



ZESPRI

Five-Year Outlook

DECEMBER 2022



INTRODUCTION



**MARKET TRENDS AND
INDUSTRY CONTEXT**



CATEGORY UPDATES



BEYOND 2027



Introduction

This Outlook presents an overview of Zespri's Five-Year Plan, which is updated and reviewed by the Zespri Board annually, with this edition covering the period from the 2022 harvest season to 2027.

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 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 year has clearly been a challenging one for the kiwifruit industry, and this Outlook factors in the immediate headwinds the industry is facing, particularly throughout the production and supply chain, including the ongoing impact of COVID-19, a labour shortage, the impact of weather events and recent challenges associated with fruit quality.

However, as a five-year outlook, it also considers the 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.

Further details on these opportunities and risks are outlined on pages 7-9.

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

- Zespri remains confident in the market outlook, with global demand for our fruit strengthening, along with the value we are able to capture for growers. To secure this we need to maintain our approach of building market demand ahead of supply and provide consistently high-quality fruit.
- A focus on good taste, nutrition and delivering consistent quality, accompanied by our brand purpose, engagement, recognition and trust among consumers, are key drivers to place us ahead of the competition and to command a premium price.

- Zespri SunGold Kiwifruit consumer demand continues to rise, and this growth is an important contributor to our strong 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 Green in its share of sales since 2020. This reflects consumer demand across our major markets.
- Zespri RubyRed™ Kiwifruit will help attract new and younger consumers to the broader kiwifruit category as commercial volumes increase.
- Confidence in demand during the Zespri Global Supply (ZGS) season remains high with strong demand signals globally for 12-month supply of Zespri Kiwifruit. With the proposed 10,000-hectare expansion of our Northern Hemisphere Supply programme not proceeding, we will continue to focus on optimising supply from ZGS from our previously approved 5,000 hectares of offshore Zespri SunGold Kiwifruit and the Zespri Green Kiwifruit procurement programme.
- A balanced kiwifruit portfolio will remain important to support retailers and consumer's needs, with Zespri Green continuing to play an important role and demand for Organics a significant opportunity, as long as the balance between supply and demand is maintained.
- Meeting demand requires continued innovation and investment by Zespri, growers, post-harvest operators, customers and partners across the supply chain.
- The implications of the strong growth we are experiencing adds pressure right across the industry. The adverse weather events and seasonal conditions in 2022 are also expected to have an impact on yield in 2023.
- The changing climate will continue to test our resilience through the kiwifruit growing system. A Climate Change Adaptation Plan has been developed to support the industry to thrive in a rapidly changing climate.
- The review of the use of hydrogen cyanamide (Hi-Cane) in New Zealand by the Environmental Protection Agency (EPA) has significant risk to the industry's ability to grow fruit of consistent quality and yields, with a proposed ban in ten years' time. Many industry participants including New Zealand Kiwifruit Growers Incorporated (NZKGI) and Zespri are engaging in the review to oppose this proposal and to give confidence that strict measures are in place to manage risks associated with the product's use. The EPA have advised they will finalise their decision in 2023 following a public hearing.
- The industry is collaborating to ensure the seasonal challenges do not impede our ability to deliver premium quality fruit as expected by our consumers. The focus is on ensuring grower payments and supply incentives reward growers and supply chain partners that can deliver fruit of high utility – great taste, size, storage and quality. All systems in New Zealand and through the offshore Zespri markets will be focused on this imperative.





OUR 2030 STRATEGY

Our 2030 strategy considers the importance of our core activities and ensuring these create a successful future.

Our focus on growing our core involves having the best people and empowering them in high performance teams, continuing our investment in the brand to drive demand and achieving global supply excellence to keep quality fruit available to consumers year-round.

We're also focused on creating the future – through future-led sustainability initiatives such as carbon-neutral kiwifruit production, developing more world-leading varieties through our innovation programme and via the Kiwifruit Breeding Centre, 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 is considerable, and we must remain relevant in a competitive global food environment by meeting the demand growth of our customers and consumers.

By 2030, we expect to create over 8.5 billion healthy eating occasions a year, helping more people live a healthy lifestyle and driving change in the global food system.

Our path to 2030 is values-led and value-driven, and means:

- **Helping people to flourish**, including all of the people who are part of our diverse, interconnected ecosystem, from growers, our staff and workforce, through to consumers
- **Creating a healthier future for our communities** through the livelihoods we support, the causes we champion and the contributions we make
- **Caring for our planet for generations to come** by delivering on our ambitious sustainability commitments.



OVERVIEW OF DEMAND AND SUPPLY

- This Five-Year Outlook sees an increase in total New Zealand Supply Class 1 supply from 164 million trays in the 2022 harvest season to 229 million trays in 2027. This is equivalent to 39 percent volume growth and includes the estimated commercial volumes of Zespri RubyRed™ Kiwifruit production established by 2025.
- Through this period, we are forecasting per tray Orchard Gate Return (OGR) ranges of:
 - Zespri SunGold Kiwifruit: \$8.00 to \$12.00
 - Zespri Organic SunGold Kiwifruit: \$10.00 to \$14.00
 - Zespri Green Kiwifruit: \$6.50 to \$8.00 at declining volumes
 - Zespri Organic Green Kiwifruit: \$9.00 to \$11.00 at flat volumes
 - Zespri RubyRed™ Kiwifruit: \$10.50 to \$16.50 once volumes exceed 3 million trays
- In the 2027 harvest, our plan forecasts New Zealand supply of nearly 229 million trays of Class 1 supply and non-New Zealand supply of around 60 million trays.
- New Zealand supply of Class 1 conventional SunGold Kiwifruit increases from nearly 98 million trays in 2022 to 157 million trays harvested in 2027. This growth reflects the ongoing programme of licence release as signalled below.
- Zespri will release conventional Zespri SunGold Kiwifruit hectares to meet growing demand for our fruit in market, while ensuring demand exceeds supply; 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, 350 hectares of Zespri SunGold Kiwifruit licence will be released in 2023. The decision to release 350 hectares of Zespri SunGold Kiwifruit is at the bottom end of the previously advised range of licence release which was 350-700 hectares.

STRATEGIC PRIORITIES

What we must focus on to achieve our goals and create our future...

Growing the Core



Empower people & culture



Brand-led demand creation excellence



Year-round global supply excellence

Creating the Future



Future-led sustainable industry



Future-led innovation portfolio



Future-led digital first operating model

- 200 hectares will be allocated to a Hayward and Green14 cutover pool in 2023, which enables growers of green varieties to transition into SunGold Kiwifruit, while targeting strengthened Hayward profitability. Optimising market performance of Green is a key priority for our market teams, and managing supply volumes will help us focus on providing high quality fruit and returning more value to help offset the rising costs we are seeing throughout the supply chain.
- The intention is to release 500 hectares of Zespri SunGold Kiwifruit licence each year in 2024 and 2025, of which 200 hectares will be available in the Hayward and Green14 cutover pool, subject to annual review. The indication for Zespri SunGold Kiwifruit licence release in 2026 and 2027 is in the range of 350-500 hectares per annum, including a portion of Hayward and Green14 cutover, subject to annual review. The annual review considers among other factors any potential new risks and changes in risk profile for existing risk, as well as the level of market demand.
- Zespri will release 150 hectares of Zespri RubyRed™ Kiwifruit licence in 2023. The indication for Zespri RubyRed™ Kiwifruit licence release is 150 hectares per annum in 2024 and 2025 and a range of 100-300 hectares per annum in 2026-27, subject to annual review.
- Zespri will change from the current closed tender bid mechanism, to a new open ascending-price auction for Zespri SunGold Kiwifruit and Zespri RubyRed™ Kiwifruit licence releases in 2023. This will be run by an independent third party – experienced auction platform provider, NERA.
- From 2023, licence for Finishing Off Blocks will also be available on an ongoing basis for Zespri SunGold Kiwifruit and Zespri RubyRed™ Kiwifruit, rather than just for a limited window, as was the case in 2022.
- The Five-Year Plan forecasts a significant rise in New Zealand supply of Zespri Organic SunGold Kiwifruit from around 3 million trays supplied in 2022/23 to over 6 million trays supplied in 2027/28. The current supply predictions for Zespri Organic SunGold Kiwifruit will satisfy target market demand, therefore there will be no release of Zespri Organic SunGold Kiwifruit licence in 2023.
- There is expected to be around 8,590 producing hectares of both Zespri SunGold Kiwifruit and Zespri Organic SunGold Kiwifruit in New Zealand by 2023/24. By around 2027, this will deliver around 165 million trays at current yield estimates.
- By the end of this financial year, Zespri will have 4,745 planted SunGold Kiwifruit hectares in the ground in our offshore growing locations and this is expected to reach the approved maximum of 5,000 hectares by 2024.
- New Zealand supply of Class 1 conventional Zespri Green Kiwifruit is forecast to reduce from around 60 million trays in 2022/23 to around 55 million trays in 2027/28 through conversion to other varieties and removal of orchards, which should result in increased per tray value for the category. Zespri Green Kiwifruit value is sensitive to supply and demand dynamics given the competition from non-Zespri Green. Note this estimate does not factor in the EPA's current proposal to ban Hi-Cane in 10 years which if implemented, would have a significant impact on yields and on consistency of fruit maturity and quality.
- 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 meets our consumer needs.





Market Trends

AND INDUSTRY CONTEXT



OPPORTUNITIES

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

- **Population changes:** The ongoing rise of the global middle classes, with 57% of the world's population projected to be middle class by 2030, leading to increased disposable income and a willingness to try new and different foods.
- **Consumer and shopper trends:** Many of the trends below have been accelerated through the pandemic, placing Zespri in a strong position as a healthy food brand, with a cause for good:
 - A continued focus on health and wellbeing, with the global health and wellness food market value forecast to grow.
 - Heightened expectations on businesses regarding their environmental responsibility, with growth in brand value for brands with a strong purpose.
 - E-commerce sales have accelerated globally, including fruit sales, albeit this remains small outside of a few outlier markets (e.g. China and Korea). While Zespri needs to build capability to strengthen in e-commerce, our brand is conducive to driving online sales.
 - Growth in global snacks is set to grow, with ready-to-eat meals presenting an opportunity for Zespri as both a healthy and convenient snack.
- **Fruit category trends:** The global fruit category is forecast to grow at a compound annual growth rate of 5.8% over the next five years, largely spurred by the continued rise in health and nutrition-conscious consumers, accelerated by COVID-19. Demand is strong and growing, with more people wanting to buy kiwifruit because they know it tastes great, it is healthy, and it is grown in a way which is good for the environment and our communities.

- **Growth opportunity for Zespri Kiwifruit:** There is significant headroom for growth with our current position representing less than 1 percent share of the global fruit bowl. Globally, Zespri has less than 35 percent consumer household penetration. Through our strategy of building demand ahead of supply to capture market value, there is room for growth to remain competitive against other fruits and healthy food products, with a united and meaningful brand proposition.

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

- **Zespri 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.
- **Packaging:** Value-adding and better packaging formats allowing better targeting, and placements in-store, increasing conversion and uplifting value. Immediate off the shelf solutions are a work in progress to leverage consumers' willingness to pay for value and expectation of more environmentally-friendly pack types, particularly in markets like Europe where the need is higher.
- **Carbon neutral kiwifruit production:** Zespri is continuing its efforts to meet our sustainability commitments, including the need to take action to transition to a climate resilient future.
- **Zespri Global Supply (ZGS):** Our global supply strategy is critical to keeping our customers and attracting new ones, 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. While there was strong support for expansion in the Producer Vote held in 2022, the proposed 10,000 hectare expansion of Non-New Zealand SunGold Kiwifruit supply

will not proceed, with teams focusing on increasing production from the previously approved 5,000 hectares offshore. Even under the current approval, ZGS SunGold Kiwifruit volumes will double from 2022/23 to 2027/28 and procurement of Zespri Green has the potential to increase significantly, taking us closer to achieving the goal of 12-month supply in key markets.

- **The Horizon Programme:** Significant investment is underway to replace Zespri's ageing internal systems to enable reliable data, intuitive tools and user-centric ways of working. Greater digital transformation through the Horizon Programme will enable Zespri to be more effective and efficient in how we optimise supply in markets and how we deliver our product to consumers and return value to growers. Tranche 1 of this project went live in late 2022, with the focus moving to Tranche 2, including engagement with the industry on solutions across the extended supply chain, quality management, sales and grower enablement.
- **Sales capability:** Developing and implementing sales excellence and capability to improve joint business planning, distributor management and in-store execution.
- **Kiwifruit Breeding Centre:** The establishment of the Kiwifruit Breeding Centre in 2021 as a dedicated joint venture company in partnership with Plant & Food Research is focused on speeding up the development of new varieties to create more value for growers and attract new consumers to the category through better products, which includes consideration of a new future Green cultivar. Several new Green varieties were approved for trial with growers in 2022. While the earliest these cultivars would likely be available commercially is in 2027, Zespri has undertaken to move as quickly as possible in its evaluations.
- **Innovation:** Exploring 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 consider the risks of growing and exporting kiwifruit from New Zealand within a context of there being both risk and opportunity and configure their businesses accordingly. Risks and uncertainties which may impact Zespri's performance include:

- **Global economic uncertainty:** With inflation reaching 7-9% in many of our markets during the past year, there is now a 'cost of living crisis'. Projections indicate global economic growth rates are expected to drop from 6.1% to 2.9% in 2023.
- **Supply chain and logistics challenges:** Labour shortages and supply chain congestion continue to be felt globally.
- **Geo-political, trade and economic risks:** Market access factors such as war, 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.
- **Sustainability response:** Protecting our value in the market needs to be considered in light of growing consumer concerns and regulation around plastics, non-compostable and non-recyclable material in our packaging as well as addressing the environmental challenges we contribute to and are affected by, such as water quality and climate change. Countries around the world are considering mandatory carbon pricing and carbon taxes that will translate into direct cost for the industry.
- **Climate change:** Changes in climate are already impacting growers, fruit yields as well as quality. Zespri's Climate Change Risks and Opportunities Report¹ sets out the strategy to help lead the kiwifruit industry to transition to a low-carbon, climate-

resilient future. Preparing for the impacts of climate change is how we will support the industry to continue to thrive. We've developed a Climate Change Adaption Plan² and research is being implemented to help us understand this challenge. This includes future growing systems and the development of new varieties of kiwifruit that are more resilient to drought and pests.

- **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.

Other headwinds that we need to take note of include:

- **Fruit quality:** Following a deterioration in New Zealand fruit quality, Zespri is collaborating with industry partners to understand and take action to make sure Zespri provides customers with consistently high quality kiwifruit. A Quality Action Plan has been developed by the Industry Advisory Council (IAC), focused on ensuring that only high quality fruit is delivered to our markets, and targeting fruit loss and costs returning back to reasonable levels. The industry will also reduce KiwiStart rates and increase time rates to support good storing fruit as part of a move to rebalance KiwiStart and Mainpack returns.
- **Hi-Cane:** At the time of publication, the Environmental Protection Authority (EPA) was consulting on its draft proposal to ban Hi-Cane in 10 years' time. NZKGI and Zespri are challenging its analysis that the risks of its use outweigh the benefits. The EPA has cited risks to birdlife and applicators as its primary concerns. Two independent economic analyses concluded the cost of its removal to be around \$2 billion

over 10 years. Losing this product which is used for budbreak enhancement would have a significant impact on the industry and we're committed to making the strongest case to the EPA outlining how the industry can keep using the product safely – for people and the environment. Work underway includes the submission process itself; understanding any immediate restrictions on the use of the product; past research and trials into alternative products and on orchard management techniques to reduce the impact of any loss of Hi-Cane; and continuing our strategic exploration of new cultivars that may offer greater resilience to warmer winter climates in the future.

- **Supply deficiencies in volume and quality:** Deficiencies can enable competitors to fill the gaps resulting from Zespri's strong demand creation driven by consumer pull.
- **Increasing competition:** The competitive environment continues to become more challenging as competitors try to leverage the category demand and value space created by Zespri. The number of filings of plant variety rights applications for kiwifruit cultivars in New Zealand and elsewhere have increased in recent years and are likely to lead to more volume of competitor red and yellow varieties (both proprietary and public domain), especially during the Northern Hemisphere supply window to fill demand as Zespri seasonal programmes conclude. More branded kiwifruit products are also 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.

¹ [https://www.zespri.com/content/dam/zespri/nz/sustainability/Zespri-Climate-Risk-Opportunities-\(TCFD\)-Report.pdf](https://www.zespri.com/content/dam/zespri/nz/sustainability/Zespri-Climate-Risk-Opportunities-(TCFD)-Report.pdf)

² <https://www.zespri.com/content/dam/zespri/nz/sustainability/Zespri-Climate-Change-Adaptation-Plan.pdf>

- **Unauthorised G3 in China:** China is the world's largest producer and consumer of kiwifruit and the impact of unauthorised G3 plantings in China and the risk of further growth remains a significant risk. The harvest window is in direct competition with New Zealand fruit in the last quarter of the year and with ZGS fruit in our counter-season. Zespri is monitoring unauthorised G3 plantings and while enforcement is challenging and complex, we have in place a framework to monitor our key channels and accounts. We're working to understand the nature of the unauthorised G3 threat through a research and development programme assessing local fruit quality and industry practices. This work involves the monitoring of unauthorised G3 orchards during the growing period and post-harvest assessments at packing and during fruit storage. Insights generated from this work are invaluable for our ability to quantify the potential threat we face from unauthorised G3 plantings and will help shape Zespri's overall strategy for the China market. We also continue to focus on strengthening our relationship with the Chinese Government and the local kiwifruit industry.
- **Biosecurity:** Unwanted pests and disease could impact crop quality and volume, as well New Zealand's reputation and market access. For example, the high risk and potential consequence of Brown Marmorated Stink Bug has made it a priority for biosecurity readiness and response for both the industry biosecurity organisation, Kiwifruit Vine Health (KVH), and the Ministry for Primary Industries, and the industry remains alert to potential fruit fly incursions.
- **Loss of market access:** Market access can be impacted by several factors including phytosanitary, regulatory, food safety, COVID-19, biosecurity, compliance changes and broader global trade relations and geopolitics. Zespri is working to mitigate this risk by maintaining a broad demand base and faster development of large volume markets, close monitoring of our environment, strong government relations and adherence to robust supply protocols. This is combined with a good risk management framework and risk mitigation strategies for various scenarios.

- **Exchange rates:** Industry returns have benefitted in recent years from favourable currency rates, supported by Zespri's hedging policy. However, growers should be aware that there is the potential for a negative impact due to exchange rate movements in future years. The foreign exchange risk management in place is intended to mitigate excessive volatility in the New Zealand dollar return to the industry arising from foreign currency movements, understanding that it is not possible to entirely protect against all adverse movements.
- **COVID-19:** The pandemic continues to disrupt the kiwifruit supply chain, including ports and distribution centres, and is also having an impact on demand for fruit.
- **Shipping:** Ongoing pressure on the global shipping network continues to be challenging and our longstanding partnerships enable Zespri to use a mixed portfolio of charter vessels and refrigerated containers.
- **Post-harvest capacity:** Sufficient post-harvest and cool store capacity is crucial to managing growing volumes to meet consumer demand. Zespri continues to work with post-harvest providers to analyse and identify opportunities to manage peak season volumes in packhouse and cool storage facilities.
- **Increasing on-orchard costs:** Inflationary pressure, ongoing legislative changes including to the minimum wage and workplace regulations legislation, and other compliance costs including in the environmental regulatory space are expected to contribute to increased on-orchard costs.
- **Social responsibility:** Consumers, regulators and communities are increasingly concerned about compliance issues and brands being good members of their communities, resulting in a higher level of scrutiny on industries like ours. Any issues like worker exploitation, water quality, or poor spray management

could attract negative attention, impact on our reputation, our social licence, and our ability to attract the value enabled by being a premium brand. Zespri will continue to work with the industry to support enforcement of standards against anybody failing to comply so that we can protect the value we have created together as an industry.

- **Speed of business capability development:** Continued investment will be required to manage the pace of growth and to allow the New Zealand kiwifruit industry to grow and address quality issues. Packing and cool storage capacity will be tight within the next five years, and increased investment in packing lines and cool stores will be required to keep pace with the increase in orchard yields. Growers should ensure that orchard development is considered in conjunction with packhouse and coolstore capacity for any additional volumes.

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:

- **Hayward profitability:** Heightened pressure on Hayward growers' profitability due to the increased cost of production from inflation and competition for resources with Zespri SunGold Kiwifruit growers, including labour.
- **Zespri RubyRed™ Kiwifruit:** We continue to monitor and focus on continuously improving the yield, colour variability, pack out and shelf life of Zespri RubyRed™ Kiwifruit. 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.



Category

UPDATES

ZESPRI GREEN KIWIFRUIT (HAYWARD)

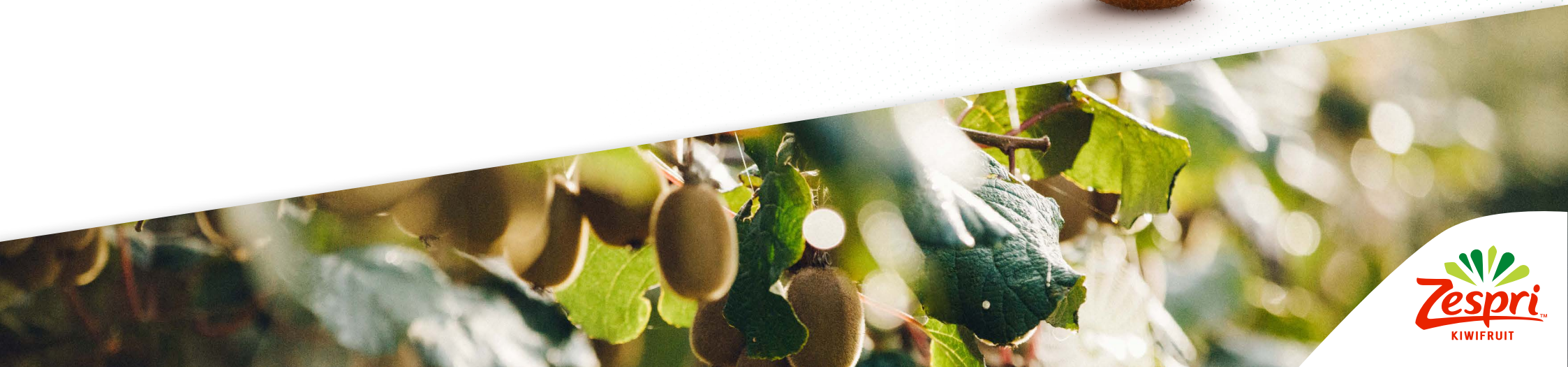


SITUATION AND CHALLENGES

Zespri Green Kiwifruit is the foundation and backbone of the global kiwifruit category. 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 our trusted Zespri brand.

The recent moderation of volumes of Zespri Green Kiwifruit will support our ability to hold sustainable returns. As volumes decline, we expect Orchard Gate Returns of \$6.50 to \$8.00 per tray or \$70,000 to \$85,000 at the per hectare level, based on average yields. The supply versus demand dynamic is more sensitive for Green with the level of competition and supply volume in any given year impacting returns, with lower volumes delivering higher returns.

As well as a stabilisation in volumes, to be able to build demand ahead of supply, other key drivers for maintaining and building the value of Green are: maintaining our competitive advantage through delivering premium Zespri 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 sales channels and marketing the health benefits of this nutritious product.



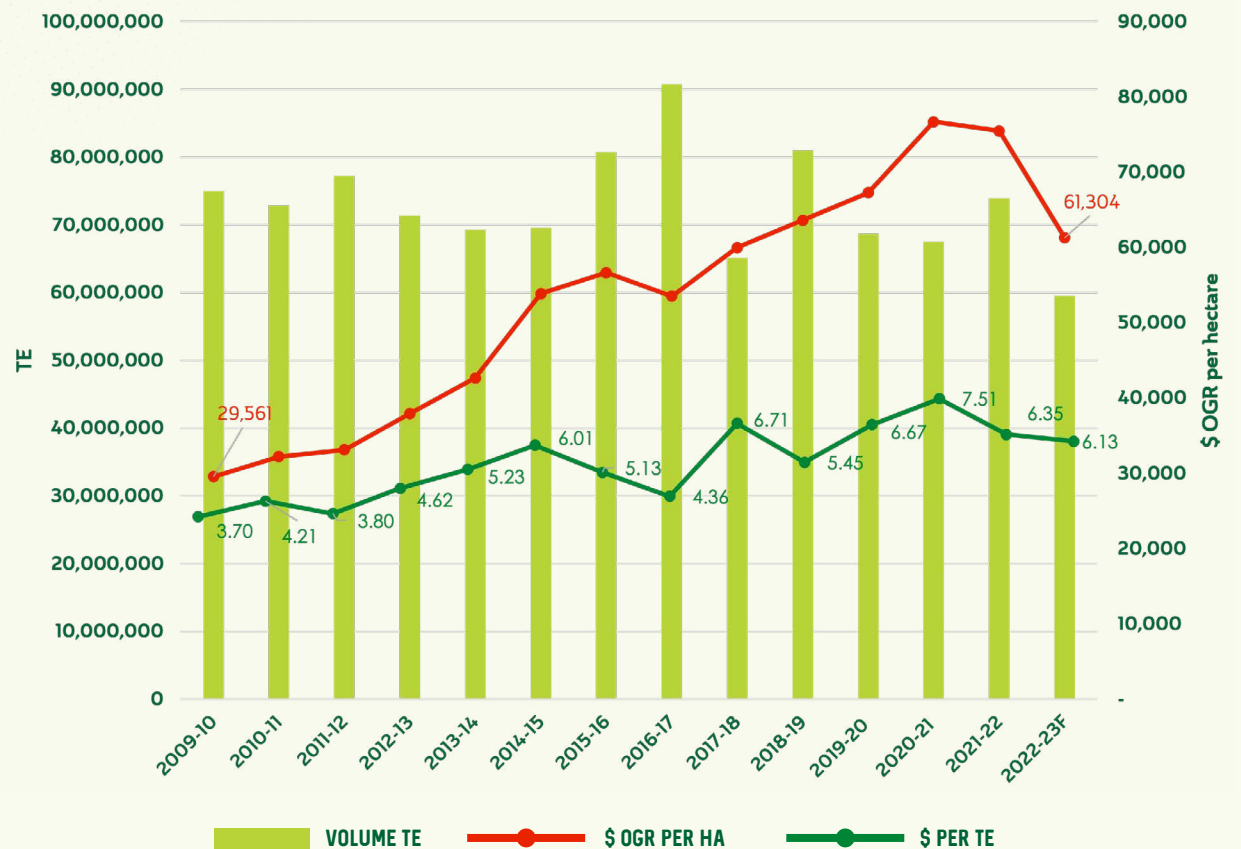
On the supply side, Green has seen high volume volatility over recent seasons as illustrated in the chart below, with weather impacts such as frosts, rain and wind impacting yield. The increase in costs with labour shortages, inflation, fuel costs and supply side challenges means that general profitability of the Green category has become challenging, particularly for our growers with per hectare yields lower than average. Securing sufficient KiwiStart to meet market demand and secure space early is important for sales momentum, with some early buffer needed to fully supply Green while the industry completes the SunGold Kiwifruit harvest.

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 new varieties.

In 2022, trials commenced on new green cultivars 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 will be working hard to move as quickly as we can.

Reflecting the demand position in the market, 200 hectares of total allocation of Zespri SunGold Kiwifruit licence release from each year from 2023 to 2025 are exclusively available for cutovers from Green and Green14 (subject to annual review). 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 have the effect of reducing Green hectares and supporting Green per tray and per hectare returns.

GREEN 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.
- Optimising product quality, taste and availability for early and later season.
- 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 extended season and 12-month supply to customers to maintain Zespri's position, where possible.
- In terms of market allocation, Europe will continue to take the largest share of Green over the next five years. However, as volumes decline, market allocation mix 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.
- In the long-term, Zespri is focused on deepening penetration into the value chain and enhancing retail relationships.



POINTS AHEAD

Hayward continues to be the predominant green cultivar globally, although we are aware of new greens with stronger consumer attributes, but not necessarily strong performance right across the value chain. We expect that in the longer term someone may be successful in breeding a better green that will take significant market share from Hayward should they be able to get the necessary consumer, storage and yield characteristics optimised. We are continuing our strategic exploration of new cultivars that may offer greater resilience to warmer winter climates in the future, with a focus on speeding up this process in light of the reassessment of 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 sustainable long-term value.
2. To continue the long-term work of breeding and commercialising a new green that will unlock further growth in the green category.
3. Support the pathway for green growers into higher yielding varieties with a stronger consumer demand proposition.
4. Through this planning window we aim to achieve average per hectare returns of \$70,000 to \$85,000 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 achieving higher returns in Europe.



ZESPRI GLOBAL SUPPLY VIEW

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

While in the past we have sourced Hayward primarily from Italy, we are now sourcing an increasing amount of fruit from Greece. Since 2018, procurement of Hayward from Europe has increased to 36,000 tonnes of which over 33 percent is now procured from Greece.

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





DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Based on the November 2022/23 season forecast, the average NZ Fruit and Service Payment, including loyalty, paid per hectare is \$104,976. The average yield is 10,000 trays per hectare which is down from 11,887 trays per hectare in 2021/22. The average size per tray is 30.5 which is larger than the previous season result of 32.6. The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (44 percent), which comprises a submit payment of \$2.45 per tray and progress payments of \$2.09 per tray. The Taste Zespri Grade contributed \$2.93 per tray on average, and taste contributed 29 percent of the overall Fruit and Service Payment (excluding loyalty).



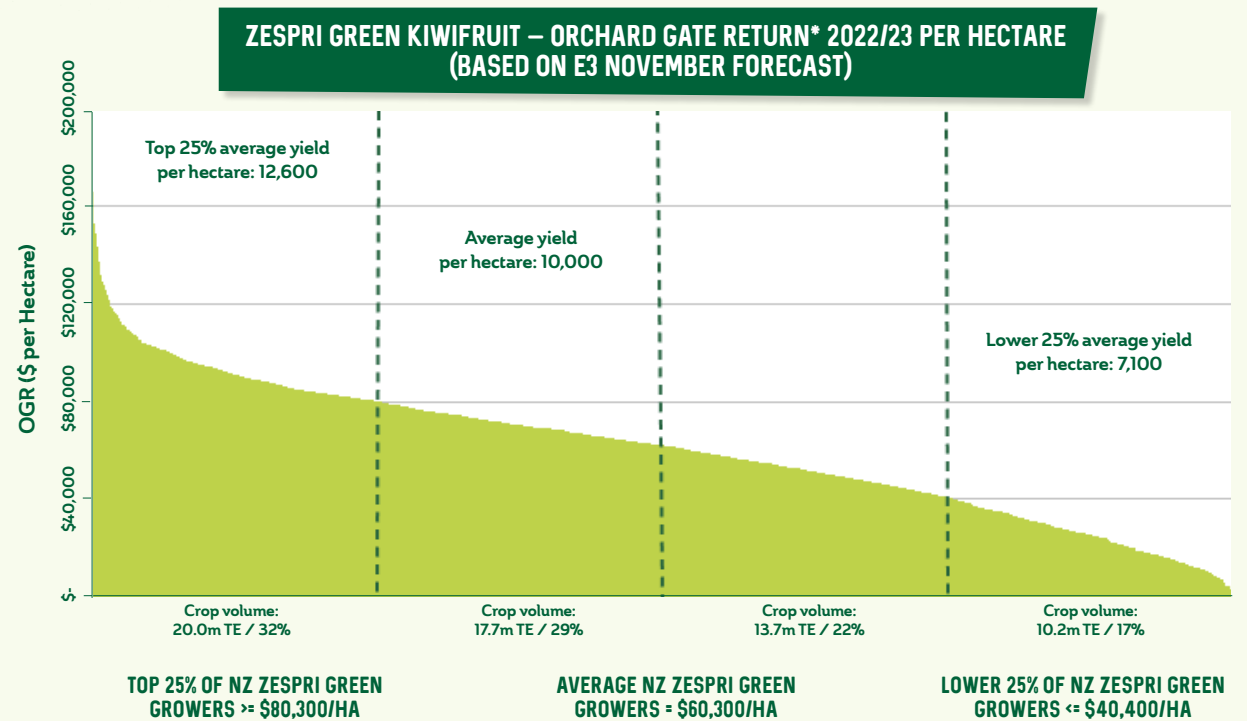
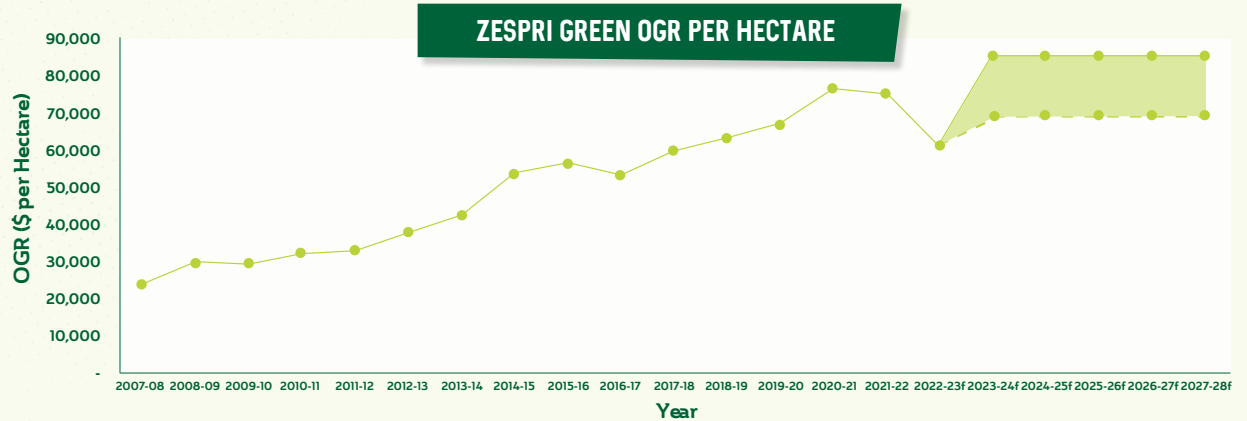
ORCHARD GATE RETURN

The November 2022/23 forecast shows the Zespri Green average OGR per hectare at \$61,304.

The projected OGR range per hectare, based on Zespri's Five-Year Plan is between \$70,000 to \$85,000.

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

We note that there are several cost factors outside of Zespri's control that could increase at a rate above historic trends. This includes, among other things, continuing increases in wage rates, freight costs, foreign exchange fluctuations and potentially costs associated with compliance. Increased costs related to COVID-19 and logistics disruption are expected to ease in 2024.



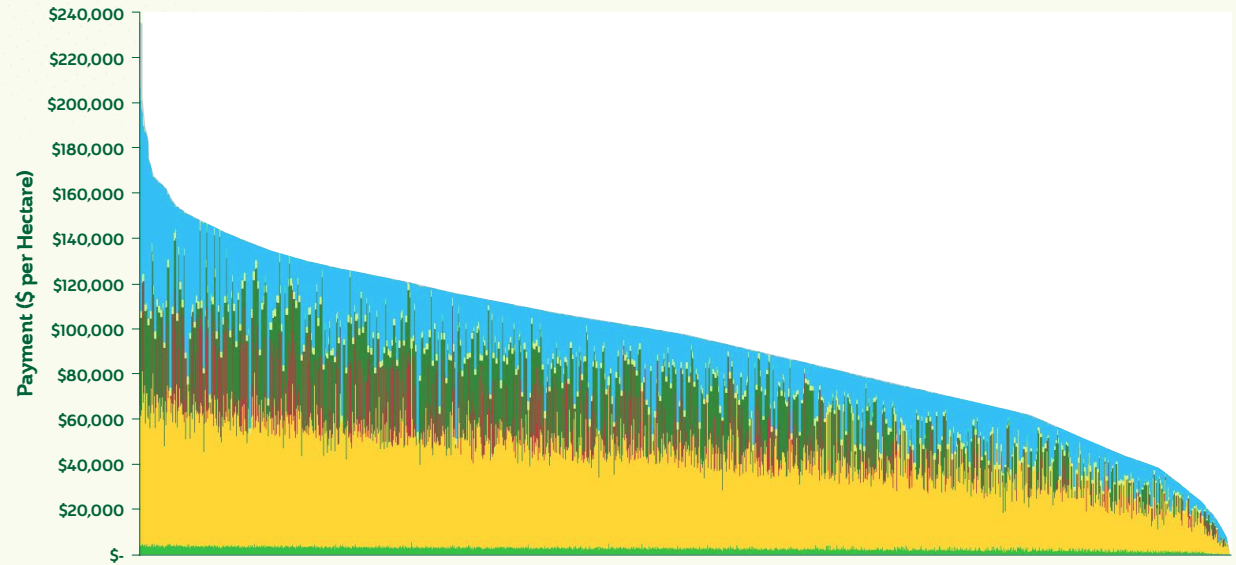
*Some payments are not allocated at an individual grower level and are excluded or estimated in this analysis.



ORCHARD GATE RETURN

The graph shows the spread of orchards or part-orchards throughout the country and their expected orchard gate returns based on the November forecast for 2022/23. 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 \$4.08 per tray for post-harvest costs was used. The data presented here shows the distribution of orchard gate returns across KPINs (as opposed to weighted volume average). It does not show net orchard return, which factors in average on-orchard costs.

ZESPRI GREEN KIWIFRUIT – FRUIT AND SERVICE PAYMENTS 2022/23 (BASED ON E3 NOVEMBER FORECAST)



(Payments exclude Pack, Class 2 & NSS, Supplier Accountability, Priority premium payments)

- TIME/HA
- KIWIGREEN/HA
- TASTE ZESPRI/HA
- KIWISTART/HA
- FRUIT PMT/HA
- LOYALTY/HA



ZESPRI SUNGOLD KIWIFRUIT (GOLD3)



SITUATION AND CHALLENGES

The forecast FOBS supply of NZ Class 1 conventional Zespri SunGold Kiwifruit is 157 million trays in 2027/28. The Outlook takes account of existing plantings coming into full production and Zespri's decision to extend Zespri SunGold Kiwifruit licence release out to 2027, announced in October 2022, with 350-500 hectares of conventional to be released annually up to 2027, subject to annual review.

The 350 hectares of Zespri SunGold Kiwifruit licence to be released in 2023 is at the lower end of the previously advised range and includes 200 hectares for cutover from Hayward and Green14. This is in consideration not only of market demand and Zespri's long-term strategy of maintaining demand ahead of supply, but also of the challenges that the industry is facing with supply capacity constraints and the need to focus on improving fruit quality. The indicative release of 500 hectares in 2024 and 2025, of which 200 hectares per annum is for cutover from Hayward and Green14, and the indicative range of 350 to 500 hectares between 2026-2027, provides the flexibility to support our long-term strategy, while taking account of:

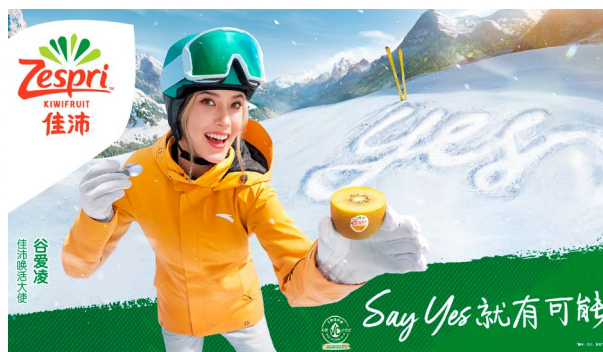
- Moderation in yield per hectare assumptions for NZ Class 1 conventional Zespri SunGold Kiwifruit, with mature SunGold Kiwifruit vines estimated to produce >16,000 trays per hectare over the coming five years.
- Time required for Zespri SunGold Kiwifruit licences to come into production and to account for production of Zespri SunGold Kiwifruit from organic orchards while awaiting their BioGro certification.
- COVID-19 driven labour and supply chain challenges.
- The need to improve fruit quality.
- Post-harvest and cool store capacity constraints during peak weeks in the next few seasons.
- It is important to note that planned licence release will continue to be reviewed annually and be confirmed at the end of each season, depending on quality and demand growth performance of Zespri SunGold Kiwifruit.





MARKETING AND MARKET DEVELOPMENT

- We will continue to invest strongly in Zespri SunGold Kiwifruit promotion in strategic markets, with investment reducing as a percentage of revenue through to the end of the plan as Zespri SunGold Kiwifruit becomes established and volumes increase, allowing economies of scale.
- Achieving sales rate growth in markets requires a good supply of early, great-tasting fruit and extended logistics capacity. The tools we use to create demand are investment in promotion as well as sales and marketing resources, and in distribution expansion and a focus on taste and nutrition messaging.
- In addition, we have also been identifying and developing a broad set of markets for growth through our market development framework to diversify our portfolio. Markets that have been identified through the framework and which have shown recent strong growth include North America, Vietnam and South Korea.



POINTS AHEAD

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

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

Modelling suggests average OGR per hectare returns can be sustained between \$117,000 to \$190,000 over the five-year timeframe (subject to a favourable competitive environment), on volumes growing to 157 million trays in 2027/28. As always, this Outlook is dependent on seasonal factors, such as volume, taste, quality and market conditions, and on broader factors such as biosecurity and market access.

The strength of our strategy is underwritten by the quality performance of Zespri SunGold Kiwifruit and our plan

assumes that taste and storage characteristics meet customer expectations and continue to drive sales rates and maintain the sales window. Industry-wide focus on improving quality is paramount to growth and optimising returns.

Demand growth remains strong, and we believe we can grow Class 1 conventional Zespri SunGold Kiwifruit demand across all markets by between 8-15 million trays per year. We will inevitably see a flattening of demand at some point in the future and understanding demand growth potential is a key focus for us. At the end of each season, we will review quality and storage-related performance together with the growth in weekly run-rates we have achieved in that season. 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 hectares approved in the 2019 Producer Vote. As these orchards come into full production, ZGS is expected to double SunGold Kiwifruit production levels reaching 44 million trays by the 2027 season. Despite these increases, ZGS production from the current approval will only meet around half of the target demand in the New Zealand off-season in 2027. In order to increase production to meet demand, an increase in approved hectares will be required through another Producer Vote.



DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

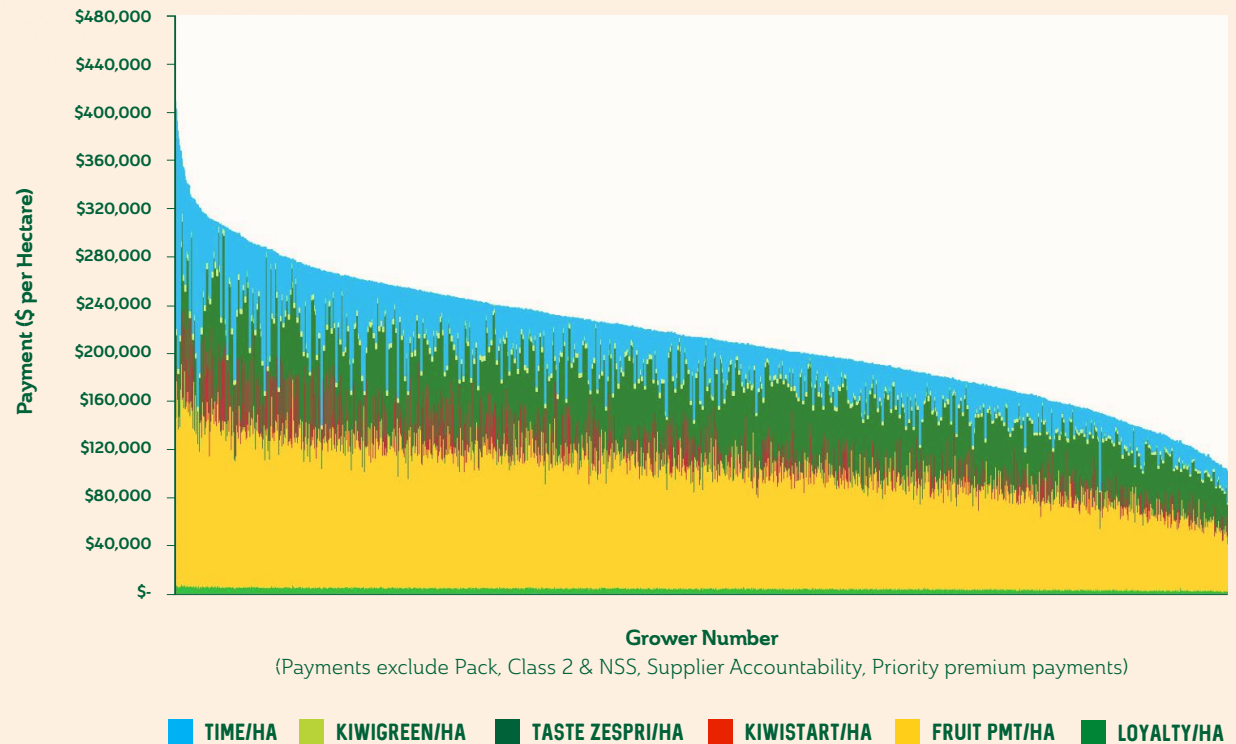
Based on the November forecast for the 2022/23 season, the average Fruit and Service Payment, including loyalty, paid per hectare is \$214,678.

The average yield is 13,797 trays per hectare which is down from 15,295 trays per hectare in 2021/22. This includes orchards that are not yet fully mature. The average size per tray is 27.4, compared with 27.8 for the previous season.

Typically, the largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (48 percent in 2022/23) which comprises a submit payment of \$3.30 per tray and progress payments of \$3.98 per tray. The Taste Zespri Grade contributed \$5.14 per tray on average, and taste contributed 34 percent of the overall Fruit and Service Payment (excluding loyalty).



ZESPRI SUNGOLD KIWIFRUIT – FRUIT AND SERVICE PAYMENTS 2022/23 (BASED ON E3 NOVEMBER FORECAST)





ORCHARD GATE RETURNS

The November 2022/23 forecast shows the Zespri SunGold Kiwifruit average OGR per hectare at \$135,377, which is down from \$176,026 in the 2021/22 season.

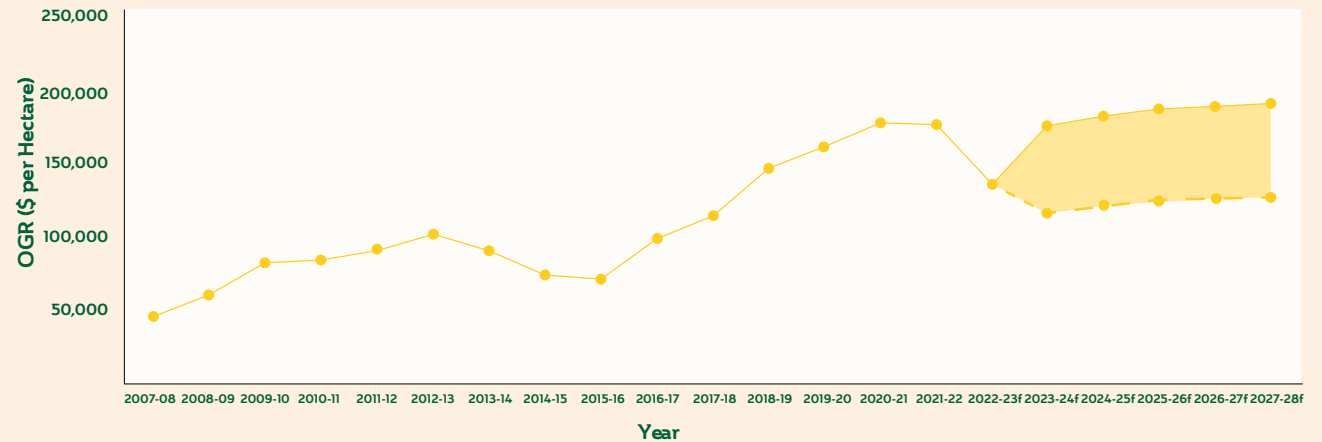
The 2022/23 season has seen multiple headwinds causing downward pressure on OGRs, including freight cost increases associated with global port congestion and fuel costs, lower average yield and post-harvest cost increases associated with wage increases. This was partially offset as the category has also benefited from strong consumer demand supporting pricing.

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

For planning purposes, Zespri also announced a range of returns from \$8.00-\$12.00 per Class 1 tray at an average yield of 15,000 trays per hectare. These indicate that average per hectare returns can be sustained above \$117,000 over the five-year timeframe. This assumes the continued release of additional tranches of Zespri SunGold Kiwifruit licence, as signalled by the Zespri Board, which are subject to annual stop/go decisions.

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

ZESPRI GOLD OGR PER HECTARE



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



ORCHARD GATE RETURN

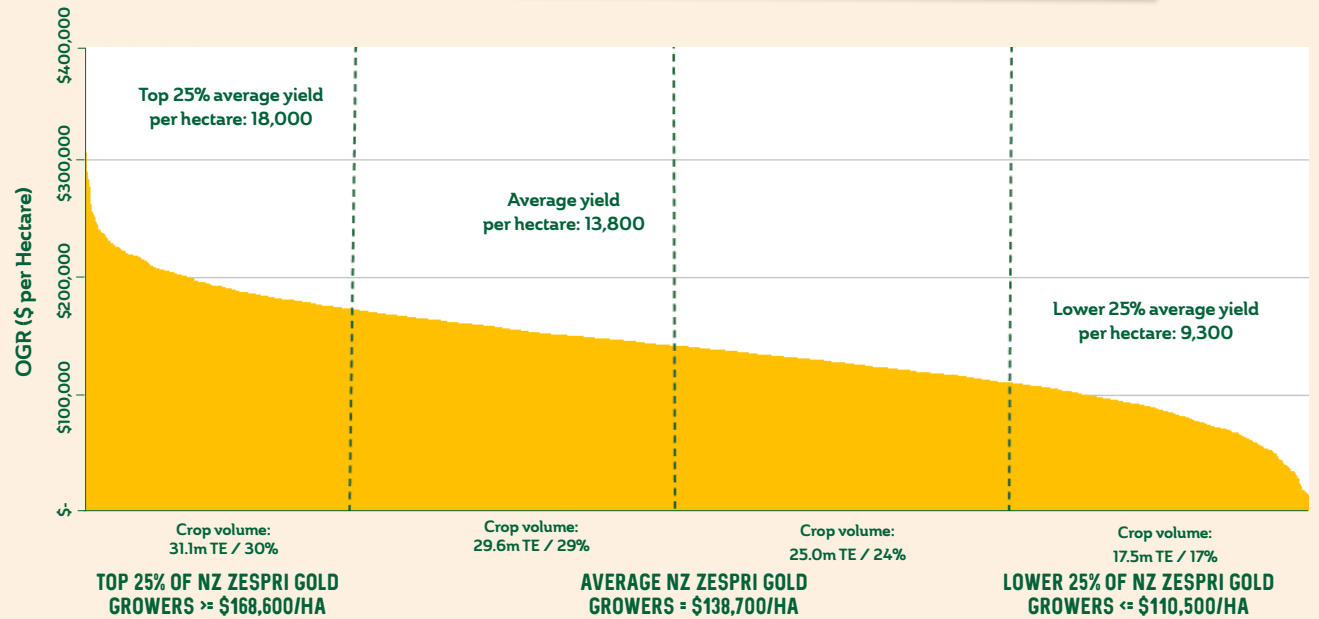
The graph shows the spread of orchards or part orchards throughout the country, and their expected orchard gate returns based on the November forecast of 2022/23.

The orchard gate return is the average amount received for each orchard or part orchard after Zespri and post-harvest costs are deducted. In this case, an average of \$4.97 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* 2022/23 PER HECTARE (BASED ON E3 NOVEMBER FORECAST)



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

ZESPRI ORGANIC GREEN AND ZESPRI ORGANIC SUNGOLD KIWIFRUIT



SITUATION AND CHALLENGES

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

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

Across the global organic category, Europe and North America combined account for around 90 percent of organic food sales, with Asian markets accounting for just 7 percent of sales. The core markets for Zespri Organic Kiwifruit remain Europe, Japan and North America, which account for around 80 percent of Zespri Organic sales by volume. Pest management, as part of market access requirements, is critical to enable us to develop demand for Zespri Organic Kiwifruit in Asia.

We expect Class 1 Organic Green NZ supply to stabilise at around 3.5 million trays during the five-year period based on

projected yields. There is continued strong demand for Organic Green and for the 2022/23 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.

For 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 2027 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 3.0 million trays supplied in 2022/23 to over 6.4 million trays supplied in 2027/28. 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. China will be an important part of the market mix within the Five-Year Plan. The newly approved entry of China into the Ministry of Primary Industries (MPI) Official Organic Assurance Programme is expected to streamline the access of New Zealand organic products to China.

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



MARKETING AND MARKET DEVELOPMENT

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

- Building capability and lifting value in Europe and North America, where there is strong demand for organics.
- Continuing to grow demand for Zespri Organic Kiwifruit in other core markets including China to diversify markets available for allocation.
- Further investment in consumer research to understand the needs of organic consumers.
- Deepening our reach in specialist organic distribution channels.
- Globally consistent brand positioning that aligns with the values of the organic consumer, reinforcing a premium position and driving consumer willingness to pay.



ZESPRI ORGANIC GREEN KIWIFRUIT



POINTS AHEAD

Zespri Organic Green Kiwifruit

Zespri Organic Green Kiwifruit sales have been anchored by long-term customers in Europe, Japan, and North America, which when combined, represent over 75 percent of total sales for this variety. A similar allocation strategy is expected in coming seasons, with allocation prioritised based on distinct organic demand and the market opportunity to deliver a strong and stable return.

Zespri is modelling a range of \$9.00 to \$11.00 per tray for Class 1 Organic Green (at flat volumes). However, significant year-on-year changes in yield in recent seasons means there could be significant variability in per hectare average returns of between \$65,000 and \$79,000.





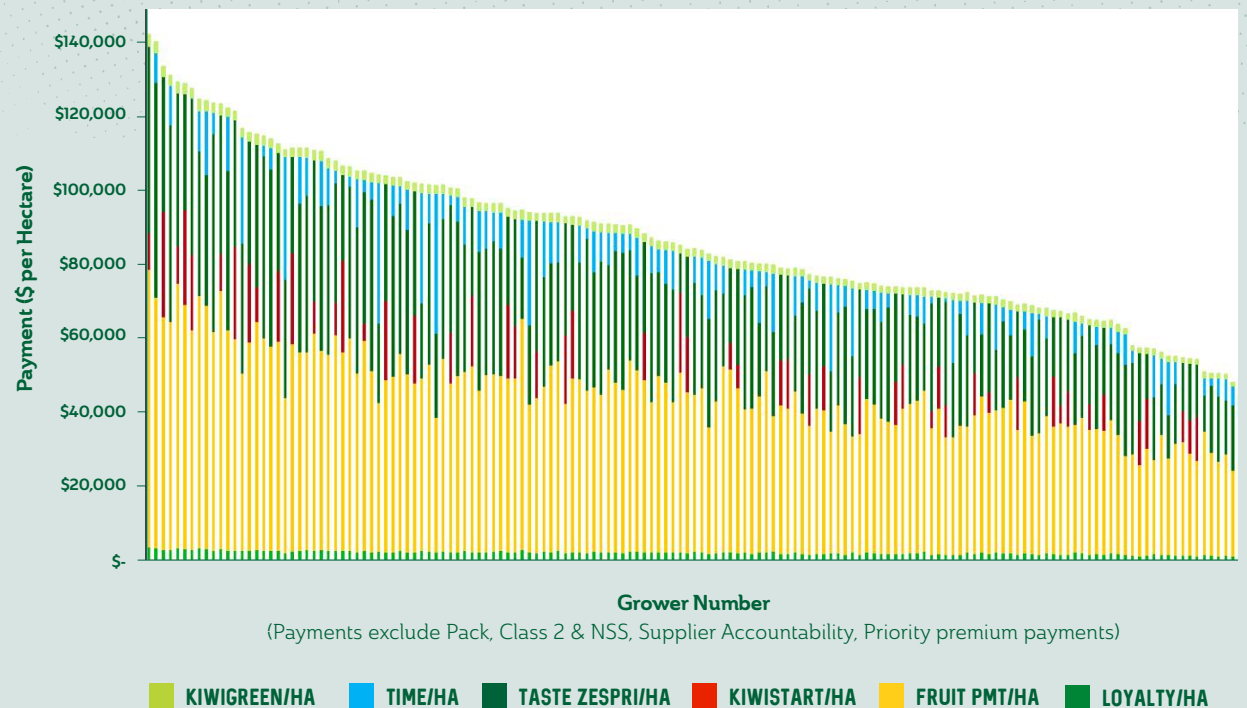
DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Zespri Organic Green Kiwifruit

Based on the November 2022/23 forecast, the average Fruit and Service Payment for Zespri Organic Green Kiwifruit, including loyalty, paid per hectare will be \$90,621. The average yield is 7,029 trays per hectare which is higher than the average 6,958 trays per hectare in 2021/22. The average size per tray is 33.2, compared with 34.9 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (50 percent in 2022/23), which comprises a submit payment of \$2.45 per tray and progress payments of \$3.86 per tray. The Taste Zespri Grade contributed \$4.20 per tray on average, and taste contributed 33 percent of the overall Fruit and Service Payment (excluding loyalty).

ZESPRI ORGANIC GREEN KIWIFRUIT – FRUIT AND SERVICE PAYMENTS 2022/23 (BASED ON E3 NOVEMBER FORECAST)





ORCHARD GATE RETURNS

Zespri Organic Green Kiwifruit

The November 2022/23 forecast shows the Zespri Organic Green average OGR per hectare at \$62,075, which is down compared to \$67,752 in the 2021/22 season.

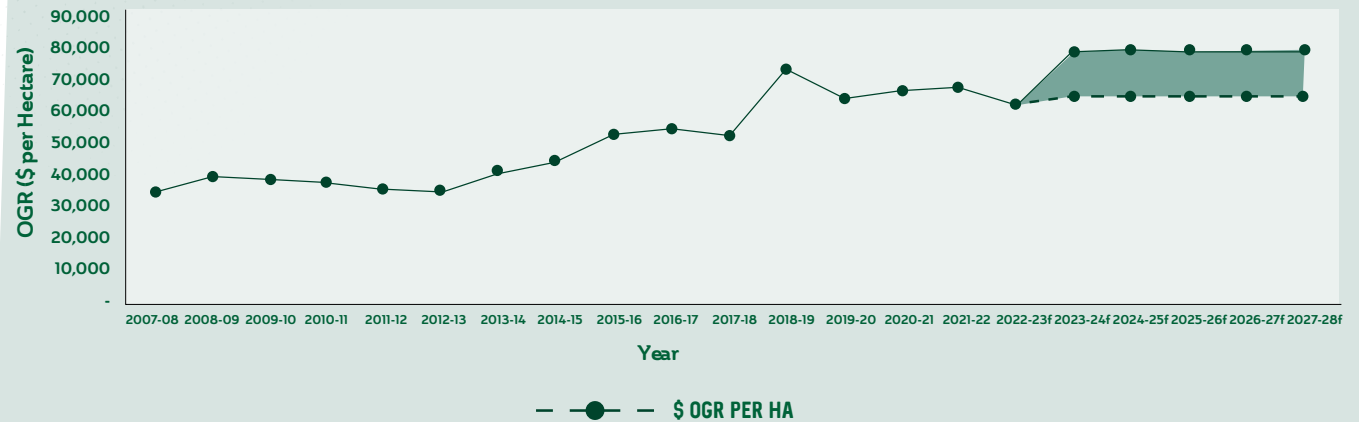
The total volume of trays supplied was 3.12 million trays, slightly more than the 2.99 million trays supplied in 2021/22.

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

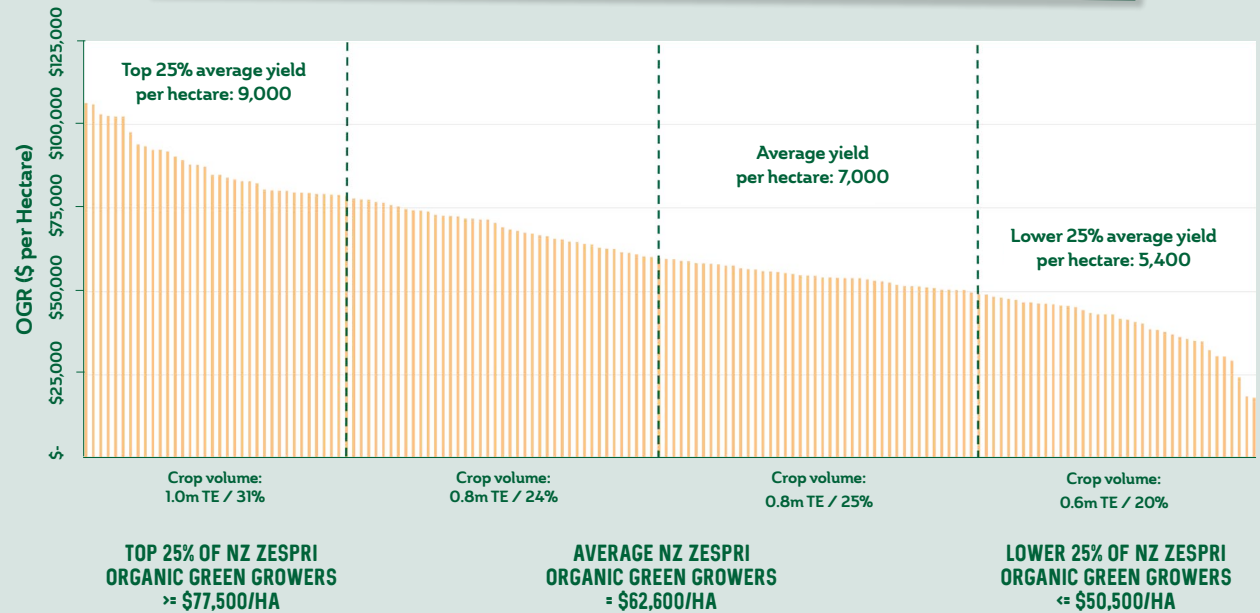
Zespri Organic Green Kiwifruit

The graph shows the spread of orchard or part orchards throughout the country and their expected orchard gate returns based on the November forecast for the 2022/23 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 \$3.64 per tray for post-harvest costs was used.

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

ZESPRI GREEN ORGANIC KIWIFRUIT – ORCHARD GATE RETURNS* 2022/23 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 SUNGOLD KIWIFRUIT



POINTS AHEAD

Zespri Organic SunGold Kiwifruit

We continue to see strong demand signals for Organic SunGold Kiwifruit, and we will experience strong supply growth in this variety over the planning window, despite no additional licence being released in 2023.

Based on current supply projections, we do not plan to release more Organic SunGold Kiwifruit licence through to 2027. This position will be reassessed annually.

We believe we can grow Class 1 Organic SunGold Kiwifruit at around 650,000 TE per year on average over the five-year planning window, with growth prioritised based on distinct organic demand and the market opportunity to deliver a strong and stable return.

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

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

Zespri is modelling a range of \$10.00 to \$14.00 per tray for Class 1 Organic SunGold Kiwifruit. Modelling suggests average OGR per hectare returns can be sustained between \$110,000 to \$190,000 over the five-year timeframe (subject to market environment and demand outlook), on volumes growing to 6.4 million trays in 2027/28. As always, this Outlook is dependent on seasonal factors, such as volume, taste and market conditions, and on broader factors such as biosecurity and market access.





DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

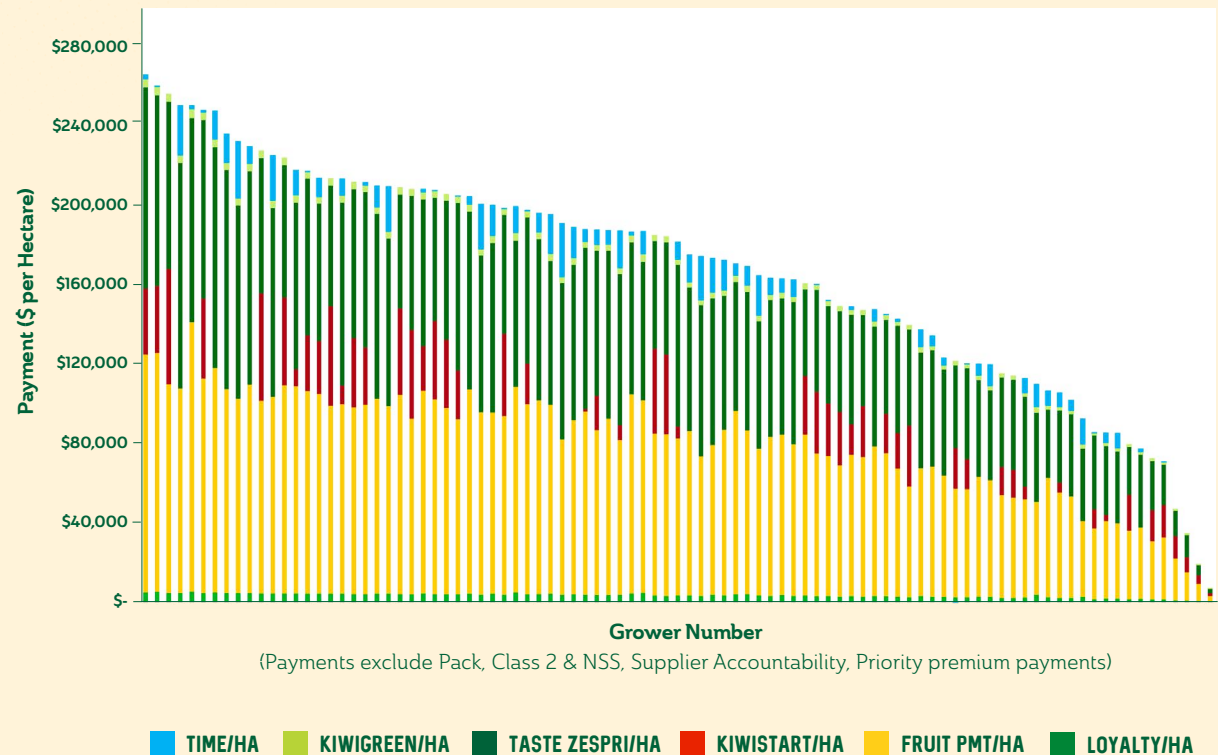
Zespri Organic SunGold Kiwifruit

Based on the November 2022/23 forecast, the average Fruit and Service Payment for Zespri Organic SunGold Kiwifruit, including loyalty, paid per hectare is \$179,758.

The average yield is 10,871 trays per hectare which is lower than the average 11,400 trays per hectare in 2021/22. The average size per tray is 27.9, compared with 28.1 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments, which contributed 46 percent in 2022/23, which comprises a submit payment of \$3.30 per tray and progress payments of \$4.14 per tray. Taste Zespri Grade was 38 percent in 2022/23, contributing \$6.23 per tray.

ZESPRI SUNGOLD ORGANIC KIWIFRUIT – FRUIT AND SERVICE PAYMENTS 2022/23 (BASED ON E3 NOVEMBER FORECAST)





ORCHARD GATE RETURNS

Zespri Organic SunGold Kiwifruit

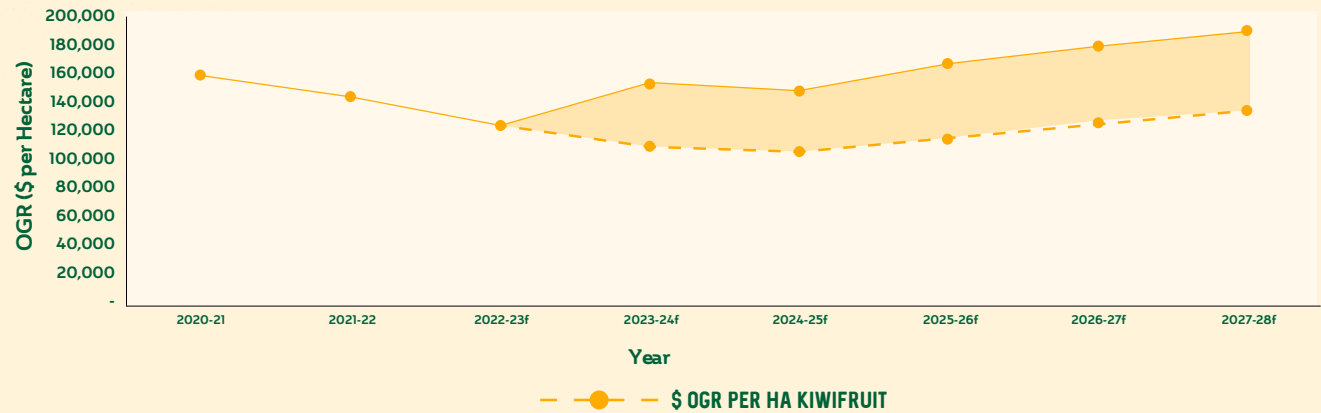
The November 2022/23 forecast shows the Zespri Organic SunGold Kiwifruit average OGR per hectare at \$124,107, which is lower than \$143,772 in the 2021/22 season. The total volume of trays supplied was 3.0 million trays, more than the 2.5 million trays supplied in 2021/22.

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 GOLD OGR PER HECTARE



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



ORCHARD GATE RETURNS

Zespri Organic SunGold Kiwifruit

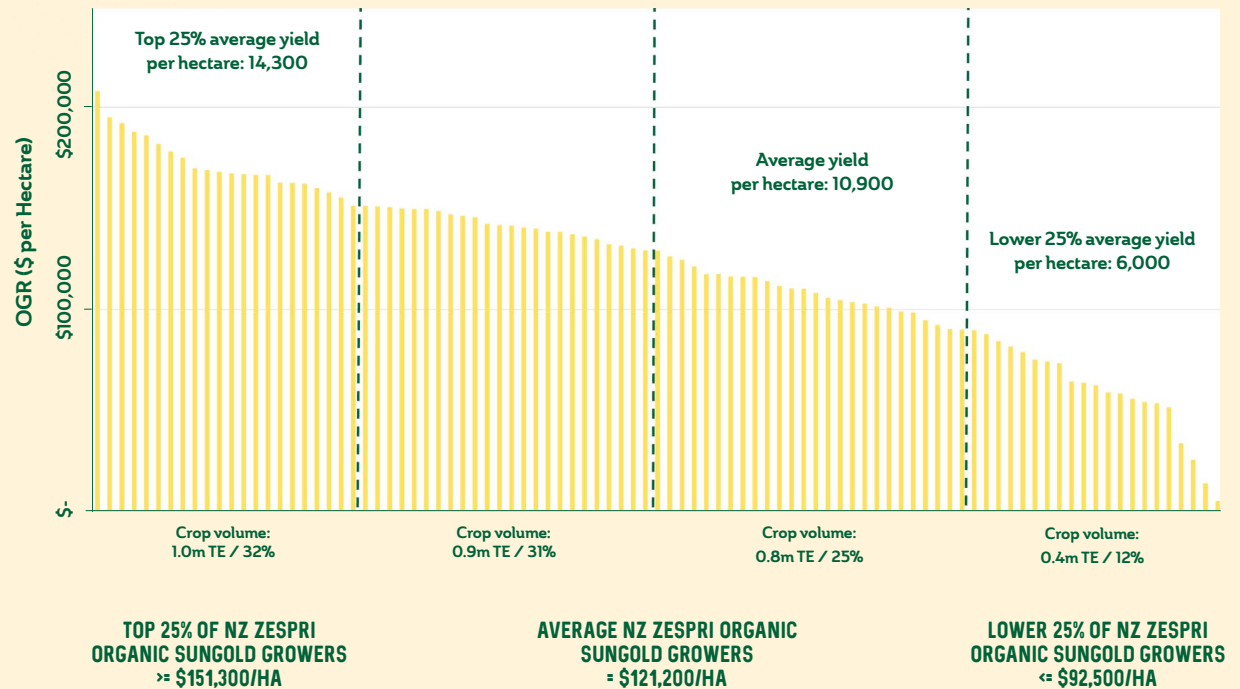
The 2022/23 forecast has been impacted by fruit quality costs in market, shipping disruptions and fruit loss.

The graph shows the spread of orchard or part orchards throughout the country and their expected orchard gate returns based on the November forecast for the 2022/23 season.

The orchard gate return is the average amount received for each orchard or part orchard after Zespri and post-harvest costs are deducted. In this case, an average of \$4.91 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 SUNGOLD ORGANIC KIWIFRUIT – ORCHARD GATE RETURN* 2022/23 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 sales trials, our red fruit is now marketed under the trademark Zespri RubyRed™ Kiwifruit, which reinforces the premium nature of the fruit.

The 111,000 trays of Zespri RubyRed™ Kiwifruit delivered across Japan, China, Singapore and Taiwan in the 2022 season were well received by consumers, with the marketing activity and short window of availability both driving novelty and excitement in the markets. Like our other varieties, volumes were impacted by quality challenges in 2022.

The colour variability of Zespri RubyRed™ Kiwifruit is a known challenge, ranging from a light starburst of red through to full block red flesh. While consumers have a preference for a more consistent internal fruit colour, expectations are being managed in markets through packaging and point of sale materials. Further consumer market research is planned for 2023 to understand purchase intent and willingness to pay based on fruit flesh colour.

We are also continuing to learn, identify and improve how RubyRed™ Kiwifruit handles through the supply chain to reduce fruit loss and claims, particularly as volumes increase and supply is expanded through more customers, channels and markets.

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 6.9 million trays by 2027/28, and to open up new markets for Zespri RubyRed™ Kiwifruit during this timeframe.

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

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

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

To date, approximately 780 hectares of Zespri RubyRed™ Kiwifruit has been released. This Outlook takes account of existing plantings coming into full production and Zespri's decision to extend licence for Zespri RubyRed™ Kiwifruit release out to 2027, announced in October 2022, with 150-300 hectares to be released annually up to 2027, subject to annual review.



We continue to monitor the fruit quality of the new variety right through the supply chain, from orchard to customer. As we've seen previously, weather and climate events have the potential to impact on yields and quality, with the latter having impacted claims and fruit loss in market.

The licence release in 2023 of 150 hectares of Zespri RubyRed™ Kiwifruit is lower than previously communicated. This is in consideration of the need to learn more new variety across the supply chain right through to market to optimise performance and premium returns, and also the challenges that the industry is facing with supply capacity constraints and the need to focus on improving fruit quality. The Outlook includes an indicative release of 150 hectares in 2024 and 2025 and an indicative range of 100 to 300 hectares per annum from 2026-2027.





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:

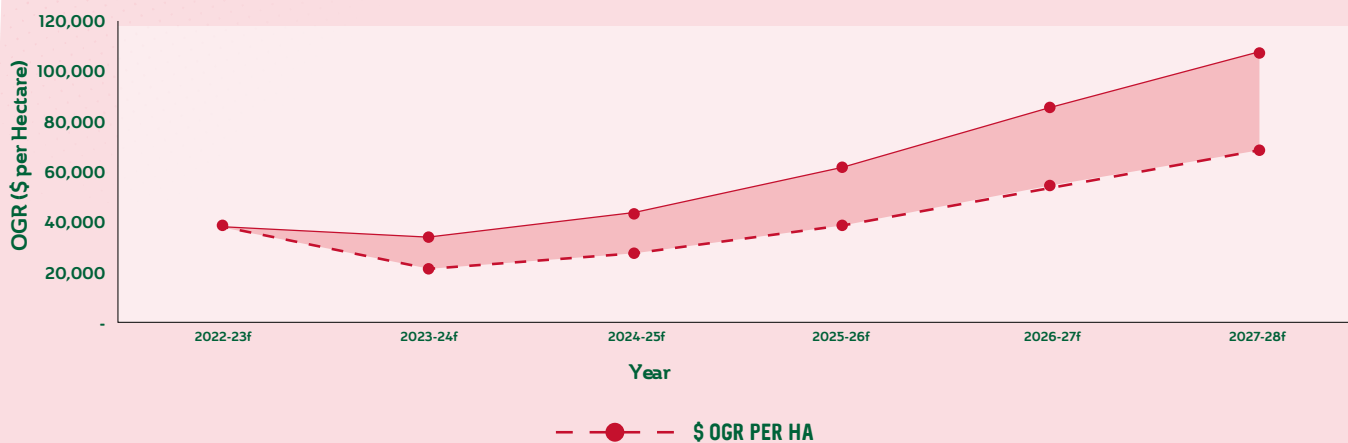
1. Customer demand is as anticipated in all markets
2. Oil prices increase at inflationary rates only
3. Five-year effective exchange rates have been used
4. Limited direct competition for the product during its normal sales season
5. Post-harvest costs do not exceed forecast levels
6. Returns are not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

Note, depending on market demand, size 46s may be accepted as non-standard supply on a season-by-season basis and this will be the case in 2023.

These forecast returns are indicative only. This reflects the high level of uncertainty still associated with this variety while we build towards commercial volumes.

OGR per hectare is dependent on orchard yield, and it is expected that it will take growers differing times to achieve full production. For example, assuming an orchardist who grafts in 2022 to Zespri RubyRed™ Kiwifruit can achieve a full crop at an average of 10,000 trays per hectare by 2025, then an OGR per hectare of between \$105,000 and \$160,000 is forecast. Further information is available in the Red19 New Variety Information Guide (NVIG) currently available on Canopy. Work to understand the long-term potential average yield of Zespri RubyRed™ Kiwifruit is ongoing.

ZESPRI RUBYRED™ OGR PER HECTARE





DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Zespri RubyRed™ Kiwifruit

Based on the November 2022/23 forecast, the average Fruit and Service Payment for Zespri RubyRed™ Kiwifruit, including loyalty, paid per hectare is \$39,310. The average yield is 1,889 trays per hectare with the average size per tray is 37.5.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments, which contributed 99 percent in 2022/23, which comprises a submit payment of \$3.30 per tray and progress payments of \$17.02 per tray.



ORCHARD GATE RETURNS

Zespri RubyRed™ Kiwifruit

The November 2022/23 forecast shows the Zespri RubyRed™ Kiwifruit OGR per tray at \$20.38, however, average yield is low at 1,889, resulting in an average OGR per hectare of \$38,501. The total volume of trays supplied was 111,000 trays.



ZESPRI SWEET GREEN KIWIFRUIT (GREEN14)



SITUATION AND CHALLENGES

Zespri Sweet Green Kiwifruit volumes continue to decrease. In 2022/23, Class 1 NZ supply was around 207,000 trays, down from a peak production of 1.5 million trays. 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 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 meeting market access requirements.
- Improving the size profile.



MARKETING AND MARKET DEVELOPMENT

The market opportunity for Sweet Green continues to be based on a proposition of early supply, sweeter taste and a more convenient eating experience through easier opening. Our ability to successfully execute will depend on being able to deliver reliably good quality, good tasting Sweet Green Kiwifruit to our markets early in the season.



DISTRIBUTION OF PERFORMANCE ACROSS ORCHARDS

Based on the November 2022/23 forecast, the average Fruit and Service Payment, including loyalty, paid per hectare is \$63,457.

The average yield is 6,081 trays per hectare which is lower than the 6,984 trays per hectare in 2021/22. The average size per tray is 35.9, compared with 37.1 for the previous season.

The largest portion of the Fruit and Service Payment (excluding loyalty) is fruit payments (73 percent), which comprises a submit payment of \$2.80 per tray and progress payments of \$4.58 per tray. The Taste Zespri Grade contributed \$2.29 per tray on average, and taste contributed 23 percent of the overall Fruit and Service Payment (excluding loyalty).



Beyond

2027



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, there has been minimal change to the 10-year demand outlook. From a New Zealand supply perspective, a review of yields has shown that the volume from producing hectares is expected to decrease marginally versus the previous plan as a result of adjustments to the pace of yield growth and yield projections for mature orchards.

From a Northern Hemisphere supply perspective, New Zealand producers have previously approved planting of up to 5,000 hectares of Zespri SunGold Kiwifruit in Northern Hemisphere growing regions. As of March 2022, 4,207 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 265 million trays, including ZGS, based on current supply forecasts (from existing ZGS regulatory approval).

- Our current view is that further investment could support New Zealand supply and ZGS supply of around 339 million trays by 2032, at sustainable returns, and in the short term supply of 292 million trays in 2027. These supply volumes are below target demand of 398 million trays by 2028 and 611 million trays by 2032, in order to factor in industry labour and capacity challenges.
- Kiwifruit remains an under-developed category, 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 and stay ahead of forecast supply in the 10-year outlook.
- The plan does not consider new varieties not yet commercialised by Zespri, such as potential new Green cultivars, nor third party varieties that could be commercialised in New Zealand, which could be either additive or substitutional to the existing New Zealand product portfolio.
- Growth over the next 10 years will continue to be driven by Zespri SunGold Kiwifruit, with an average sustainable increase in supply from New Zealand at around 5-14 million trays per year based on current licence release plans. To note, the 10-Year outlook does not factor in adverse weather and climate events.
- Zespri RubyRed™ Kiwifruit commercial volumes began in 2022 with 111 thousand trays and this is anticipated to rise by up to 15 million trays by 2032, with the aim of achieving a 15% OGR premium at a per tray level 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 Kiwifruit licence is allocated to Hayward and Green14 cutover. This results in volumes decreasing from approximately 60 million trays in 2022 to around 49 million trays in 2032 (not accounting for adverse impacts on the 2023 crop). 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 increases 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. However, limited headroom remains in the next five years based on current expected supply volumes.





THE DEMAND OUTLOOK

Kiwifruit is still an underdeveloped category with less than 1% of the global fruit bowl but with huge growth opportunity. 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 incredibly high, and we believe it will 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 for consumers.

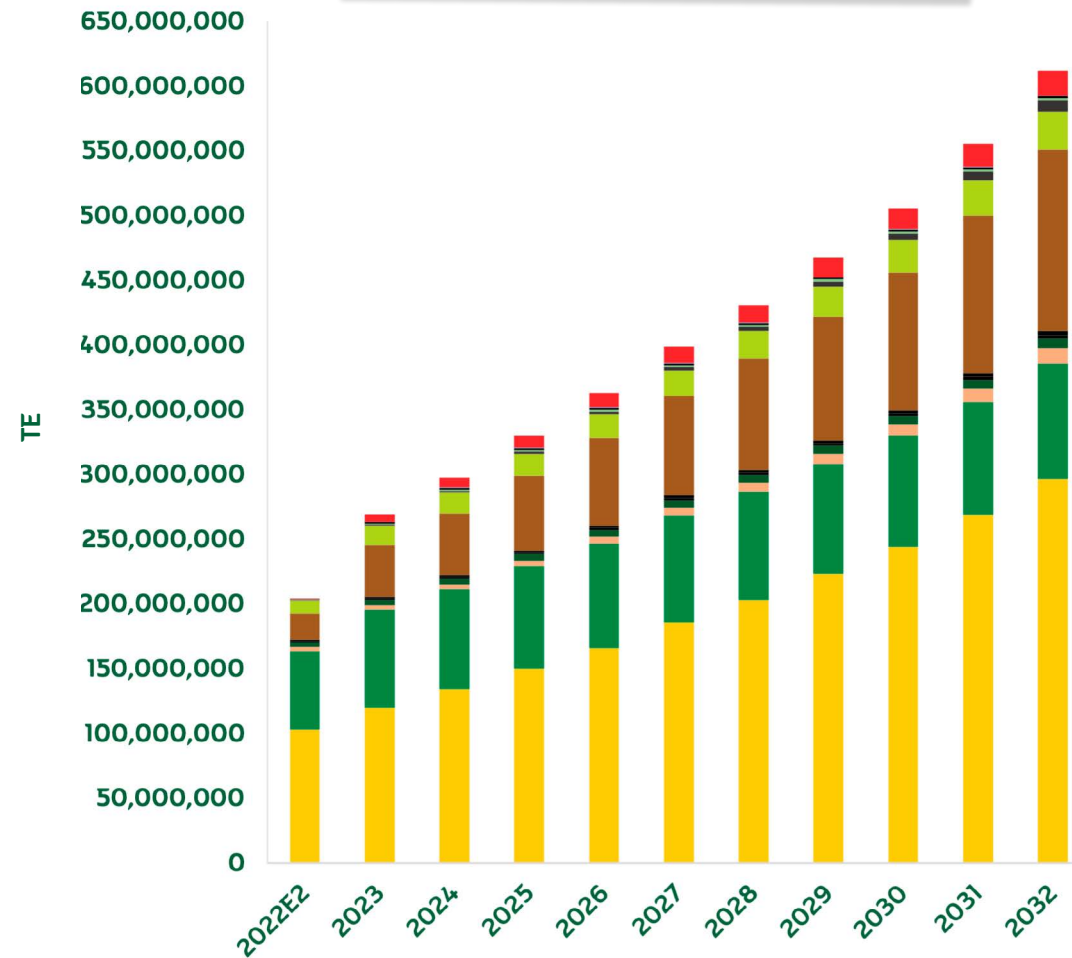
The strength of demand is such that hard market choices sometimes have to be taken, supported through a market development framework. Each market is categorised according to its stage of development, with investment and volume allocation planned accordingly and performance measured against targets.

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 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



- NZ CLASS 1 SUNGOLD KIWIFRUIT
- NZ CLASS 2 SUNGOLD KIWIFRUIT
- ZGS CLASS 1 ORGANIC SUNGOLD
- NZ ZESPRI RUBYRED KIWIFRUIT
- NZ CLASS 1 GREEN
- NZ CLASS 2 GREEN
- ZGS CLASS 1 ORGANIC GREEN
- NZ CLASS 1 ORGANIC GREEN
- ZGS CLASS 1 SUNGOLD KIWIFRUIT
- ZGS CLASS 2 SUNGOLD KIWIFRUIT
- ZGS CLASS 1 GREEN
- ZGS CLASS 2 GREEN



RISKS TO SUPPLY AND DEMAND

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

Supply

- Labour capacity within the kiwifruit industry, supporting fruit to be picked, packed, repacked and shipped to market, both efficiently and effectively.
- Meeting the 10-year demand projection requires continued development, investment and innovation by Zespri, growers, post-harvest operators and partners across the supply chain. In particular, growth in packing and cool storage 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.
- Regulatory changes, labour management and on-orchard sustainability practices.
- Weather, climate events, pests and diseases that have the potential to impact on yields and quality.
- Managing cost increases from labour, freight, packaging and carbon will be key to optimising OGRs 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:

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.
- Costs increase more rapidly than can be passed on through the pricing of Zespri Kiwifruit.
- Shift in consumer behaviour towards different food options (e.g. more sustainable fruit or the convenience of fruit).

Competition

- Competitors' kiwifruit quality in public domain or third party varieties, and/or unauthorised production of Zespri's proprietary varieties.
- 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.
- A new competitive fruit takes market share from all other fruits.

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





OUT OF SCOPE ASSUMPTIONS

The following considerations are not yet included in our 10-year outlook, as the extent, timing and potential impact remain uncertain:

- Commercialisation of any new Zespri PVRs and its impact on existing demand
- Impact of tariff reduction from EU on price and OGRs
- Any new growing systems which may impact on yields for Zespri and/or competitor kiwifruit in New Zealand or offshore
- Any impact of the EPA's pending decision on Hi-Cane use on quantity and quality of supply
- Cost of sustainable packaging and impact to supply chain
- Cost of carbon in relation to industry targets and regulatory change.

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

- Zespri Green Kiwifruit: \$6.50 to \$8.00 per tray at declining volumes
- Zespri Organic Green Kiwifruit: \$9.00 to \$11.00 per tray at flat volumes
- Zespri SunGold Kiwifruit: \$8.00 to \$12.00 per tray
- Zespri Organic SunGold Kiwifruit: \$10.00 to \$14.00 per tray
- Zespri RubyRed™ Kiwifruit: \$10.50 to \$16.50 per tray once volumes exceed 3 million trays.

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

For example, Zespri Green Kiwifruit in the short term is still potentially subject to swings in volume which will impact OGR outcomes. Returns for Zespri SunGold Kiwifruit in the short-term are expected to remain strong despite large increases in supply due to improvements in yield as we remain confident in the ability of our markets to absorb the excess volumes, but potentially could moderate in the longer term as costs increase. Returns for Zespri RubyRed™ Kiwifruit are expected to stabilise in the mid to long-term as volumes grow above 3 million trays.

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