

APATA KIWIFRUIT UPDATE

September 2008

Welcome to the September issue of the Apata Kiwifruit Update

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AGM Focused on Operational Excellence: Todd Muller

At Apata's Annual General Meeting, held in Tauranga on Wednesday, Chairman Dave Goodwin highlighted Apata's strong operational performance and best ever profitability result for 2007/08.


With a 27% increase in kiwifruit volume, 40% increase in avocado export volume, positive orchard gate returns and fruit loss well under the industry average, our full year results signal a focus on delivering powerful results for you as Apata growers, while much of the industry turns inwards and slows, waiting for signs of recovery.

Dave highlighted to growers that Apata's reputation for operational excellence is achieved by focusing on delivering solid results in inventory management, quality delivery to market and healthy grower returns. The strong financial results presented are especially satisfying when we consider the significant structural changes that Apata has been undertaking.

I presented to growers an update on our comprehensive strategic review, which was implemented in 2007. We have forged ahead with organisational, structural and performance-related initiatives, which have focused on investment in people and systems. This has resulted in a strong operational performance for 2007/08, from which we will build to achieve tomorrow's business reality. Our industry will be market led, our supply chain will consolidate, and Apata will be one of the leaders of New Zealand's kiwifruit and avocado industries by maintaining our quality service delivery platform, with a focus on growing a business that delivers real value to growers and marketers.

Our goal is to grow 10% per year in kiwifruit, and avocados, despite there biennial challenges, are really starting to positively impact our business with a genuine contribution. This volume growth needs to be supported with the best plant and infrastructure and Apata is one of the best post-harvest companies in New Zealand in this regard. We spent \$1.5 million last year on Turntable Road and this year we will spend over \$5 million on significant cool storage, canopy and bin tip equipment at our Turntable Road site, plus additional investment at our Northland site.





I also signaled to our shareholders our intent to look for a new eastern site to house our organic volumes in the medium term.

This investment in plant and equipment needs to be matched by investment in people, systems and processes to ensure our business is able to sustain our journey. At the end of the day, you can have all the equipment in the world, but if you don't have the right people, supported by good business systems, then the business won't fly. I hope you can see we are determined to deliver on this front, especially over the next few months, as we land on what additional people resources we need to support our target of 7.8 million trays for 2009.

Todd.

First Forecast for 2008/09 Season Announced

ZESPRI has released an update on fruit and service payments for the 2008/09 season.

Forecast 2008/09 fruit and service payments are projected to increase for all pools compared with last season, due to an improved size profile and improved foreign exchange rates.

Foreign exchange improvements are set to contribute to the overall \$130.6 million improvement, but were offset to some extent by the negative impact of bunker (fuel) rates which contributed to total freight costs increasing 25 percent on a per tray level compared with last season.

Fruit and Service Payments (per tray equivalent excluding the loyalty premium)				
Pools (fruit categories)	2007/08 Final	2008/09 (August forecast)	Variance between 2007/08 Final and 2008/09 August forecast	2008/09 (Indicative range released in May 2008)
GREEN	\$6.30	\$6.91	+\$0.61	\$6.75 to \$7.15
GREEN ORGANIC	\$8.15	\$9.15	+\$1.00	\$8.70 to \$9.10
GOLD	\$8.94	\$9.54	+\$0.60	\$9.30 to \$9.70
Total fruit and service payments (across all pools)	\$651.3 million (\$6.83 per tray)	\$781.9 million (\$7.50 per tray)	+\$130.6 million (\$0.67 per tray)	

Apata's first forecast will be posted to you along with your monthly payment advice on 15 September. We will be sending you a revamped grower letter with an easy-to-understand guide for reading your forecast. We look forward to hearing your feedback on these improvements.



Organic Category Manager Appointed: Bevan Bayne

I am pleased to announce the appointment of our Organics Category Manager.



Andrew Wood, who currently holds a number of influential positions within the kiwifruit industry, has accepted the position of Organics Category Manager. Andrew has worked within the New Zealand kiwifruit industry for the past 25 years and has had a substantial involvement with organics during that time, predominantly with Apata's Pyes Pa site and our organic growers. Andrew will be familiar to many of our growers as an Apata organic grower, and Andrew has also been a relief packhouse manager in all of our Bay of Plenty packhouses.

Andrew currently has responsibilities/interests in many industry groups such as NZ Master Contractors Inc, NZ Tamarillo Growers Association, and Seasonal Labour Governance Groups. Andrew also personally leases kiwifruit orchards, owns a pollination business and is an organic kiwifruit grower.

Over the next five weeks Andrew will fulfill his obligations with various industry groups, and will commence his role at Apata on Wednesday 1 October.

Technical Update: Wade Hunkin

Apata and ZESPRI Crop Protection Field Day

We are holding a Crop Protection Field Day in conjunction with ZESPRI on Wednesday 10 September. The Field Day will be held at Bruntwood Farms, off Plummers Point Road Omokoroa starting at 1.30pm.

Shane Max from ZESPRI will be introducing the changes to the crop protection programme for the coming season and the implications for growers, and we will have some practical demonstrations of good application practice.

Scale Control

We strongly recommend that growers apply two sprays for scale pre-blossom, the first at green tip, and the second 1-2 weeks prior to flowering. If the reject analysis in your packout report shows the presence of scale, it may be prudent to apply a third spray. Please contact your Grower Services representative for advice in this case.

Ensure the leaders and trunks get well covered. Application to this zone by handgun has been demonstrated to give a dramatic improvement, and when done in conjunction with a canopy application it counts only as one spray. The full ZESPRI Crop protection program is available from The Canopy (www.zespricanopy.com) or alternatively you can call the ZESPRI Grower Contact Centre on 0800 155 355 to request a copy to be posted to you.

Orchard Observations

Budbreak on Gold orchards is generally looking very good. In places I have seen, every bud on a cane has fired. If that is the case for you, now is a good time to tidy up all those short spurs. Either cut them out completely if they are not required or pull them down into the canopy if they are needed to fill a gap. Doing that job now is quick and easy, in a few weeks it will be much more time consuming.



Birds are already becoming active in some orchards. If you are intending to use mesurol to discourage them it is important to apply it when they first become active.

Remember to record your observations and bird counts to provide justification for spraying. For organic orchards BirdScare is purported to discourage birds but is not proven so a Justified Approval (JA) is required if you wish to use it.

GLOBALGAP

GLOBALGAP audits are coming around again so its time to check that everything is in order. This year there are no changes to the programme so the job should be much easier than last year. If you are in a position to have an audit done now, we would like to hear from you. Please contact your Grower Services Representative to arrange a time.

Shipping Update: Barb Wilsher

The final Europe vessel *Hansa Bremen* completed loading at Marsden Point earlier this week and arrived in Tauranga on Friday morning to load Green and Green Organic destined for Zeebrugge.

She will also be carrying the final Europe order of "KRAFT Low Graphic MB". As its name suggests this low (or reduced) graphic pack type has been trialled for the first time this season, presenting a brown box with black ZESPRI™ logo. It looks very smart and more cost effective than the current standard pack type.



Selection of Lorsban free for specific markets, especially China, Malaysia and Hong Kong remains a focus while packing to order from bin store.

Orders for Green Organic are currently slow and a request has been made to ZESPRI for Organic orders. With fortnightly vessels to Japan ongoing there is the expectation of Organic product on these vessels.

Orders tidying up Green K1W1 are taking place currently with the majority of this going to various Australian ports.




Loading of the *Sampaquita* to Korea and Japan has just completed. Currently loading are the container shipments *CAP Portland* carrying Green to Japan, *Kota Permata* carrying Green and Organic to Malaysia, *Calleo Express* (Class 2) to US.

From 5 - 12 September the following vessels will be loading: *Hansa Bremen* charter carrying KRAFT trial Green and Organic to Zeebrugge, *Belgian Reefer* charter carrying Green to Zeebrugge, *CAP Palliser* containers to China and Hong Kong, *ANL Yarrunga* and *Maersk Phuket* both carrying Green K1W1 to Australia, *Ariake* and Freshco Collaborative Market Green Organic to Australia and the *CAP Pasley* to Hong Kong.

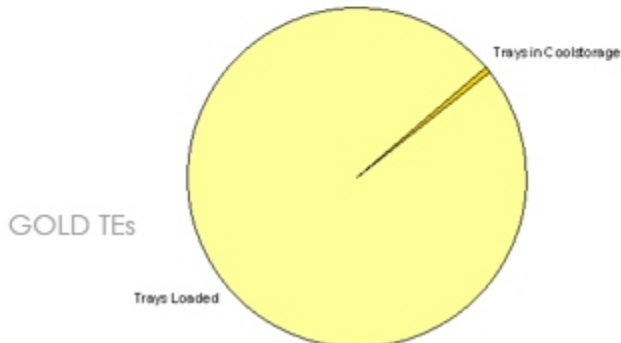
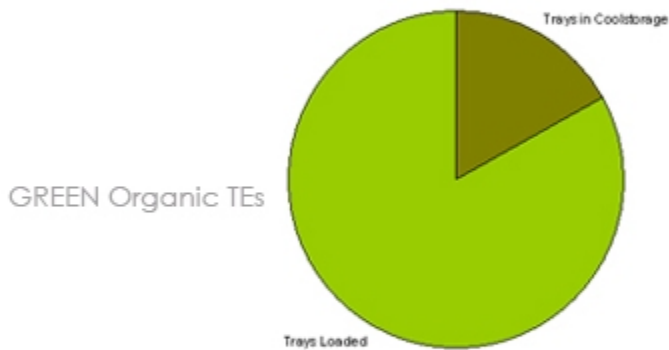
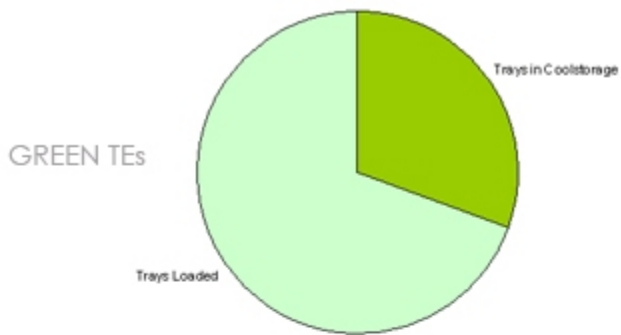
Coolstore Progress

As at the end ISO week 35 (31 August) we have about 3,318 bins left to pack, and we expect to begin packing the last of this fruit next week.

Onshore fruit loss as at ISO week 35:

	Green - Apata 1.09%	Green – Industry 1.57%
	Green Organic - Apata 0.78%	Green Organic – Industry 0.74%
	Gold - Apata 2.73%	Gold – Industry 4.30%

The following graphs show the percentage of TEs (tray equivalents) loaded out (shipped), and what remains in coolstore.



All data for week ending 31 August 2008. Excludes GREEN 46s and GOLD 42s.



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