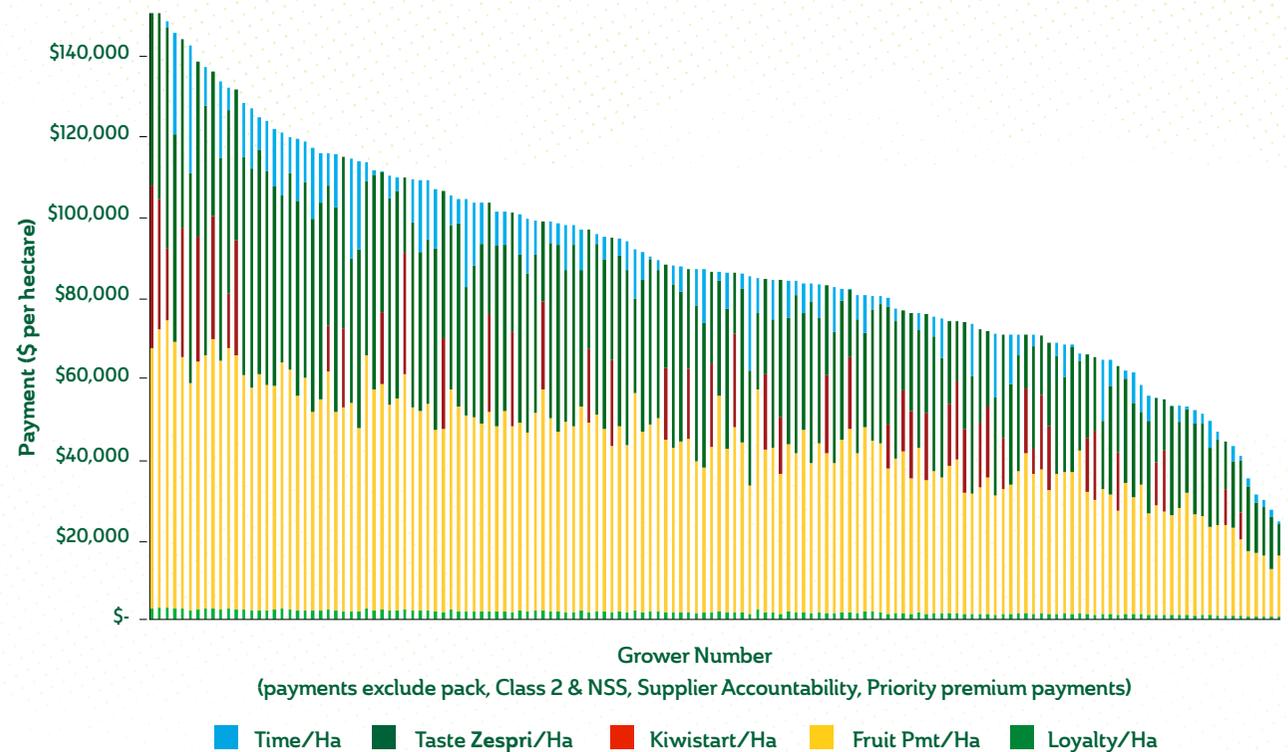
Zespri Organic Green Kiwifruit

Based on the November 2021/22 forecast, the average Fruit and Service Payment for Zespri Organic Green Kiwifruit, including loyalty, paid per hectare will be \$88,000.

The average yield is 6,960 trays per hectare which is higher than the average 6,311 trays per hectare in 2020/21. The average size per tray is 34.8, compared with 37.1 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (48 percent in 2021/22), which comprises a submit payment of \$2.45 per tray and progress payments of \$3.57 per tray. The Taste Zespri Grade contributed \$4.58 per tray on average, and taste contributed 37 percent of the overall Fruit and Service Payment (excluding loyalty).

ZESPRI™ ORGANIC GREEN KIWIFRUIT – FRUIT & SERVICE PAYMENTS 2021/22 (based on E3 February forecast)





Orchard Gate Return

Zespri Organic Green Kiwifruit

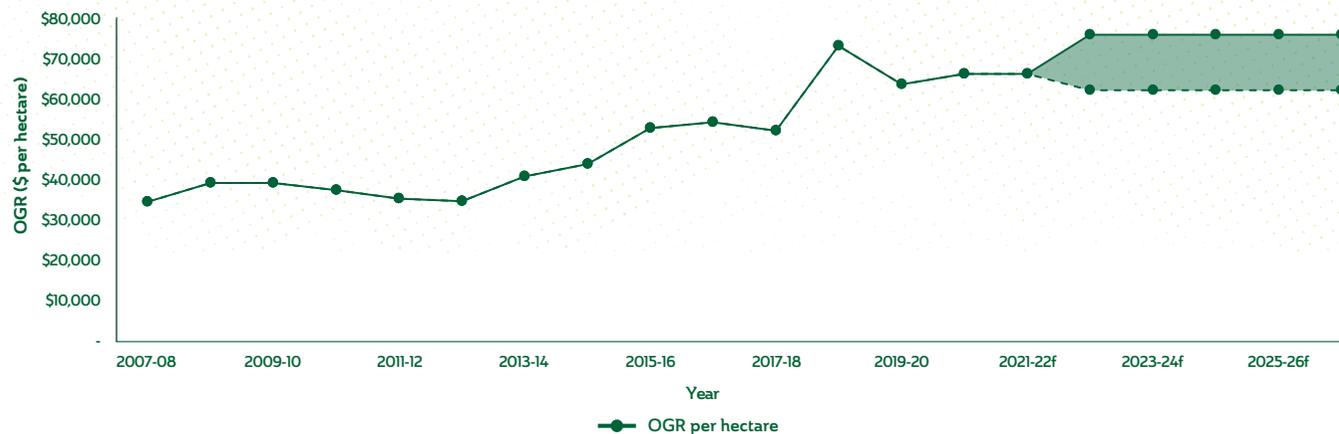
The November 2021/22 forecast shows the Zespri Organic Green average OGR per hectare at \$66,434, which compares to \$66,453 in the 2020/21 season.

The total volume of trays supplied was 3.0 million trays, slightly more than the 2.8 million in 2020/21.

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



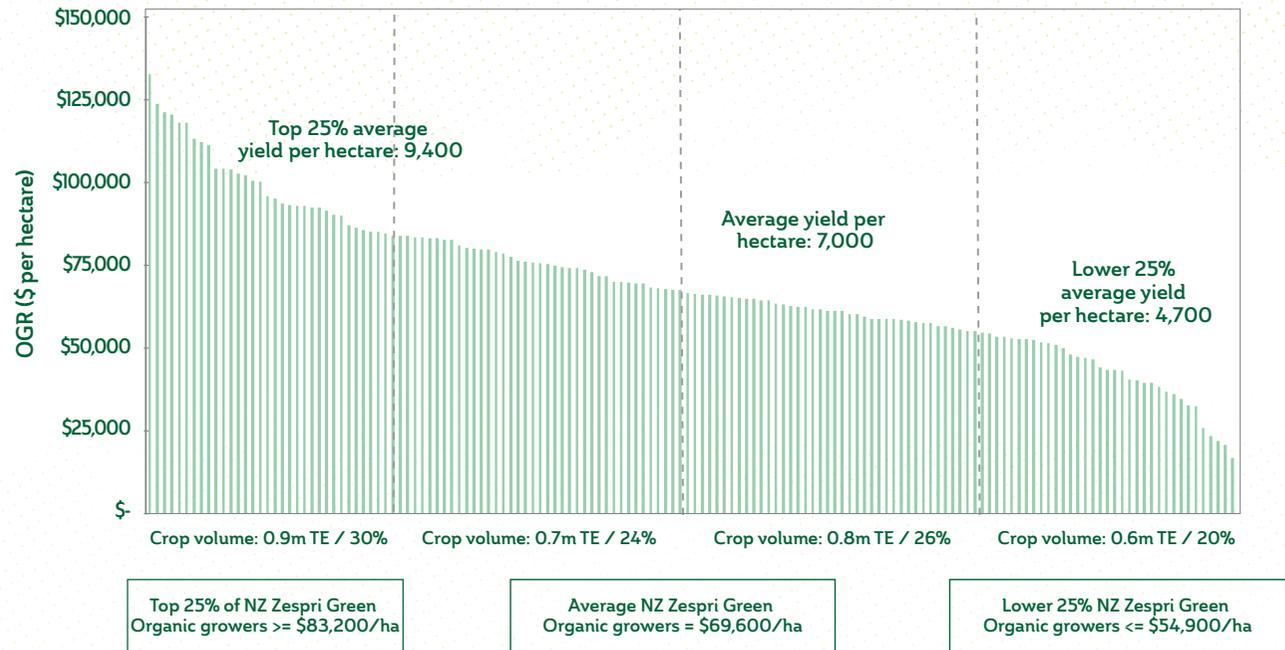


The graph to the right shows the spread of orchard or part orchards throughout the country and their expected orchard returns based on the November forecast for the 2021/22 season.

The orchard gate return is the average amount received for each orchard or part orchard after Zespri and post-harvest costs are deducted. In this case, an average of \$3.37 per tray for post-harvest costs was used.

The data presented here shows the distribution of orchard gate returns across KPINs (as opposed to weighted volume average). It does not show Net Orchard Return, which factors in average on-orchard costs.

ZESPRI™ ORGANIC GREEN KIWIFRUIT – ORCHARD GATE RETURN* 2021/22 PER HECTARE
(based on E3 November forecast)



*some payments are not allocated at an individual grower level and are excluded or estimated in this analysis.



Points Ahead

Zespri Organic SunGold Kiwifruit

We continue to see strong demand signals for Organic SunGold Kiwifruit, and we will experience strong supply growth in this variety over the planning window, including with no additional licence being released in 2022.

We believe we can grow Class 1 Organic SunGold Kiwifruit at around 600,000 TE per year on average over the five-year planning window, with growth prioritised based on distinct organic demand and the market opportunity to deliver a strong and stable return.

A focus will be on building capability and lifting value in Europe and USA, where there is strong organic demand. Volumes to Japan will also continue to grow, reliant on meeting market access requirements, although will decrease as a proportion of market mix.

There is an opportunity to build volumes into high value markets including Korea and Taiwan, which is also reliant on meeting market access requirements around scale. Exports to China are planned to restart in 2022 with volumes increasing over time, however this is not expected to significantly alter market allocation proportions.

Zespri is modelling a range of \$10.00 to \$14.00 per tray for Class 1 Organic SunGold Kiwifruit. Modelling suggests average OGR per hectare returns can be sustained between \$112,000 to \$176,000 over the five-year timeframe (subject to market environment and demand outlook), on volumes growing to 6 million trays in 2026/27. As always, this Outlook is dependent on seasonal factors, such as volume, taste and market conditions, and on broader factors such as biosecurity and market access.





Distribution of performance across orchards

Zespri Organic SunGold Kiwifruit

Based on the November 2021/22 forecast, the average Fruit and Service Payment for Zespri Organic SunGold Kiwifruit, including loyalty, paid per hectare is \$189,254.

The average yield is 11,422 trays per hectare which is higher than the average 10,324 trays per hectare in 2020/21. The average size per tray is 28.1, compared with 30.1 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is Taste Zespri Grade (46 percent in 2021/22), contributing 7.51 per tray. Fruit payments contributed 42 percent in 2021/22, which comprises a submit payment of \$3.30 per tray and progress payments of \$3.53 per tray.

ZESPRI™ ORGANIC SUNGOLD KIWIFRUIT – FRUIT & SERVICE PAYMENTS 2021/22
(based on E3 November forecast)





Orchard Gate Return

Zespri Organic SunGold Kiwifruit

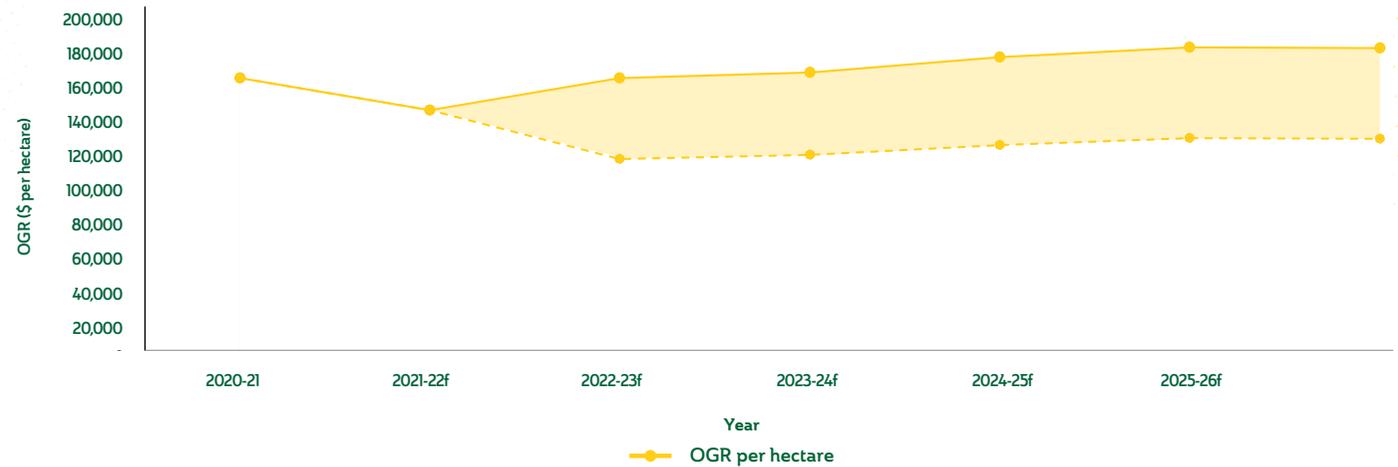
The November 2021/22 forecast shows the Zespri Organic SunGold Kiwifruit average OGR per hectare at \$139,646, which compares to \$158,599 in the 2020/21 season.

The total volume of trays supplied was 2.5 million trays, more than the 1.45m in 2020/21.

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 SUNGOLD KIWIFRUIT OGR PER HECTARE



Returns are based off Organic SunGold Kiwifruit returns. Prior to 2020/21, Organic SunGold Kiwifruit was pooled with conventional SunGold Kiwifruit, but has moved into a separate pool in the 2020 season.



Orchard Gate Return

Zespri Organic SunGold Kiwifruit

The 2021/22 forecast has been impacted by fruit quality costs in market, shipping disruptions causing fruit loss, and market mix impact with no sales in China in 2021.

The graph shows the spread of orchard or part orchards throughout the country and their expected orchard returns based on the November forecast for the 2021/22 season.

The orchard gate return is the average amount received for each orchard or part orchard after Zespri and post-harvest costs are deducted. In this case, an average of \$4.36 per tray for post-harvest costs was used.

The data presented here shows the distribution of orchard gate returns across KPINs (as opposed to weighted volume average). It does not show Net Orchard Return, which factors in average on-orchard costs.

ZESPRI™ ORGANIC SUNGOLD KIWIFRUIT – ORCHARD GATE RETURN* 2021/22 PER HECTARE (based on E3 November forecast)



*Some payments are not allocated at an individual grower level and are excluded or estimated in this analysis.



ZESPRI RUBYRED KIWIFRUIT (RED 19)

Situation and Challenges

Commercialised in December 2019 and initially marketed as Zespri Red during the sales trials, the red fruit will now be marketed under the trademark Zespri RubyRed™ Kiwifruit. The new name reinforces the premium nature of the fruit and will provide greater protection from a trademark perspective. The renaming of Zespri RubyRed™ Kiwifruit also aligns with 2022 marking the first year that we'll produce commercial volumes of the fruit.

We're confident the marketing of Zespri RubyRed™ Kiwifruit will attract more consumers to try this variety and grow our industry's share of the global fruit bowl. In total, we expect to supply around 300,000 trays across New Zealand, Singapore, Japan and Greater China in 2022.

Consumer Market Research conducted by Kantar since 2019 has shown evidence that Zespri RubyRed™ Kiwifruit could potentially attract customers of other premium and exotic fruits, with participants indicating these fruits were the most likely to be substituted for Zespri RubyRed™ Kiwifruit. The study also suggests that there is minimal reduction to Zespri's existing portfolio and possibly a halo effect on SunGold Kiwifruit sales post the Zespri RubyRed™ Kiwifruit sales window.

Findings from the analysis of customer relationship management data in Singapore, Japan and China further indicated that over its relatively short selling window, Zespri RubyRed™ Kiwifruit was able to attract new customers to the kiwifruit category, with one in five purchases in 2019 and one in three in 2020 being made by shoppers who had not purchased kiwifruit within the last 12 months.

The same data set shows that the sales of Zespri RubyRed™ Kiwifruit over indexes with shoppers that are relatively younger than that of the average kiwifruit shopper. In all three markets, Zespri RubyRed™ Kiwifruit shows a high propensity to be bought with, or in addition to, Zespri's core range, with very little substitution.





Orchard Gate Returns (OGR)

In 2020, 150 hectares of licences for Zespri RubyRed™ Kiwifruit were released and signalled the release of a further 1,000 hectares of Zespri RubyRed™ Kiwifruit over the next three years until 2023. The decision has been made that the quantity of SunGold Kiwifruit licence to be released in 2022 has been reduced from 700 hectares to 350 hectares, with the potential to lift in 2023. This reduction seeks to manage increased labour and supply challenges (mentioned above), increased supply of red kiwifruit in China and market access risks in China and other Asian markets. Licence releases are reviewed by the Zespri Board annually based on market demand and supply considerations.

Financial modelling has been completed for potential returns for the first five years of commercial production.

These potential returns are inherently uncertain and have been completed using a number of assumptions, including without limitation:

1. Customer demand is as anticipated in all markets.
2. Oil prices increase at inflationary rates only.
3. Five-year effective exchange rates have been used.
4. Limited direct competition for the product during its normal sales season.

5. Post-harvest costs do not exceed forecasted levels.
6. That returns are not impacted by unforeseen risks such as excessive fruit loss, significant market access issues, or biosecurity and crop protection issues.
7. Size 46s are excluded from the OGR estimates in this section.

(Note, depending on market demand, size 46s may be accepted as non-standard supply on a season-by-season basis.)

Indicative Forecast Red19 OGR levels per TE for the first five years of commercial production.

Season	Red19 OGR levels per TE
2022	\$11.00 to \$13.00
2023	\$10.50 to \$13.00
2024	\$10.50 to \$13.00
2025	\$10.50 to \$13.00
2026	\$10.50 to \$13.00

NB: Please note, these forecast returns are indicative only. This reflects the high level of uncertainty still associated with this variety while we build towards commercial volumes.

OGR per hectare is dependent on orchard yield, and it is expected that it will take growers differing times to achieve full production. For example, assuming an orchardist who grafts in 2022 to Zespri RubyRed™ Kiwifruit can achieve a full crop at an average of 10,000 trays per hectare by 2025, then an OGR per hectare of between \$105,000 and \$130,000 is forecast. Further information is available in the 2020 Red19 New Variety Information Guide (NVIG) currently available on Canopy. An updated 2021 New Varieties Information Guide will be published by March 2022.



ZESPRI SWEET GREEN (GREEN 14)

Summary

Zespri Sweet Green volumes continue to decrease. In 2021/22, Class 1 NZ supply was around 261,000 trays, down from a peak production of 1.5 million trays in the last five years. Even with the decline in volumes, Zespri will continue to sell the variety as its sweet and early proposition has a place in the Zespri portfolio for the foreseeable future.

When Sweet Green is managed appropriately, and quality is good, the variety does have strong consumer liking with no detrimental impact on the brand. Our focus ahead remains on supplying a high taste offering, as early as possible, to complement the green sales programme.

Our focus includes:

- Supplying early to Japan (at the same time or earlier than Hayward) and in a continuous volume to sustain programmes, subject to market restrictions.
- Balancing supply to Europe to facilitate market access and shipping options.
- Improving the size profile.

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.

Distribution of performance across orchards

Based on the November 2021/22 forecast, the average Fruit and Service Payment, including loyalty, paid per hectare is \$78,395.

The average yield is 6,984 trays per hectare which is higher than the 5,609 trays per hectare in 2020/21. The average size per tray is 37.1, compared with 37.7 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (61 percent), which comprises a submit payment of \$2.80 per tray and progress payments of \$3.85 per tray. The Taste Zespri Grade contributed \$3.81 per tray on average, and taste contributed 35 percent of the overall Fruit and Service Payment (excluding loyalty).

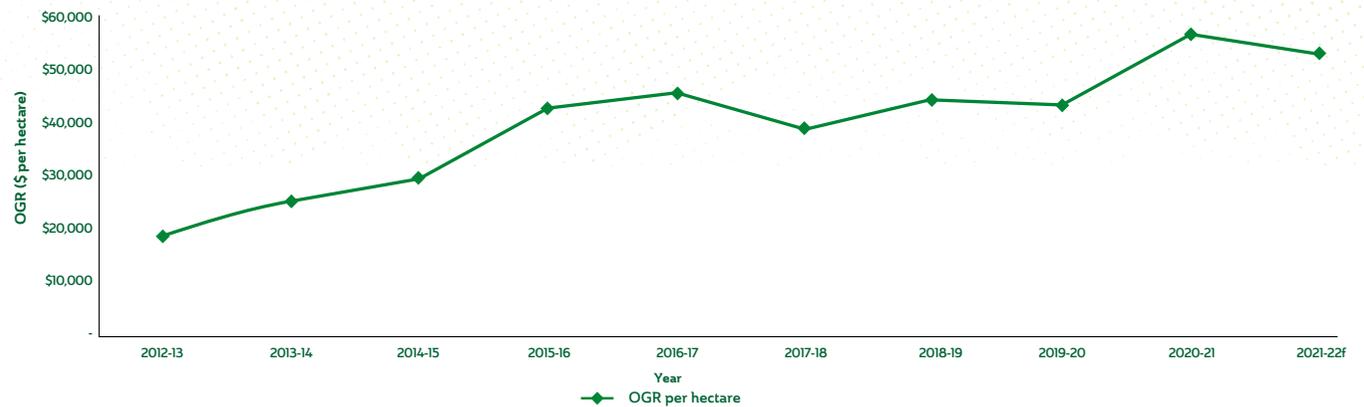




Orchard Gate Return

The November 2021/22 forecast shows the Zespri Sweet Green average OGR per hectare at \$53,096, which is down from \$56,853 in the 2020/21 season. 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. Please note that for this variety the charts showing results by grower have been removed to protect the privacy of individual growers.

ZESPRI™ SWEET GREEN KIWIFRUIT OGR PER HECTARE



Beyond 2026



A 10-year overview of demand and supply

In addition to the Five-Year Outlook for the industry, Zespri also develops a 10-year view of supply and demand. The purpose is to set out an optimal view of sustainable growth over the very long-term, balancing volume growth with preserving value.

The information provided in the 10-year plan is directional only and provides a view of how strong demand could be and potential implications for the supply side of the industry.

Since the previous industry outlook, there has been an increase in the 10-year demand outlook driven by reviews of several markets' demand potential.

From a New Zealand perspective, a review of yields has shown that the volume from producing hectares is expected to increase.

From a Northern Hemisphere supply perspective, New Zealand producers approved planting of up to 5,000 hectares of SunGold Kiwifruit in Northern Hemisphere growing regions. As of March 2021, 3,610 hectares were already planted and there were confirmed planting plans that will soon see the Northern Hemisphere reach the approval limit. ZGS is currently considering a strategy for extending northern hemisphere production to provide 12-month supply in support of the New Zealand season. This strategy will be discussed with New Zealand growers in early 2022.

In addition, the ZGS strategy includes an increase in procurement of green to provide 12-months supply in support of the New Zealand season and this includes an increase in fruit sourced from Greece.

The key points from the 10-year plan include the following:

- Zespri's mission to grow global sales revenue to \$4.5 billion by 2025 remains on track. This equates approximately to total sales of around 235 million trays, including 12-month supply, based on current supply forecasts (from existing ZGS regulatory approval).
- Our current view is that further investment could support 12-month demand by 2031 of around 332 million trays, at sustainable returns, subject to production costs, and in the shorter-term potential demand of 285 million trays in 2026.
- Despite the short-term imbalance of supply and demand, Zespri's sales and marketing investment is forecast to generate more demand in the long term and ahead of forecast supply towards the latter five years in the 10-Year Outlook.
- Kiwifruit remains an under-developed category with less than 1% of the global fruit bowl, which means there is space to occupy and advantage to be gained through scale. This space also creates competitor risk.
- Strong and sustained market returns are essential for all fruit groups to support and encourage the supply investment required to meet demand.
- Steady market development enables sustainable growth in grower and shareholder returns.
- The plan does not consider new varieties not yet commercialised which could be either additive or substitutional.
- Growth over the next 10 years will be driven by SunGold Kiwifruit, with an increase in supply from New Zealand sustainable at around 8-16 million trays per year based on current licence release plans and the onset of commercial volumes of Red in 2022, rising to an anticipated 13m trays by 2031.
- Supply of Green from New Zealand if sustained at around 60 million trays allows Zespri to have a balanced portfolio at stronger green value. This may be challenging with increasing on orchard and post-harvest costs as labour rates increase, and yield uncertainty given the review into the future use of hydrogen cyanamide.
- Demand for Organics continues to remain a significant opportunity in the long-term with opportunity for growth in most markets subject to the per hectare value being generated to offset yield and average size impacts. However, there is limited headroom in the short-term as a result of excess supply.



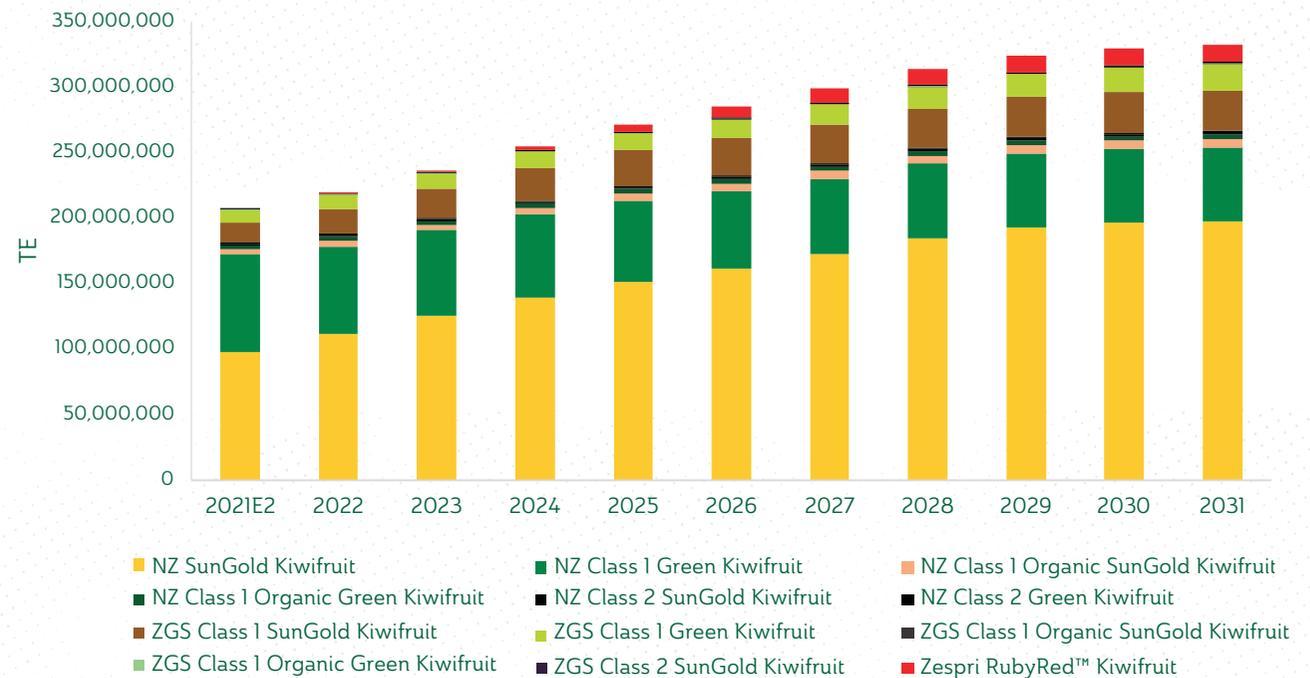
The Demand Outlook

Kiwifruit is still an underdeveloped category within the fruit bowl but with huge growth potential. This creates potential for disproportionate advantages of scale in relation to costs within the next 10 years, although the gap could close if costs continue to have a disproportionate change in rate of increase.

Zespri has developed good quality demand through market development, brand and category growth – underpinned by the popularity of SunGold Kiwifruit, strong marketing and high-quality supply. The new Zespri brand identity and positioning, which was launched in February 2020, has strengthened our ability to create demand into the future, allowing us to connect emotionally with customers who are looking beyond the product to a brand’s purpose and values. Interest in Zespri RubyRed™ Kiwifruit is also incredibly high, and we believe it will bring new consumers to the category.

However, competition is dynamic and if we do not accelerate growth, we risk falling behind. Risks include forfeiting the opportunity to bring further value back to New Zealand growers and the broader industry; giving other developing fruit items the opportunity to strengthen consumer preference; failing to supply Zespri customers with sufficient volumes, meaning they might need to seek alternative supply; and losing share within the fruit bowl so that it is then more costly to build mental and physical availability of our brand.

12-MONTH, 10-YEAR TARGET DEMAND VOLUME GROWTH





From a position of strong overall demand creation and strong consumer acceptance of SunGold Kiwifruit, Zespri is looking to continue to develop its position in China – a vitally important market. A significant piece of work was undertaken in 2019 to strengthen our roadmap for growth in China, and this remains a guiding document as we consider our approach to the unauthorised plantings in China. Zespri is also investing to build its position in the USA as another major market.

The strength of demand is such that hard market choices sometimes have to be taken, supported through a market development framework. Each market is categorised according to its stage of development, with investment and volume allocation planned accordingly and performance measured against targets.

Ultimately, Zespri's sales and marketing strategy is focused on ensuring consumers are at the heart of the strategy; making harder choices prioritising markets; strengthening relationships with key customers; going deeper before going wider; balancing short-term and long-term goals; and focusing on performance in the prioritised markets. Zespri continues to build its own capability as well as the capability of its distribution partners to ensure we can service our customers and execute with excellence against the demand we create.

Risks to Demand

There are several demand risks that could impact the plan, including when:

- There are varying levels of economic recession and recovery (stemming from COVID-19).
- Markets cannot develop at the expected rates, lowering return on investment and potentially delivering lower profitability than planned.
- Costs increase more rapidly than the price of Zespri Kiwifruit.
- Delay in arrival of fruit to market due to supply chain congestion and shortage of vessels.
- Increased fruit loss or decrease in fruit quality to consumers due to shipping delays or other supply-related issues including labour shortages.
- Market access is lost to a significant market.
- Competitors' kiwifruit quality, such as the unauthorised G3 in China.
- Risk of competitive new plant varieties, for example the emergence of a new gold variety to compete with Zespri SunGold Kiwifruit.
- A new competitive fruit takes market share from all other fruits.
- There is a crop increase in excess of market capacity.
- Supply is unable to meet the quality and delivery requirements of markets.

- Shift in consumer behaviour towards more sustainable options.
- Consumers move away from whole fresh kiwifruit as the need for convenience increases.

These factors present a diversity of risk and Zespri's risk management involves building conservatism into the plan. That means ensuring headspace and reallocation options between markets by keeping demand ahead of supply. Steady supply development and progressive market development are expected to better prepare markets to absorb volume increases, however there could always be a year where crop management is required as a mechanism to balance supply with demand and support longer term value growth. Zespri needs to continue to lead innovation to develop new kiwifruit products that meet consumer needs.

Implications on the supply side

Meeting the 10-year demand projection requires a step change in the pace of development. It requires investment and innovation by Zespri, growers, post-harvest operators and partners across the supply base.

The implications of meeting around 280 million trays by 2030 are 7,000 more hectares of plantings in New Zealand and around \$700-\$750 million of investment by the post-harvest sector to keep pace with volume growth. It also requires significant new plantings in non-New Zealand supply locations.



Other considerations in this context include:

- Improving supply chain systems, as well as addressing integrated planning, grower payments, global inventory and traceability.
- Investigating more offshore packing and cooling: ensuring we have the optimal infrastructure in place in New Zealand.
- Any impact the EPA's decision on hydrogen cyanamide use has on quantity and quality of supply.
- Increased focus on supporting and rewarding innovation in the supply chain.
- Innovation to extend the harvest window of SunGold Kiwifruit and in automation to reduce the need for labour.
- Learning to optimise SunGold Kiwifruit in terms of yield versus taste versus storage, coupled with postharvest handling and management.
- Managing the balance between supply and demand for Organic SunGold Kiwifruit and Organic Green.

Zespri's long-term estimate of potential average returns over the outer years of the 10-year plan is as follows:

- Zespri Green Kiwifruit: \$6.50 to \$8.50 per tray at declining volumes
- Zespri Organic Green Kiwifruit: \$9.00 to \$11.00 per tray at flat volumes
- Zespri SunGold Kiwifruit: \$8.00 to \$12.00 per tray
- Zespri Organic SunGold Kiwifruit: \$10.00 to \$14.00 per tray
- Zespri RubyRed™ Kiwifruit: \$10.50 to \$13.00 per tray

These ranges are provided to translate Zespri's long-term demand plan into what it might mean for growers. It is important to note they are not a forecast, are subject to change, and the ranges are wide, recognising a number of factors outlined in the risks and opportunities section of this document.

For example, Green in the short term is still potentially subject to swings in volume which will impact OGR outcomes. Returns for SunGold Kiwifruit in the short-term are expected to remain strong despite large increases in supply due to improvements in yield as we remain confident in the ability of our markets to absorb the excess volumes, but potentially could moderate in the longer term and costs increase.



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