December forecast: quality in focus as season nears completion

The Zespri Board of Directors has approved the December forecast for the 2018/19 season. The forecast shows that the average Green per tray return has decreased slightly versus October, down 5 cents to \$5.42. The average per hectare return is \$63,786. One of the key factors for Green at this late stage in the season is an upwards revision in estimates for offshore fruit loss and quality claim provisions.

The forecast average return per tray for Organic Green has increased by 1 cent to \$8.68 and the average per hectare return is \$68,864.

The SunGold return is forecast at an average of \$10.46 per tray – a lift of 18 cents versus October. The forecast average return per hectare is \$140,195. Positive factors include pricing, reductions in promotion and freight costs, and favourable foreign exchange movements.

The forecast average return for Green14 has increased by 5 cents to \$7.16, which translates to an average per hectare return of

\$45,855. The increase is due to a reduction in promotional expenses.

The total fruit and service payment, across all pools and excluding the loyalty premium, is forecast at \$1,753.2 million, compared with \$1,742.3 million in the October forecast.

The range of corporate net profit after tax for the year ending 31 March 2019 is \$176.0 million to \$179.0 million, which includes licence release income. The dividend per share range is \$1.34 to \$1.37 per share and this also includes dividends relating to the 2018 licence release income.

Chairman Peter McBride comments, "This has been another record season for Zespri and for the industry in terms of sales volumes, and the final few weeks are critical as we look to finish as well as we can. As always, we appreciate the dedication and hard work of everybody across the industry to deliver these results and I wish you all the best for the festive season."

For more details on sales and marketing, see the update from Dan Mathieson on page 4.

Fruit and Service Payments plus the loyalty premium, less post-harvest costs						
Pools	2017 season final	October 2018 forecast	December 2018 forecast	Variance between October 2018 forecast and December 2018 forecast		
Zaansi Craan	\$59,981 per ha	\$64,127 per ha	\$63,786 per ha	-\$341 per ha		
Zespri Green	\$6.71 per tray	\$5.47 per tray	\$5.42 per tray	-\$0.05 per tray		
Zespri Organic	\$52,375 per ha	\$68,860 per ha	\$68,864 per ha	+\$4 per ha		
Green	\$8.93 per tray	\$8.67 per tray	\$8.68 per tray	+\$0.01 per tray		
Zespri Gold3 and	\$114,345 per ha	\$137,865 per ha	\$140,195 per ha	+\$2,330 per ha		
Organic Gold31	\$10.06 per tray	\$10.28 per tray	\$10.46 per tray	+\$0.18 per tray		

\$45,544 per ha

\$7.11 per tray

AVERAGE ORCHARD GATE RETURN

1 - March 2018 includes Hort16A variety

Zespri Green14

\$38,937 per ha

\$5.61 per tray

Zespri confirms continuation of SunGold licence release in 2019

The Zespri Board confirmed its decision to continue with the SunGold licence release programme in 2019. Zespri will allocate a further 700 hectares of conventional SunGold licence and 50 hectares of Organic SunGold. Zespri will communicate full details on the process as soon as possible in the new year.

The licence rules are largely the same as they were in 2018 with only a change to the bid area for each of the pools.

- Conventional SunGold pool: maximum bid area increases from 20 hectares to 30 hectares
- Organic SunGold pool: minimum bids of less than one hectare are accepted for existing organic developments that require less than a hectare to complete.

A full Licence Allocation Overview and Rules document will be available in the new year.

The indicative timeline for the 2019 allocation is as follows:

- 27 March 2019: Application process opens
- 10 April 2019: Closing date for bids
- Week of 29 April 2019: Successful bidders notified as soon as possible

26 May 2019 onwards: Licence packs distributed

Zespri intends to continue releasing hectares out to 2022, subject to annual review, and our current demand forecasts support releases of up to 700 hectares per year.

Pre-commercial trials for new varieties

Growers will be aware that Zespri has been continuing stage three pre-commercial trials for a red and a new green kiwifruit variety. Our criteria for approving the commercial release of new varieties is multi-faceted, based on orchard, supply chain and market factors.

We are excited about the potential of a red and new green variety in our portfolio, however the Board considered that further work is required to develop more robust data before a commercialisation decision can be made. Consequently, both varieties will remain in precommercial trials for another season. Further information about the programme will be communicated in the new year.

New Chief Financial Officer and General Manager for Greater China appointed

We are pleased to announce the appointment of **Richard Hopkins** as Chief Financial Officer (CFO) of Zespri. Richard succeeds Dave Hazlehurst who leaves in December to take up a position as CFO with the farmer-owned cooperative LIC.

Richard Hopkins is currently CFO with Ballance Agri-Nutrients. He brings a wealth of experience and capability, with previous roles as a Director of Credit Suisse's Global Energy Group responsible for Eastern Europe, Analyst for HSBC Samuel Montagu, and Director of Corporate Finance with Westpac. We are also pleased to announce the appointment of **Michael Jiang** as General Manager for Greater China, with effect from January 2019. Michael comes from a long career with Johnson and Johnson, followed by various sales leadership roles with Danone Biscuits, Bayer Healthcare and since 2009, with Mondelez.

His wealth of experience will be hugely valuable in leading China through its next phase of growth. Michael succeeds Holly Brown and we thank Holly for her leadership and strategic contribution to the China business.

New tool in the fight against Psa

Aereo Gold, a new bio bactericide with proven protectant activity against Psa infection is now registered for use on kiwifruit and has BioGro certification.

Approved by the Agricultural Compounds and Veterinary Medicines Group (ACVM) at the end of November, Aureo Gold was discovered and isolated from an Otago apricot by Plant & Food Research scientists. Extensive field trials have demonstrated its protectant efficacy and research suggests it has multiple modes of action, including:

- physical disruption of Psa cells on leaf surfaces that appears to affect the ability of Psa to colonise stomata
- acting as an elicitor activating kiwifruit host defence genes, allowing the plant to react more quickly and intensively to the presence of Psa.

Research to date also indicates that Aureo Gold doesn't produce anti-microbial compounds, and therefore resistance development is unlikely.

\$45,855 per ha

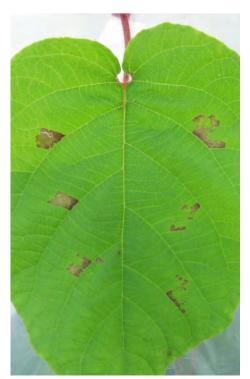
\$7.16 per tray

+\$311 per ha

+\$0.05 per tray

In trials on Hayward vines, Aureo Gold gave similar levels of protection from leaf spotting as Kocide Opti in the 2017/18 season. The image below shows Aureo Gold's protectant ability in potted plant trials. The leaf sprayed with water on the left, and a leaf sprayed with Aureo Gold on the right were then inoculated with Psa, with resultant reduction in leaf spotting symptoms.

For information about how and when to use this product, including timing, visit the KVH website at www.kvh.org.nz. Please note, only limited stock of Aureo Gold was available for 2018 and growers are advised to check with their nearest retailer to determine future availability.





A leaf sprayed with water on the left and a leaf sprayed with Aureo Gold on the right were then inoculated with Psa, with a reduction in leaf spotting symptoms.

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IMPLEMENTING THE KIWIFRUIT INDUSTRY STRATEGY PROJECT





PRODUCER VOTE UNDER THE NEW REGULATIONS

Early next year, Zespri will ask producers to vote to protect two vital activities: ownership of PVRs and investment in 12-month supply. We explain the reasons for the vote below.

KISP to date

A number of the key outcomes the industry wanted to achieve through the Kiwifruit Industry Strategy Project (KISP) have now been achieved.

Zespri's constitutional amendments were approved at the March special meeting of shareholders to introduce a share cap, to incentivise non-producer shareholders over time to sell back their shares to producers by limiting the period they can receive dividends on their shares, and to simplify the voting cap calculation.

Zespri has also successfully carried out the targeted share offer and buy-back, to better align shareholding to production. 85 percent of Zespri shares are now held by producers with over half the applications for shares being from previously unshared growers. The number of dry (non-producer) shareholders has been reduced by 30 percent through the buy-back.

Business activities under Regulations

Earlier in 2018, we canvassed in a number of Kiwiflier articles a planned producer vote under the amended Kiwifruit Export Regulations.

Zespri is now ready to move ahead with its next objective, a producer vote, which will provide the greater certainty that growers asked for around 12-month supply and ownership of Plant Variety Rights (PVRs).

The producer vote, planned for March next year, will mark the end of the transitional period under the amended Regulations.

Old Regulations

Under the old Regulations, Zespri's core business only specified the purchase of kiwifruit for export (and limited supply

permitted within Australia and New Zealand). However, as the business recognised many years ago, an effective exporter needs to be able to do a number of other activities.

The old Regulations also permitted Zespri to carry out activities that were necessary to core business, or for which providers of capital voted in favour of, and which were of minimal risk.

Zespri determined that the activities of marketing fruit, developing markets, conducting research and development including the development and ownership of new kiwifruit varieties, and establishing 12-month supply were all necessary for core business. This meant Zespri could carry out these activities under the Regulations without a vote, but as a courtesy, we asked shareholders approximately every three years whether they endorsed Zespri continuing to carry out these activities. The shareholders passed that endorsement each time, recognising how important these activities are to the business.

In the KISP referendum, producers affirmed their desire to include all of these activities in core business. That request was passed on to Government. Under the amended Regulations, the Government gave us some, but not all, of what we requested.

New Regulations

We were given a three-tier system, as follows:

- 1. Core business was expanded to include marketing, market development and research and development. 12-month supply and ownership of PVRs were not
- 2. Activities that support core business are a category of activity that must meet the following two-test criteria:

- a. Enhance core business; and
- b. Pose no more than a low risk to the interests of producers.

Zespri must notify KNZ (the regulator) before carrying out these activities (or notify during the current transitional period for existing activities).

3. Activities that do not support core business are activities that may or may not meet the test under (2) above, and are therefore subject to a vote by producers to approve Zespri carrying out the activities.

The new Regulations also have some special transitional sections, which include the ability for Zespri to notify KNZ of an existing contract pursuant to which it receives a benefit or asset, and that contract would be protected going

So what has Zespri done so far?

Because the new definition of core business does not list the 12-month supply business or ownership of PVRs, Zespri has

- Assessed the 12-month supply business under the test for activities that support core business and consider that it meets the tests and have notified KNZ accordingly
- Taken advantage of the transitional section for existing contracts and notified KNZ of the Plant & Food Operating Agreement under which the development of plant varieties is carried out - in particular the PVR assets developed already under that which Zespri has ownership of, including SunGold.

So what do we do now?

KNZ is considering the notifications and will ultimately notify Zespri whether it agrees or not. In the meantime, from Zespri's perspective, there is still a job to complete and that is to protect those activities that are not core business, as if they were core business, which is what growers voted for in the referendum.

This means that if KNZ ever determines that, in its view, the 12-month supply business does not support core business or that ownership of new PVRs is not protected by the transitional provisions sufficiently in future and/or that they do not support core business, these activities will still be protected.

If producers have already passed a vote under the Regulations, then Zespri and producers have the certainty that the investments in these activities over the last 20 years and in the future is secure. The Regulations will still require that Zespri minimises any risks arising from these businesses, over which KNZ will have oversight.

Exclusions

A producer vote that approves Zespri's continuation of the 12-month supply business and ownership of PVRs will provide ongoing protection as these businesses grow and expand. This is the same position that Zespri was in for these activities when they were deemed 'necessary' for core business under the old Regulations

However, Zespri recognises that there are two areas where growers have raised concerns and which would involve some very careful decision-making. These are the commercial growing and procuring of kiwifruit in China and in Chile. Zespri has decided to expressly exclude these two from the producer vote, so that if Zespri were ever to decide it wished to carry these out, they would come back to producers for a separate vote on these matters.



WHAT ARE ZESPRI PLANT VARIETY RIGHTS?

Zespri's investment and ownership of Plant Variety Rights means nobody can grow or sell that variety without permission and a licence from Zespri, which supports the ability of Zespri to deliver strong value to New Zealand growers.

Zespri can also ensure that varieties demonstrating attributes most suitable for Zespri's portfolio and for New Zealand growers to grow and export (so for example, kiwifruit that are more Psa resistant, deliver superior value to growers, maintain quality during storage and shipping) are identified and focused on.

Identifying and developing new varieties enhances the sale and brand of Zespri Kiwifruit and has underpinned the industry's growth, particularly over the last few years with SunGold. This programme is anticipated to do the same with future new varieties.

Zespri licences new PVRs to growers. Licensing is a means of recovering the cost of investment in developing PVRs (a corporate cost) and is an efficient way to ensure those that grow the fruit (whether in New Zealand or overseas) are bound by the contractual terms

for growing and the supply of the varieties owned by Zespri.

Zespri has the ability to terminate the licence for breach and enforce the PVR rights against anyone that infringes the plant variety rights (in New Zealand and in overseas countries where the PVR has been applied for or already registered). Infringements include anyone illegally obtaining the plants and growing them without a licence.

In New Zealand, royalties are collected effectively by royalty payments and the sale of licences. Licences granted through 12-month supply growers have a royalty built into their margin payments to Zespri, so they pay a higher percentage to Zespri from the fruit supplied.

PVRs covered by the producer vote will be all those owned now and in future. However, ownership of SunGold and other PVRs already owned by Zespri prior to 1 April 2017 are effectively already protected by the transitional provisions of the Regulations. The vote is more important for future PVR protection.



WHAT IS ZESPRI 12-MONTH SUPPLY?

Zespri 12-month supply means the ability to fill supermarket shelves with Zespri Kiwifruit all year round including non-New Zealand grown kiwifruit, in the months when New Zealand kiwifruit is not available.

Zespri's 12-month supply business was established almost 20 years ago. We recognised that in order to maintain and build the Zespri brand profile, maintain shelf space, and provide a solution for our retailer customers throughout the year, we needed to be able to provide quality product year-round.

Now that 12-month supply has been operating for some time we see the benefit it provides by making more of our marketing dollar, having the brand in market all year round. Our absence from markets for three to four months of the year makes it more costly to the New Zealand industry to regain shelf space and it undermines the investment we make to create brand awareness. Our 12-month offer means Zespri does not have to spend as much at the start of the New Zealand season each year to re-introduce the brand to market and build the same level of demand again from scratch each year.

A broader benefit is to our government and trade relations: as well as selling into markets, our investment and partnership with local growers is recognised by governments as a welcome contribution to local communities and the local economy. The 12-month supply business is relatively small compared to New Zealand supply. This non-New Zealand supply (the season is underway at present) is expected to increase to 19 million trays. That represents 13 percent of the peak New Zealand supply of 145 million trays in 2017.

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KIWIFRUIT INDUSTRY STRATEGY PROJECT TIMELINE

A number of the key outcomes the industry wanted to achieve through the Kiwifruit Industry Strategy Project have now been accomplished. Below is a timeline of key milestones over the five year timeframe relating to regulatory changes.



KIWIFRUIT EXPORT REGULATIONS



OLD REGULATIONS

These featured a narrow scope of 'core business' activities.

Permitted activities that were 'necessary' for core business, or activities that providers of capital agreed to and had minimal risk to shareholders/growers.

Under the old regulations, Zespri determined that ZGS (12-month supply) and R&D were necessary

for core business - so no further approval was required.

Zespri asked shareholders to endorse that view every few years although this was not a required approval process.





As part of the Kiwifruit Industry Strategy Project (KISP), a significant consultation process was undertaken to understand grower views on the proposed changes. This included more than 650 submissions and 100 grower and industry meetings over 18 months.

MARCH 2015

KISP GROWER REFERENDUM



KISP REFERENDUM

Question 7: The Kiwifruit Export Regulations 1999.

Growers were asked whether they agreed to the definition of 'core business' being amended to cover the kiwifruit activities that Zespri undertakes for the financial benefit of New Zealand kiwifruit growers. These activities included: cultivar development; PVR ownership; 12-month supply; Research and Development; and supply chain management. This change was

agreed to and the Government was asked to amend the Kiwifruit Export

Regulations 1999.



92% of producers who voted said YES and the Government was asked to amend the Kiwifruit Export Regulations 1999.

JULY 2017

GOVERNMENT APPROVES NEW KIWIFRUIT EXPORT REGULATIONS



NEW REGULATIONS INTRODUCED

Core business was amended to include: research and development, marketing and market development.

12-month supply and ownership of PVRs were not expressly added to core business.

Updated regulations also removed

previous tests for other activities 'necessary to core business', or to have a vote by providers of capital on activities that had minimal risk. Instead, if the activity is not core

business. Zespri can carry out activities that: Support core business, subject

to notifying KNZ and the activity

meets tests that it enhances core **business** and is **low risk** to the interests of producers.

Producers vote to approve activities outside core business, where they are not core business and do no meet the test for activities that 'supports core business'.

HOW DO THE REGULATIONS WORK?

Zespri can undertake three types of activities under the amended regulations:



Core business

- Buying New Zealand kiwifruit for export
- Marketing New Zealand kiwifruit
- Market development for New Zealand kiwifruit
- Kiwifruit R&D



Activities which support core business

Activities that enhance the performance of core business and pose no more than a low risk to interests of producers. Zespri must notify KNZ of activities and set up measures to mitigate risks.



Activities which do not support core business

Zespri is permitted to carry out activities that do not meet the support core business test, by way of a producer vote. This generally occurs if Zespri feels an activity that supports core business should have the added support of a producer **vote**, to provide more certainty for the activity.

MARCH 2019

PLANNED PRODUCER VOTE: 12-MONTH SUPPLY AND PVRS



A Producer vote will be held in March 2019, to ask you to protect Zespri's past and future investments in 12-month supply and PVRs.

Zespri assesses 12-month supply and ownership of PVRs as "supports core business."

Notification to KNZ under regulations that:

- 12-month supply supports core business
- Under transitional provision protecting assets received under an existing contract, PFR Operating Agreement provides the benefit/asset of existing (e.g. Gold3) and future PVRs

Regulations will take full effect from 1 April 2019.

Zespri needs producer vote approval to continue these activities if KNZ

determines now or in the future that

- 12-month supply does not meet the test for 'supports core business'; or
- The transitional provision does not cover future PVR ownership or ownership of PVRs does not support core business;

Producer vote approval requires approval of 75 percent of those who vote by number and by weight of production.





Producers will have an opportunity to discuss and ask questions during the February grower roadshows. Dates to be advised in the January Kiwiflier.

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From the markets

Market commentary from CEO Dan Mathieson

Sales programmes completing and transition to non-New Zealand supply continues.

It has been pleasing to see good run rates for Green sustained over the last few weeks – essential to completing the season cleanly. As of week 48 our total year-to-date sales have hit 141 million trays.

Shipping from New Zealand is complete for the season with the final container shipments departing for Taiwan at the end of November. In the markets, Zespri teams have been focused on moving remaining inventory as quickly as possible. New Zealand SunGold sales are almost finished and we are well underway to transitioning to non-New Zealand supply of SunGold to retain our retail shelf space, continue to serve customers and keep our

brand front of mind for consumers.

We have around five million trays of Green remaining to sell as of week 48, following record run rates in recent weeks, particularly in Europe. We delivered 2.9 million trays of Green in week 48, including 1.7 million trays in Europe, which is an outstanding way to finish the New Zealand season. Our sales and marketing teams have continued with tactical consumer promotions in many markets as well as maintaining good in-store presence through point of sales marketing.

We are looking to complete Zespri programmes in week 52 and Zespri is continuing to closely monitor fruit firmness and defects through to the markets. In-market fruit quality is the main risk to our performance at this stage but will be mitigated if we sustain the run rates of recent weeks.

Organic sales programmes are largely complete with 3.4 million trays sold of Organic Green and 830 thousand trays sold of Organic SunGold – a strong increase in volume versus 2017. We continue to see good consumer demand signals for organics, which is of course very positive and presents an important opportunity for our industry.

We have also got off to a good start with the non-New Zealand supply season. We have sold over 3 million trays so far, and have made a seamless transition to SunGold in key markets. Our 12-month supply programme is vital as we work to retain shelf space and keep our brand front-of-mind for consumers. Our full season target sales are around 18 million trays.

Overall, we have delivered significant growth in volume this season while being focused on sustaining good value across the supply chain from grower to consumer. We've been helped by the excellent work on orchard and through post-harvest to deliver a great crop, with good taste. I am excited with the opportunity to build on this in 2019 and beyond to serve more consumers than ever before with our great product while sustaining good value across our business. I wish you all a safe and happy festive season and look forward to updating you again in the New Year.

Sales and marketing – the best of 2018

At its annual conference in November, Zespri's sales and marketing teams took a moment to celebrate success through the 2018 Sales and Marketing Awards. This year there were 41 entries from 16 countries in six award categories.

The categories were: best discovery of consumer/shopper or customer insights; winning at the moment of purchase; best digital execution; best budget efficiency; best key account management approach; and best integrated demand creation plan. Jiunn Shih, Chief Marketing Officer, says, "There were some amazing cases with great execution. Through sharing and celebrating them we have a chance to learn and be inspired."

The six winners provide great examples of excellence in sales and marketing, helping to build the brand and sell trays. Here are two examples from the winning entries:

1. Best Consumer Insight – the US team

In the US market, kiwifruit is not particularly top of mind and there are lots of fruit choices. Moreover, Zespri isn't the only company trying to reach the ever elusive 'mom'. To build a successful campaign, the team invested in gaining real insight, conducting ethnographic research with 30 current and aspirational Zespri consumers. This showed that people are intrigued by kiwifruit and want a relationship. It showed that parents feel pressure to maintain a certain standard in the face of daily pressure and that 'moms' want to have food that is fun and enjoyable but also healthy.

The team investigated the information further through Zespri's 'insights juicer' process. It was the team's suspicion that if moms were owning the crazy, beautiful mess that is real life, we should too. And we should use that insight to deliver a message they care about. Moms are constantly bombarded with the unattainable idea of being a 'perfect parent.' But real life is not perfect. Just like a Zespri SunGold Kiwifruit, parenting isn't always pretty on the outside, but it's always real. These were the ideas conveyed through a digital campaign that had great impact. The campaign helped drive a 32 percent increase in SunGold sales year on year. Our digital executions had significantly higher than average brand recall for the US norm. Brand Awareness increased 17 percent to 24 percent (country overall).



Just like a Zespri SunGold Kiwifruit, parenting isn't always pretty on the outside, but it's always real. A concept used to promote Zespri Kiwifruit to mums in

2. Winning at the moment of purchase – Singapore

The Singapore team has been working to ensure that shoppers choose Zespri Kiwifruit more times a month at premium prices. To do so, it has to drive differentiation and meaningfulness for the brand, through focusing on strong, best-in-class in-store displays that have fresh and premium cues. There are several challenges though. In Singapore there is increasing price competition from all fresh fruits including premium berries. There has also been a general reduction in display space in fresh departments in retail this year, with more focus on non-fresh groceries.

The team tasked itself with creating premium-looking point of sales marketing that could create disruption and lead to sales. It created large kiwifruit booths, 1.9 metres high, and shelf fins and material, new textures for pop-up panels, and 3D stickers. The execution was helped by close partnerships with customers, service providers and agencies. The results: consumption frequency increased from 3.5 times a month in 2017 to 4.3 a month in 2018. There was also high recall among people surveyed. Some 59 percent recalled our Zespri point of sales material (placed in 285 supermarkets island-wide) while 35 percent recalled our Zespri Kiwifruit booths which was placed at 45 selected stores.



 ${\it Examples of premium-looking point of sales booths.}$

Zespri stands out at China Exhibition

Zespri had a very successful week at the first China International Import Exhibition (CIIE) in Shanghai in early November. More than 3,000 companies from 100 countries attended the show and with more than half a million visitors, Zespri needed to stand out from the crowd.

The CIIE is China's first exhibition to promote imports, rather than exports, and was officially opened by China's President Xi Jinping in recognition of the priority China is giving to expanding trade. The First Lady, Madam Peng Liyuan, made a private visit to the Zespri

stand after closing time, accompanied by China's Minister of Commerce, one of only four company stands to be so honoured.

The New Zealand Trade Minister,
David Parker, also visited the Zespri stand
where he met with our Chairman, Deputy
Chairman and China team. The Zespri stand
has also welcomed a steady stream of senior
Chinese officials and visitors from key partner
agencies including Customs and Food Safety
who play an essential role in getting fruit to



An eye-catching Zespri display at the recent China International Import Exhibition in Shanghai, attended by Zespri Chairman Peter McBride and Deputy Chairman Bruce Cameron, Chinese officials and senior Zespri management.

Zespri Global Supply helping meet strong consumer demand in North America

This winter, Zespri North America will be supplying consumers with Italian-grown conventional and organic Zespri SunGold and Green Kiwifruit.

The supply of Zespri Kiwifruit grown in the Northern Hemisphere is part of Zespri's Global Supply strategy and ensures consumers can access Zespri Kiwifruit in all 12 months of the year, including when New Zealand-grown kiwifruit is unavailable.

Zespri Italian growers are working with the Italian supply team and auditors to ensure they are growing and harvesting to Zespri standards, with only the best Italian kiwifruit selected for export.

Sarah Deaton, Zespri's Marketing Manager for North America, says this year Zespri is expecting to import the largest volume of Zespri Italian SunGold and Organic SunGold Kiwifruit to date, up 70 percent on last year, although overall volume remains in short supply with the production base still developing.

She says the extension of the season was exciting given the success of the recent "A real snack, for real life" consumer campaign in North America, which had targeted busy mothers and received significant media exposure.

"It's exciting to watch the growth of the brand. Zespri's brand awareness has increased by 117 percent in our top markets, and over 41 percent nationwide compared to last year.

"We continue to hear from consumers that they love Zespri SunGold but are still having trouble finding it. We see tremendous growth with our strategic retail partners when they are building large displays to help consumers find Zespri easily", Sarah says.

Zespri's goal is to supply a full range of fresh kiwifruit products including SunGold, Green, Organic Green and Organic SunGold and grow the kiwifruit category in North America.



Zespri ends the New Zealand season with strong growth at retail and extends the SunGold season with kiwifruit from Italy

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Zespri scoops double success

There were double celebrations for Zespri when the New Zealand Deloitte Top 200 Award Winners for 2018 were announced in late November. Not only was Zespri named Company of the Year, but our Chairman Peter McBride was also named Chairperson of the Year.

At the prestigious event, held at Auckland's Spark Arena, Head Judge Fran O'Sullivan said the kiwifruit industry was a great example of how to add value to primary sector exports and a classic New Zealand innovation success story. She acknowledged Zespri profits and shareholder returns represented the culmination of a long-term strategy and dedication to innovation.

In receiving the top company award which recognised financial performance, corporate reputation and approach to environmental management, Chief Executive Dan Mathieson said he felt deeply privileged to accept the award on behalf of Zespri. He acknowledged the other category finalists Tatua Co-operative Dairy Company and Restaurant Brands New Zealand Limited, which he described as outstanding companies.

"I have the honour of working with a remarkably driven, innovative and incredibly caring group of people.

Collectively, our focus is on taking our little brown fruit - which some unkindly folk might say looks more like a potato than a fruit - and turning it into one of the biggest consumer food brands to come out of New Zealand, and one of the most recognised fruit brands in the world's fruit bowl.

We have come a long way and overcome many challenges in the history of our industry. Yet we still have so much more to achieve to keep growing in a healthy and sustainable way.

So please keep a look out for us and continue to support us, because for Zespri kiwifruit, the fruit that holds our "Kiwi" name and takes a little bit of New Zealand into millions of fruit bowls around the world, the best is certainly yet to come!"

Meanwhile, Chairman Peter McBride said he felt both humbled and delighted to have received the Chairperson of the Year award. The honour was especially meaningful given its timing within his final few months as director of the company.

"The award is really a testimony to our greatest asset in Zespri, our people. I would like to add my sincere thanks to everyone in the Zespri team around the world who works so hard for our success. I am incredibly proud of our Zespri team and wish you more success in the future. I truly believe in Dan's assertion that the best is still to come!"



The Zespri team celebrating our Company of the Year and Chairperson of the Year awards in Auckland.

Food Act Registration:

Registration and verification options will be communicated shortly.

Horticultural food businesses (i.e. growing kiwifruit) are required to be registered by the end of February 2019. Zespri will be facilitating registration for those growers that are part of the Zespri option two group. Registration through Zespri is optional. Entities responsible for the crop either through ownership, lease, or management contracts are listed with Zespri as the GAP Legal Entity. This is the entity that will be registered with MPI for the purposes of the Food Act.

There are various options available for registration and verification for growers with multiple crops. Growers should seek to understand their options as it may be most practical to be registered and verified through two parties.

If growers also have crops that are not covered by a recognised GAP programme, they will need

to be registered and verified independent of Zespri (i.e. with their local council, or with MPI if their operations cover multiple regions). Option one growers (certified by either AsureQuality or SGS) will likely already be registered via another exporter/industry body. Additional registration is not required. Option one growers that are not already registered should contact Zespri to discuss their options. Registration will require GAP legal entities to check registration data held by Zespri, make any required changes and complete a declaration.

More communication about the registration process will be coming out soon. Growers do not need to do anything in regards to registration until this time. If you have any questions, please email preharvest@zespri.com.

2019 Expressions of interest for Registered Suppliers

Zespri is now seeking expressions of interest from parties who wish to be contracted Registered Suppliers with Zespri for the supply of kiwifruit and/or services in respect of kiwifruit to be supplied by grower numbers, for the 2019 season.

Registered Suppliers will be party to the annual Supply Agreement with Zespri.

Expressions of interest are to be advised in writing no later than close of business on Friday 1 February. Either by email to, susan.king@zespri.com or by mail,

Susan King
PO Box 4043
Zespri International Limited
Mount Maunganui South

Residue testing starting soon

Zespri's residue testing programme mitigates the risk of residues and protects Zespri's premium brand in the marketplace by testing fruit from every KPIN for more than 300 compounds.

Testing starts in the months leading up to harvest and timing is determined by:

- The likely use patterns/ application timing of agrichemicals
- The decay curve of specific agrichemicals

Residue testing aims to detect prohibited chemicals that may cause issues in the market and check for and mitigate the risk of other compounds being used. It is important that these fruit samples are collected in a timely manner. Refusal to allow fruit to be tested for residues indicates the possible use of prohibited compounds. Growers who unreasonably refuse and delay access to fruit for testing may lose the ability to export fruit.

All orchards selected for pre-season residue sampling (other than the pre-harvest testing requested by grower or packhouse) will be contacted by Eurofins Bay of Plenty by email or phone to arrange the collection.

We recognise that each orchardist may have differing protocols for entry and if your orchard is selected for pre-season sampling, please let Eurofins know your requirements when they

Sample collections take place between January and March. The sample size is 40 fruit per KPIN variety.

For enquiries relating to the Zespri residue programme, please contact your Zespri Grower Liaison Manager:

Tom MacMorran 027 511 2005 Sylvia Warren 022 101 8550 Jane Ritchie 027 511 1056 Sue Groenewald 027 493 1987 Casie Rudnicki 027 271 2695

Service Level Agreement (SLA) quarterly report

Zespri negotiate and enter into SLAs during the season which become binding and part of the 2018 Supply Agreement. The below table outlines the SLAs entered into for the 2018 season. A number of SLAs are rolled over from season to season, for example the Non-Standard Supply and Class 2 Supply SLAs.

SLA Subject	SLA Description				
Collaborative Marketing/ Special Programmes	To supply product to meet Collaborative Marketing and Special Programme demand such as different packaging requirements and additional pest control procedures.				
Local market supply	Distribution opportunity and process allowing Registered Suppliers to sell Gold and Sweet Green Kiwifruit onto the New Zealand domestic market during the 2017 season through ZGL approved distributors and retailers.				
Consolidation	Consolidation of the industry's remaining Sweet Green part pallets at a designated coolstore.				
Market specific supply	To secure a volume of Zespri Green conventional and SunGold for shipping which has been pre-cleared for Australia.				
	To source low pest organic product for Korea.				
Non Standard Supply/Class 2	Supply of NSS and Class 2 to export markets.				
	To allow pre-commercialised varieties to be packed and stored at post-harvest entities for assessment purposes.				
	To allow the use of segregation technology after initial harvest segregation.				
Trial	SunGold pre-sized CA trial.				
	SmartFresh treatment trial for green kiwifruit.				
	Late SunGold trial.				
	Refrigeration management for reduction of weight loss in CA Trial.				
Generic services	Supply of generic industry services at generic industry rates e.g. market specific labelling, pack transfers, shared containers.				
Quality withdrawal	The Contractor has identified grower lines that could be repacked prior to export and meet export standards in the short term but is likely to deteriorate rapidly post FOBS.				
Supplier initiated	Supplier initiated Australian Export Programme.				

2018/19 Season Return Analysis

Class 1 - Approved Progress Payment 14 December 2018	Average on Net Submit	16/18/22	25/27	30/33	36	39	42
Zespri Green	\$0.29	\$0.25	\$0.35	\$0.30	\$0.25	\$0.25	No payment
Zespri Organic Green	\$0.74	\$0.10	\$0.95	\$0.85	\$0.65	\$0.65	\$0.40
Zespri Gold3 & Organic Gold3	\$0.82	\$0.95	\$0.80	\$0.85	\$0.45	\$0.55	No supply
Zespri Green14	\$0.60	\$0.55	\$0.65	\$0.60	\$0.60	\$0.60	\$0.60
Class 1 - Approved Progress Payment 15 February 2019	Average on Net Submit	16/18/22	25/27	30/33	36	39	42
Zespri Green	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	No payment
Zespri Organic Green	\$0.20	\$0.10	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
Zespri Gold3 & Organic Gold3	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	No supply
Zespri Green14	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
Class 1 - Indicative Progress Payment 15 March 2019	Average on Net Submit	16/18/22	25/27	30/33	36	39	42
Zespri Green	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
Zespri Organic Green	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
Zespri Gold3 & Organic Gold3	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	No supply
Zespri Green14	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10

Notes

 Progress payments are paid on submitted trays and reversed for onshore fruit loss. 2. Net Submit trays = gross submitted trays less onshore fruit loss trays.

Class 2 - Approved Progress Payment 15 February 2019	Average on Net Submit	16/18/22	27	30	33	36	39	42
Class 2 Green	\$0.08	No payment	No payment	No payment	\$0.10	\$0.60	No payment	No payment
Class 2 Organic Green	\$0.92	\$0.85	\$0.95	\$0.95	\$0.95	\$0.95	\$0.70	\$0.70
Class 2 Gold3	\$0.40	\$0.20	\$0.40	\$0.55	\$0.60	\$0.60	\$1.05	No supply
Class 2 Organic Gold3	\$0.66	No payment	\$0.95	\$0.85	\$1.40	\$1.65	No supply	No supply

Merged Kiwiflier financials

The November and December *Kiwifliers* have combined to create the last issue for 2018, *Kiwiflier* issue 397. As a result, there is an additional month of approved progress payments published in this issue (approved progress payments for December 2018 and February 2019, as well as indicative progress payments for March 2019).

Board approves interim dividend payment

The Zespri Board has approved the payment of a fully imputed dividend for the 2018/19 financial year of 16 cents per share to all Zespri Group Limited shareholders. The record date is 7 December 2018 and payment date will be 14 December 2018.

SHARE BRIEFS

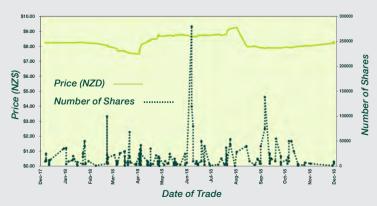
As at **7 December 2018** the last Zespri share price trade was **\$8.20** traded on **7 December 2018**. There were three buyers at **\$7.95**, **\$8.00** and **\$8.05**. There were three sellers at **\$9.20**, **\$8.25** and **\$8.20**.

To trade Zespri shares please contact one of the registered USX brokers – See https://canopy.zespri.com/EN/grow/zespri/Shares for more information.

For all other general shareholder enquiries, please contact Zespri Grower Support Services on 0800 155 355.

The graph below shows the price per share that has been traded with USX and the corresponding number of shares for each trade.

Zespri Group Limited Share Trades 7 December 2017 to 7 December 2018



Want to see current buyers and sellers?

To get a list of the price for current buyers and sellers and the associated shares go to http://www.usx.co.nz. The Zespri Group Limited listing code is 'ZGL'. The USX website shows:

- Latest prices
- Market depth to see the parcels of shares for sale and the parcels and price that buyers are seeking
- Last 10 trades
- Market announcements

Below is the current Market Depth information as at Friday 7 December 2018

Quote Line at Friday 7 December as at 11.30am.							
Code	Bid (\$)	Offer (\$)	Last (\$)	High (\$)	Low (\$)	Volume	
ZGL	8.050	8.200	8.200	8.300	8.200	22,000	

	Market Depth								
	BIDS		OFFERS						
Orders	Quantity	Price (\$)	Price (\$)	Quantity	Orders				
1	2,000	8.050	8.200	1,000	1				
1	2,000	8.000	8.250	1,000	1				
1	27,082	7.950	9.200	10,000	1				

Last 10 Trades							
Date/Time	Quantity	Price (\$)	Value (\$)				
7/12/18	8,000	\$8.20	65,600.000				
7/12/18	9,000	\$8.20	73,800.000				
7/12/18	5,000	\$8.30	41,500.000				
5/12/18	1,000	\$8.27	8,270.000				
5/12/18	1,000	\$8.22	8,220.000				
8/11/18	4,980	\$8.05	40,089.000				
1/11/18	7,000	\$8.05	56,350.000				
31/10/18	2,000	\$8.02	16,040.000				
23/10/18	2,700	\$8.02	21,654.000				
23/10/18	1,200	\$8.05	9,660.000				

Director share trading

For the month of November, there were 25,000 shares traded by entities associated with Zespri Directors. Upon settlement of the Share Offer and Buy-Back, there were 1,310,232 shares taken up under the share offer, and 1,528,993 shares sold back to Zespri under the share buy-back, by entities associated with Zespri directors.

See the Canopy for details: Canopy > Growing Zespri Kiwifruit > Working with Zespri > Shares. Alternatively search for 'Director Shares' using the search function

Please note - anytime content for the *Kiwiflier* is finalised for publication, there may be some trades associated with director entities which have been matched and transacted, but the paperwork has not yet been received by Zespri or Computershare. As such, there may be some lags in reporting trading by entities associated with directors. Zespri will however ensure that as at the end of each month, the Director Share Holdings and Transfers document on the Zespri Canopy will always provide the most up to date information held by Zespri.

Non-Standard Supply - Approved Progress Payment 15 February 2019	42	46
Zespri Green		\$0.00
Zespri Organic Green		\$0.75
Zespri Gold3	\$0.00	
Zespri Organic Gold3	\$0.15	

Financial commentary

Progress payments

Progress payments have been calculated to ensure cash is returned to the grower as quickly as possible and fairly across all sizes. Payments have been set so that the percentage of total fruit and service payments across the sizes are equal where possible. The rates have been set without direct reference to the size ratios.

Sizes will not receive a progress payment where the percentage of total fruit and service payments paid to date are higher than the other sizes in the same pool.

December 2018 approved progress payments on Net Submit trays

Approved per tray progress payments for 14 December 2018:

Class 1	
Zespri Green	\$0.29
Zespri Organic Green	\$0.74
Zespri Gold3 & Organic Gold3	\$0.82
Zespri Green14	\$0.60

February 2019 approved progress payments on Net Submit trays

Approved per tray progress payments for 15 February 2019:

Class 1	
Zespri Green	\$0.10
Zespri Organic Green	\$0.20
Zespri Gold3 & Organic Gold3	\$0.20
Zespri Green14	\$0.10

March 2019 indicative progress payments on Net Submit trays

Indicative per tray progress payments for 15 March 2019:

Class 1	
Zespri Green	\$0.10
Zespri Organic Green	\$0.10
Zespri Gold3 & Organic Gold3	\$0.10
Zespri Green14	\$0.10

Orchard Gate Return

The OGR calculations reflect post-harvest cost data compiled by Ingham Mora Limited in September 2018, the December 2018 forecast fruit loss percentages and current productive hectare information.

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Class 1 Fruit and Service Payments and Timings

(including Loyalty Premium)

The following charts show when Fruit and Service Payments (including Loyalty) are made throughout the season (to two decimal points).

Actual payments made YTD are above the dotted line with the average amount paid.

Payments yet to be made are indicated below the dotted line.

- Submit is paid in the early months when fruit is submitted into inventory.
- Pack and Time, KiwiStart and Taste Zespri is paid on FOBS, i.e. when fruit is shipped.
- Some of the Supplier Accountability payments are subject to SLA terms.
- Progress will be paid in the remaining months at levels subject to Zespri Management approval.
- Average payments per TE are based on the 2018/19 December forecast trays and actual payments to date.
- YTD amounts for Pack and Time may move from previous Kiwifliers due to SLAs being paid late

Zespri Green DECEMBER								
Green ISO Month	Submit	Pack and Time	KiwiStart Accountability	Taste Zespri	Progress	Loyalty Premium	Total payment / FOBS TE	% of Pool Paid YTD
Apr-18	\$2.25	\$0.01					\$2.26	25%
May-18		\$0.09					\$0.09	26%
Jun-18		\$0.09	\$0.00				\$0.09	27%
Jul-18		\$0.01		\$0.35	\$0.72		\$1.08	39%
Aug-18		\$0.09	\$0.20	\$0.53	\$0.09		\$0.92	49%
Sep-18		\$0.13		\$0.35	\$0.10		\$0.59	55%
Oct-18		\$0.48	\$0.18	\$0.47	\$0.05		\$1.18	68%
Nov-18		\$0.40	\$0.03	\$0.69	\$0.08		\$1.21	81%
Dec-18					\$0.29			92%
Jan-19						\$0.10		
Feb-19					\$0.10			
Mar-19					\$0.10			95%
Apr-19								
May-19								
Jun-19						\$0.15		100%
Paid YTD	\$2.25	\$1.30	\$0.42	\$2.38	\$1.05	\$0.00	\$7.40	
Balance to pay	\$0.00	\$0.46	\$0.10	\$0.13	\$0.75	\$0.25	\$1.70	
		Tot	al fruit and s	service payn	nents - 2018	/19 forecast	\$9.11	

Zespri Gold3 a	nd Organi	ic Gold3							
Support ISO Month	Submit	Pack and Time	KiwiStart Accountability	Taste Zespri	Progress	Gold OB Premium	Loyalty Premium	Total payment / FOBS TE	% of Pool Paid YTD
Apr-18	\$2.80	\$0.12						\$2.92	20%
May-18		\$0.14						\$0.14	21%
Jun-18		\$0.18						\$0.18	22%
Jul-18		\$0.03		\$1.00	\$0.91			\$1.94	35%
Aug-18		\$0.24	\$0.22	\$1.50	\$0.49	\$0.02		\$2.46	51%
Sep-18		\$0.26		\$1.47	\$0.52			\$2.25	67%
Oct-18		\$0.45	\$0.26	\$0.54	\$0.33			\$1.58	77%
Nov-18		\$0.14	\$0.01	\$1.25	\$0.21	\$0.00		\$1.63	88%
Dec-18					\$0.82	•			94%
Jan-19							\$0.10		
Feb-19					\$0.20				
Mar-19					\$0.10				97%
Apr-19									
May-19									
Jun-19							\$0.15		100%
Paid YTD	\$2.80	\$1.55	\$0.50	\$5.76	\$2.46	\$0.02	\$0.00	\$13.10	
Balance to pay	\$0.00	\$0.02	\$0.04	\$0.00	\$1.40	\$0.00	\$0.25	\$1.72	
			Total fr	uit and ser	vice payme	ents - 2018/	19 forecast	\$14.82	

Zespri Organic DECEMBER	Green							
Ospanic Green ISO Month	Submit	Pack and Time	KiwiStart Accountability	Taste Zespri	Progress	Loyalty Premium	Total payment / FOBS TE	% of Pool Paid YTD
Apr-18	\$2.25	\$0.00					\$2.25	19%
May-18		\$0.03					\$0.03	19%
Jun-18		\$0.03					\$0.03	20%
Jul-18		\$0.00		\$0.39	\$0.80		\$1.19	30%
Aug-18		\$0.09	\$0.35	\$0.67	\$0.67		\$1.79	45%
Sep-18		\$0.23		\$0.90	\$0.34		\$1.48	58%
Oct-18		\$0.35	\$0.41	\$0.54	\$0.54		\$1.83	73%
Nov-18		\$0.15	\$0.00	\$0.78	\$0.56		\$1.49	86%
Dec-18					\$0.74			93%
Jan-19						\$0.10		
Feb-19					\$0.20			
Mar-19					\$0.10			97%
Apr-19								
May-19								
Jun-19						\$0.15		100%
Paid YTD	\$2.25	\$0.88	\$0.77	\$3.29	\$2.91	\$0.00	\$10.09	
Balance to pay	\$0.00	\$0.10	\$0.01	\$0.05	\$1.25	\$0.25	\$1.66	
		Tota	al fruit and s	service payn	nents - 2018	/19 forecast	\$11.75	

DECEMBER								
ISO Month	Submit	Pack and Time	KiwiStart Accountability	Taste Zespri	Progress	Loyalty Premium	Total payment / FOBS TE	% of Pool Paid YTD
Apr-18	\$2.80	\$0.06					\$2.86	28%
May-18		\$0.07					\$0.07	28%
Jun-18		\$0.00					\$0.00	29%
Jul-18				\$0.70	\$0.28		\$0.98	38%
Aug-18		\$0.00	\$0.27	\$0.70	\$0.65		\$1.62	54%
Sep-18				\$0.81	\$1.05		\$1.86	72%
Oct-18			\$0.34		\$0.42		\$0.76	79%
Nov-18			\$0.00	\$0.55	\$0.32		\$0.87	88%
Dec-18					\$0.60			94%
Jan-19						\$0.10		
Feb-19					\$0.10			
Mar-19					\$0.10			97%
Apr-19								
May-19								
Jun-19						\$0.15		100%
Paid YTD	\$2.80	\$0.13	\$0.61	\$2.76	\$2.71	\$0.00	\$9.01	
Balance to pay	\$0.00	\$0.00	\$0.00	\$0.00	\$1.01	\$0.25	\$1.26	
		-	Total fruit and	d service pay	ments - 2018	3/19 forecast	\$10.27	

Note 1: The submit and progress payments detailed in the tables are based on net submit trays.

Note 2: Rates per TE of \$0.00 have values of less than \$0.005.

2018/19 Season **Grower Payments** Portions - Total Fruit and Service Payments





Zespri Green14





2018/19 - December Forecast

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Full Year Forecast Return and Orchard Gate Return (OGR) - industry average only

		2018/1	9 - December Fo	recast			2017/18 Actual			
Full Year Return	Zespri Green	Zespri Organic Green	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools	Zespri Green	Zespri Organic Green	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools ⁷
Total forecast:										
Total trays supplied (m)	81.7	3.5	66.0	0.9	154.7	65.1	2.8	52.3	1.2	124.4
Kilograms supplied (m)	287.3	12.3	230.0	3.1	540.4	227.9	9.7	181.8	4.3	429.6
Average size per tray	30.5	33.4	27.3	35.4		29.4	33.4	26.7	34.1	
Fruit payments (\$m)	331.0	22.5	441.8	5.8	817.5	348.3	21.3	358.8	6.9	756.0
Fruit incentives (\$m)	248.8	14.5	416.3	3.0	683.9	192.7	7.8	301.2	3.3	506.5
Service costs (\$m)	144.0	3.4	104.0	0.1	251.8	101.2	2.4	67.4	0.3	171.5
Fruit and service payments excl. oyalty premium (\$m)	723.9	40.4	962.1	8.9	1,753.2	642.1	31.6	727.5	10.5	1,434.0
Total forecast per tray (\$):										
Submit payment	2.25	2.25	2.80	2.80		2.25	2.25	2.80	2.80	
Progress payments (including GOLD DRGANIC Premium)	1.80	4.16	3.89	3.72		3.10	5.47	4.06	2.88	
Fotal fruit payments per Net submit grays	4.05	6.41	6.69	6.52		5.35	7.72	6.86	5.68	
KiwiStart ¹	0.39	0.76	0.47	0.69		0.42	0.44	0.42	0.70	
Taste Zespri	2.52	3.34	5.76	2.76		2.37	2.38	5.29	2.05	
Supplier Accountability	0.14	0.01	0.08	-0.08		0.17	0.03	0.06	-0.05	
Fruit incentives	3.04	4.12	6.31	3.37		2.96	2.84	5.76	2.70	
Pack type	0.49	0.18	0.71	0.12		0.57	0.24	0.73	0.22	
Time payment	1.27	0.79	0.87	0.00		0.98	0.63	0.56	0.00	
Service costs	1.76	0.98	1.57	0.12		1.55	0.87	1.29	0.22	
Class 1 forecast fruit and service payments per net submit trays	8.86	11.50	14.57	10.02		9.86	11.43	13.92	8.60	
_oyalty premium	0.25	0.25	0.25	0.25		0.28	0.28	0.28	0.28	
Class 1 fruit and service payments with loyalty per net submit trays	9.11	11.75	14.82	10.27		10.14	11.71	14.20	8.88	
Less: onshore fruit loss	-0.28	-0.14	-0.20	-0.02		-0.13	-0.12	-0.10	-0.02	
Fruit loss percentage ²	3.09%	1.18%	1.36%	0.16%		1.30%	1.03%	0.74%	0.23%	
Class 1 fruit and service payments per gross submit trays	8.82	11.62	14.62	10.25		10.01	11.59	14.09	8.86	
Plus Class 2 Return	0.13	0.18	0.09	0.09		0.17	0.30	0.09	0.09	
Plus Non-Standard Supply (NSS) 3	0.01	0.02	0.04	0.01		0.00	0.03	0.02	0.01	
Plus Other Income (Non dividend) ⁴	0.01	0.01	0.02	0.01		0.01	0.01	0.01	0.01	
Average revenue per gross submit trays	8.97	11.82	14.77	10.36		10.19	11.93	14.21	8.97	
ESS: Post-harvest costs deducted										
Base packing and packaging	-1.47	-1.55	-2.23	-2.09		-1.49	-1.54	-2.18	-2.18	
Pack differential	-0.48	-0.18	-0.70	-0.12		-0.57	-0.23	-0.72	-0.22	
Base cool storage	-0.82	-0.83	-0.83	-0.81		-0.81	-0.82	-0.81	-0.81	
Logistics	-0.14	-0.15	-0.15	-0.14		-0.13	-0.14	-0.14	-0.13	
Time and CC/RK charges	-0.66	-0.44	-0.40	-0.03		-0.48	-0.26	-0.28	-0.01	
Total post-harvest costs per gross submit trays	-3.56	-3.14	-4.31	-3.20		-3.48	-2.99	-4.14	-3.36	
OGR per gross submit trays	5.42	8.68	10.46	7.16		6.71	8.93	10.07	5.61	
Average industry yield per productive nectare 5	11,776	7,933	13,397	6,404		8,937	5,862	11,377	6,941	
Number of productive hectares	7,163	448	4,996	139		7,382	476	4,629	176	
OGR per hectare	\$63,786	\$68,864	\$140,195	\$45,855		\$59,981	\$52,375	\$114,553	\$38,937	
Average kilogram per tray ⁶	3.52	3.51	3.48	3.49		3.50	3.50	3.48	3.49	
OGR per kilogram	1.54	2.47	3.00	2.05		1.92	2.55	2.89	1.61	

Notes:

- 1. KiwiStart includes Priority Premium payments. These are period one related payments that apply to fruit shipped in the applicable weeks and vessels.
- 2. Fruit loss percentage includes ungraded fruit inventory losses.
- Zespri does not procure NSS in all categories, returns are as reported in the Ingham Mora postharvest survey.
- narvest survey.4. Other Income may include any Service Level Agreement payments, Class 3 income and interest.
- 5. The average industry yield per hectare equals Class 1 volumes submitted divided by productive hectares. Productive hectares includes all hectares described by growers as producing vines. The OGR may be distorted by the inclusion of orchards in the first years of production in the calculation.
- Average kilograms per tray are derived using the individual size conversions published in the specific season's Pack Conversion Guide.
- 7. Last year "all pools" column includes Hort16A which is excluded from the Gold3 column.

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Key focuses for January









Key topics included in the 'month ahead' page for January are below — for more details, check out the Canopy website >growing kiwifruit> the month ahead: January.

Canopy management: Get on top of your canopy management before you go away on holiday.

The forecast is for a hot and dry summer, making it important to monitor your soil moisture content and if required, irrigate to avoid your vines becoming stressed.

Male pruning: Males require repeated pruning rounds to remove upright non-terminating growth. Remember how they looked after their first round of pruning post-pollination? Now's the time to give them another go and bring them back to that size. Tip squeeze weaker growth to develop a network of spurs and ensure the wood you keep is well-lit and spends the summer in the sun so it's floral next spring.

Trunk girdling: Girdle during January and February to increase dry matter in Hayward and SunGold. Research shows summer trunk girdling increases average dry matter by 0.5 percent for Hayward and up to 1.2 percent for SunGold.

Pick a dry period, sterilise girdle tools between vines and protect girdle wounds with repeated protectant sprays. It's really important to get the girdle depth just right. Do not girdle sick vines or vines with secondary Psa symptoms.

Fruit thinning: Fruit thinning for quality is a task that you can slowly chip away at. Small late fruit are a source of variability in SunGold; thin now to improve dry matter and reduce harvest delays. To help you work out what size to thin off, use the OPC Productivity Calculators to help you.

Winter pruning: Yes, believe it or not, start your winter pruning now! Remove blanks that were missed in the first canopy management rounds, cut tangles, zero leaf ends and zero leaf large canes that have grown in the middle of the bay. This will allow for maximum light interception and increase the floral response on the canes that you will tie down in winter.

Crop protection: Maintain Psa control sprays, targeting periods of orchard work or high weather risk. Minimise risks associated with copper use by applying under good drying conditions, using recommended summer rates.

Applications of foliar fertilisers may assist with maintaining leaf health over summer and may prove useful if leaves show signs of copper phytotoxicity.

Watch out for cicadas and PVH and monitor for scale. Hayward growers needing to spray oil in response to scale monitoring levels should get information on correct usage by consulting KiwiTech Bulletin N58 Mineral Oil Use found on the Canopy > Zespri & The Kiwifruit Industry > Publications > KiwiTech Bulletins: Spraying > N58 Mineral Oil Use. If you are thinking of using late oils on SunGold you need to weigh up potential loss of fruit from scale infestation against loss from fruit marking. Refer to the Canopy > Zespri & The Kiwifruit Industry > Publications > Kiwifruit Journals > Kiwifruit Journal Articles: Organic > Using oils on organic Gold3.

What's the value in pest monitoring for scale?

From eight weeks after fruitset, any spray applications to control scale must be justified with PMC monitoring results (over four percent of sampled leaves with live scale). At this point, the only product you can spray for scale control is mineral oil. Some SunGold growers are nervous about the risks of applying oils, as there is a risk of fruit marking from 21-80 days after fruitset (especially 28-42 days).

Applications after this point increase the risk of fruit drop. Other growers confidently apply oils in summer, ensuring that spreaders are included with the spray mix and only applying under good drying conditions.

What can monitoring tell you?

- Levels of scale all season, right through the orchard. There's a population of scale in the orchard all the time. That tells me I need to up my game and work on reducing the population next winter. The programme you're using isn't quite doing the job.
- Scale only appearing later in the season, on some orchard boundary areas. There's scale coming in to the orchard from outside – where is it coming from? How can I manage it? Even if you've used a product like Movento, these insects are not affected as they don't arrive on the vine until after its effects have ended (about 4 weeks after application).
- There's only scale appearing late in the season, near a specific type of shelter.
 Orchard shelter is harbouring a scale population – get onto it in winter to start reducing that population. Shelter spraying might be an option.

Barriers to monitoring

- · It costs money!
- If I'm not comfortable spraying even if the results justify it, what's the point?
- There's no relationship between the pest monitoring finds in the orchard and what's found on my crop at packing.
- There's no incentive to provide scale-free fruit.

As an industry, we're seeing scale levels increasing, and with new restrictions in place for Taiwan (our fourth largest market) which mean scale has to be identified to species

level, packhouses are facing an uphill battle managing inventory. Even if you're not going to spray anything, understanding if you have an issue, and where it is, can be very useful in developing your scale management strategy for the following season.

Rather than thinking of monitoring as a cost, think of it as a surveillance tool that can help you make good decisions to manage pest levels. Pest monitoring is carried out and reported at a block level. Consider whether sampling close to shelter or block edges might add value to your decisions, especially if you are not planning to spray.

In some seasons we see three generations of scale (there are usually only two), and even when there is not a third, the number of adult scale (which is what is reported by your pest monitoring centre) can increase significantly from January or February to harvest, particularly for late mainpack orchards, as crawlers settle. We also see that sometimes the people who do pest monitoring for post-harvest facilities' pest monitoring centres move into working in the packhouse for harvest, so it can be a challenge to get anyone to do late-season monitoring. You can register as a pest monitoring centre and do it yourself! (Canopy > Growing Kiwifruit > Pre Harvest Assurance > Pest Management > Pest Monitoring Centres).



Scale on a kiwifruit leaf.

Last chance to get your numbers sorted

After a promising start to the season, growers are telling us there are several seasonal factors that may compound to make this season a challenging one. Specifically:

- 1. Pollination was patchy
- In some areas, cold weather caused a significant slowing of flowering leading to variable fruitlets
- 3. Croploads in some areas within blocks have much higher fruit numbers than other areas, despite the same management
- 4. Getting labour has been challenging for some growers.

On top of this, the weather forecast for the period to the end of January is for above or near average temperatures, and near or below rainfall. This suggests fruit growth rates may not be at the levels we've seen in previous seasons. Vegetative growth is favoured in warm seasons, which may also have a negative impact on dry matter.

What can you do? The two tools to focus on first are setting a consistent and appropriate cropload and to target the removal of poor quality or small fruit.

1. Cropload

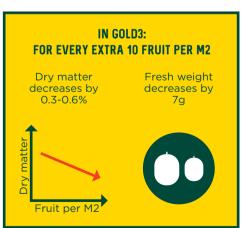
Consider adjusting your target cropload to account for the climate. Excellent yields and OGRs can be achieved with moderate

croploads. We see repeatedly in trials that every additional 10 fruit per square metre decreases average dry matter by 0.3-0.6 percent, and average fruit size by 7g.

2. Removing small fruit

Small fruit tend to have lower dry matter at harvest and can be a significant cause of variability within your crop. Consider removing now, or if you're near your larger crop load, wait until after the fruit sensitive period to fine tune.

Remember, if you are still well above your target cropload, getting numbers down should be a priority. Vines are pumping resources into that fruit so the sooner you remove them, the better.





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ZESPRI IN THE COMMUNITY

Schools tackle Type 2 diabetes

Children from two Eastern Bay of Plenty schools - Te Kura Mana Māori o Whangaparāoa and Te Kura o Te Whānau-a-Apanui - have learned how to prevent Type 2 diabetes after hosting community education days earlier this month.

Zespri developed and funded the broad-ranging project which included a free healthy breakfast, science and health career information for students and the creation of a bilingual calendar.

School parents and staff also pitched in to help with food preparation and provided volunteers for the community days, where whānau were invited to join in games and take a free blood sugar test with the help of medical staff from The Centre

"I was really impressed with all the activities and the message that was put across," says Te Kura Mana Māori o Whangaparāoa Principal Tuihana Pook. "It's quite appropriate because we have a lot of diabetics here." She says the education day reinforced the message that students can avoid Type 2 diabetes if they eat well and exercise, even though older family members may have the disease.

Some schools are reluctant to allow extra-curricular activities to disrupt everyday classroom lessons but Tuihana says her



school embraced the chance to learn in a different way. "You've got to just take the opportunity. I said to the parents, look what happens when you take the opportunity. The day went very well, I was really pleased." She was also thrilled with the gift of 30 bilingual books that tell the story of a boy who helps his aunt following her Type 2 diabetes diagnosis. The book was illustrated by children from Arataki School at Mount Maunganui, who also wrote notes to accompany their koha.

The education project was sparked by a conversation about statistics that showed Māori and Pacific Islanders have a highly elevated risk of developing Type 2 diabetes. As kiwifruit is particularly good at regulating blood sugar levels, Zespri wanted to get that prevention message to younger kids and teach them there's nothing inevitable about this disease, how to avoid it themselves and how to talk with their whanau about staying healthy. Everyone from the local communities pitched in and when we approached other companies for support with the breakfast, they were genuine and willing - Harraways donated oats, Fonterra gave milk and Dole supplied bananas.



Children from Eastern Bay of Plenty schools enjoying Zespri Kiwifruit and fun activities while learning how to avoid Type 2 diabetes. (Photo credit: Jamie Troughton/Dscribe Media)

Name our next kiwi

With Koura and Izzy settling into Otanewainuku Forest life well, we've heard on the kiwifruit vine there may be another Zespri kiwi bird available for naming very soon! So that we are prepared, we're asking for your help once more. Please submit your best (unisex) kiwi name and why you like it to sponsorship@zespri.com with the subject line "Name the next kiwi" to have your name considered!

First egg lift for Koura

Otanewainuku Kiwi Trust volunteers and Zespri staff were delighted to hear that Koura, our first kiwi released in May, was sitting on an egg. With much excitement Trust volunteers and four Zespri staff members ventured into Otanewainuku Forest to lift Koura's egg for incubation at the kiwi

Unfortunately Koura's egg wasn't viable but we're reassured by Trust volunteers that he and his mate will try again and stand a good chance of producing a healthy egg in the future.



Koura's egg nestled in his burrow.



New Zealand Kiwifruit Growers Incorporated (NZKGI) ph: (07) 574 7139 or toll free on 0800 232 505

2018 Great Grower Debate a success

The 2018 Great Grower Debate was held in November to debate if the kiwifruit industry is a good New Zealand citizen. The evening was a great success and feedback from growers and industry members who attended has been overwhelmingly positive.

Congratulations to the Affirmative team of Chrissy Stokes (Zespri), Stacey Mareroa (Tuhono Whenua Hort) and Erin Atkinson (Apata) who won by just one point. The Negative team of Mike Chapman (HortNZ), Simon Cook (NZKGI) and Braden Hungerford (Eastpack) put up a great fight and made the evening highly

entertaining for the over 100 guests. Mike Chapman was also awarded best speaker.

The evening's Master of Ceremonies was Stuart Weston (Apata) and the debate was judged by Tyrone Mapp of Toastmasters. The Great Grower Debate is made possible through a joint partnership between NZKGI and Mayston Partners, and is designed to foster conversations amongst growers on topics of importance to the kiwifruit industry which are of benefit to New Zealand kiwifruit growers and the horticulture industry as a whole.



A great debate on if kiwifruit industry is a good citizen.

Industry Supply Group (ISG) meeting Thursday 15 November

The main agenda items that were discussed included:

- · Maturity review update
- Sub group updates (Pack Diff, Period 1 and Time, Advanced Movement)
- Health and safety management across the
- Organic Gold pooling
- Schedule 2

- Supply Agreement
- Domestic market

The December ISG meeting will be held on the Thursday 13 December (Last meeting for 2018). The first meeting for 2019 will be held on the Thursday 07 February.

Finalists from the 2018 BOP Young Fruit Grower competition.



New Zealand Kiwifruit Growers Incorporated (NZKGI)

Hunt on for Bay of Plenty's best young fruit growers

The hunt has begun to find the best young fruit growers in the Bay of Plenty. Applications are now being accepted to compete in the 2019 BOP Young Fruit Grower competition. Under 30's who have been employed full-time in the fruit industry for at least three years are strongly encouraged to enter. Applications for contestants to participate in the competition close on 21 December 2018.

Andrew Dawson, Chair of the Bay of Plenty Young Fruit Growers Upskilling Committee, says "The horticulture industry needs young talent to ensure that it can continue to grow rapidly. The Young Fruit Grower competition not only promotes the talent that already exists in horticulture, but also retains, develops and builds that talent."

Avocados and kiwifruit are booming industries. Net sales of both crops have increased substantially over the last 10 years and are expected to continue to do so in the future. Talented people with scientific, commercial and technical backgrounds will be required if this growth is to be met.

The 2019 Bay of Plenty Young Fruit Grower Gala Dinner on 13 February 2019 will follow the competition day, held on 9 February at the Te Puke A&P Show. The dinner will involve a final speech competition and announcement of the winners. The dinner takes place at ASB Baypark and tickets are now on sale for \$90 per person, with tables of 10 available. This includes a three-course meal and entertainment. MC for the evening will be the renowned comedian and actress Madeleine Sami. Networking and drinks start at 5.30pm.

NZKGI CEO Nikki Johnson says, the Gala Dinner has proven to be both a very entertaining evening but also a superb insight into the talent our industry has. "It's great to have competitions such as the BOP Young Fruit Grower Competition, not only to showcase the industry's talented future leaders but also support the development and growth of skilled personnel in the horticulture industry." For contestant application forms and Gala Dinner tickets, visit: www.bopyoungfruitgrower.co.nz.



BOP Young Fruit grower competition.



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Changes made for 2019 grower registrations

There's been an increasing amount of feedback from the industry calling for a reduction in the amount of paperwork growers have to complete before each season. We've taken this feedback on board and have decided to stop sending paper registration forms.

This doesn't mean that we don't need to know about any changes to your, or your orchards details, we definitely do. We're just collecting your information in a different way.

For the 2019 season and beyond, growers are encouraged to log on to the Industry Portal, which can be found through a link on the Canopy website home page. The Industry Portal contains your details and information on the orchards you own or lease.

If any of your information has changed or is going to change for the 2019 season, please update your information on the Industry Portal. You can do this by selecting the 'Request Update' button on each page. Your request will then be actioned by the Grower Support Services team.

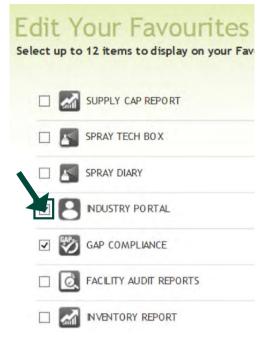
If you are unable to do this online, the Grower Support Services team are available to assist you with any queries from 8am to 5pm, Monday to Friday. Please call 0800 155 355 if you need support and when we talk to you, we'll double check all your details. It's important to notify Zespri if any of your details change.

How to add the Industry Portal to the home page of the Canopy website.

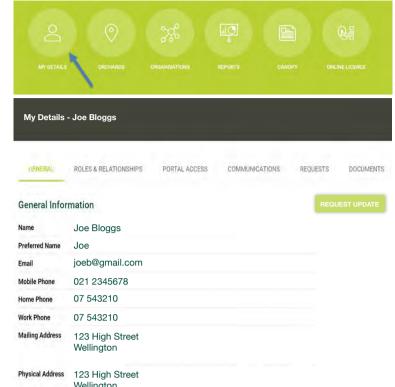
Click on the EDIT button.



Select INDUSTRY PORTAL from the list of options.



Scroll down to the bottom of the page and click DONE. The Industry Portal link will now always be on your home page and be easy to find.



To view and update information about your orchards, please click on the orchards tab, then select 'request update' and make the appropriate changes.



Loyalty contracts 2018

Have you returned your form?

If you have a new grower number for the 2018 season, you would have received a loyalty contract to complete and return to us.

This would have changed due to one of the following:

- Changing facility for the 2018 season
- Changing ownership or lease arrangements of the orchard for the 2018 season
- Change to the kiwifruit titleholder in the 2018

To ensure you receive the first instalment of the loyalty premium due to be paid on Friday 18 January 2019, you need to return your completed loyalty contract by 20 December 2018, along with a bank deposit slip if paying direct to you.

Please contact Zespri Grower Support Services on 0800 155 355 if you need any further help.

Biosecurity Award winners



Kiwifruit Vine Health (KVH) has won a national biosecurity award for its contribution to the biosecurity integrity of the New Zealand kiwifruit industry.

KVH accepted the Industry Award at the 2018 New Zealand Biosecurity Awards in Auckland on November 12.

The Ministry for Primary Industries said the award recognised KVH's contribution to the recovery of the kiwifruit industry following the devastating discovery of Psa in 2010. KVH played a pivotal role in managing the initial outbreak of the vine-killing disease.

KVH chairman Dr Dave Tanner said the win also recognised KVH's subsequent responsibility for managing all biosecurity readiness, response and operations to boost the industry's biosecurity resilience.



KVH celebrating their Biosecurity Award.

Your opinion counts – take the KVH survey



Your opinion counts — take the KVH survey.

KVH is running a short survey about the ways in which we share information with you, and how often.

We're working to raise awareness about good biosecurity practices, the benefits these can bring, and the potentially devastating impacts of another incursion on our orchards. In doing this, we need to learn more about the ways you prefer us to keep in touch with you and how we can get important information under your nose.

This survey will give us a clearer picture of what we should do more of and what we should do less of so that we're better serving growers by providing the information and resources needed.

Your views are important – please take part (it will only take around four minutes to complete) and help us work together to continue

protecting New Zealand's kiwifruit industry from unwanted pest and disease threats. Complete the survey on the KVH website.



Make sure you complete the KVH online survey.

Travelling overseas these school holidays? Don't bring back any unwanted hitchhikers



Kiwifruit growers travelling during the end-ofyear school break may find they experience more border interventions when returning to New Zealand. This is because Quarantine Officers consider occupation as part of their risk assessment, and growers could potentially pose a greater biosecurity risk based on the likelihood they may have visited offshore orchards and farms during their travels.

Kiwifruit growers returning to New Zealand should:

 Clean all risk items (e.g. shoes and equipment) that may have come into contact with any soil or plant material. Ideally use a sanitiser.

- Declare any visits to an orchard or farm while overseas.
- Declare or dispose of any risk goods on entry (e.g. food items).
- Answer all questions honestly, even if it means a short delay getting through border clearance.

KVH has put together a useful one-page fact sheet outlining everything growers can do to help reduce biosecurity risk and what they can expect through border control when returning home. Visit www.kvh.org.nz for more information

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Contact Industry Liaison Team Leader Tom MacMorran (027 511 2005) or Grower Liaison Managers: Sue Groenewald (027 493 1987), Sylvia Warren (022 101 8550), Casie Rudnicki (027 271 2695) or Jane Ritchie (027 511 1056)

from the field

💶 My males didn't synchronise with my female plants this season. What can I do?

Some growers reported experiencing mismatched flowering timing between their SunGold male and female flowers, with male flowering being late. Some growers have applied supplementary pollination to help ensure good pollination.

If you're worried the synchronisation issue is more than just a seasonal issue you may want to trial different male management approaches. Some things which growers are trying, include different pruning approaches to get a mix of wood types, girdling or grafting new males onto Bounty or onto the same stump as females. These approaches are being tested but the effect will vary between orchards and between seasons

Ensure that you have a mixture of male varieties suitable for Gold3 pollination throughout your blocks so you aren't replying on one male variety.

Q2: Are there any new male plants coming through the breeding programme?

A2: Yes, there are a small number of SunGold and Hayward male varieties that are coming through the breeding programme and are looking promising. You can register your interest to trial one of the new male varieties

We will have a small amount of budwood available to graft in winter next year for some growers who can trial the varieties and report their findings.

Contact your Grower Liaison Manager to register your interest by emailing,

GrowerLiaisonManagers@zespri.com.

U3: I have a hail claim being processed, when and how much do I get paid?

A3: Once the Zespri Insurance Manager receives final assessments from ARM, those growers that have had their crop/s assessed as completely written off will receive an interim payment of \$1.50 per Net Tray Loss; growers that have had their crops considered as partially written off will not receive this interim payment.

When packing is completed for the season and all growers with a hail claim have been finalised, compensation payments will be made directly to the grower as per the below value agreed in the 2019 Pool Hail Insurance Policy based on the August forecast:

AGREED VALUES								
Varieties	Maximum indemnity limit	Fruit group	Agreed value					
Zespri Green	\$6 Million*	Zespri Green	85% industry average OGR per TE					
Zespri SunGold	\$6 Million*	Zespri SunGold	80% industry average OGR per TE					
Zespri Sweet Green	\$270,000*	Zespri Sweet Green	85% industry average OGR per TE					

Note: the payment will be the total value tray loss for the claim, less the interim payment already made (if any).

From each claim, the deductible percentage will be deducted (similar to an excess). The base deductible is 10 percent of the potential yield of each variety for any first claim. Deductibles will further increase in increments of 5 percent for claims in consecutive seasons. Any orchard which has 2 consecutive seasons without any claim will revert back to the 10 percent deductible percentage. In the event the claims by the insured exceed the maximum indemnity limit per variety, then the total adjusted claims will be calculated on a pro rata basis per variety.

igcup 4: What can I apply for passion vine hopper (PVH) pressure in my orchard surrounds?

A4: Neonictinoids have been banned in the EU so Actara is now prohibited. If you are looking for something to apply, Calypso is still an option. Due to possible impacts on non-target species, KiwiGreen protocols mean applications of PVH gully sprays require a Justified Approval. Bees are an obvious consideration and all sprays must be applied when bees are not actively foraging, especially when flowering plants are around.



Grower Liaison Team to host inaugural Grower Golf Day

Date: 22 February 2019 Venue: Fairview Golf Club - Katikati Time: 1pm shotgun start

The tournament will be an ambrose stableford points tournament and all entrants will be mixed into foursomes. The event is open to current, previous and new golfers. There will be spot prizes and entertainment during the day.

Join this fun day of golf and mix and mingle with fellow growers, Zespri and post-harvest staff. If there is enough interest, we'll look into providing a bus from Te Puke through to Katikati.

To register your interest, go to https://www.zesprievents.co.nz/golf and include your handicap (if you have one).

Keep an eye out in the Kiwiflier for future grower events in your region.

For any queries regarding the Golf Day, please contact Zespri Grower Liaison Manager Sue Groenewald on 027 493 1987.



Connecting growers and consumers

A group of ten growers joined a grower-funded Organic market tour to North America earlier this year. While attending the Organic Produce Summit in Monterey, California, growers got the opportunity to get up close with customers and even the odd consumer who attended the event.

Grower James Wilkins and his family were part of the trip. "We were at the Summit promoting Zespri Organic SunGold, collaring people as they walked past, asking if they'd like to sample our fruit. One lady came wandering up with her two kids. She was the wife of one of the exhibitors and had just popped down to see her husband, when she saw us.

Her little girl had a taste of SunGold and loved it, then the young fella in the baby sling decided he wanted some as well. I got down on my knees to their level, so I wasn't an imposing giant, and I just couldn't seem to spoon it in fast enough. As soon as I'd filled one mouth, the next mouth was wide open waiting for a spoonful... I felt under a lot of pressure for a while there!

I took a lot out of that interaction - it was really impressive to see the consumer reaction and instant feedback on the taste and quality of our fruit", says James.



Introducing a new generation to the delicious taste of Zespri Kiwifruit.

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