



FREQUENTLY ASKED QUESTIONS ON MARKET FOR HAYWARD GREEN

NOV
2023



SITUATION REVIEW



MAXIMISING VALUE IN MARKETS



VALUE CHAIN OPTIMISATION



LOOKING AHEAD

Over the 2020/21 and 2021/22 Season, the primary export sector in NZ has faced challenges which has impacted the kiwifruit industry and across all fruit groups. This has been due to several macroeconomic headwinds including:



Market pressure for our consumers from economic challenges and inflation limiting their willingness and frequency to spend



Increase in freight costs and quality claims from Covid driven labour shortages and logistics delays



Increasing orchard costs on labour, interest and inputs

Specifically for Hayward Green, these headwinds have been exacerbated by:



Yield challenges driving down supply and OGR/hectare



Tapered demand as a commoditized product in market with less differentiation and more competition

Despite Zespri's ability to sustain pricing at high levels, these combined challenges on cost and yields have had significant impact to profitability.

PURPOSE OF THIS DOCUMENT

This document outlines the questions and answers that have come from Green Growers through NZKGI on the Market Strategy for Green and is intended to help provide clarification to frequently asked questions as well as support the category review led by the NZKGI team.

SITUATION REVIEW

HISTORICAL CONTEXT

Can we look at the 10 year plan from around 2016 and understand key changes

In 2016, On Orchard Costs were predicted to rise with inflation and reaching about \$35K by 2021. In reality, costs have risen significantly more to \$65K, almost double the prediction. Volumes in 2016 were at 93M Trays with an average OGR of \$3-\$4NZD. By 2022, this number has doubled to \$8.10 and the trays have reduced to 60M.

The marketing strategy remains relatively similar with a maintained focus on differentiating with quality and taste, building the value for Green through health communication, strengthening relationships with customers and building distribution.

The main shift has been the opportunity in China has been expanded to include other markets with higher positive impact to OGR.

What impact does the global supply of green kiwifruit in market have on the ability for Zespri to drive price and what is the subsequent impact on Hayward growers OGR?

Historically, Hayward green has had a long and fruitful history and over time, the global supply and high volume of green kiwifruit in the market has created a highly commoditised and competitive marketplace.

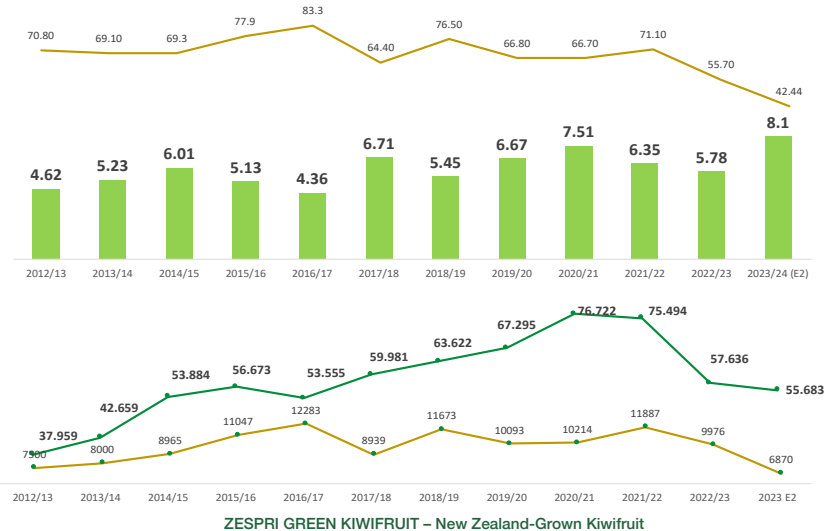
- Hayward Green has been developed since 1927 and reaching its 100 year milestone.
- The increased availability and supply has made it a highly commoditised product with little differentiation between competition and relatively lower willingness to pay among consumers.
- Competition has been improving in quality, availability and instore presence putting pressure on Zespri's ability to continue to command a significant premium.



FINANCIAL OVERVIEW

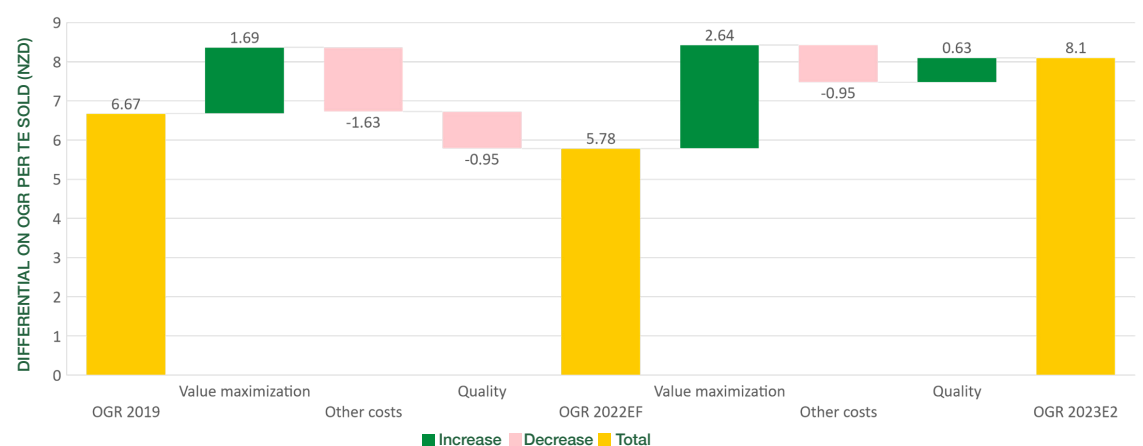
Zespri Hayward Green has seen improvement over time with challenges over the last few seasons.

Yield and Returns have declined.



Source: Zespri Annual Reports (2012-2022)

Coupled with increasing costs that have surpassed our ability to drive value maximisation.



Source: Quality on Te sold includes: fruit quality claims and fruit loss

MAXIMISING VALUE IN MARKETS

What is Zespri's marketing strategy going forward to ensure that Hayward OGR is maximised?

In driving our highest return, Zespri embraces the following building blocks of value. These principles are executed through a combination of market allocation as well as marketing and sales execution offshore.

MANAGE
VOLUMES
TO DRIVE
PRICE

KEEPING DEMAND
AHEAD OF SUPPLY

ALLOCATE
TO HIGHEST
RETURNING
MARKETS

HIGHEST PRICE, WITHIN
THEIR DEMAND

BUILD &
MAINTAIN
BRAND-LED
DEMAND

MAINTAIN DEMAND
IN HIGH RETURN
MARKETS

LIFT VALUE
IN OTHER
MARKETS

SUFFICIENT
GREEN TO
MANAGE
FUTURE LIFTS

AVERAGE OUT BEST RETURNS
WHILE SETTING A FOUNDATION
FOR NEXT SEASON

MAXIMISING VALUE IN MARKETS



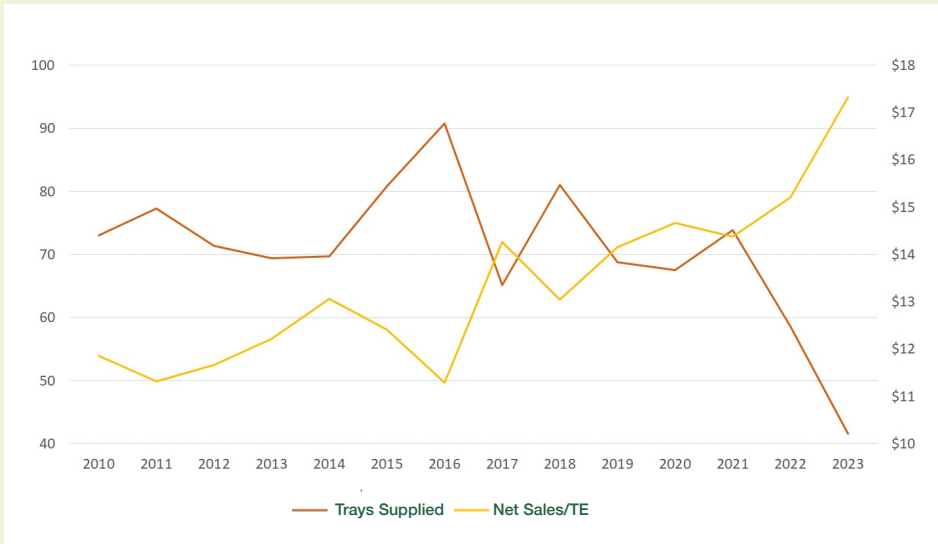
MARKET ALLOCATION

Managing Volumes

To what extent does Zespri focus Hayward kiwifruit on mature markets where it can get maximum value?

Mature and high value markets are not necessarily linked. With Hayward our focus with this declining volume variety is to allocate fruit where there is demand with a focus on optimising returns overall. This is done by filling higher value markets to demand as priority at the start of each season and optimising plans as we go through the season based on the overall supply, demand and value in our markets.

- a. **Manage Supply Due to Inverse Relationship:** Due to a strong inverse relationship between Hayward Green volume and Net Sales, we need to strike the right balance on volume to ensure that we maximise the overall net returns.



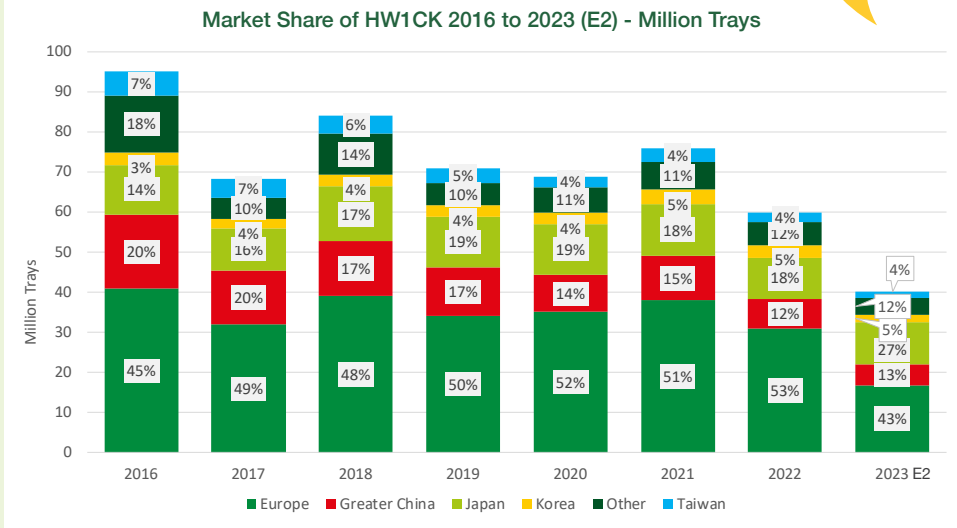
b. Prioritise High Return Market Allocation based on OGR contribution

- The priority of supply goes to high return markets such as Japan, China, SG & US within their supply chain and unconstrained demand limitations
- Ensuring sufficient Green in core markets to maintain category presence and to maintain a future foundation to increase volume.



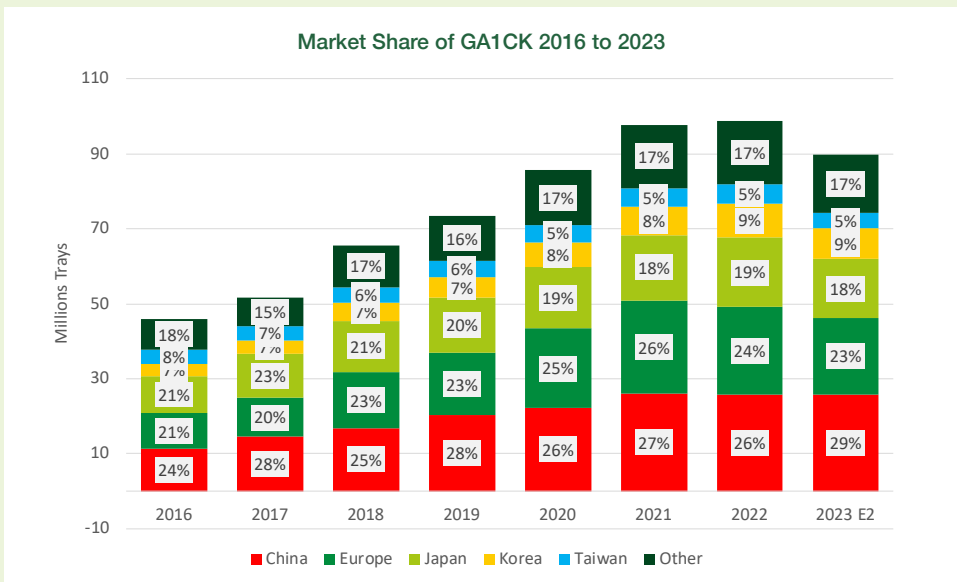
Allocate to Highest Returning Markets

Can you please share more info on market allocation for the larger markets for the last 5 years for both Green and SunGold



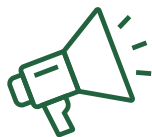
Source: 2016-22 Zespri Annual Reports

- Total volume has decreased
- Pushing Limits on Japan Demand
- Lower OGR in China driven by competition & more commoditised reputation
- Taiwan % Share has decreased slightly to reset value
- Less Supply Visibility (No PVR)



Source: 2016-22 Zespri Annual Reports

- SunGold is different where we have increasing volumes and higher demand with less competitive threats
- Focus in on building demand ahead of supply and building penetration – with China driving growth
- Supply is managed by license to keep demand ahead of supply (PVR).



MARKETING & SALES

What is the amount of promotional spending / discounts for this category (by market) and what are the benefits, please quantify?

Brand Led Demand

In order to drive value, Zespri ensures that we are building demand ahead of supply at the most efficient cost through A&P optimisation.

Building Desirability

Building Health Properties on Digestive Health to ensure Green differentiation in market and relevance within the Everyday Balance Demand space – a strategic health space for Kiwifruit Category Leadership. This builds difference that also allows for a justified premium pricing in markets.

BUILD BRAND LED DEMAND AHEAD OF SUPPLY

GET THE HIGHEST PRICE

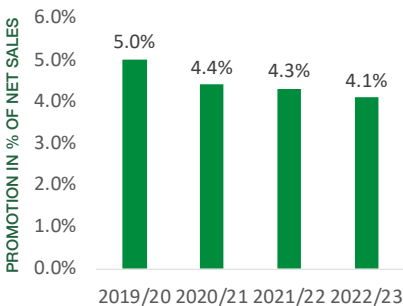
BUILD DESIRABILITY

BUILD REPEAT

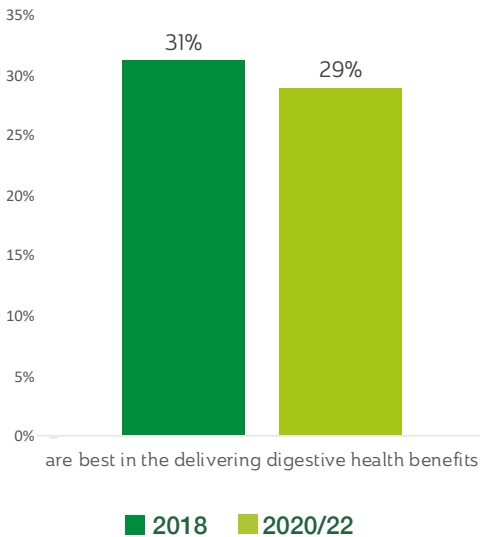
PRICING STRATEGY

WHILE CONSTANTLY OPTIMISING A&P

AT THE MOST EFFICIENT COST

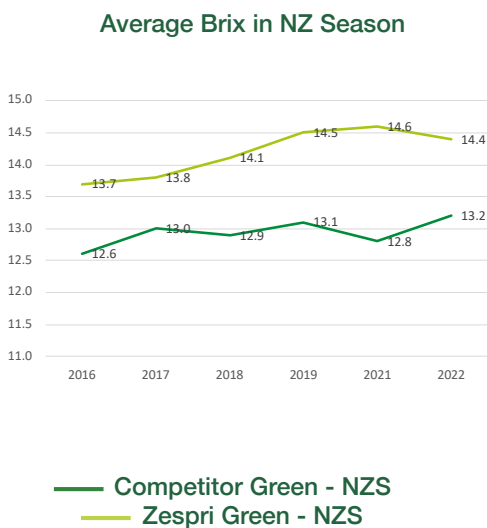


BEST HEALTHY SNACK WITH NATURAL GOODNESS



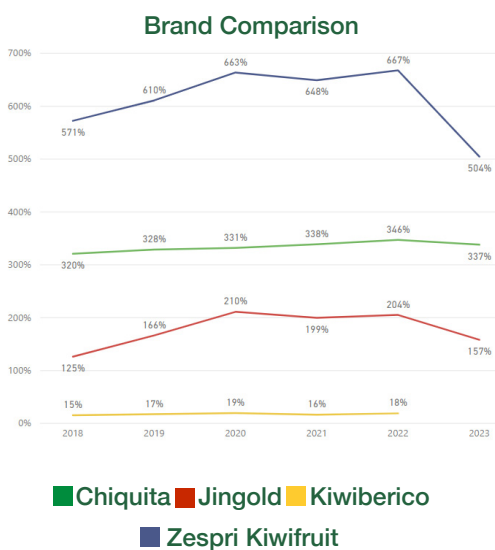
Source: Brand Tracking. Aggregated data for Spain, Taiwan, Korea and Japan.

HAS A GREAT TASTE



Source: In store pricing app data in EU. 2020 excluded due to lack of data during pandemic.

HAS A CONSISTENT GREAT QUALITY



Source: Retail Prices: Shopper Panel Data and Pricing App/Ops Data (*JP &KR); Zespri Gross Prices; internal Data (Power BI).

MAXIMISING VALUE IN MARKETS

Although each cultivar plays a strategic role within the kiwifruit portfolio, they play a collective role in building the kiwifruit category and the power of the total brand.

Strategic demand space: A portfolio approach allows the brand and the NZ industry to be able to maximise the demand in the market. Essentially this addresses different needs and competitive sets in the market to carve out different occasions for each cultivar. For Green, it plays in Everyday Balance – a fundamental health territory where routine, digestion and health are key needs.

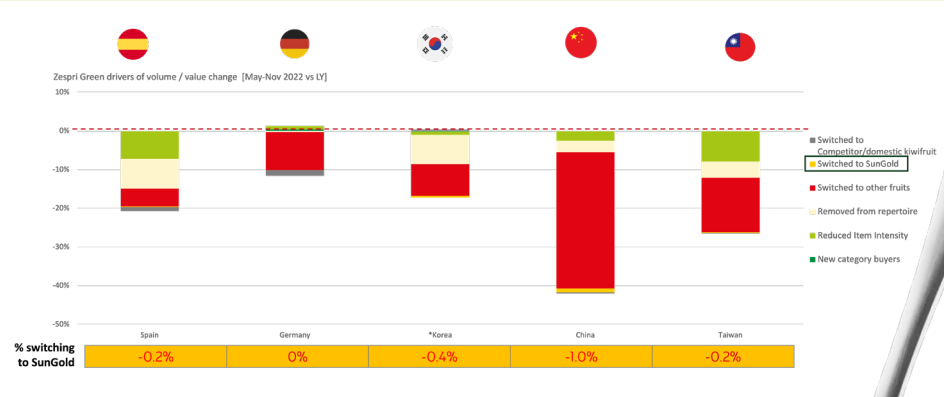
FOCUS TERRITORY FOR KIWIFRUIT					
TERRITORIES	HEALTH			EXPERIENTIAL	
Demand Space	Everyday Balance	To improve or maintain wellbeing	Wholesome Snack	To savour the eating experience	
		Vitality Boost		Delectable Goodness	Sensorial Indulgence
Global size (6 mkt share of occasions)	13%	11%	9%	12%	14%
Green Kiwifruit Performance	Provides daily nutrients/ vitamins	Fortification (e.g., high in Vit C, contains antioxidants)	Pure and natural	Juicy and appetizing fruit	Sensory enjoyment
	Wholesome and counters the effects of unhealthy eating	Cleanse & revitalize (i.e., makes you feel vibrant)	Sustainably produced	Pure and natural	Mood lift
	Good for digestion	Rejuvenate the body and help boost immunity	Stays firm and crisp	Premium quality	Just for you indulgence
	Helps you manage/ avoid health issues		Convenient to eat	Guilt-free	Satisfies sweet cravings
	Strengthens and protect you/your family				Affordable luxury
Green plays in Everyday Balance	HEARTLAND FOR GREEN	STRATEGIC ROLE OF SUNGOLD		STRATEGIC ROLE OF RED	

Source: 2018 Demand Space Study (Focus Territory Spaces)

What value does the Hayward category derive from being placed alongside the SunGold and RubyRed in market?

Minimising Overlap between consumers:

Although consumers do try different fruits in the fruit bowl, a loyal Zespri Green consumer tends to not switch to SunGold or even other Green kiwifruit, they will switch to other fruits when they lapse out of Zespri Green.



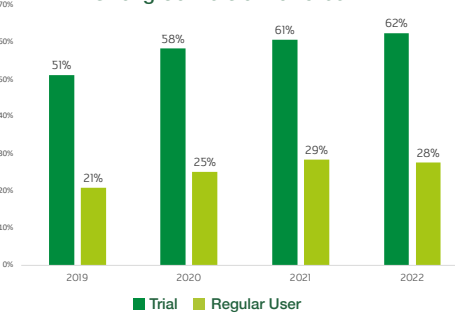
Source: 2022 Gain and Loss Report. Korea data is based on value

Building Repeat

In Store Activation: Given that decision making is made at point of purchase, focus is on in store activations to draw attention to drive sales and in store sampling to encourage trial and conversion given the strong repeat rate of Green.



Strong Conversion for Green



PRICING

What is Zespri's pricing policy around Hayward?

KEY DRIVERS OF PRICE ELASTICITY



HIGH SENSITIVITY TO VOLUME
[OURS & COMPETITION]



MACROECONOMIC FACTORS
[INFLATION, CONSUMER CONFIDENCE]

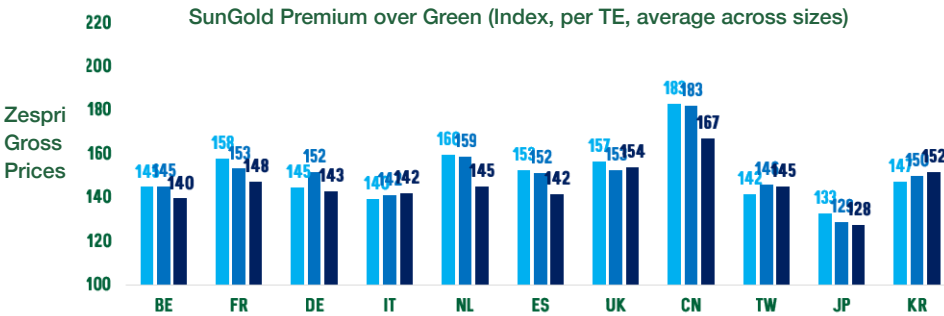
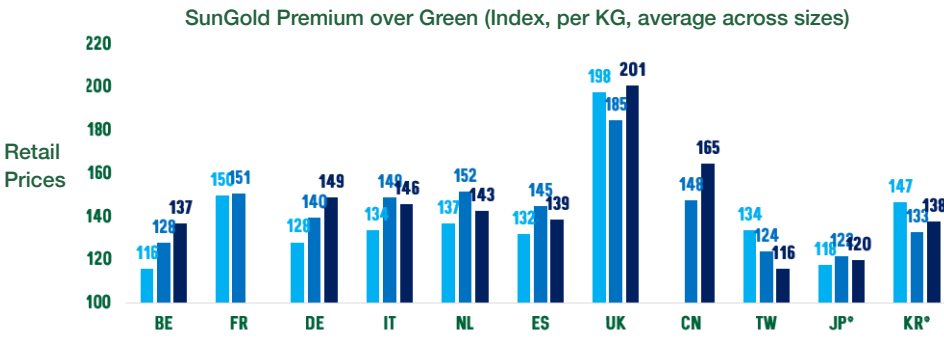


BRAND PREMIUM
PREMIUM FOR MEANINGFUL & DIFFERENT]

When we set prices, it is the anchor for the season and the base for change throughout the season should there be an early indication of issues. In the long run, the ability for pricing to be increased can be impacted by a negative reputation on quality especially if consistent over time. Tactical Customer Funds or marketing activations are also sometimes used to minimise fruit loss risk by accelerating run rates when necessary.

We are premium to other Fruits with SunGold at a 130-150 Index to Hayward Green

Zespri does not set retail pricing and is generally precluded from doing so by competition law requirements but research has demonstrated that Zespri SunGold consistently commands a higher price point at retail due its strong demand and run rates. SunGold Gross Prices are consistently a 151 index vs Green in all of Zespri's core markets. Zespri green pricing is a premium in the markets. Premium price point above other fruits while SunGold is at a 130-145 Index over Green.



Source: Retail Prices: Shopper Panel Data and Pricing App/Ops Data (*JP & KR); Zespri Gross Prices; Internal Data (Power BI)

What is the pricing elasticity for this variety by market?
Expressed as price and sales volume by week

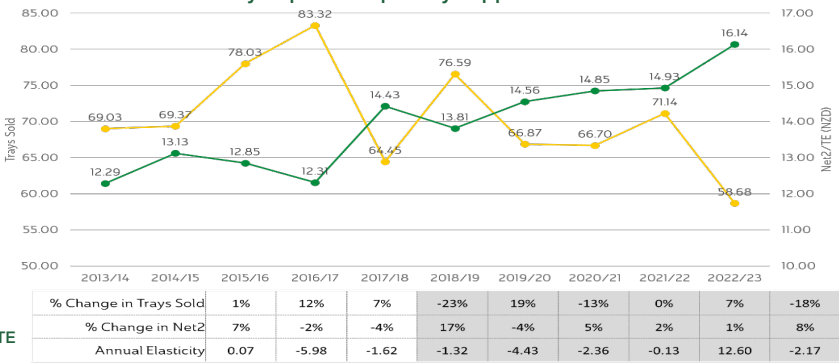
SENSITIVITY TO VOLUME

Price elasticity measures the responsiveness of the quantity demanded or supplied of a good to a change in its price. It is computed as the percentage change in quantity demanded—or supplied—divided by the percentage change in price. In a nutshell, this means that pricing is highly influenced by volume.

All markets – Hayward green (Trays Sold vs Net Sales/Te)

- Commentary focuses from 2017 onwards as these years resemble our current situation better than periods before
- Analysis suggests that significant decrease in volumes (>13%) would result in an increase in Net2

Elasticity of price vs quantity supplied



MAXIMISING VALUE IN MARKETS

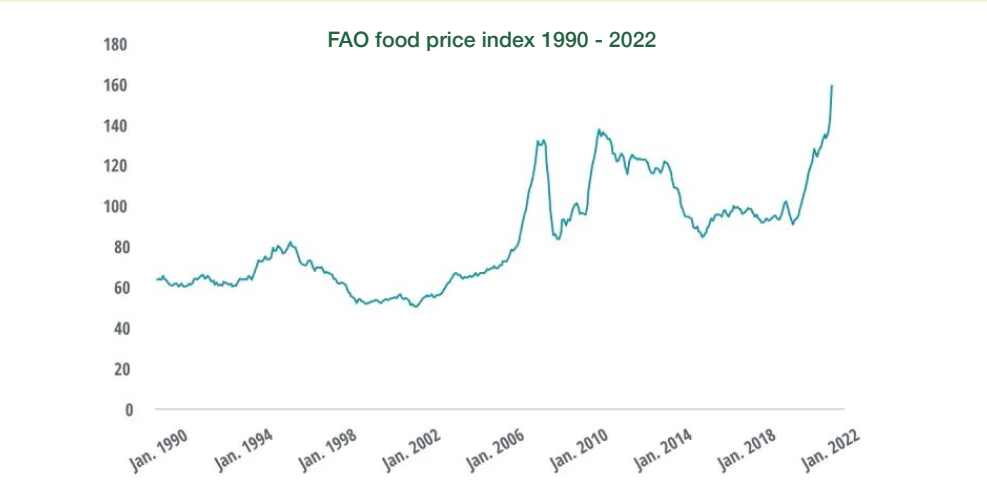
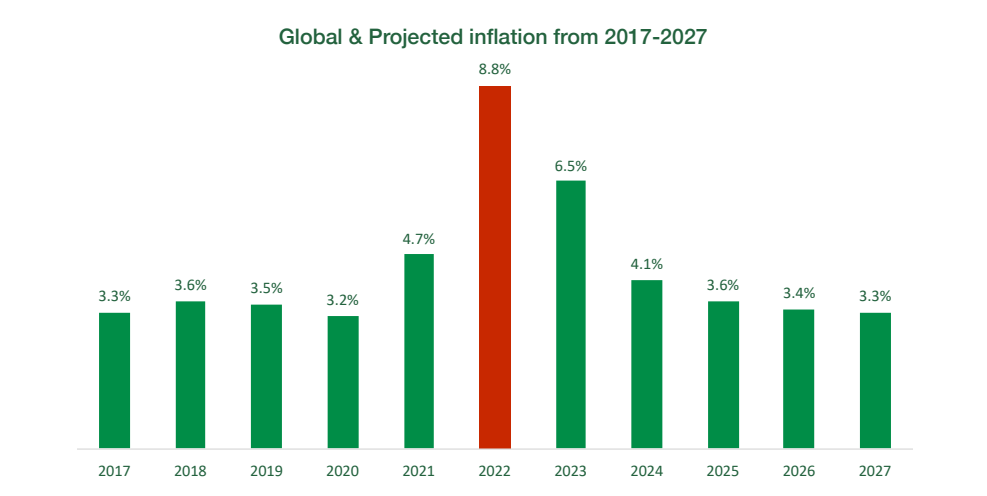


What impact does inflation have on the ability for Zespri to drive price of New Zealand kiwifruit sold in market and what is the subsequent impact OGR?

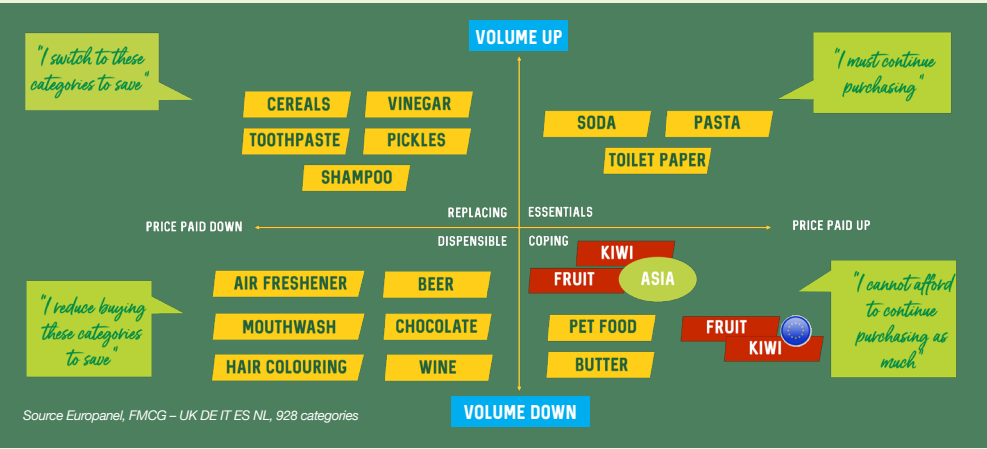
MACROECONOMIC FACTORS

Historically, Zespri has been able to sustain our premium price/tray above traditional inflation and consumer price index levels.

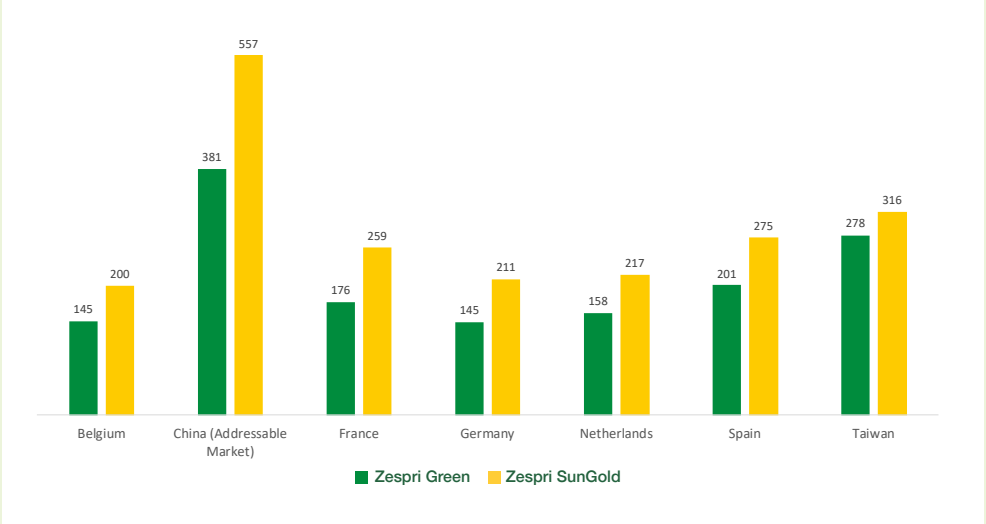
- a. **A Recap of the Inflation Situation:** Historical Global & Projected Inflation from 2017 – 2027 and FAO Food Price Index (1990-2022). This demonstrates the recent increase in inflation and increase in food category prices. We suspect that this is causing our consumers to re-evaluate value during these extraordinary times.



- b. **What it signals for the Kiwifruit Industry?:** Based on Europanel's survey of FMCG (Fast Moving Consumer Goods) of 928 categories, kiwifruit falls in the coping category where consumers struggle to continue purchasing as much as before.



- c. **What does this mean for pricing and OGR?** Essentially, this resistance to being able to pay or buy more puts a pressure on ability to continue raising pricing that is already a significant premium to competition and other fruits within the category. Zespri Green is already at a premium vs average fruit.

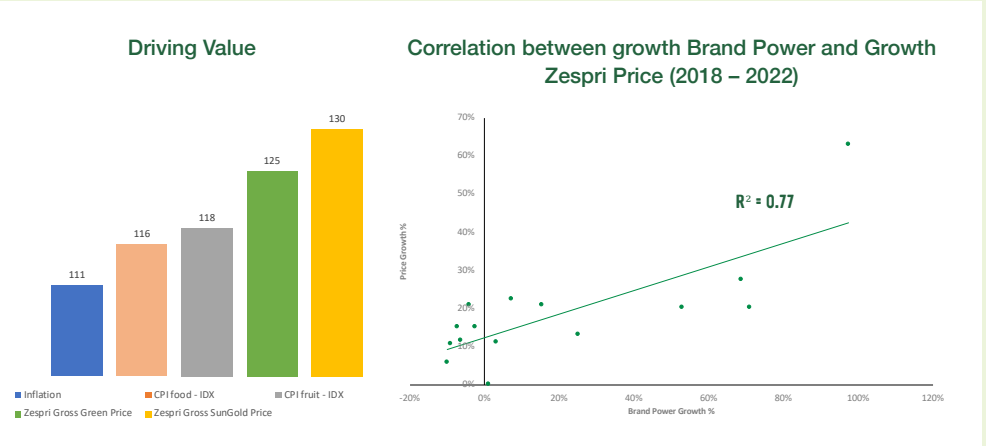


This challenging situation essentially creates pressure on pricing up any further without risking consumers switching to other fruits within the category.

IMPACT OF BRAND POWER TO PRICING PREMIUM

Pricing for the season is set by Zespri, based on the 10-year plan, market development strategy, early season budgets, and latest supply forecast. These long-term plans and frameworks are approved by the Zespri board and provide the starting point for the current year pricing. Leading up to the season, Zespri will review and adjust price to reflect the overall supply for the year as well as local market factors e.g. market environment, local regulations, compliance, local taxes etc. Key principles that allows us to realize our full pricing potential also includes other supporting factors:

- Invest in Marketing to drive up health and quality credentials of Zespri Green to maintain our product as a justified premium. Historically this has allowed us to price above CPI and Inflation as well as sustain our Zespri price through growth of Brand Power.



- As each season is different and the competitive set differs, Zespri also continually tests the limits of pricing by setting early season stretch pricing and leveraging customer funds & discounts as necessary to improve run rates as the season progresses.

How is it that Hayward kiwifruit with a Zespri label is often sold for the same price as SunGold in supermarkets?

Line pricing examples

WE CAN'T

Put pressure on distributors in case of deviations of the recommended resale prices or incentivise distributors to follow the recommended resale prices.

SHORT TERM PROMOTIONS

Scenario 1: DUAL PROMOTION: Both SunGold & Green are promoted together and sold at the same price.

Scenario 2: SUNGOLD DISCOUNT: Only SunGold is promoted and Green sold at regular price.

AVAILABILITY

Scenario 1: OUT OF STOCK Size Replacements to backfill will cause temporary difference in Price/KG.

Scenario 2: SHORTAGE IN GREEN Increase price of Green in the short-term to manage demand.

RETAIL STRATEGY

Scenario 1: ALL KIWI IS ONE CODE: Limited capacity of code masters.

Scenario 2: FEW PRICE POINTS: To help make it more convenient for Shoppers.

Scenario 3: SAME PRICE DIFFERENT SIZE: Resulting in same price.



For fair trade practices, we do operate under certain constraints. Zespri sets the per tray pricing for distribution partners but does not set any retail pricing. We can in some markets issue a recommended retail price, but this is a recommendation only; even where a recommended retail price is permissible, Zespri may choose not to issue an RRP to preserve flexibility in pricing to respond to market conditions.

In exceptional cases, line pricing has been observed and driven by promotions, availability or technical challenges within retail. Please note, these instances were difficult to find and estimated to be far below 1% of total global instances.

Promotions: Sometimes retailers run promotions which could see Green and Gold priced at the same level, but it would be only short term (normally for one selling week)

- Scenario 1)** Only SunGold promoted and Green sold for regular price – in rare cases, this leads to an equal or lower price of SunGold vs. Green
- Scenario 2)** both SunGold & Green promoted together and sold at the same price; in that case, SunGold is sold at a much deeper discount than Green and retailers lose higher margin for SunGold.

Availability: Sometimes the sizes will be different, and this will distort the price difference between Green and Gold.

- Scenario 1)** Due to out-of-stock situations for a particular size, we sometimes need to switch to a bigger size in the short term to keep supply continuity; in that case, the RSP is normally held constant; this can lead to “indirect” line price reporting on a per kg basis (if sold per piece)
- Scenario 2)** In out-of-stock situations, if price is adjusted, this can lead to line pricing (e.g. if bigger size Green or smaller size SunGold is delivered and price adjusted accordingly)

MAXIMISING VALUE IN MARKETS

- **Scenario 3)** Shortage in fruit may motivate retailers or wholesalers to increase price of Green in the short-term to manage demand (in this case, Zespri will also increase price in the short to mid-term)

Technical or Strategic: Sometimes, however, some retailers do line price all kiwifruit in their store because it's a very small category and usually we don't have promotional support to differentiate. Sometimes it is due to retailers having only have one barcode for all kiwifruits. This has been mostly observed in Japan.

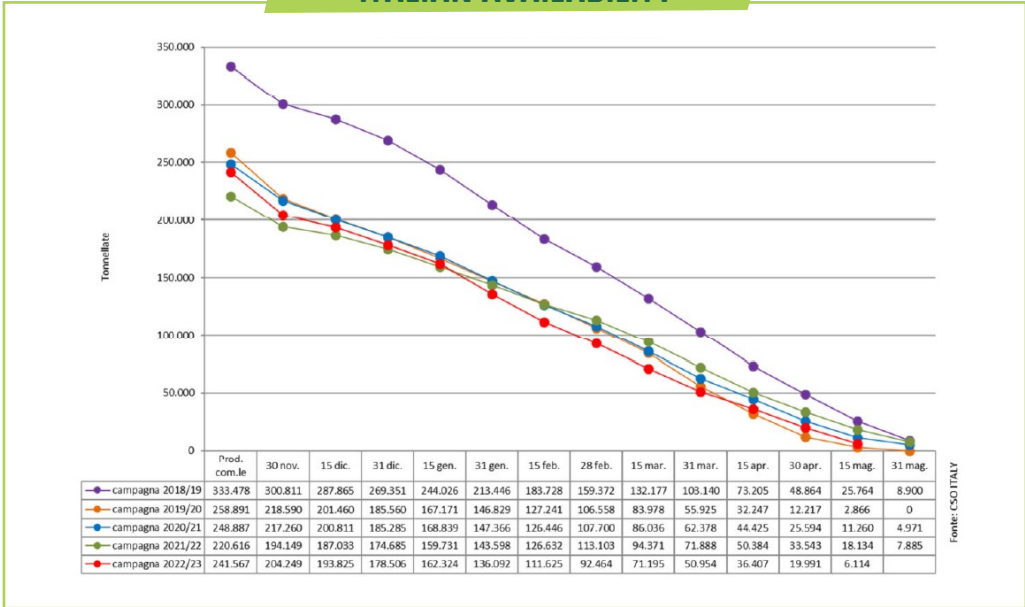
Japan: From the sales team investigation, 21 customers out of 123 total members in the ACSMs – Annually Contracted Supermarkets- partially employed line pricing. The above number of 21

represents 17% of all ACSMs in Japan and a maximum of 2.5% of overall volume in the market. The ratio has been getting lower year by year by the proactive actions below.

- a. **Operational issue** No separate KF loose by variant at cashier due to the capacity of code masters
 - **Approach from Zespri:** POSM with fruit label on or sometimes even provided fruit labels in case of the seal peeling off fruits.
- b. **Company policy of fewer price points for the convenience of shoppers.**
 - **Approach from Zespri:** We try to suggest different prices for loose of each variant and that contributes to the growth of overall category.

Can we have a chart for the large markets of competition in our NZ Green window (by week 0 i.e availability of Italian and Chilean)

ITALIAN AVAILABILITY



CHILEAN AVAILABILITY



VALUE CHAIN OPTIMISATION

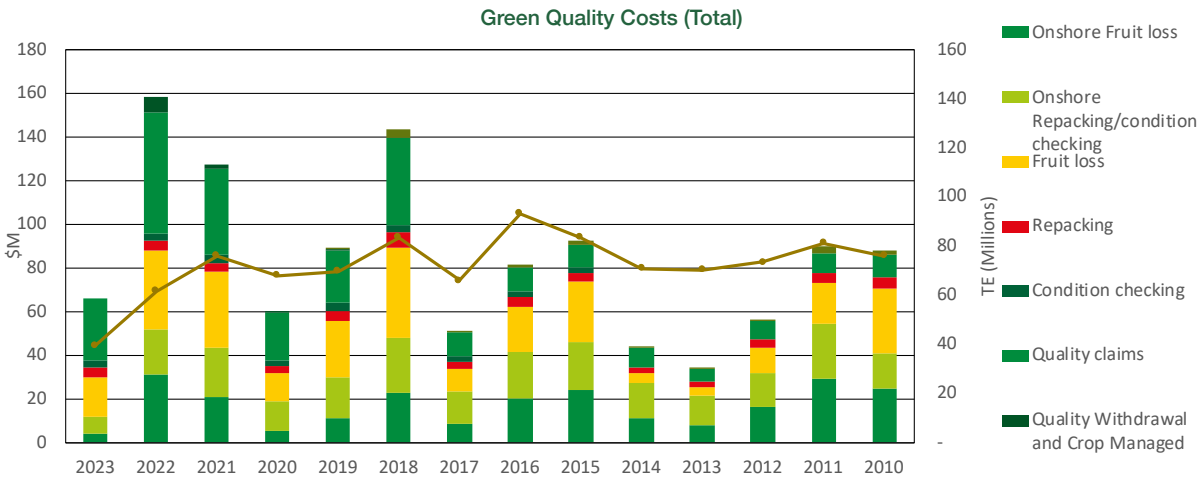


SUPPLY CHAIN

The two top Green challenges are 1) Green productivity and 2) Green storage. What work is being done on these?

Quality Costs in 2021 and 2022 increased mainly due to softs and rots contributed by early mainpack, mainpack and late shipping. Programs in place include:

- **Flexible Supply Chain** (Value proposition: Improving supply chain efficiency/ flexibility without affecting fruit quality)
- **Improved fruit quality measurement** - (Value proposition: Increase the accuracy, efficiency, and effectiveness of measuring Zespri fruit quality (tools and techniques) in a globally consistent manner)
- **Quality across the Supply Chain (GA/HW)** (Value proposition: Reduce fruit quality costs (onshore and offshore) from quality issues).



To what extent does Zespri's shipping strategy create maximum value for Hayward growers? (Does it erode value for Hayward Green?)

Shipping costs should be cheaper per TE for Green to each market than SG as there is more fruit in a container with 10KG MB packaging

- We operate at scale across all fruit groups which means we are able to negotiate much more favourable freight rates than most competitors out of NZ. We know this by doing regular benchmarking against other fruit companies, and regular Request for Proposal (RFP) processes. We also use the size of the crop to be able to contract charter vessels, which allow speed to market for early season fruit for Green season start, and provide a better quality outcome.
- We seek to procure the optimum amount of Green kiwistart fruit and ship to market accordingly to get early season run rates for the Green category which will allow maximising early season sales, and also get the season sales underway in a timely manner.
- Although we allocate to high return markets such as Japan, Singapore and Greater China, there is a limit in their demand and we need to continue to supply our largest Green market in Europe. This greater proportion of Green that goes to Europe, which also represents a greater cost due to time and distance, results in Green shipping being relatively more expensive compared to Gold.
- Late season shipping is optimised to provide fruit to the best returning market at the right time that will provide value back to growers. While we have seen some late season shipping in previous seasons, Zespri seeks to ensure that fruit shipped will provide a positive OGR to growers at time of departure, however, sometimes this does not eventuate due to external factors or quality.

In General the cost per tray on freight is relatively similar between fruit groups with direct costs for Hayward Green slightly less than SunGold.

- **Pack Types** – MB and ML cheaper than ITs. The decision on the split is balanced with repacking needs between post harvest, shipping and in market efficiency needs. Green has a slight cost savings due its higher usage of MB/ML/MX s at 79.24% (Green) vs 75.8% (SunGold).

	GA1CK	HW1CK
IJ	13.24%	0.00%
IT	10.95%	20.61%
LB	0.01%	0.01%
M2	0.00%	0.13%
MB	0.00%	74.83%
ML	71.19%	4.41%
MX	4.61%	0.00%
Total	100%	100%

- **Shipping Lane Competition** – Driven by the number of suppliers and activity per the shipping lane (i.e NZ – Shanghai more options than NZ to Pittsburg).
- **Container vs Charter** – This can differ by port and with charters typically being 25-35% higher. However, discharge cost and inbound transportation (from port to DC) makes price comparable.
- **Time in Season** – Early season tends to have more demand and higher rates. However, rates are negotiated for the full year with total volumes and has minimal difference in the freight rates by pool.

VALUE CHAIN OPTIMISATION

What impact do tariffs have on the ability for Zespri to drive price of New Zealand kiwifruit sold in market and what is the subsequent impact OGR?
What impact have historic tariff reductions had on Hayward OGRs?

The impact of duties and tariffs has decreased over the last 5 years

4.1%
OF REVENUES
IN 2017/18

2.4%
OF REVENUES
IN 2022/23

Duties and tariffs are taxes imposed by governments on imported goods and can affect the cost of bringing fruits into a particular market.

New Zealand -grown Kiwifruit costs as a percentage of Revenue	Zespri® Green Kiwifruit					
	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Zespri Margin ⁽¹⁾	6.0%	6.9%	6.7%	7.0%	6.8%	7.7%
Freight	13%	9.1%	6.8%	7.9%	8.3%	7.5%
Insurance	0.2%	0.4%	0.2%	0.2%	0.1%	0.3%
Duty and Customs	2.4%	2.0%	2.5%	2.2%	4.1%	4.1%
Other onshore direct costs	1.6%	1.4%	1.6%	1.4%	1.5%	1.4%
Other offshore direct costs	5.9%	4.3%	4.0%	4.3%	4.2%	3.5%
Promotion	4.1%	4.3%	4.4%	5.0%	5.1%	4.4%
Interest	0.4%	0.1%	0.0%	0.1%	0.1%	0.1%
KNZ/NZKGI	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Purchase of Kiwifruit	66.3%	71.4%	73.7%	71.8%	69.7%	70.9%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue attributable to Zespri Green Kiwifruit (\$'000)	890,186	1,061,425	989,845	972,320	1,057,026	929,204

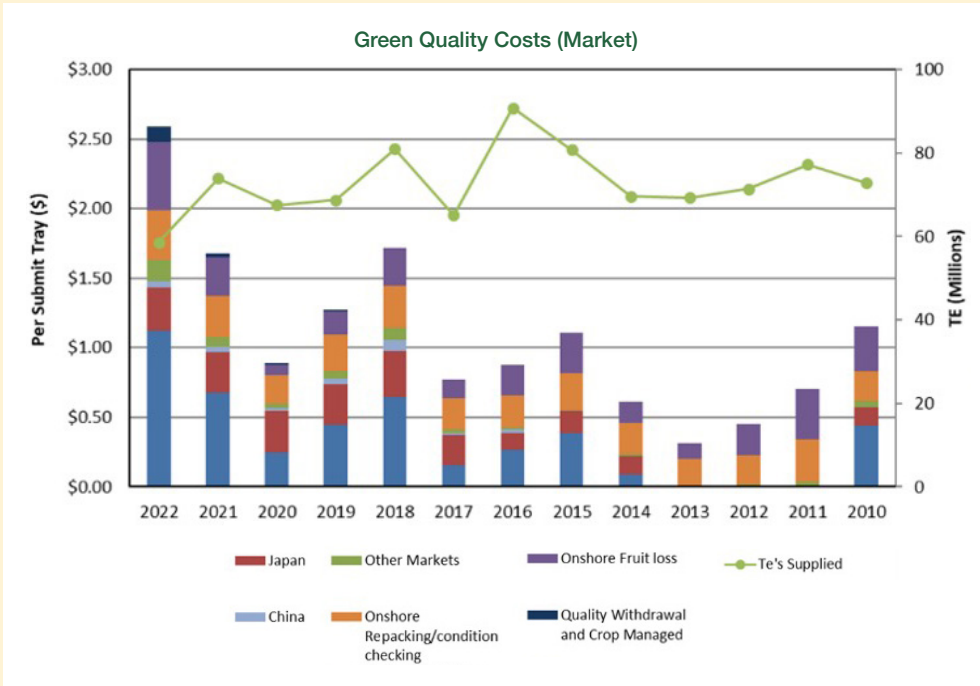
These are the key dimensions considered to adapt our prices and to maximise global OGR:

- Cost of Goods Sold (COGS):** Duties and tariffs directly increase the cost of acquiring fruits for international suppliers. These additional costs are factored into our price, and if not managed properly, this can reduce OGR.
- Competitiveness:** Higher duties and tariffs may make Zespri fruits more expensive compared to locally produced or competing imported fruits in the market. This could lead to a loss of market share as consumers might opt for cheaper alternatives. For example, Korea tariffs on kiwifruits have been eliminated in 2020 which is also the case on kiwifruits from Chile.
- Supply Chain and Sourcing:** The impact of duties and tariffs can vary depending on the country of origin and destination. It may be necessary to reevaluate supply chain and sourcing strategies to find the most cost-effective routes, possibly opting for countries with lower duty rates to maximise OGR.
- Negotiation with Customers:** When dealing with customers, Zespri needs to consider passing-through or sharing the impact of duties and tariffs. Depending on the market conditions and competition, passing the full cost increase/decrease to customers may not always be optimal.
- Long-term Planning:** The landscape of international trade can change, with duties and tariffs being subject to modifications due to trade agreements or geopolitical developments. Zespri keeps tracking these changes and adapts long-term pricing strategy accordingly.

6. **Government Relations and Advocacy:** Zespri is also engaged in government relations in order to lobby for more favourable trade policies (e.g., EU) which can help reduce the impact of tariffs and duties and provide opportunity for OGR uplift (with consideration of above points).

In conclusion, the above factors help develop a pricing strategy that takes into account these costs and maintains competitiveness in the markets. The impact of duties and tariffs is assessed and monitored when setting price in order to balance volume and price in accretive markets, and thus, to maximise overall OGR.

Other external factor impacting price setting is Currency Exchange Rates. Indeed International trade involves currency exchange, which can also be affected by economic and political factors. Fluctuations in exchange rates can further influence the cost of importing fruits and may need to be factored into pricing decisions in parallel with Zespri strategy of hedging to manage risks. Retail prices are at the sole discretion of retailers.



SUMMARY - by market (per TE Supplied)			
Green	2022	2021	2020
Europe	\$2.22	\$1.36	\$0.48
China	\$0.62	\$0.43	\$0.21
Japan	\$1.88	\$1.69	\$1.59
Other Markets	\$0.74	\$0.31	\$0.17
Onshore	\$0.85	\$0.58	\$0.58
Quality Withdrawal	\$0.11		
Total	\$2.59	\$1.68	\$0.89

SUMMARY - CoQ weighted by market			
Green	2022	2021	2020
Europe	\$1.12	\$0.68	\$0.25
China	\$0.05	\$0.04	\$0.02
Japan	\$0.32	\$0.29	\$0.30
Other Markets	\$0.15	\$0.06	\$0.04
Onshore	\$0.96	\$0.58	\$0.28
Total	\$2.59	\$1.65	\$0.88



PRODUCTIVITY

Can we share Green productivity by NZ growing regions to see the range

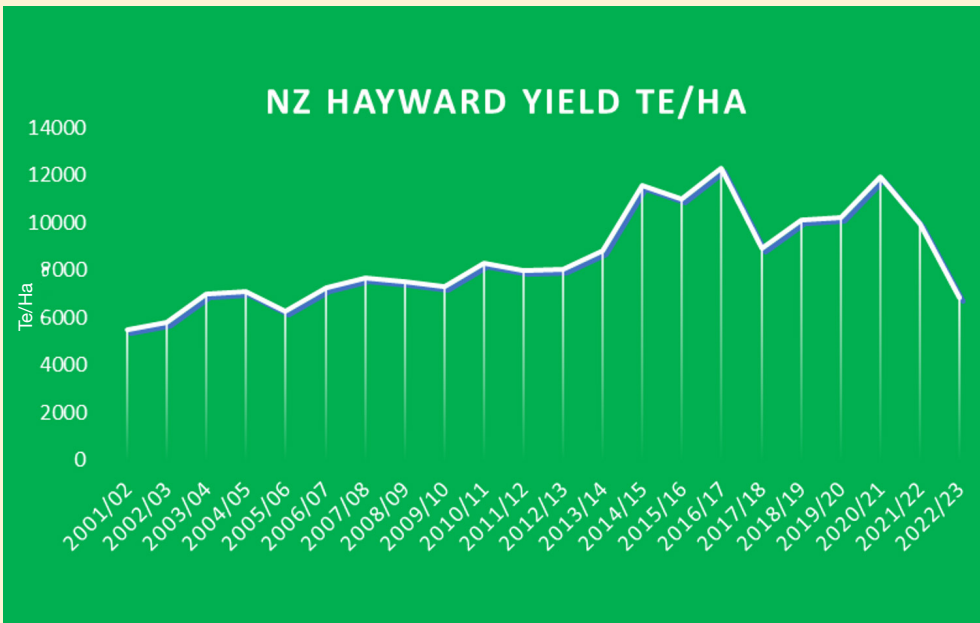
Regional Production Analysis - New Zealand-Grown Kiwifruit

2023 GREEN CLASS 1 STANDARD SUPPLY SIZES							
Supply Region & Area	Harvested Hectares	Gross Trays	Trays per hectare	Fruit per m2	Average fruit size	Average TZG	Average Dry Matter %
AUCKLAND	210	1,393,351	6,622	24	32.0	0.68	17.7
AUCKLAND	33	197,203	5,892	21	32.3	0.74	17.9
FRANKLIN	177	1,196,148	6,760	24	32.0	0.67	17.6
BAY OF PLENTY	5,034	35,625,359	7,077	24	30.3	0.71	17.7
EDGECLUMBE	214	1,187,683	5,556	19	30.8	0.69	17.7
KATIKATI	753	4,532,857	6,018	20	30.0	0.70	17.7
MAKETU	287	2,366,360	8,240	27	30.0	0.68	17.6
MANIATUTU	229	1,886,391	8,229	28	30.3	0.66	17.5
OPOTIKI	400	2,673,048	6,686	23	30.3	0.76	17.9
PAENGAROA	423	3,571,508	8,443	28	30.1	0.69	17.6
PUKEHINA	237	2,069,668	8,737	30	30.7	0.66	17.5
TAURANGA	859	5,195,406	6,049	20	29.9	0.72	17.8
TE PUKE	1,549	11,714,754	7,563	26	30.5	0.74	17.8
WAIHI	83	427,685	5,131	17	30.6	0.72	17.8
GISBORNE	20	114,120	5,627	21	33.5	0.86	18.5
HAWKES BAY	25	144,964	5,871	21	32.9	0.71	17.8
LOWER NORTH ISLAND	69	397,479	5,725	20	31.3	0.53	17.0
NELSON	168	1,073,988	6,379	22	31.6	0.79	18.2
NORTHLAND	54	225,717	4,161	15	31.9	0.78	18.1
KERIKERI	14	30,346	2,175	7	29.8	0.77	18.0
WHANGAREI	40	195,371	4,849	17	32.2	0.78	18.1
WAIKATO	176	621,556	3,538	12	31.0	0.73	17.9
COROMANDEL	53	141,432	2,682	9	31.8	0.76	18.1
WAIKATO	123	480,124	3,904	13	30.7	0.72	17.9
CONVENTIONAL	5,757	39,596,533	6,878	23	30.4	0.71	17.7
ORGANIC	458	2,050,619	4,476	16	32.6	0.64	17.4
GREEN14	23	108,721	4,688	18	34.8	0.46	18.9

© 2023 Zespri Group Limited. All rights reserved. Zespri Group Limited and/or its subsidiaries ("ZGL") have endeavoured to exercise reasonable skill in obtaining and presenting the information in this report. However, your use of the information is at your own risk and ZGL makes no warranty, representation or guarantee of the accuracy or completeness of the information in any way. ZGL shall not be liable to any person for any error or omission contained in the report or any loss, damage or cost arising from that person's reliance on the information in the report.

Productivity Trends:

- Innovation & Extension have played a pivotal role in Hayward yields increasing over 100% in the last 20 years
- Weather has had a large impact of HW productivity over recent years
 - Warmer winters means less chill and lower flower numbers
 - Colder sites allow higher flower numbers but suffer greater risk of PSA and lower dry matter
 - Poor weather over pollination lowers fruit set and reduces fruit size.
- The loss of higher producing Hayward orchards been converted to Gold3 is lowering overall yields
- Hayward blocks may not be the priority on orchards where there are other varieties e.g. Red19 and Gold3.



How are the time costs (fruit loss and quality) in market accounted for in the pricing policy?

Fruit loss and Quality Claims are not accounted for in the pricing policy as the pricing is driven by market dynamics and supply. However, the fruit loss and quality claims are deducted from the total returns and impact the net OGR.

LOOKING AHEAD

Going forward, Zespri is focused on maintaining the values thus far but with a special emphasis on:

OPTIMAL YIELD VALUES

MITIGATE COSTS

BUILD DIFFERENTIATION

INVEST IN INNOVATION



How much innovation spend is on Hayward, and what are the main areas of innovation?

What is the in-market price for Green vs Gold? Couldn't Zespri open up new markets for Green?

Innovation at Zespri aims to improve resilience and prepare for the future. Of the total innovation focus, which includes NZ Supply Optimisation and New Cultivars, focus on Hayward Green centers around the following:

HI-Cane Alternative programme

- Research Projects NZ based testing and optimising leading products (Siberio, Synchron, BudUp and Erger).
- Fundamental research to inform applied solutions for dormancy release, budbreak prediction, vine management.

New PVR Green Replacement

- Improve declining yields.
- Address upcoming ban on Hi-Cane.
- Product Differentiation on taste, eating window and superior and balanced multi-nutrient content.
- Optimal harvest window mitigate poor quality risk of fruit and support the transition to a Southern Hemisphere season.

Building Future Efficiencies: The innovation program also includes other initiatives that will also benefit green across the following spaces;

- Improved Official supply estimate (OSE) through data analysis.
- Work Efficiencies & Automation - Increased efficiency of and reduced reliance on manual labour (without sacrificing fruit quality).
- Water Strategy programme (Nutrient efficiency, water efficiency and soil health).
- Climate Change Programme.
- Psa research projects for sustainable control and novel solutions (included in Sustainable Crop Protection and Market Access programme).
- Future Growing Systems - New approaches to production of kiwifruit to enhance Class-1 yield and consumer appeal.

The market price for Green vs SunGold depends on the market demand and supply (see Section 2 'Pricing').

Opening up New Markets for Green requires the following:

- **Opening up for volume growth** – our 5YP (Five Year Plan) looks into unconstrained demand by market and shows that there is still room for growth in the existing markets that we are already present in. Especially with limited supply on Green, we can continue to grow and service these core markets which already represent higher OGR yielding markets (i.e. Japan)
- **Investment to build distribution and demand:** Entering any new market would require investment to establish both our distribution network and investing in building the consumption funnel for consumers (Awareness, Trial, Repeat). This would result in a low return in the first 3-5 years as we would need to overinvest to build the market. (i.e US)
- **Market Restrictions:** In addition, to explore other markets, they would need to meet the threshold of having no market access issues as well as demonstrate demand for Green Kiwifruit.

APPENDIX – DATA SOURCE EXPLANATION

- Shopper panel data is an average of all Zespri purchases that happened in that market in that year by respondents of the shopperpanel (n between 5-12k) In most markets, price is recorded per kg. Where price is recorded by piece (for loose fruit only), the volume is estimated by the average size profile of that market for the given year. This is mainly the case in BE. The recorded price is an overall price during the year, with and without promotions.
- The pricing app/Ops data, is based on price per kg, where sold per unit, size in store is recorded and used to calculate exact price p kg, or in JP, fruit is bought and weighed to recalculate price per kg (while they measure quality as well). Number of datapoints is reduced since Covid, and is usually between 100-500 p yr in a market, except for JP and KR, where we have over 15k and 10k datapoints p yr resp.

©2023 Zespri Group Limited. All rights reserved. ZGL has used reasonable endeavours to ensure the accuracy of the information within this publication but does not accept liability for any errors or omissions in the information or reliance by any person on the information in this document. ZGL does not undertake, or accept any obligation, to update this document to reflect additional or new information that becomes known to it, or changes in circumstances which occur after the date this document is published.

