

avoconews



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Directors' Review

Supporting our growers

The new export season has brought with it new challenges but directors JOHN CARROLL and ALISTAIR YOUNG are positive that quality New Zealand avocados have the ability to hold their own in crowded markets.



We enjoyed the chance to connect with growers during the last round of meetings – thank you for your attendance. We genuinely feel there's a lot of support for what we do and the efforts that we make to market your fruit.

We've strived to be transparent about the challenges ahead, and want to reassure growers that we are experienced marketers with strong customer relationships. The size of our business and the experience of our people means we will make the very best out of whatever is thrown at us. If growers have any concerns, we encourage you to contact the AGRC team for their perspective. As growers with insights into how the season is tracking, they understand that we are operating in a tough climate, but nothing will be left to chance.

AUSTRALIAN OUTLOOK

We are delighted to have 1.5 million trays going to Australian retail. This year, Australia has a lot of fruit itself but the work we've done to reliably supply this market year after year means that once again, we have been rewarded with a decent market share.

It must also be noted that our share of Australian retail as a New Zealand exporter has increased; our relative positioning is strong.

RESUMING 'NORMAL' VOLUMES IN ASIA

This season we are sending about 24% of our total export volume to Asia, where we market fruit under our AVANZA brand. This is a significant increase on last year's volume of 7%, which reflected challenges around shipping and anxiety about how these markets would perform in a COVID-19 world. However, it's important to remember that for the seven years prior, we always shipped larger volumes, so this season's figures represent a 'return to normal' scenario, in terms of supplying a decent volume of fruit to people we know and enjoy doing business with.

Our programmes vary in size across Asia, but the main markets will be Hong Kong, Singapore and Thailand, followed closely by China and Korea. Hong Kong wasn't on our radar three or four years ago. But we've had an opportunity to develop this market, with the support of a major supermarket retailer, and it has performed very

well for us as they rate premium quality products from New Zealand very highly.

SHIPPING CHALLENGES

Inside this newsletter, on page 4, we explain the issues for Avoco's logistics team including major port congestion at Tauranga. We encourage all growers to read this.

All of our cargo will go by sea to Australia and we remain optimistic about how trans-Tasman logistics will perform. With the plan we've got for the Asian region, about 75% of volumes will travel by sea. It's a big part of our programme as, due to COVID-19 with fewer passenger flights operating, air freight remains very expensive. As such, air freight makes up only a small portion of our volume.

Indications are that once cargo ships leave New Zealand, their transit looks good. What we're watching very closely are the delays to ships arriving at the Port of Tauranga. When we plan to load on a particular day and pack that fruit a few days earlier, any serious disruption to shipping schedules can adversely affect the harvest. However, we have a degree of confidence in our logistics team to handle this scenario.

CHILEAN PRESSURE EASING

Chile supplied decent volumes to Australia in November through to early January last season, shipped under favourable market conditions. This year is shaping up to be the softest Australian market for a long time. The Chileans will have better options closer to home and a big domestic market that continues to grow. We don't think Chile and Australia are natural partners due to the geographic distance between them. In most market scenarios, Australian and New Zealand fruit will look after the Australian market.

QUALITY IMPROVEMENTS

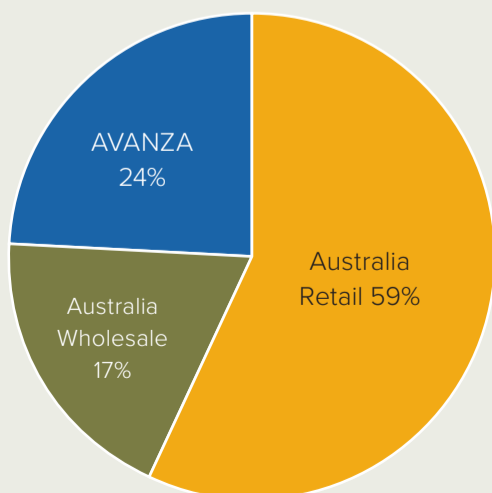
As always, we are striving for quality improvements. We've made strong gains in Australia and we're very happy with the work our

contractors carried out for us there last year. That work will continue as a model to achieve greater consistency with our fruit performance.

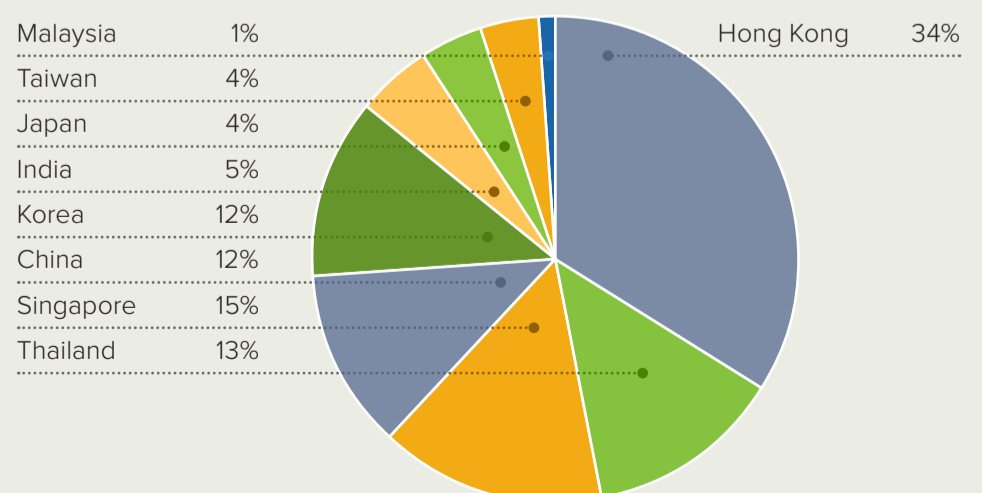
In Asia, the handlers of our fruit are less experienced and we've identified that as a target area for work in the future. With travel restricted, not being able to service nine countries in person and eyeball the fruit when they are handling our product makes delivering this work challenging. But our understanding is growing every season. Finding ways for how we can transfer the Australian model into Asia will be ground-breaking for our market development and future success.

Rest assured we will tackle our export challenges and strive to extract as much value from the markets as we can for the benefit of growers. ■

AVOCO MARKET SPLIT 2021-22



AVANZA ALL MARKETS 2021-22



Avoco Market Update September 2021