

December 2004



Newsletter

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Board Comment – thoughts of Chairman George



The year 2004 has been a difficult year for your company. Fruit volumes were down against last year, the company did not effectively anticipate the cost impact of handling oil fruit and the olive season was a disaster with volumes only a small fraction of what was forecast.

This year has seen poor rains, lack of fruit, and many staff changes. The departure of Bryan Raphael mid year required your board members to take a more hands on approach to the business and their actions are starting to show results.

2004 saw a significant milestone achieved. For the first time, we have been able to market avocados for all twelve months of the year. This has put your company in an extremely unique position as the first all-year-round supplier of avocados to the chains and the central markets in Australia, a position we will build on and exploit during 2005.

We, the Board, would like to thank all the growers who supported us through the year, so enabling us to achieve this remarkable goal which, in the coming years, will strengthen our trading relationships with the supermarket chains.

Another milestone of 2004 has been the establishment of a residual market for avocados, with the commissioning of Olivado's oil extraction plant in Cleveland.

We work very closely with Olivado, to ensure that our growers have an avenue for fruit that used to be discarded. The benefits of this association are key to the prosperity of our growers, and we look forward to continuing to work, and strengthen our relationship, with Olivado.

Your board is continually working to improve our position in the market and is especially looking at next year and the following four years with a new strategic plan. To this end, I appeal to you to try and give us good estimates for the coming year as soon as possible.

We all welcome the return of Andrew O'Shea's enthusiasm, know-how and experience.

I am confident that our members will have noticed a marked improvement in communications since Tim Bailey joined us. Along with Andrew O'Shea working as Operations Manager and Jason Cook as our Grower Liaison Manager, we will see further improvement in this area. Our price performance in the market, with Paul Schramm's expertise, has been very strong, and will continue to improve as Paul opens more doors for our fruit.

One aspect of our business that you might not be aware of is that, to ensure that growers will always be paid for their fruit; our company carries Trade Indemnity Insurance in case one of our customers should be unable to meet its debts. While this is an additional expense that the company carries, it means that you as the grower will always be paid.

On behalf of the board, I would like to wish all our members and staff a safe and merry Christmas and a happy and prosperous New Year.

Season Review – Jason Cook

CURRENT FRUIT FLOW

The Nambour shed packed its last fruit for 2004 on the 4th November, a few weeks earlier than what we are used to. It has certainly given Garry and Rodney time to perform a lot of those cleaning and

maintenance jobs that get pushed to the side during packing.



The House With No Steps packed its last avocados on 22nd November. At that time they had already swapped over to stone-fruit packing mode and had plenty of other work to do.

A little bit of fruit has been coming out of Mt Tamborine, but like everyone else they too have had an earlier and lighter season than normal.

Stuarts Point are busy packing late maturing fruit from the tablelands, of which the quality has been excellent.

Mildura fruit has recently finished, but Western Australia is just beginning. We want to welcome the new growers that have joined us from WA. We are excited by this growth in interest and volume from the west.

GROWER MEETING AT THE HOUSE WITH NO STEPS

We attended an end of season grower get together run by the House With No Steps for all their growers. It was a good opportunity to catch up with growers

and present a brief overview of the season and recent developments in NFC. We would like to thank John and Jennifer for their organisation and hospitality.

GROWER VISITS TO NSW AND WA

As the packing season at Nambour has finished and activity has settled down, I had the opportunity to get out and see growers on farm, spending time in northern NSW visiting growers around Cudgen, Mullumbimby, Alstonville and Casino. A great trip that allowed me to catch up with the people I had got to know over the phone during the year. The recent rains have been a big relief after what has been described as the worst drought on record, but maybe a little too late. Crops appear to be highly variable, making crop estimation very difficult.

NFC's success in Western Australia last season has created interest from a number of other growers. This year we have contracted two family owned and run pack-houses and are very pleased with the results so far. In December I visited the pack-houses to see the first fruit of the season being packed. NFC is seen as an attractive alternative to market fruit into the eastern states. We look forward to a successful season!

Those east coast growers who have the opportunity to visit West Aussie, should get down to Donnybrook, Manjimup and Pemberton to see some avocado orchards – prepare yourselves for a shock. Over there they do minimal sprays (no fruit spotting bug and very low disease pressure), grow big clean fruit, and there are large plantings everywhere.

Urgent Crop - Estimates

A plea to those growers that have not yet returned a crop estimate – please do so as soon as possible. We fully understand how rubbery these figures are, and that there is a long time between now and harvest for most, but as an indication, they are critical for our planning operations. Without your estimates the preparation of our supply schedule to the supermarkets, due in January, becomes very difficult.

Market Review – Paul Schramm



Since our last newsletter there is more fruit around than estimates would have indicated, market top of \$30.00 sales. The market remains strong, however very recently we have to report an easing caused by an influx of poor

quality fruit from New Zealand.

Looking towards next season for most members, the Shepard crop is only average but there is a large Hass crop up north and in the Bundaberg region.

With very little fruit around at end of season, hopefully some growers will extend their crops later to cover end season short falls. However some fruit is looking tired and very mature, and a fair amount of anthracnose appearing. This really puts the pressure back on me for better prices and niche markets.

I would like to wish everyone a happy Christmas and prosperous new year.

North Queensland Visit – Andrew O'Shea

Paul Schramm and I recently spent a few days in North Queensland meeting with growers with a view to establishing an idea of the crop size in the region and the amount of fruit NFC can expect to handle on behalf of its grower/shareholders.

Meetings were held with the Directors of Shepard Australia as well as individual growers. NFC reaffirmed with the Shepard group its position as part of its marketing structure handling selected lines of fruit. Across the region the Shepard crop

looks to be on the light side with most growers expecting a less than average crop. The Hass crop is looking good with a better than average fruit set reported by most farms visited. Mother Nature will no doubt have a big influence on the year ahead with weather conditions between now and harvest playing a major role in the eventual size of the crop. The early indications are that we will equal or improve on last years record throughput from North Queensland last year.

Message of condolence

It was with deep sorrow that we had learnt of Rodney Newell's passing 24 Nov. 2004 (a committed avocado grower of Beerwah QLD).

Our deepest sympathy to wife Marian and children Paul, Kym, Brett and their families, and friends for this great loss.

He will be sadly missed.

Wooden Bins



The Nambour pack-house has approximately 25 Wooden bins in various stages of disrepair that are surplus to requirements. Any growers interested in these bins should contact Garry Small at the Nambour shed. All offers considered.

Olivado News Flash

I am pleased to announce that Goodman Fielder have just released a new spread (margarine) under the "Olive Grove" brand that contains Extra Virgin Avocado Oil made by Olivado, from Australian avocados.

I have just been down to Coles supermarket and bought some to try and it is just delicious.

Please convey this news to growers and people within the industry as it is very positive for the avocado industry as a whole.

The team at Olivado wish you all a very merry Christmas.

Chris Nathan.

Christmas Closedown

Just a reminder, as usual the Nambour Pack-house will close down for the Christmas/New Year Period 24/12/04 to 4/1/05.

Merry Christmas and a Prosperous New Year



In summary your company is entering a new and exciting phase and the support of all our shareholders will only further strengthen this development.

With great effort by all we have achieved our goal of 12 month supply capacity. We now need to build on volume supply throughout the year to achieve an even greater market influence.

Warm appreciation is extended to all of our grower's for their valued efforts and support of Natures Fruit Company. The management and staff wish you and your families our very best for a safe and happy holiday season.



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