



ZESPRI FIVE-YEAR OUTLOOK

DECEMBER 2023



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BEYOND 2028

A man with a beard, wearing a red cap, an orange neck warmer, and a plaid shirt, is smiling and reaching up to harvest kiwifruit from a vine. The background is a lush green vineyard with many kiwifruit hanging from the branches.

INTRODUCTION

This Outlook presents an overview of Zespri's Five-Year Plan, which is updated and reviewed by the Zespri Board annually. This edition covers the period from the 2023/24 harvest season to 2028/29.

The publication provides growers, industry 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 it looks, the less certain the assumptions, with the plan becoming more directional.

Our intent with this Outlook is to communicate key information to growers and industry stakeholders to help inform business decisions.



KEY POINTS FROM THIS OUTLOOK

This document considers medium and longer-term risks and opportunities ahead of the industry.

The demand outlook for Zespri Kiwifruit is positive, built on sustained investment in sales and marketing activities which help build our brand personality and an emotional connection with consumers, as well as the continued promotion of the health and nutrition benefits our kiwifruit provide.

Fulfilment of this demand is subject to investment in growing supply, continued focus on quality and addressing supply constraints which have challenged the industry over the past two seasons.

Further details on these opportunities and risks are outlined on pages 8-10.

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

- Confidence in demand for Zespri Kiwifruit remains strong, despite a challenging economic environment, regulatory and cost pressures and industry challenges.
- A focus on good taste, nutrition and delivering consistent quality, accompanied by our brand and brand purpose, engagement, recognition and trust among consumers, are key drivers to place us ahead of the competition and to command a premium price.
- A leading kiwifruit portfolio that meets consumers' needs is critical in being able to maximise the value we can return to growers.
- Zespri SunGold Kiwifruit consumer demand remains ahead of supply, and this growth is an important contributor to our positive distributor and retailer partnerships across global markets, with our customers wanting consistent quality delivered throughout the retail programmes.
- Within the Zespri portfolio, Zespri SunGold Kiwifruit is driving future volume and revenue growth, having surpassed Zespri Green in its share of sales since 2020. This reflects consumer demand across our major markets. Zespri SunGold Kiwifruit growth is enabling investment in building the brand, which in turn supports other Zespri varieties.
- Zespri Green continues to maintain a loyal consumer base and remains a critical part of our offering to consumers. We continue to maximise value in the markets through higher quality, the product's health qualities, the brand and market mix. It remains important to address quality, yields and costs in New Zealand to support Green growers while focusing on maximising value in the market and maintaining the right balance between supply and demand.
- Zespri RubyRed™ Kiwifruit demand continues to rise, and will help attract new and younger consumers to the broader kiwifruit category as commercial volumes increase from previously low yields.
- Zespri Global Supply (ZGS) demand remains strong, with growing demand for our fruit reflecting the importance of our efforts to establish 12-month supply of Zespri Kiwifruit for our global consumers and customers.
- Demand for Zespri Organic Kiwifruit remains a significant opportunity to capture a unique consumer base and realise a premium to conventional. In the next five years, supply of Zespri Organic SunGold is expected to increase significantly, so we will need to invest in building demand ahead of supply and ensure we do so in a way that creates impact with a relatively smaller investment.
- 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 we are experiencing adds pressure right across the industry. It also requires an aligned approach across the industry.

- Improved industry alignment is critical to ensure seasonal challenges do not impede our ability to deliver premium quality fruit as expected by our consumers.
- Zespri is focused on ensuring grower payments and commercial incentives reward growers and supply chain partners that can deliver fruit of high utility – great taste, size, storage and quality.
- The changing climate will continue to create challenges. A Climate Change Adaptation plan has been developed to support the industry’s ability to respond and to adapt to a changing climate.
- The Environmental Protection Agency (EPA) review of hydrogen cyanamide (Hi-Cane) in New Zealand poses significant risk to the industry’s ability to grow fruit of consistent quality and yields. The EPA’s December 2022 position changed from proposing a ban in five years to 10 years. The next round of hearings are in February 2024, with a decision expected by the end of March 2024.

OUR 2030 STRATEGY

Critical to fulfilling our 2030 strategy and maximising value back to growers will be having the best people and empowering them in high performing teams, continuing our investment in our brand to drive demand and achieving global supply excellence to keep quality fruit available to consumers year-round.

As well as those core activities – delivering for growers here and now – we need to consider how we create a future where the industry continues to succeed. This includes through a future-led sustainability focus that meets customer and regulatory requirements, and ensures the industry operates in a way which is good for our communities and the environment. It is also about developing more world leading varieties through our innovation programme and the Kiwifruit Breeding Centre (KBC), and building the digital systems which will future proof our ability to get our fruit to market and keep our supply chain running even in the most challenging times.

The size of the opportunity for our industry and our growing communities out to 2030 in terms of the additional value we can create and bring back is considerable. We must remain relevant in a competitive global food environment by meeting the growing demand of our customers and consumers and their expectations around quality, sustainability and how we operate.

Being a brand our customers and consumers trust and believe in is critical to our ongoing success. They need to know we are growing in a way which is positive, that we are supporting efforts to improve the environmental and social impact of the food system and supporting communities to succeed – here and around the world. Operating a long way from our key markets makes this even more important.

As the world increasingly focuses on plant-based diets, the environmental impact of the food people consume and the impact on their health and well-being mean we are well placed to capitalise on these trends, should we make the right decisions as an industry to do so.

By 2030, we expect to create over 8 billion healthy eating occasions a year, helping more people live a healthy lifestyle and drive change in the global food system.

OVERVIEW OF DEMAND AND SUPPLY

- This Five-Year Outlook sees an increase in total supply from 133 million trays in the 2023 harvest season to 208 million trays in 2028. This is equivalent to 56 percent volume growth.
- Through this period, we are forecasting per tray Orchard Gate Return (OGR) ranges of:
 - Zespri SunGold Kiwifruit: \$9.50 to \$12.50
 - Zespri Organic SunGold Kiwifruit: \$11.00 to \$14.00
 - Zespri Green Kiwifruit: \$7.00 to \$9.00
 - Zespri Organic Green Kiwifruit: \$9.50 to \$11.50
 - Zespri RubyRed™ Kiwifruit: \$10.50 to \$16.50 per tray once volumes exceed 3 million trays.
- These ranges reflect both the upside and downside opportunities and risks over the five-year period.
- In addition to 208 million trays of Class 1 New Zealand supply, we expect non-New Zealand supply of around 52 million trays for SunGold and Green by 2028, based off the approved 5,000 hectares of SunGold plantings. By 2033, forecasts indicate there will be 53 million trays of excess target demand for non-New Zealand SunGold, providing the opportunity for Zespri to capture more demand and if we don’t, a risk that competitors fill the supply gap.

- New Zealand supply of Class 1 conventional SunGold Kiwifruit is expected to increase from nearly 90 million trays in 2023 to 145 million trays supplied in 2028.
- Zespri intends to release conventional Zespri SunGold Kiwifruit hectares to meet growing demand for our fruit; however, we have also considered the challenges the industry is facing with supply capacity constraints and the need to focus on improving fruit quality. With these considerations in mind, 250 hectares of Zespri SunGold Kiwifruit licence will be released in 2024, which is lower than the 500 hectares previously signalled for 2024.
- Of the 250 hectares, 100 hectares will be allocated to the open pool, which provides a pathway for growers part way through to complete their developments. The remaining 150 hectares will be allocated to a Hayward and Green14 cutover pool in 2024, which enables growers of green varieties to transition into SunGold, while supporting strengthened Hayward profitability. Optimising market performance of Green is a key priority for our market teams, and managing supply volumes will help us deliver high quality fruit and return more value to help offset the rising costs across the supply chain.
- In 2025, the intention is to release up to 350 hectares of SunGold Kiwifruit licence, of which 200 hectares will be available in the Hayward and Green14 cutover pool, subject to review of market demand, continued improved quality and associated quality costs in 2024, and supply chain capacity next year; noting that additional supply chain capacity growth will be needed beyond that currently indicated by post-harvest entities. The indication for Zespri SunGold Kiwifruit licence from 2026 to 2028 is in the range of 350-500 hectares per annum, which may include a portion for Hayward and Green14 cutover. It is important to note the programme is subject to an annual review that considers risks, as well as the level of market demand, including the need for continued improvement in the cost of quality and additional investment in industry capacity. The analysis of risk will include both demand and supply-side factors.



INDUSTRY MUST ALIGN ON AMBITION AND WORK TOGETHER TO MEET THE NEEDS OF CONSUMERS.

- Zespri will not release Zespri RubyRed™ Kiwifruit licence in 2024, to allow for consolidation of learnings on the supply and demand dynamics of the new variety before releasing more licence. We are continuing to deepen our understanding on how to optimise growing, storage and handling of Zespri RubyRed™ Kiwifruit, and building confidence on how to drive run-rates in market as supply ramps up next year. Subject to these learnings, the indication for Zespri RubyRed™ Kiwifruit licence is up to 100 hectares in 2025 and in the range of 100-300 hectares per annum from 2026-2028.
- Licence for Finishing Off Blocks will also be available during the 2024 year for Zespri SunGold Kiwifruit and Zespri RubyRed™ Kiwifruit.
- The increasing volumes in the coming years are anticipated to provide considerable opportunities to grow demand further, while maintaining premium pricing, as well as gain confidence around supply side factors, including yields, size and storage.
- There is expected to be around 9,079 producing hectares of both Zespri SunGold Kiwifruit and Zespri Organic SunGold Kiwifruit in New Zealand by 2024/25. By around 2028, we expect to deliver around 151 million trays at current yield estimates.
- New Zealand supply of conventional Zespri Green Kiwifruit is forecast to grow from around 39 million trays in 2023/24 (a much smaller crop than previous years due to weather conditions) to around 50 million trays in 2028/29. Conversion to other varieties and removal of orchards, which should result in increased per tray value for the category, will gradually reduce available supply.
- On the supply side, our strategy is about maximising quality to markets through an efficient supply chain which reflects 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 achieve this, the industry must also align on ambition and work together to meet the needs of consumers.

ZESPRI GLOBAL SUPPLY – ESTABLISHING 12-MONTH SUPPLY

Achieving 12-month supply is critical to fulfilling demand and to continuing to bring value back to New Zealand.

By the end of March 2023, Zespri had planted 4,502 SunGold Kiwifruit hectares in our offshore growing locations and this is expected to reach the approved maximum of 5,000 hectares by 2024. This will leave a significant gap in the market and supply chain which competitors will fill. The current approved hectares leave unfulfilled target demand of Zespri SunGold Kiwifruit of 17 million trays in 2028, growing to 53 million trays by 2033.

The purpose of 12-month supply is to have high quality Zespri Kiwifruit available to customers all year round. The key benefits of the strategy include:

- Building and maintaining customer loyalty
- Holding shelf space for Zespri Kiwifruit and the Zespri brand 12-months of the year
- Targeting a consistent consumer experience 12 months of the year to preserve consumer demand for New Zealand kiwifruit
- Driving stable and consistent relationships with retailers to support long term commitment to Zespri and New Zealand grown kiwifruit
- Better returns on marketing investment by not having to 're-start the season' when New Zealand fruit returns to the market
- Improved differentiation which can be used to drive premiums and/or prevent commoditisation and to achieve more predictable and stable sales velocity
- In addition to funding the direct costs of ZGS operations, ZGS growers also contribute to costs of other Zespri business segments
- There are also additional benefits including stronger relationships with customers, research partnerships, risk mitigation and trade relationships with those markets where we also grow.

Expansion of our ZGS operations will be a discussion for the industry to have over the next two years.

UNAUTHORISED PLANTINGS IN CHINA

The unauthorised Gold3 plantings in China remain a threat to the industry, and an opportunity should we choose to pursue it.

Since growers voted on a proposed limited commercial trial in China in 2021, Zespri has continued to monitor the plantings to understand the performance of local orchards and explore options for responding for discussion with growers. The problem is growing, with an estimated 7,850 hectares in the ground (at the time of writing), though we consider that rate of growth has slowed with less successful local growers switching to other varieties or land uses. Overall production is however increasing, as more of the plantings reach maturity.

As part of our response, Zespri has undertaken legal action against two defendants involved in the unauthorised production, sale and marketing of Gold3 fruit. This is a significant step which also reflects the strengthening of intellectual property rights in the horticultural sector in China. This includes amendments made to China's Seed Law in 2022 which have enabled us to take action against those selling unauthorised Gold3 fruit rather than just those growing it, providing an avenue for our current civil litigation. Other PVR owners have undertaken similar actions successfully, helping build confidence in the protections available to investors. We have also been operating a verification of origin audit programme since 2020 which tests where Zespri-branded fruit was grown, providing opportunity for commercial consequences if China-origin fruit is found in Zespri packaging in authorised channels.

An Industry Advisory Council delegation has recently visited China to observe the current unauthorised Gold3 landscape from orchard through to market and a meeting has also recently taken place between Zespri and China's Foreign Minister where the issue was discussed. Zespri and Sir John Key, our Board Advisor and former New Zealand Prime Minister, also met with China's Foreign Minister and Minister for Agriculture and Rural Affairs to discuss our commitment to China and our efforts to find a constructive solution to the issue of the unauthorised Gold3 plantings.

We continue to work to understand the impact unauthorised plantings have on New Zealand growers and our market position, and we will continue to discuss the threat this poses and our response with industry.



INDUSTRY ALIGNMENT FRAMEWORK

The outlook for our industry is bright, led by our quality product, strong brand and growing demand around the world. However to pursue this, we recognise growers and the wider industry need confidence in our ability to add ongoing value in a way which is well managed and which ensures barriers and constraints to growth are addressed. Growers, post-harvest and Zespri also need to be aligned.

In recognition of this, Zespri has worked with the Industry Advisory Council and NZKGI to establish the Industry Alignment Framework. This creates a framework through which the industry identifies strategic priorities which require decisions across the supply chain and works together to address those challenges and take advantage of opportunities.

Zespri continues to engage with growers on key issues and how we respond to them through surveys, focus groups and other engagement. Topics of concern for growers and industry include strengthening Green returns, enhanced supply chain transparency, improved industry decision-making processes and addressing the issue of the unauthorised plantings in China which continue to expand.

We're working on a roadmap which will set out an industry-wide timeline for addressing the key priorities and will continue to seek feedback from the industry throughout this process. If we can get industry agreement, we have a huge opportunity in front of us and for those who enter our industry after us.

MARKET TRENDS AND INDUSTRY CONTEXT





OPPORTUNITIES

Zespri remains confident in the demand outlook despite a challenging global macro-economic environment, regulatory and cost pressures and industry challenges. We have identified the following macro tailwinds:

Macro population changes: While the global middle class continues to expand, the growth in mature markets has declined by ~3.5 percent vs pre-pandemic levels, although it continues to rise in emerging markets. The global middle class is expected to reach 4.8 billion by 2030, up from 2.6 billion in 2023. More people than ever are also living beyond the age of 60. This is leading to increased disposable income and a willingness to try new and different foods.

Health and wellness: Since the pandemic, more people are eating healthier, focusing on their health and wellbeing. A growing number of consumers are seeking out products, services and experiences that make it easier for them to improve their health and have fun at the same time.

Environmental packaging: Customer, consumer and regulatory pressure continues with regards to environmental packaging. While Zespri has a way to go to achieve targets in some markets we are making strong progress, for example in China where we are trialling new sustainable packaging.

Zespri headroom: The fruit category is forecast to grow at a combined annual growth rate of 6.8 percent from 2023 to 2028, with Zespri Kiwifruit remaining competitive against other fruits and healthy food products. Kiwifruit has significant headroom for growth with its current position – still representing less than 1 percent share of the global fruit bowl, but rising up the fruit bowl rankings in most of our key markets. Globally, Zespri has less than 35 percent consumer household penetration i.e. fewer than 35 percent of households consume Zespri Kiwifruit per annum.

Some examples of how Zespri is capitalising on these trends include:

Zespri's brand offering: Continuing to represent a trusted and valued consumer brand through premium quality, great taste and health benefits. The market development approach ensures

diversification across multiple export countries and enhances the availability of Zespri Kiwifruit to global consumers.

Sales and Marketing: Developing and implementing sales excellence and capability to improve joint business planning, distributor management and in-store execution. While on the marketing side, continuing to build and embed capabilities to effectively build our brand and sell more trays in the markets, and to do so consistently and more efficiently as volumes grow.

Packaging: Value-adding and better packaging formats allowing better targeting, and placements in-store, increasing conversion and uplifting value and meeting customer, consumer and regulatory requirements. There is also a need for more environmentally-friendly pack types in markets such as Europe, due to consumer expectations and greater regulatory requirements.

Zespri Global Supply (ZGS): As noted, our global supply strategy is critical to keeping our customers and consumers and attracting new ones to our product and realising benefits for New Zealand growers through the advantages of 12-month supply. ZGS supports growers by enabling Zespri Kiwifruit to hold shelf space, to build customer loyalty and maximise efficiencies in marketing spend.

The Horizon Programme: The Horizon programme will help sustain our industry's growth trajectory and update many of Zespri's core systems to protect our ability to get fruit to market and to bring money home. Focus for the next stage of the programme includes completing Zespri's Supply Chain transformation with the goals of simplification, reducing cost and operational risk and providing scalability.

Climate change readiness: Zespri's climate change risks and opportunities report sets out our strategy to help the kiwifruit industry to transition to a low-carbon, climate-resilient future.

Preparing for the impacts of climate change is how the industry can continue to thrive. We've developed a Climate Change Adaption Plan¹ and research is being implemented to help us to respond to this challenge. This includes future growing systems and the development of new varieties of kiwifruit that are more resilient to drought and pests.

Kiwifruit Breeding Centre (KBC): KBC is exploring new ways of producing the highest value, most productive and tastiest, most nutritious kiwifruit. This includes exploring new kiwifruit cultivars (including new Green and Red cultivars) by integrating science, digital tools, genomics, sustainable growing practices and commercial expertise.

Zespri's hedging policy: Zespri's foreign exchange hedging programme allows us to take advantage of longer-term foreign exchange rates reducing the impact of currency fluctuations on New Zealand grower returns across seasons. More than \$1 billion dollars has been delivered back to the kiwifruit industry over the past two decades through the programme.

New Zealand Government and regulatory affairs: Zespri is working alongside New Zealand Kiwifruit Growers Incorporated (NZKGI) to advocate for growers on any New Zealand legislative changes, including changes to the minimum wage and workplace regulations legislation, and other compliance issues including in the environmental regulatory space. Zespri is also working with and advocating to regulators internationally.

Europe Free Trade Agreement (FTA): Improving pricing in Europe markets enabled by the NZ-EU FTA which will see the removal of the 8.8 percent tariff when the deal enters into force around the middle of next year, delivering better value to growers.

Innovation: Future production systems that have the potential to significantly improve orchard productivity, supporting our industry's ability to capture more consumer demand.

CHALLENGES AND RISKS

While our future is positive, growers and investors should also consider the risks of growing and exporting kiwifruit from New Zealand and configure their businesses accordingly. Material macro risks and uncertainties which may impact Zespri's performance include:

Geo-political, trade and economic risks: Market access factors such as economic volatility, inflation, price controls and foreign government action (including trade embargoes and sanctions, tariffs, subsidies, quotas, price controls, and other non-tariff barriers) could impact kiwifruit sales. Other factors such as war and geopolitical tensions, including Russia's invasion of Ukraine, have also constrained the flow of commodities and caused the price of energy and fertiliser to rise significantly.

Environmental pressures: Protecting our value in the market in light of growing consumer concerns and regulation around environmental impacts. 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, water availability and impacts from climate change.

Climate change* impacts: As a nature-based business, preparing for the impacts of climate change is core to ensuring the industry is climate resilient and can continue to thrive. In 2021, Zespri published a kiwifruit industry Climate Risks and Opportunities report¹ (in accordance with the Taskforce for Climate-Related Financial Disclosures) which sets out the nature of the risks that Zespri and its partners face. These include extreme weather events such as frost and floods, as well as chronic impacts such as rising spring temperatures impacting bud-break – all of which can impact yield and supply. These risks have informed the development of the climate change work programme, including the Climate Change Adaption Plan¹, all part of helping the kiwifruit industry to transition to a low-carbon, climate-resilient future. Research is underway to understand the implications of climate change on supply. Additional focus areas include actions to decarbonise, opportunities to partner with shipping suppliers to transition to

low carbon technologies, the role of future growing systems and the development of new varieties of kiwifruit that are climate tolerant.

Rising costs, including inflation: Banks raising interest rates (tightening monetary policy) have contributed to increased costs. While global inflation is expected to drop by the end of 2025, higher than historical inflationary pressures remain in the short term, which will continue to see consumers focusing on what 'value' means to them.

Cost of carbon: Countries around the world are considering mandatory carbon pricing and carbon taxes and this would translate into direct cost for the industry. The inclusion of shipping in the EU Emissions Trading Scheme signals the start of passing through global supply chain decarbonisation costs via regulation.

Workforce constraints: Tight labour market pressures continue to be felt globally. Labour is crucial to managing growing volumes to meet consumer demand. NZKGI continues to lead discussions with the government on labour.

Increased competitive presence: 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, green and yellow varieties, especially during the Northern Hemisphere supply window to fill demand as Zespri seasonal programmes conclude. More branded kiwifruit products are being seen in the market. Supply shortages can enable competitors to fill the gaps resulting from Zespri's strong demand creation driven by consumer pull.

Other industry headwinds that we need to take note of include:

Fruit quality: Improving and maintaining a premium level of fruit quality is critical to protecting our brand and to maximising the value we can return to growers. Initiatives designed to improve fruit quality through best-practice kiwifruit growing and harvesting as part of the industry's Quality Action Plan are providing greater onshore quality assurance, and rebalanced commercial incentives.

¹[http://www.zespri.com/content/dam/zespri/nz/sustainability/Climate Change Adaption Plan](http://www.zespri.com/content/dam/zespri/nz/sustainability/Climate%20Change%20Adaption%20Plan)

*Our impacts of Climate Change section within this Outlook (see page 41) provides a summary of our modelling and work underway to understand the future impact of the climate on yields.



**ZESPRI WILL
PROTECT THE
VALUE WE
HAVE CREATED
TOGETHER AS
AN INDUSTRY.**

Supply chain capacity and pace of growth: Continued investment will be required to manage expected crop volume increases and to allow the New Zealand kiwifruit industry to grow capacity and address quality issues. Growers are encouraged to ensure that for any development of orchards there are strong associated partnerships with a post-harvest company to make sure there is capacity to pack and store the fruit.

Share ownership: Zespri is owned by current and former growers, however not all growers are shareholders. Improving shareholder alignment is an important step to provide more stability in our industry, whereby the interests of growers and shareholders are more closely aligned.

Fruit waste: Strong sentiment from industry for the need to solve fruit waste, and produce more exportable Zespri Kiwifruit from existing hectares before growing supply further.

Hydrogen cyanamide (Hi-Cane): The Environmental Protection Agency (EPA) review of hydrogen cyanamide (Hi-Cane) in New Zealand poses significant risk to the industry's ability to grow fruit of consistent quality and yields. The public hearings are now set for February 26 to March 1, 2024 and a decision is expected in the second half of the year. Zespri and NZKGI continue to advocate for retention.

Competitor actions: Zespri is monitoring unauthorised G3 plantings and fruit in China, and while enforcement is challenging and complex, we have an audit programme in place to monitor our key channels and accounts. We have filed a civil case in the Intellectual Property Court in Nanjing, China against two defendants involved in the unauthorised production, sale and marketing of Gold3 fruit. The civil case represents a significant step in our ongoing efforts to protect the investment made by New Zealand producers in licensed kiwifruit varieties, as well as the interests of our customers and consumers. It also reflects the strengthening of intellectual property rights in the horticultural sector in China.

Zespri Global Supply: Zespri has authorisation to produce 5,000 hectares of SunGold Kiwifruit in five countries outside of New Zealand including Italy, France, Greece, Japan and Korea. In order to further expand Zespri Global Supply to meet market demand an increase in approved hectares will be required from New Zealand growers through another producer vote.

Biosecurity: Unwanted pests and disease could impact crop quality and volume, as well as 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.

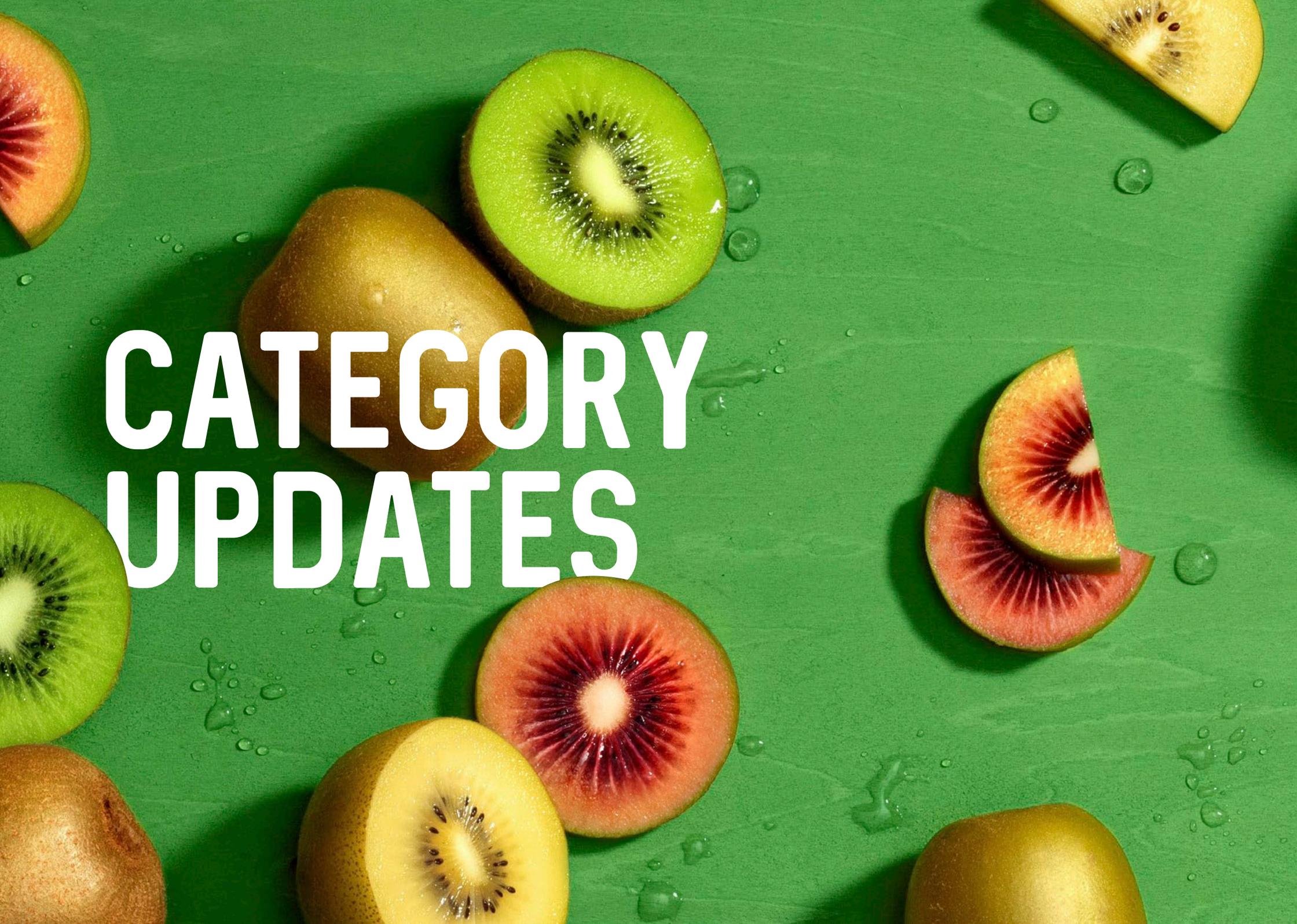
Loss of market access: Market access can be impacted by several factors including phytosanitary, regulatory, food safety, biosecurity, compliance changes and broader global trade relations and geopolitics. Zespri is working to mitigate this risk by maintaining a broad demand base and faster development 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.

Non-compliance and brand risk: 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, water use, 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 so that we can protect the value we have created together.

Some of the headwinds relating to specific Zespri categories include the points raised below. Refer also to the sections that follow that provide detail on each product category:

Zespri Green Kiwifruit: Heightened pressure to improve Green profitability due to increased cost of production from inflation and competition over resources.

Zespri RubyRed™ Kiwifruit: We continue to monitor the yield, colour variability, pack out and shelf life of Zespri RubyRed™ Kiwifruit to extend the availability to consumers. While market research has found that colour variability can potentially be managed with targeted marketing activities, we note that this has to be properly assessed in light of increasing supply.

A vibrant still-life composition of fresh fruits on a green background. The scene includes several whole kiwis with brown, fuzzy skin, and various slices of kiwi showing their green and yellow flesh with black seeds. There are also slices of blood oranges with their characteristic dark red, segmented interior. Water droplets of varying sizes are scattered across the green surface, adding a fresh and dewy feel to the image. The lighting is bright and even, highlighting the textures and colors of the produce.

CATEGORY UPDATES



ZESPRI GREEN KIWIFRUIT

(HAYWARD)

SITUATION AND CHALLENGES

Zespri captures price premiums in the market for Green, based upon our ability to deliver better quality, market preferred sizes and higher taste fruit than our competition, under the trusted Zespri brand.

The recent moderation of volumes of Zespri Green Kiwifruit will support our ability to hold sustainable returns. We estimate Orchard Gate Returns of \$7.00 to \$9.00 per tray or \$70,000 to \$95,000 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 supporting the delivery of higher returns (subject to high quality). Challenges for the category include increasing on-orchard and post-harvest costs, supply chain capacity constraints, infrastructure constraints, regulation and climate change.

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: ongoing investment in the brand, maintaining our competitive advantage through delivering premium quality fruit; continuing to work with customers to understand how providing ready-to-eat fruit can drive Green run rates; and maintaining our focus on developing markets and sales channels and marketing the health benefits of this nutritious product.

On the supply side, Green has seen high volume volatility over recent seasons as illustrated in the chart below, with weather impacts such as frosts, rain and wind impacting yield. The increase in costs with labour shortages, inflation, fuel costs and supply side challenges means that profitability of the Green category has become more challenging, particularly for growers with lower than average yields.

In this context, we forecast that supply of Green will continue to decline, particularly over the later years of the next five years, due predominantly to grafting to other varieties.

In 2022, trials commenced on new green cultivars, developed through the industry's breeding programme, that show commercial potential with high yielding, good tasting fruit. Once the vines begin to yield fruit, the trials will include supply chain and market testing to assess their suitability for commercial release. While the earliest these cultivars would likely be available is 2027, we're working hard to move as quickly as we can to assess the viability of new cultivars in market through the supply chain.

Reflecting the demand position in the market and subject to annual review, 150 hectares of the total allocation of Zespri SunGold Kiwifruit License released in 2024 and 200 hectares in 2025 will be exclusively available for cutover from Green and Green14 and potentially further hectares thereafter. Other growers may make the decision to pull out of Green altogether, whether for economic reasons or alternate land use drivers. This can be expected to further reduce Green hectares and support Green per tray and per hectare returns.

ZESPRI GREEN KIWIFRUIT VOLUME VS RETURNS





MARKETING AND MARKET DEVELOPMENT

Optimising the quality, taste and size attributes of the product remain the most important aspects of differentiating Zespri Green Kiwifruit 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.
- Retail level ready-to-eat programmes to maximise the eating experience.
- Optimising product quality, taste and availability for early and late supply.
- Strengthening retail relationships, creating awareness of Zespri's quality attributes and optimising in-store execution.
- 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 Zespri Green Kiwifruit.
- Offering 12-month supply to customers to maintain Zespri's shelf space, position and to maximise investment in sales and marketing and support efforts to create ongoing value, wherever possible.
- In terms of market allocation, Europe will continue to take the largest share of Green over the next five years. However, as volumes decline, market allocation mix (which markets we

put fruit into) will also add value, as higher returning markets such as Japan and China are anticipated to make up a higher proportion of the global allocation, supported by strong contributions from growth markets such as North America and Vietnam.

- In the long-term, we're focusing on building the differentiation among green competition to ensure we can enhance retail relationships and sustain our justified price premiums in market.

POINTS AHEAD

Hayward continues to be the predominant green cultivar globally, although we are aware of new competitive 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 research and development 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 Hi-Cane 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. Optimise the quality of Zespri Green Kiwifruit and to grow demand for Green 12 months of the year at strong, sustainable long-term value.
2. Continue the work of breeding and commercialising a new green that will unlock further growth and value in the green category. In the near term, this involves developing

a replacement green that is not dependent on Hi-Cane to deliver a strong yield, while the longer-term focus is developing a differentiated green with consumer perceived benefits worth paying more for.

3. Support the pathway for green growers into higher yielding varieties with a stronger consumer demand proposition, through licensing mechanisms making it easier for them to access licence.
4. Through this planning window we aim to achieve average per hectare returns of \$70,000 to \$95,000 subject to seasonal factors. We note that high yield years of >11,000 trays per hectare would make it more challenging to drop volumes and achieve higher returns in market.

ZESPRI GLOBAL SUPPLY VIEW

Northern Hemisphere Zespri Green Kiwifruit is procured under a trading model, therefore available volumes and price per kilo 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 from Greece during the counter-season. Procurement of Hayward from Europe has increased since 2018 to 36,000 tonnes of which over 33 percent is now procured from Greece in order to complement New Zealand supply and deliver the benefits to consumers, retail partners and growers of 12-month-supply. Fruit quality there is improving significantly.

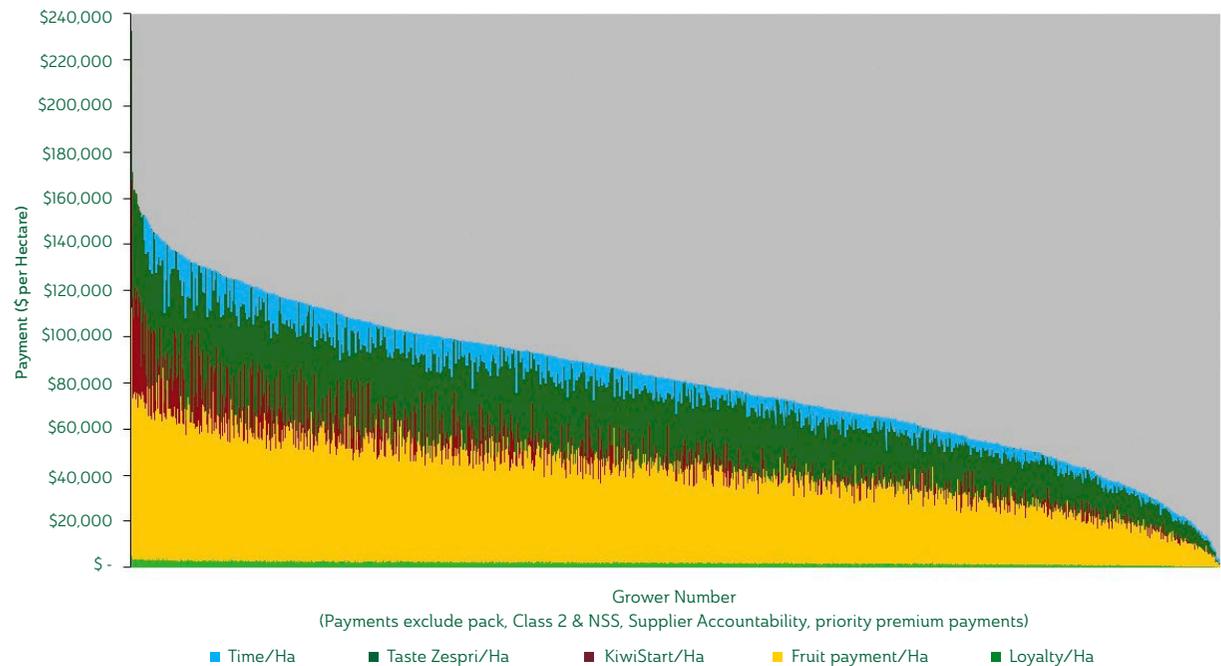
We are working with Italian growers on tackling pest and disease issues, like Kiwifruit Vine Decline Syndrome, by delivering year-round research programmes which help us to prepare for any potential incursions into New Zealand.

DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Based on the November 2023/24 season forecast, the average NZ Fruit and Service Payment, including loyalty, paid per hectare is forecast to be \$88,707. The average 2023/24 yield is 6,879 trays per hectare which is down from 9,976 trays per hectare in 2022/23. The average size per tray is 30.4 which is slightly larger than the previous season result of 30.5. The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (50 percent), which comprises a submit payment of \$2.75 per tray and progress payments of \$3.50 per tray. The Taste Zespri Grade contributed \$4.24 per tray on average, and taste contributed 34 percent of the overall Fruit and Service Payment (excluding loyalty).



ZESPRI GREEN KIWIFRUIT – FRUIT AND SERVICE PAYMENTS 2023/24
(BASED ON E3 NOVEMBER FORECAST)



ORCHARD GATE RETURN

The November 2023/24 forecast shows the Zespri Green average OGR per hectare at \$61,916.

The projected OGR range per hectare, based on Zespri's Five-Year Plan is between \$70,000 to \$95,000.

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.

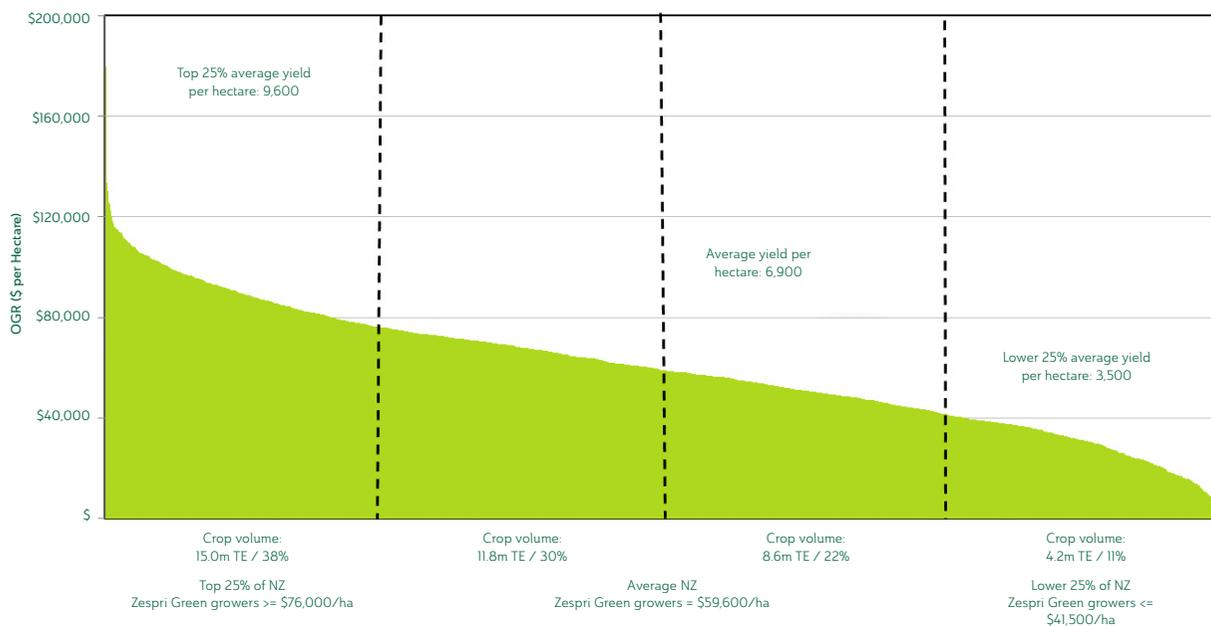
We note that there are many cost factors outside of Zespri's control that could increase at a rate above historic trends. This includes, among other things, continuing increases in wage rates, freight costs, foreign exchange fluctuations and potentially costs associated with compliance.

The bottom graph shows the distribution of expected 2023/24 orchard gate returns across KPINs (as opposed to weighted volume average) based on the November forecast for 2023/24. 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 \$4.17 per tray for post-harvest costs was used. It does not show net orchard return, which factors in average on-orchard costs.

ZESPRI GREEN KIWIFRUIT - ORCHARD GATE RETURN PER HECTARE



ZESPRI GREEN KIWIFRUIT – ORCHARD GATE RETURN 2023/24 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 KIWIFRUIT

(GOLD3)

SITUATION AND CHALLENGES

The forecast FOBs supply of NZ Class 1 conventional Zespri SunGold Kiwifruit is 14.5 million trays in 2028/29. The Outlook takes account of existing plantings coming into full production and Zespri's decision to extend Zespri SunGold Kiwifruit licence release out to 2028 as announced in December 2023.

250 hectares of Zespri SunGold Kiwifruit licence will be released in 2024. This is lower than the 500 hectares previously signalled last year as intent and includes 150 hectares for cutover from Hayward and Green14.

Following Zespri's annual review, while market demand remains strong, the reduced number of licensed hectares being released reflects the challenges the industry is facing with supply capacity constraints and the need to continue to improve fruit quality and associated quality costs. It also factors in feedback from some growers who are part way through their developments through a small amount of open pool licence being made available.

The indicative release of up to 350 hectares in 2025, of which 200 hectares is intended for cutover from Hayward

and Green14, and the indicative range of 350 to 500 hectares between 2026-2028 of which a portion may be made available for Hayward and Green14 cutover, provides the flexibility to support our long-term strategy of maintaining demand ahead of supply to take account of:

- Mature Zespri SunGold Kiwifruit vines estimated to produce close to 15,000 Class 1 trays per hectare over the next five years.
- Time required for newer Zespri SunGold Kiwifruit orchards to come into production.
- The need to improve fruit quality.
- The need for additional investment in post-harvest and port load-out capacity.

It is important to note that all licence release will continue to be reviewed annually and will only be confirmed at the end of each season, depending on quality, additional industry capacity and demand growth performance.

MARKETING AND MARKET DEVELOPMENT

Market demand for Zespri SunGold Kiwifruit remains strong in our core markets.

Greater China remains a key source of growth, but recognising the need to diversify our market mix, we need to continue to develop a broader set of markets. North America, Korea and Vietnam have shown strong growth and continue to represent future opportunities.

Harnessing the demand growth presented in front of us will require continuous focus on good quality and great tasting fruit that justifies the premium image and price that Zespri holds in the market. It will be crucial to further expand our logistics capacity and capabilities to have fruit on shelf for a wider period, so that Zespri holds shelf space and stays ahead of competitors.

With inflationary pressures continuing and consumer confidence affected by volatile and uncertain macroeconomic conditions, Zespri will be challenged to demonstrate its value to consumers through increased focus on taste, nutrition and health messages, supported by strong promotional investment.

We will continue to invest strongly in Zespri SunGold Kiwifruit in key strategic markets where Zespri has a strong and established brand position. It is expected that economies of scale will create efficiencies, reduce advertising and promotional spend, and support better returns towards the end of the outlook period.

POINTS AHEAD

With the total fruit category expected to grow at 6.8 percent compound annual growth rate (CAGR) in the next five years, and with a household penetration just under 35 percent, there is significant headspace for Zespri to continue to grow. This will however be challenged by high inflation, lower consumer confidence and increased pressure from competition.

2024 presents a unique challenge, with an estimated increase in Zespri SunGold Kiwifruit volumes of close to 30 million trays, off the back of the low volume season in 2023. Effort is required across the supply chain to pack early, to smooth the flow of fruit to maximise capacity and optimise quality, taste and versatility

of fruit while striving to hold price and drive strong run rates (pace of sales) in the markets.

A strong brand position, which Zespri has achieved being within the top 3 fruit brands in 10 out of our 15 markets, will be a core competitive advantage in the expected circumstances. And with Zespri SunGold Kiwifruit being an exclusive product, it is well positioned to take full advantage of this growth. We will need to continue building our perceptions of worth, demonstrating to consumers that Zespri SunGold Kiwifruit is unique and fulfils valuable needs and occasions.

Competition is increasing, particularly in the Northern Hemisphere not only due to improved kiwifruit quality, but also high quality local fruits that can position themselves as more affordable alternatives in times of increased budgetary pressures. As noted earlier, unauthorised G3 in China is also a threat, particularly as the supporting supply chain capabilities strengthen. In Europe, alternative gold varieties are being planted in Greece, enabled in part by the inability of Zespri to release more licence there as a result of the unsuccessful producer vote to expand offshore SunGold plantings. This will continue to lead to more competition through the supply chain and in market.

Growers should expect alternative Northern and Southern Hemisphere supply options will eventually be successful, leading to greater competition and therefore returns will moderate in the longer term.

Modelling suggests average OGR per hectare returns can be sustained between \$117,000 to \$190,000 over the five-year timeframe (subject to a favourable competitive environment), on volumes growing to 145 million trays in 2028/29. As always, modelling is based on several assumptions, and is dependent on seasonal factors, such as volume, taste, quality and market conditions, and on broader factors such as biosecurity and market access.

Strong quality performance of Zespri SunGold Kiwifruit, as well as strong brand-led demand creation is critical to our ongoing success. On the supply side, our plan assumes that taste and storage characteristics meet customer expectations and continue to drive sales rates and maintain the sales window. The industry-wide focus on continuing to improve quality is critical to optimising returns.

On the demand side, understanding and anticipating the needs of our consumers, driving new consumption occasions and expanding physical availability through expanded distribution and presence in the emerging channels for fruit and grocery shopping, like e-commerce remains critical.

Demand growth remains strong, and based on information currently available we believe we can grow Class 1 conventional Zespri SunGold Kiwifruit demand across all markets by between 5-9 million trays per year through to 2028. We will inevitably see a flattening of demand at some point in the future and understanding demand growth potential is a key priority for us and the focus of significant research. 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. This, combined with our assessment of the potential demand in each market and/or new market demand opportunities and a review of current levels of supply will be considered in the determination of the volume of licence being released in the following year.

It is strategically important to grow Zespri SunGold Kiwifruit in a competitive context, to remain category leaders, hold shelf space and maintain customer relationships as competition increases. Zespri 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

Zespri is growing SunGold Kiwifruit in four countries outside of New Zealand (Italy, France, Japan and Korea) and will soon have planted all 5,000 offshore hectares approved in the 2019 producer vote. As these orchards come into full production, ZGS is expected to near double SunGold Kiwifruit production levels, reaching 41m trays by the 2028 season. Despite these increases, ZGS production from the current approval will only meet around two thirds of the target demand in the New Zealand off-season in 2028. In order to increase production to meet demand, an increase in approved hectares will be required through another Producer Vote. This is becoming more critical if we are to capture demand ahead of rising competition.

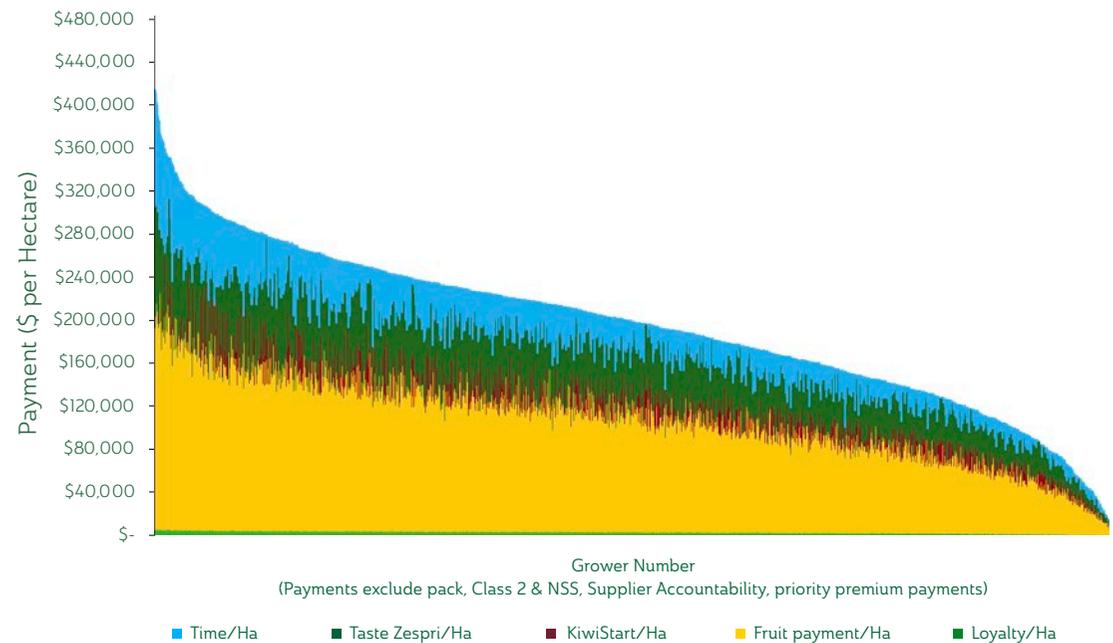
DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Based on the November forecast for the 2023/24 season, the average Fruit and Service Payment, including loyalty, paid per hectare is \$202,737.

The average yield is 11,375 trays per hectare which is down from 13,789 trays per hectare in 2022/23. This includes orchards that are not yet fully mature. The average size per tray is 25.4, compared with 27.4 for the previous season.

Typically, the largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (55 percent) which comprises a submit payment of \$3.60 per tray and progress payments of \$5.97 per tray. The Taste Zespri Grade contributed \$5.01 per tray on average, and taste contributed 29 percent of the overall Fruit and Service Payment (excluding loyalty).

ZESPRI SUNGOLD KIWIFRUIT – FRUIT AND SERVICE PAYMENTS 2023/24
(BASED ON E3 NOVEMBER FORECAST)



ORCHARD GATE RETURNS

The November 2023/24 forecast shows the Zespri SunGold Kiwifruit average OGR per hectare at \$140,451, which is up from \$137,524 in the 2022/23 season.

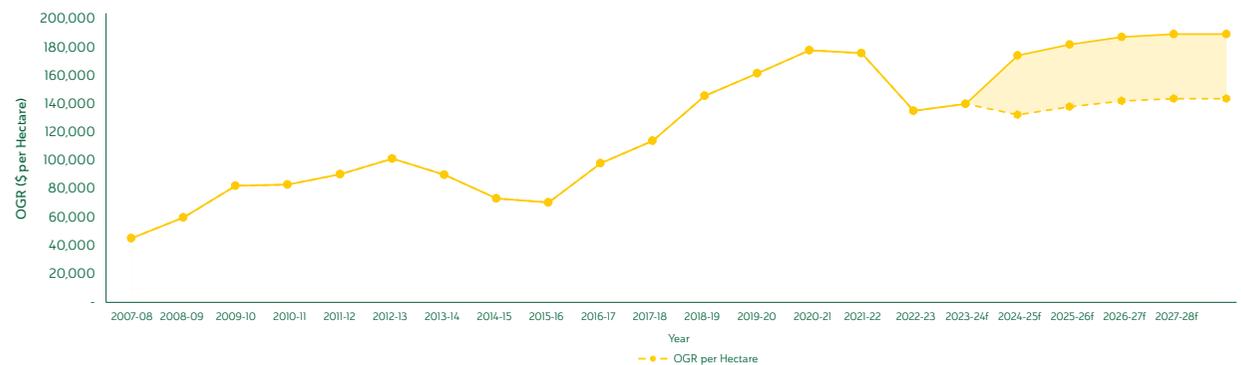
The 2023/24 season has seen multiple headwinds causing downward pressure on OGRs, including foreign exchange on the strengthening New Zealand dollar, multiple weather events driving lower average yield, and post-harvest cost increases driven largely by wage increases. This was partially offset as the category has also benefited from strong consumer demand which has allowed us to implement strong pricing alongside a significant improvement in quality.

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 an indicative range of returns from \$9.50-\$12.50 per Class 1 tray at an average yield of close to 15,000 trays per hectare. These indicate that average per hectare returns could be sustained above \$117,000 over the five-year timeframe. This assumes the continued release of additional tranches of Zespri SunGold Kiwifruit licence subject to annual stop/go decisions based on demand and supply chain capacity.

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

ZESPRI SUNGOLD KIWIFRUIT – ORCHARD GATE RETURN PER HECTARE



Returns are based off both historical Hort16A figures and more recent Zespri SunGold returns. 2020/21 forecast and future years reflects conventional Zespri SunGold only (with Zespri Organic SunGold moving into a separate pool in the 2020 season).

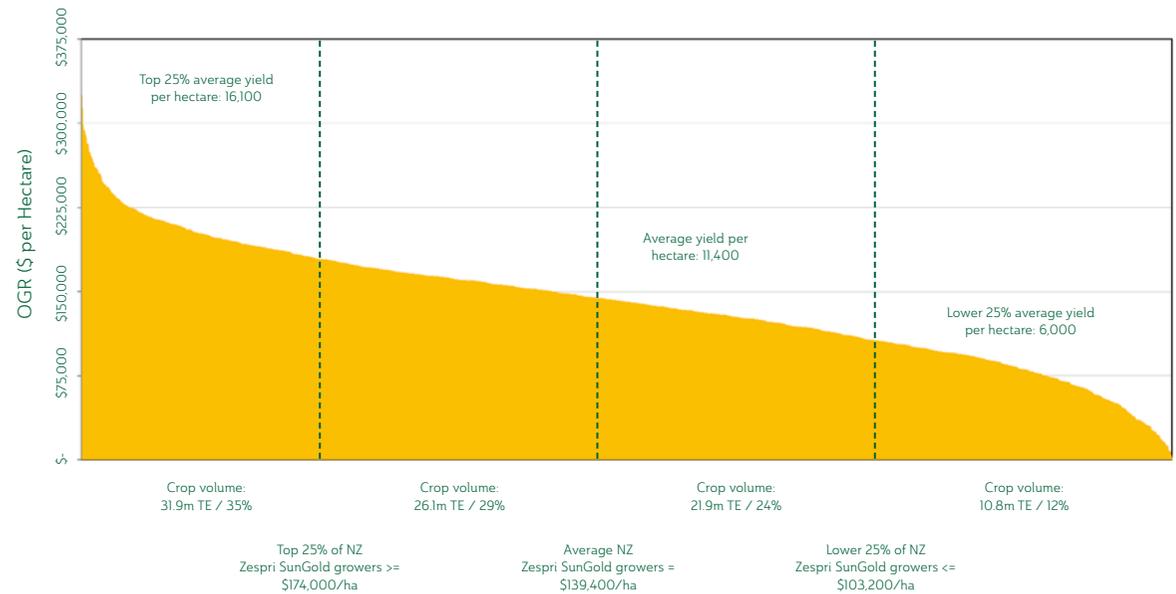
ORCHARD GATE RETURNS

The graph shows the spread of orchards or part orchards throughout the country, and their expected orchard gate returns based on the November forecast of 2023/24.

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 \$5.42 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*
2023/24 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 global organic sales projected for continued growth, underpinned by consumer desire for healthy, safe and good-tasting foods that are also good for the environment.

Growth of the organic category is expected to be driven by the North America and Europe market, which accounted for around 90 percent of organic food sales last year. Asia, while small, presents a high growth and high value region for the organic category. The core markets for Zespri Organic Kiwifruit remain Europe, Japan and North America, which account for around 85 percent of Zespri Organic Kiwifruit sales by volume.

We expect Class 1 Organic Green NZ supply to stabilise at around 3.3 million trays during the five-year period based on projected yields. There is continued strong demand for Organic Green and for the 2023/24 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 2023 and out to 2028 to support Zespri's long-term strategy of maintaining demand ahead of supply. The FOBS forecast supply of Class 1 Organic SunGold Kiwifruit is still expected to increase significantly over this planning window from 2.3 million trays supplied in 2023/24 to over 5.2 million trays supplied in 2028/29. 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. Japan will continue to be an important market for both organic varieties although growth is expected to slow. We will also continue to pursue opportunities in China where consumers have a willingness to pay a premium, and where organics are still a niche category.



It remains strategically important to grow organic supply in the competitive market over time. Our organic offering allows us to meet the needs of conscious consumers seeking a unique offering and willing to spend more for organic produce. This helps us to remain category leaders, secures incremental shelf space and distribution, and maintain customer relationships.

MARKETING AND MARKET DEVELOPMENT

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

- Raising awareness and building demand for Zespri Organics so we increase our share of the organic fruit bowl.
- Continue to engage organic consumers with a distinct brand positioning for Zespri Organics that aligns with the values of organic consumers, reinforces the premium position and drives consumer willingness to pay.
- Building capability and lifting value, especially in Europe and North America, where there is strong demand for organics.
- Continuing to grow demand for Zespri Organic Kiwifruit in other core markets including China to optimise returns and diversify markets available for allocation.
- Deepening our reach in specialist organic distribution channels to optimise value.

POINTS AHEAD

Zespri Organic Green Kiwifruit

Europe, Japan, and North America 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.

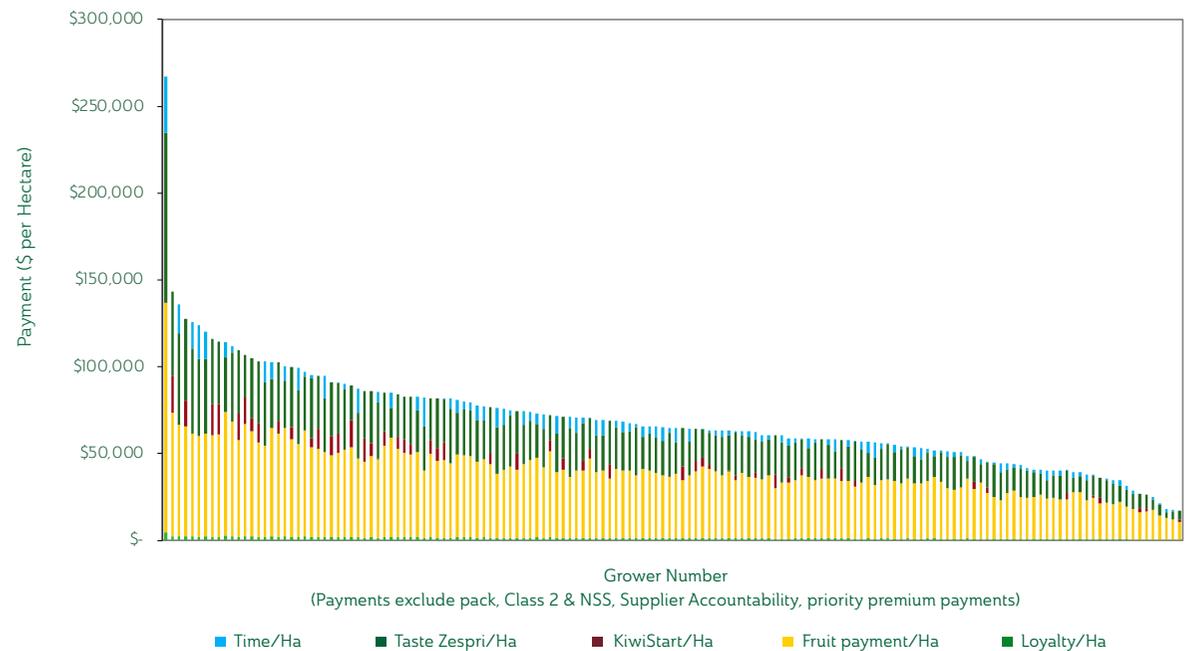
Zespri is modelling a range of \$9.50 to \$11.50 per tray for Class 1 Organic Green. However, significant year-on-year changes in yield in recent seasons means there could be significant variability in per hectare average returns of between \$65,000 and \$79,000.

DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Based on the November 2023/24 forecast, the average Fruit and Service Payment for Zespri Organic Green Kiwifruit, including loyalty, paid per hectare will be \$69,854. The average yield is 4,476 trays per hectare which is higher than the average 7,017 trays per hectare in 2022/23. The average size per tray is 32.6, compared with 33.2 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (55 percent), which comprises a submit payment of \$2.75 per tray and progress payments of \$5.69 per tray. The Taste Zespri Grade contributed \$4.81 per tray on average, and taste contributed 32 percent of the overall Fruit and Service Payment (excluding loyalty).

ZESPRI ORGANIC GREEN KIWIFRUIT - FRUIT & SERVICE PAYMENTS 2023/24
(BASED ON E3 NOVEMBER FORECAST)



ORCHARD GATE RETURNS

The November 2023/24 forecast shows the Zespri Organic Green average OGR per hectare at \$53,708, which is down compared to \$60,912 in the 2022/23 season.

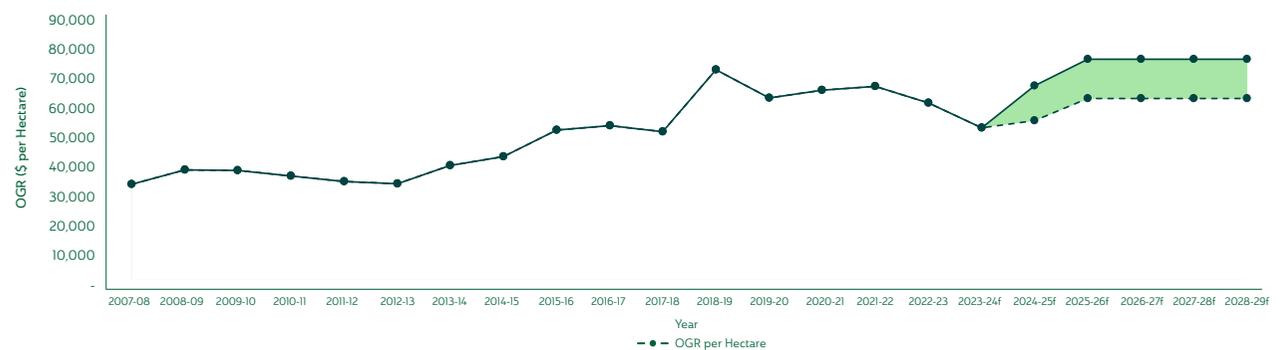
The total volume of trays supplied was 2 million trays, down from more than 3.1 million in 2022/23.

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



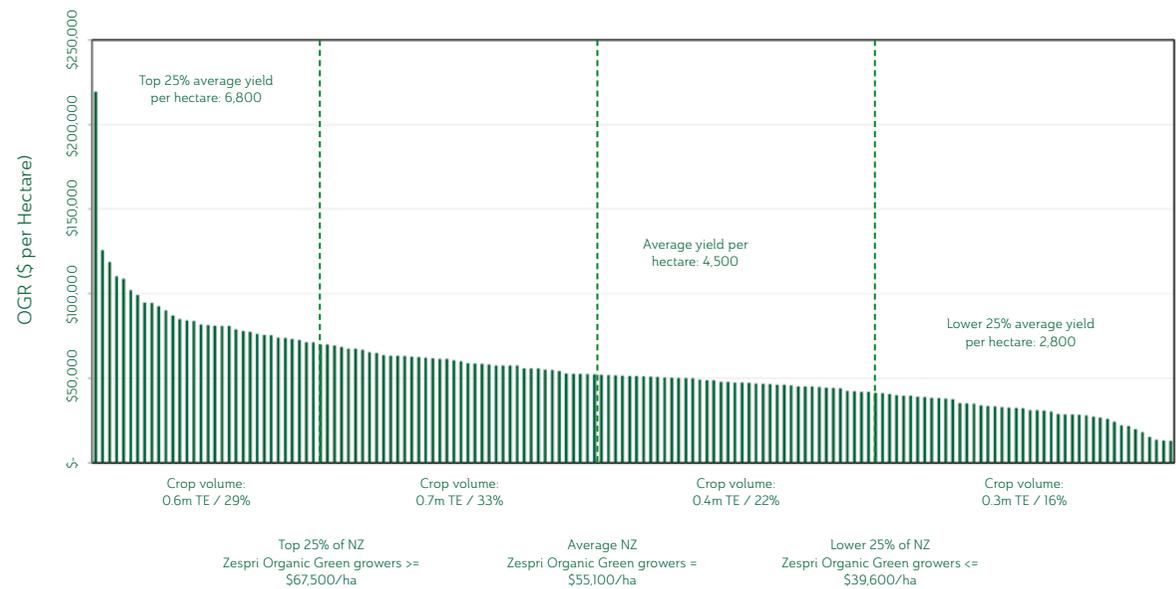
ORCHARD GATE RETURNS

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 2023/24 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 \$3.97 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 RETURNS 2023/24 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 for Organic SunGold Kiwifruit, and we are expecting strong supply growth in this variety over the planning window, even with no additional licence being released.

Based on current supply projections (yields and orchards coming into production) we do not plan to release more Organic SunGold licence through to 2028. This position will be reassessed annually.

We estimate demand growth of Class 1 Organic SunGold Kiwifruit to be around 580,000 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 continue to grow but at a slower rate and are reliant on meeting market access requirements.

There is an opportunity to build volumes into high value markets including Japan, Korea and Taiwan, which is also reliant on meeting market access requirements around scale. Increasing demand and sales in China is also key to realising value and Zespri will continue to monitor market access to this market.

Zespri is modelling a range of \$11.00 to \$14.00 per tray for Class 1 Organic SunGold Kiwifruit. Modelling suggests average OGR per hectare returns can be sustained between \$110,000 to \$190,000 over the five-year timeframe (subject to market environment and demand outlook), on volumes growing to 5.2 million trays in 2028/29. 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.

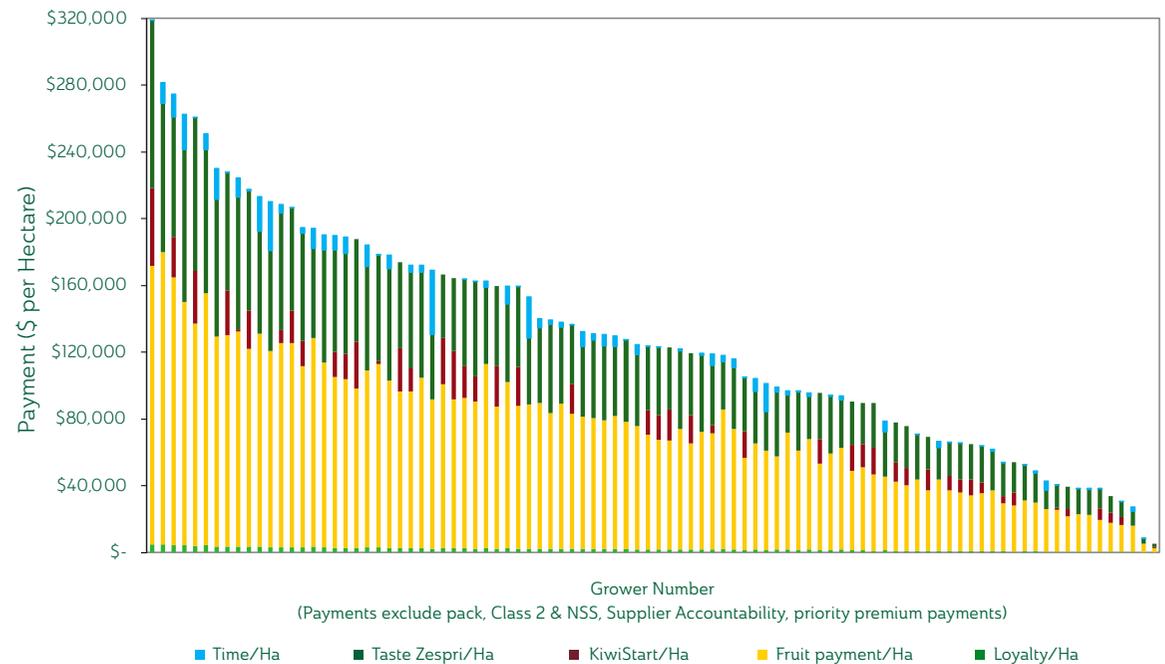
DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Based on the November 2023/24 forecast, the average Fruit and Service Payment for Zespri Organic SunGold Kiwifruit, including loyalty, paid per hectare is \$149,627.

The average yield is 7,715 trays per hectare which is lower than the average 10,871 trays per hectare in 2022/23. The average size per tray is 25.6, compared with 27.9 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 \$3.60 per tray and progress payments of \$7.01 per tray. Taste Zespri Grade was 31 percent, contributing \$6.00 per tray.

ZESPRI ORGANIC SUNGOLD KIWIFRUIT - FRUIT & SERVICE PAYMENTS 2023/24 (BASED ON E3 NOVEMBER FORECAST)



ORCHARD GATE RETURNS

The November 2023/24 forecast shows the Zespri Organic SunGold Kiwifruit average OGR per hectare at \$109,154, which is lower than \$133,548 in the 2022/23 season. The total volume of trays supplied was 2.3 million trays, less than the 3.0 million in 2022/23.

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 OGR PER HECTARE



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

ORCHARD GATE RETURNS

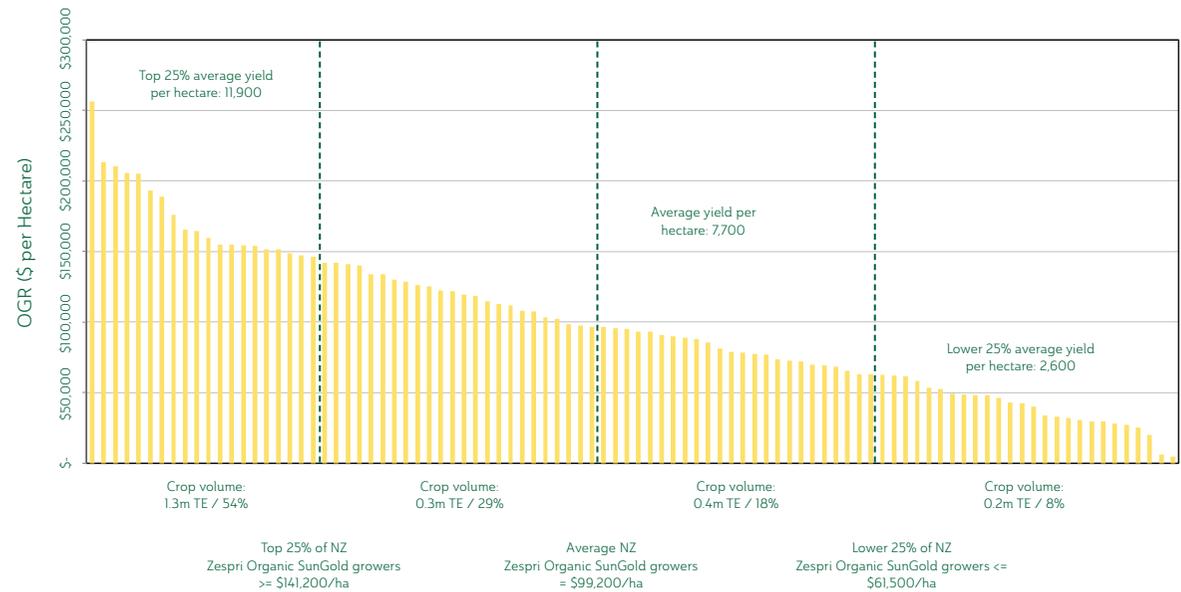
The 2023/24 forecast reflects an improvement in fruit quality costs in market and fruit loss compared to prior season.

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 2023/24 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 \$5.38 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 2023/24 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

(RED19)

SITUATION AND CHALLENGES

Commercialised in December 2019 and initially marketed as Zespri Red during the sales trials, our red fruit is now marketed under the trademark Zespri RubyRed™ Kiwifruit, which reinforces the premium nature of the proposition.

The 338,500 trays of Zespri RubyRed™ Kiwifruit delivered in 2023 across Japan, China, Singapore, Taiwan and New Zealand were well received by consumers, with the marketing activity and short window of availability both driving novelty and excitement in the markets.

Known to be a characteristic of Red19, feedback on colour variability of Zespri RubyRed™ Kiwifruit this season is that it has been more consistent, with the smaller size of the fruit being a top concern raised in consumer feedback. It will be important to continue to learn more about the fruit and stabilise a consistent offering to consumers that supports the premium proposition and pricing that Zespri RubyRed™ Kiwifruit enjoys.

We're confident the marketing of Zespri RubyRed™ Kiwifruit will continue to 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 6.4

million trays by 2028/29, and to open up new markets for Zespri RubyRed™ Kiwifruit during this time horizon, including Korea, Hong Kong and Malaysia. However, we're constrained in terms of markets due to the shorter shelf life of this product and need to serve markets closer to production.

To date, 912 hectares of Zespri RubyRed™ Kiwifruit have been released.

We continue to monitor the fruit quality and performance of the new variety right through the supply chain, from orchard to customer, which is a foundation of our premium Zespri brand. And as we've seen previously, weather and climate events also have the potential to impact on yields and quality.

Following a review of the 2022/23 and 2023/24 seasons, we will not be releasing any Zespri RubyRed™ Kiwifruit licence in 2024, allowing the opportunity to consolidate demand and supply side learnings in 2024 ahead of releasing further licence. The indicative view is to release up to 100 hectares in 2025 and a range of 100 to 300 hectares per annum from 2026-2028, subject to annual review.

ORCHARD GATE RETURNS

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:

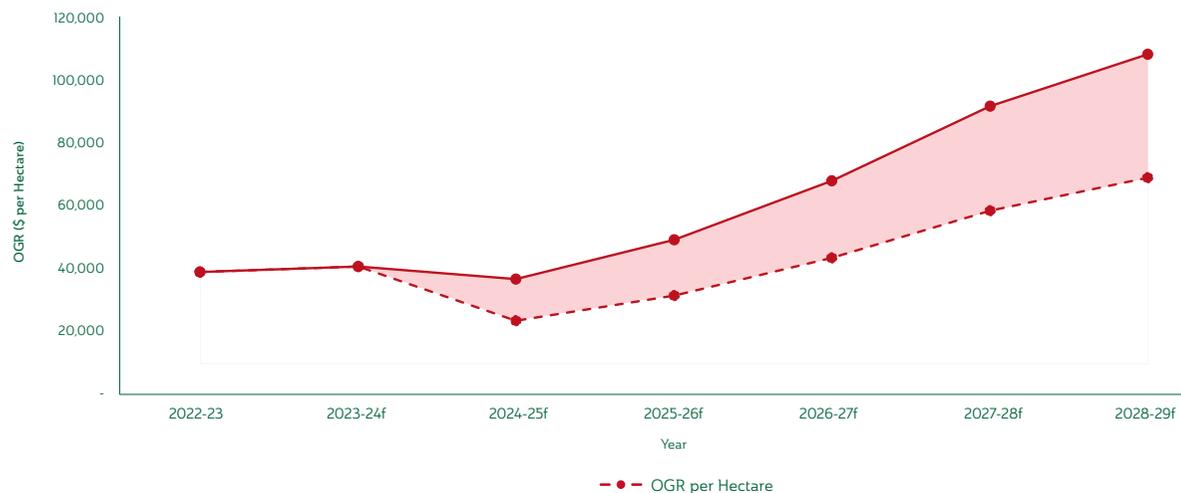
1. Customer demand is as anticipated in all markets
2. Five-year effective exchange rates have been used
3. Limited direct competition for the product during its normal sales season
4. Post-harvest costs do not exceed forecast levels
5. Returns are not impacted by unforeseen risks such as excessive fruit loss, significant market access issues, or biosecurity and crop protection issues
6. Size 46s are included from the OGR estimates in this section for 2024 and 2025 only.

Depending on market demand, Size 46s will be considered for acceptance as non-standard supply on a season-by-season basis.

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 9,000 trays per hectare by 2025, then an OGR per hectare of between \$105,000 and \$160,000 is forecast. Further information is available in the Red19 New Variety Information Guide (NVIG) currently available on Canopy.

ZESPRI RUBYRED™ KIWIFRUIT OGR PER HECTARE

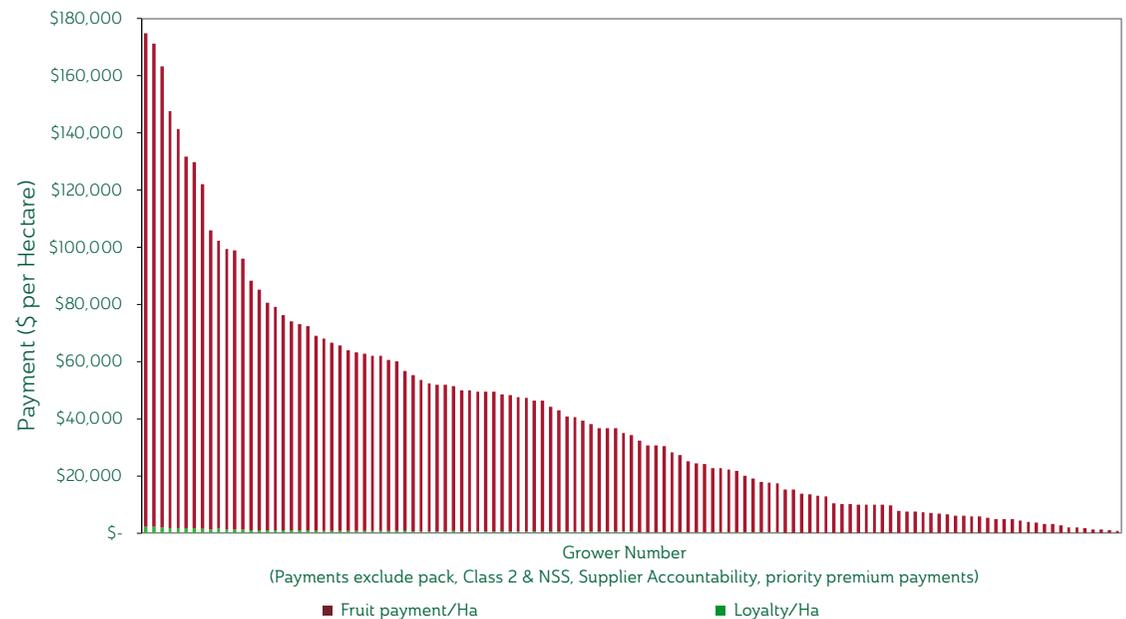


DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Based on the November 2023/24 forecast, the average Fruit and Service Payment for Zespri RubyRed™ Kiwifruit, including loyalty, paid per hectare is \$34,549. The 2023/24 average yield was 1,547 trays per hectare which is lower than the average 1,889 trays per hectare in 2022/23. The average size per tray was 39.0, compared with 37.5 for the previous season.

The Zespri RubyRed™ Kiwifruit return is paid out as a fruit payment, comprising of a submit payment of \$3.60 per tray and progress payments of \$18.73 per tray.

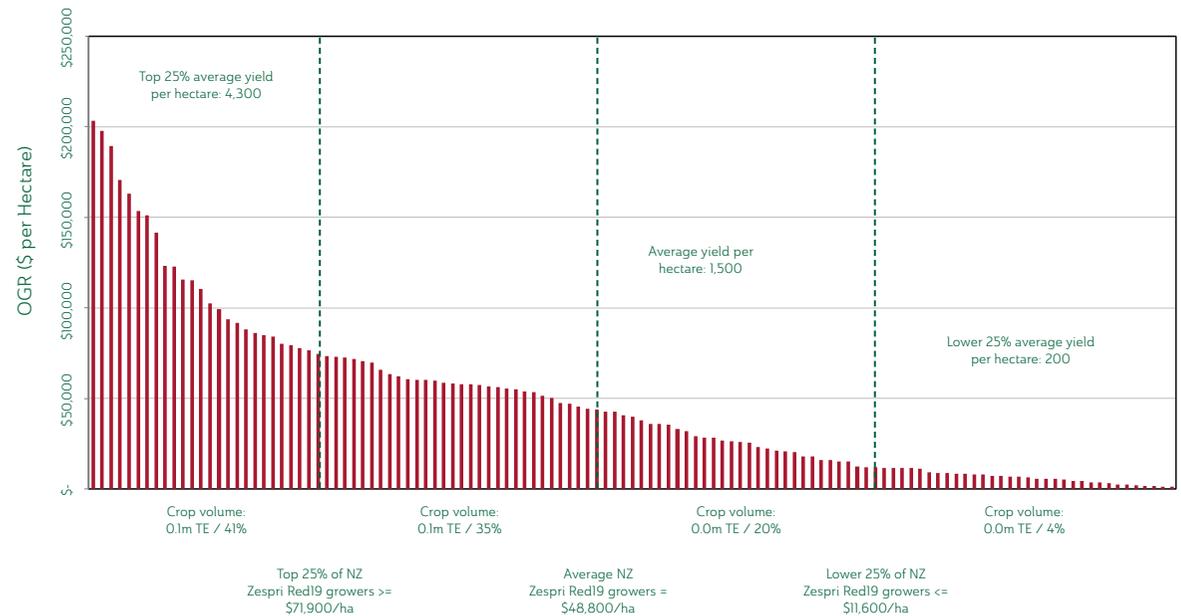
**ZESPRI RUBYRED™ KIWIFRUIT – FRUIT AND SERVICE PAYMENTS 2023/24
(BASED ON E3 NOVEMBER FORECAST)**



ORCHARD GATE RETURNS

The November 2023/24 forecast shows the Zespri RubyRed™ Kiwifruit OGR per tray at \$26.10, however, average yield is low at 1,547, resulting in an average OGR per hectare of \$40,371, lower than the \$42,063 in the 2022/23 season. The total volume of trays supplied was 245,000 trays more than double the 111,000 trays supplied in the 2022/23 season.

ZESPRI RUBYRED™ KIWIFRUIT - ORCHARD GATE RETURN* 2023/24 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 RUBYRED™ KIWIFRUIT

- Zespri Organic RubyRed™ Kiwifruit will present an exciting innovation for organic consumers.
- A volume of 100,000-150,000 trays of Zespri Organic RubyRed™ Kiwifruit is required for launch to enable us to invest in marketing and promoting this exciting variety. At present we have approximately 5 hectares of Zespri Organic RubyRed™ Kiwifruit so we anticipate it will be several years before we can consider a launch.
- The main organic markets of North America and Europe are expected to be key sales regions, but due to their long transit times these markets are not accessible yet. In addition to these markets we see opportunity to launch in Japan.

ZESPRI SWEET GREEN KIWIFRUIT

(GREEN14)

SUMMARY

Zespri Sweet Green Kiwifruit volumes continue to decrease. In 2023/24, Class 1 NZ supply was around 108,000 trays, down from a peak production of 890,000 trays in the last five years, primarily due to cutover to other varieties. 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 Kiwifruit 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. 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 AND PERFORMANCE ACROSS ORCHARDS

Based on the November 2023/24 forecast, the average Fruit and Service Payment, including loyalty, paid per hectare is \$68,335.

The 2023/24 average yield was 4,688 trays per hectare which is lower than the 6,081 trays per hectare in 2022/23. The average size per tray is 34.8, compared with 35.9 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (71 percent), which comprises a submit payment of \$2.95 per tray and progress payments of \$7.24 per tray. The Taste Zespri Grade contributed \$3.71 per tray on average, and taste contributed 26 percent of the overall Fruit and Service Payment (excluding loyalty).



BEYOND 2028

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 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, changes have been made to the 10-year demand outlook, as a result of weather events and quality issues leading to two consecutive years of lower volumes in 2022 and 2023. This has meant Zespri has captured less demand than previously anticipated in those seasons. It also reflects the significant shift in the macro-economic environment since COVID-19, with historically high inflation impacting on shopper disposable income and hence demand for premium products.

From a New Zealand supply perspective, the total volume is forecast to decrease versus the 2022 Five-Year Outlook, as a result of lower yield assumptions for all fruit groups and lower licence release plan for Zespri SunGold and Zespri RubyRed™ Kiwifruit. The revised yield assumptions are based on prior four-year averages (2019-2022), with 2023 excluded due to the impact of multiple weather events.

From a Northern Hemisphere supply perspective, New Zealand producers approved planting of up to 5,000 hectares of Zespri SunGold Kiwifruit in Northern Hemisphere growing regions. As of March 2023, 4,502 hectares were already planted and there were confirmed planting plans that will soon see the Northern Hemisphere reach the approval limit. We continue to see strong demand from the markets for Northern Hemisphere fruit to support a 12-month supply strategy.



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 230 million trays, including 12-month supply, based on current supply forecasts (from existing ZGS grower approval).

- Our current view is that further investment in markets could activate 12-month demand of up to 316 million trays by 2028 and up to 459 million trays by 2033, at sustainable returns, subject to further licensing releases, efficient production costs and overcoming supply chain capacity constraints.
- Kiwifruit remains an under-developed category with less than 1 percent 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.
- Short-term imbalance of forecast supply and demand is mitigated by Zespri's strong marketing and reduction in trays available for sale in markets. In the long-term, Zespri's sales and marketing investment is forecast to generate more demand in the long term and ahead of forecast supply in the 10-year outlook.
- The plan does not consider new varieties not yet commercialised which could be either additive or substitutational.
- Growth over the next 10 years will continue to be driven by Zespri SunGold Kiwifruit, with supply increasing from New Zealand by around 5-9 million trays per year out to 2030, based on current licence release plans.

The New Zealand supply of Zespri SunGold Kiwifruit is estimated to reach 160 million trays by 2033.

- Zespri RubyRed™ Kiwifruit commercial volumes began in 2022 with 126 thousand trays sold in Asia Pacific and the Greater China region, and is anticipated to rise up to 11 million trays by 2033, and with the aim to achieve a 15 percent OGR premium over Zespri SunGold Kiwifruit in the respective markets it is sold in.
- Supply of Zespri Green Kiwifruit from New Zealand is expected to decline throughout the 10-year forecast as a portion of Zespri SunGold and Zespri RubyRed™ Kiwifruit licence is allocated to Hayward and Green14 cutover. This results in Green volumes decreasing from around 50 million trays in 2028 to around 44 million trays in 2033. This reduction in supply allows Zespri to uplift Green pricing in markets and return more value to growers to mitigate rising 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 positive in the long-term with opportunity for incremental growth in most markets subject to the per hectare value being generated to offset yield and average size impacts. While limited headroom remains for Zespri Organic SunGold Kiwifruit in the next 3-5 years as a result of excess supply, there may be opportunity for further licence release thereafter.
- Compared to the prior year, this outlook incorporates the impact of tariff reduction from the EU and the UK on price and OGR, as well as cost of sustainable packaging and its impact to supply chain.

THE DEMAND OUTLOOK

Kiwifruit is still an underdeveloped category with less than 1 percent of the global 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 Zespri SunGold Kiwifruit, strong marketing and high-quality supply. Interest in Zespri RubyRed™ Kiwifruit is also high, and we believe it will continue to bring new consumers to the category. Zespri Green Kiwifruit remains an important component of Zespri's offering to provide a diversified portfolio of fruits to meet different consumer needs and consumption occasions.

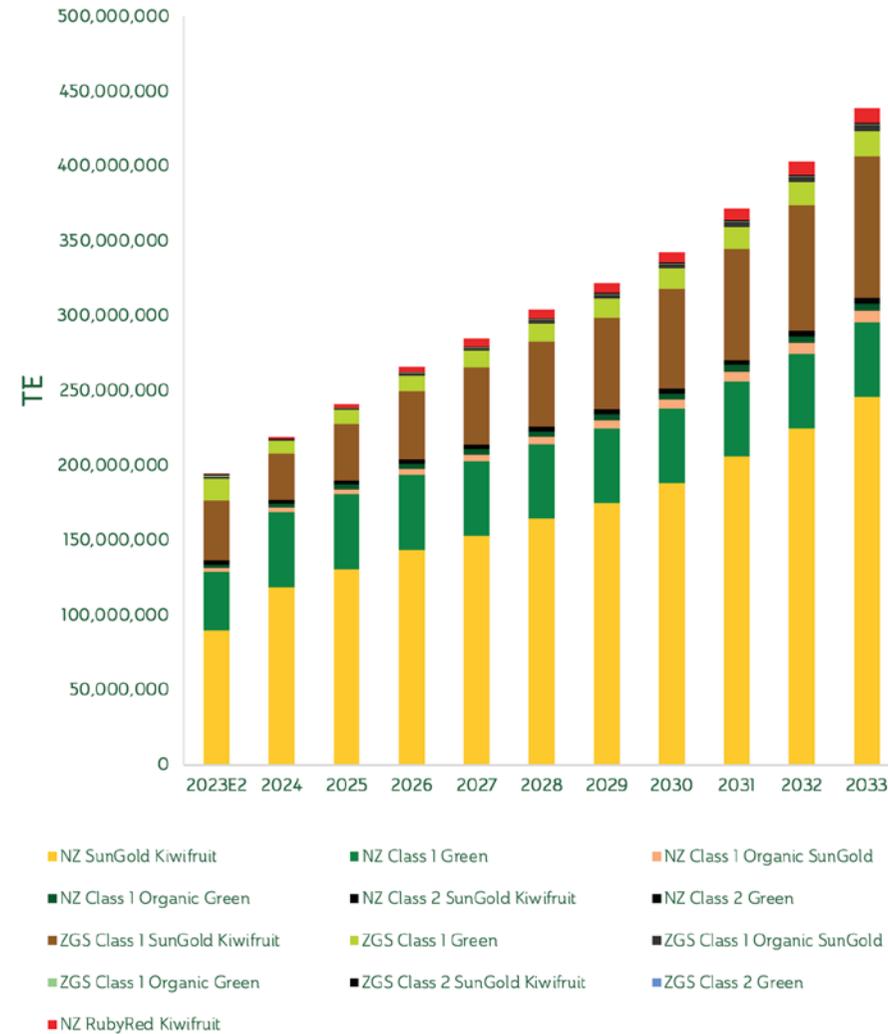
However, competition among kiwifruit brands and fruits in general is dynamic and if we do not maintain growth, we risk falling behind. These risks include forfeiting the opportunity to bring further value back to New Zealand growers and the broader industry; giving other developing fruit items the opportunity 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 making it more costly to build mental and physical availability of our brand.

The 10-year outlook includes inability to release more licence in New Zealand due to capacity constraints as well as the inability to expand ZGS production to complement New Zealand supply should growers continue to choose not to support that.

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.

Zespri's sales and marketing strategy is focused on ensuring consumers are at the heart of the strategy; prioritising and growing markets; strengthening relationships with key customers; going deeper before going wider in market; balancing short-term and long-term goals; and focusing on performance in the prioritised markets. Zespri continues to deliver value and build the capability of its distribution and retail partners to ensure we execute with excellence against the demand we create.

12-MONTH, 10-YEAR TARGET DEMAND GROWTH





RISKS TO SUPPLY AND DEMAND

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

SUPPLY

- Labour and infrastructure capacity within the kiwifruit industry, supporting fruit to be picked, packed, repacked and shipped to market, both efficiently and effectively to support quality.
- Meeting the 10-year demand projection requires continued development and investment and innovation by Zespri, growers, post-harvest operators and partners across the supply chain. In particular, growth in packing, cool storage and port loading capacity will be required to keep pace with increasing fruit volumes.
- Managing fruit quality right through the supply chain, from orchard to customer, which is a foundation of our premium Zespri brand.
- Optimising the supply chain to drive cost efficiencies, while building resilience and the agility to respond to changes including climate, market access and sustainability regulations.
- Weather and climate events that have the potential to impact on yields and quality.
- Managing cost increases from labour, freight, packaging and carbon will be key to optimising returns for all fruit groups.

AVAILABILITY

- Market access is lost to a significant market.
- Delay in arrival of fruit to market due to supply chain congestion, shortage of vessels or labour shortages, leading to increased fruit loss or decrease in fruit quality to consumers.

- Significant yield improvement resulting in crop increase in excess of market capacity.

On demand, there are several risks that could impact the plan, including:

CONSUMER PREFERENCE

- Varying levels of economic recession and recovery (stemming from COVID-19).
- Rising cost of living due to inflation dampening consumer demand for high quality premium fruits.
- Shift in consumer behaviour towards different food options (e.g. more sustainable fruit, more convenient to eat fruit).

COMPETITION

- Competitors' kiwifruit quality, such as the unauthorised G3 in China.
- Risk of competitive new plant varieties, for example the emergence and growth of new gold varieties in Europe that are competing with Zespri SunGold Kiwifruit.
- New competitive fruit offerings takes market share from all other fruits.

These factors present a diversity of risk and Zespri's risk management involves building mitigation measures 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 due to kiwifruit being a natural product volume volatility cannot always be predicted. Zespri will also continue to innovate to develop new kiwifruit products to meet consumers' evolving needs.



IMPACTS OF CLIMATE ON SUPPLY

Zespri has commenced work to further understand the nature and extent of climate risk to the kiwifruit industry. To date, Zespri has:

- Identified the most likely physical and transition risks impacting our business globally, as set out in Zespri's Climate Risks and Opportunities report, published in 2021;
- Published its Climate Change Adaptation Plan outlining how the kiwifruit industry intends to respond to a changing climate in New Zealand and in its offshore growing locations;
- Worked with Plant & Food Research and the Ministry of Primary Industries (MPI) to quantify the change in productive hectares over time by growing region in New Zealand for kiwifruit; and
- Provided input into MPI funded work to identify the climate change impact on kiwifruit yield and dry matter in all New Zealand regions for mid-late century timeframes; results are yet to be published. To note, this work will assess impacts over long time horizons, which will not enable assessment on supply year on year for the next Five-Year Outlook.

To improve consideration of the financial impact of climate on yield, Zespri has utilised actual (rather than scientifically modelled) data from previous years to start to understand the impact acute climate events have had on yields in the past, highlighting:

- The individual impact of quantifiable weather events such as hail, wind, cyclone and drought is around 2 percent per

annum over the last 20 years. Note that the impact of poor bud break last season from the mild winter has not been quantified as part of this analysis.

- In a best growing season in the preceding five years, yields were 9-19 percent higher than estimated future peak yield*, depending on variety (Gold fruit groups were on the lower end of the range).
- In a highest climate-impacted season in the preceding five years, being 2023, yields were 18-35 percent lower than estimated future peak yield, depending on variety (again, Gold fruit groups were on the lower end of the range).

In the five-year modelling, we have incorporated the known acute and chronic climate events that have impacted yield over the past four years into future yield forecasts, by setting peak yield for each fruit group as an average of the yield from 2019-2022; noting 2023 was excluded due to it being a high climate impact season.

Climate modelling capability is being developed to help better quantify the impacts and frequency of different climate scenarios on yield, and in due course other parameters such as fruit quality, supply chain operations and eventually new cultivar development.

OUT OF SCOPE ASSUMPTIONS

The following considerations are not yet included in our 10-year outlook, as the full extent of impact and timing is yet to be fully understood:

- Commercialisation of any new Zespri or third party PVRs and impact on existing demand.
- Any new growing systems which may impact on yields, noting that such growing systems are under development by Zespri, but further steps are still required ahead of commercialisation readiness.
- Any impact of the EPA's pending decision on hydrogen cyanamide (Hi-Cane) use on quantity and quality of supply.
- Costs of carbon in relation to industry targets and regulatory change.

*Peak yield is the highest yield forecast for the variety in the future.

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