

2018/19 SEASON

## “Late Harvest Premium” Incentive UPGRADE



The AVOCO Grower Relationship Committee (“AGRC”) met Tuesday 9th October, and spent considerable time reviewing the “Late Harvest Premium” levels and whether the current incentive settings were appropriate.

Recent field commentary indicating advancing fruit maturity combined with a significant reduction in projected export volume has left AVOCO concerned about the risk of not fully meeting our Australian retail supply commitments made pre-season.

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This imperative is not just about financial contribution to this season’s pool, but also about reputational risk and our ability to “keep our place at the table” in future seasons.

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As growers should be aware, AVOCO’s leading OGR’s delivered over the past five years are largely a function of our strong position with the key retailers and the percentage of the pool dedicated to that part of the business, with sales made from “late season supply” being the strongest contributor to the pool.

AVOCO growers are currently benefiting from our retailers having supported us with an earlier programme commencement and larger volume allocation for this season, with an expectation that we can deliver right through into the period when demand is strongest and reliable supply is critical.

In short, we must meet our volume commitments right through to the end of the January pick / pack period. This imperative is not just about financial contribution to this season’s pool, but also about reputational risk and our ability to “keep our place at the table” in future seasons.

After considering various pool scenarios, the AGRC agreed to amend and upgrade the Late Harvest Premium for growers, to both galvanise volume and adequately reward those growers supplying to the end of January. Key points to

note are as follows:

- The revised illustrative AVOCO Late Harvest Premium graph is shown below.
- The scheme remains FOB dollar value based.
- For the harvest period from 20th November to 5th January, the original premium 0.25% of FOB applies.
- Changes to the scale take effect from 6th January with a “step up” at that date, then a new 0.45% daily increase from that time.
- Under the scenario illustrated, growers harvesting at the latest part of the supply plan will enjoy a NET premium of \$10.40 per tray (net of the average LH premium cost to pool), with the maximum gross premium payment of

\$13.30 per tray, noting these are based on estimated value for FOB.

- All Late Harvest Premium payments will be calculated and paid at the time of the final season pool payments as they are calculated off the final actual FOB value.
- The fixed rate \$2.50 per tray Christmas / New Year harvest incentive payable to growers in January 2019 remains unchanged and is additional to the Late Harvest Premium incentive.

Thank you,

**AVOCO MARKETING TEAM**

## ILLUSTRATIVE ONLY\* GRAPH OF HOW THE LATE HARVEST PREMIUMS ARE SET

\* The final actual premium amount may be greater or lesser, depending on the actual final FOB value realised at the end of season.

