



Natures Fruit Company

CHAIRMANS REPORT

Friday 30th November – a memorable day in NFC's history

Thanks to all of you who came to the opening of our new purpose built packing and administration facility. It was fantastic to see that shareholders attended from as far as North Queensland and Stuarts Point in NSW, and all areas in between.

The Hon Peter Slipper, M.P, Member for Fisher officially opened the facility. Lachlan Donovan, Director and representative of Avocados Australia Ltd, Grant Hall, Deputy Director General, Fisheries and Jim Howard, Executive Director of the Federation of Co-operatives all spoke about their association with NFC and wished us every success in the future.

We all should take pride in our facility and the staff are to be commended on the excellent job they did on presenting the facility at its best, and in the organization of all functions on Friday. The day ran extremely smoothly, the food was superb, and I am sure all who attended would agree it was a very enjoyable evening.

Following the opening, all those attending enjoyed catching up with growers and staff at the annual Christmas party. A presentation was made to retired Director, George Green, in appreciation of his hard work and dedication to Natures Fruit Company.

2007 has been a challenging year on all fronts; depressed market prices throughout the majority of the year and the trials associated with building and moving into a new packing facility. Attitude influences our determination when we are faced with challenges. As farmers we are constantly faced with challenges; weather, pests, markets and the list goes on. Our success as primary producers and business people comes from our positive attitude in the face of adversity and our hard work and determination to get on with the job.

The Board and I strongly believe that NFC has an exciting future. We have a team of innovative and enthusiastic staff, and a well balanced Board. The completion of the packing and administration facility is the first step in a new direction for your company, and we are looking forward to 2008 and the next steps in NFC's journey. Success is looking to the horizon and into the future, and not over one's shoulder.

At our recent Board meeting, your Directors agreed to hold our next Board meeting in North Queensland on the 18th January. We will be hosting a small function that evening to meet the growers in that area. I encourage you all to attend, and myself and your Board look forward to catching up with you all in January. Meetings will be held in other growing regions throughout 2008.

I would like to thank the staff for their efforts throughout the year and their dedication to our company and its shareholders.

The 2008 lychee season is looking promising and we wish those growers well in their harvesting season.

On behalf of the Board I wish you all the best for the completion of the 2007 avocado season, and a safe and happy holiday season with your families.

All the best.

Ros



DIRECTORS REPORT

2007 has been a challenging year for all of us to say the least. The impact of MIS and the resulting downward pressure on fruit prices and the ongoing drought in parts of Australia has tested the resolve and resources of many of our growers. In the middle of all this, NFC has constructed a new packing facility at Glasshouse and successfully shifted operations from its leased premises in Nambour to the new packing facility in the middle of the picking season. Hopefully 2008 will be a less stressful year and will provide an opportunity to build on the efforts that have been made this year.

At the industry level, NFC has been working hard with AAL to secure continuity of Australian fruit into the chain stores. NFC's position is that we do not necessarily want to see NZ fruit excluded – we merely want the opportunity for Australian fruit to be ranged on the shelves alongside NZ fruit and to give the consumer the opportunity to choose. Some gains in this area have been made but the support of all growers (not just NFC) is required to ensure adequate supply is available to the chain stores. If this support is not forthcoming then there is no point in ever complaining again about the way Australian growers are treated by the chain stores!

At a company level, our figures indicate that NFC will facilitate the placement of approximately 600,000 trays of avocados onto the Australian market in 2007. While the volumes through our packing facility at Nambour / Glasshouse are down, principally due to the drought, our marketing of fruit for growers in other areas of Australia continues to grow.

Friday 30th of November saw the successful opening of the new packing facility at Glasshouse Mountains. The decision to proceed with this venture was made before I joined the board. The directors involved in that decision are to be congratulated for their foresight and vision. The company now has an asset base that will grow with time and increase shareholder value.

The challenge for the Board is to take advantage of this new facility to look at ways of reducing costs in order to assist our members to remain profitable in their farming enterprises. One way members can help is to encourage other growers to join and supply fruit to NFC. A company such as NFC has certain fixed costs. These costs reduce in terms of costs per tray when increased volumes are processed through our packing facilities. In a privately operated Packhouse, these cost reductions turn into profits in the pockets of the owner. In the case of NFC, which is owned by the grower, these profits are returned to you, the grower, by way of rebates and dividends.

The transition from one facility to the other has placed enormous demands on our staff. They gave freely of their own time to ensure that the normal day to day business of NFC was not disrupted and the service to our growers did not diminish. I wish to take this opportunity to thank Andrew and his staff for their efforts and congratulate them on the organisation and presentation of the Packhouse for the opening day ceremony.

In conclusion, I take this opportunity to wish all NFC growers, shareholders and staff, a safe and happy Christmas and a prosperous New Year. –

John Tannock
Director



GENERAL MANAGER'S REPORT

It is with great pleasure that I write my final report for 2007. It has been a difficult year. There have been some ups and there have been some downs. The larger part of our season resulted in sub economic prices for our growers. There has been much said about the impact of the increased plantings in the Central Queensland region. This season saw the first in which all our Queensland growing regions hit their straps.

2008 is shaping to be a repeat of 2007 in terms of volume in the peak of the season. NFC have been looking into ways to reduce the impact on our growers and maintain our foot in the market at the same time. Without wanting to be negative I believe it will be a difficult year. It is essential that you as growers do all you can to ensure you are producing fruit that can be marketed and sold into the best markets. Off the top lines and second grade fruit need to be taken from our market and placed into other dedicated markets.

We are sent you all volume estimates for the 2008 year. We will progressively assess this information and ask that you consider this as a priority. It is important for you and your Company.

It would be remiss of me not to mention our Grand Opening. It was with great pride that we were able to officiate over such an event. To have a home that is ours brings great pleasure to myself and the staff. On a strategic note it gives us the ability to leverage into the future and grow your business. Much effort went into the planning, development and execution of the opening. It is a credit to the staff that we were able to showcase your new facility.

In summarizing the season I would like to add the following:

Our future is ours and ours alone, the choices we make are ours and ours alone and therefore the choice you make about your Company's future is yours and yours alone

I wish you all the best for the Christmas period and a safe and happy New Year. I look forward to 2008 and seeing what wonderful achievements we can aspire to.



Regards

Andrew McKillop
GENERAL MANAGER

MARKETING REPORT – CRYSTAL BALL

The market for the November period has been very positive with significant price lifts seen all over the country. Melbourne was the first city to really move with a lift of nearly \$10 seen on all sizes within a very short space in time. The real cause of behind the price increase was two reasons. The pure lack in volume of Australian fruit and the belated arrival of New Zealand fruit was what caused the market to move in a forward motion.

The premium size 18's and 20's reached a top of \$35 sale in the Melbourne markets. \$30 for all premium bulks landed Brisbane was the best market for that line at that particular time. Exporters were paying \$22 landed in Brisbane for the size 28's premium. On our seconds line, the 18's and 20's were returning \$20 back to NFC which was very encouraging.

As our Woolworths friends continue to support Australian growers, it became evident early on that supplying the chain store was going to be difficult for a number of factors. Firstly, gaining consistent support from external packers was very difficult because of the better prices being received outside the Woolworths arena. Woolworths were also struggling to move on price because the market was moving so quickly. To overcome this strategic placing of fruit was vital to achieve the best outcome for the grower.

During the good prices, the oil market opened up which allowed the growers a return on every bit of fruit sent into Natures. The oil market looks to continue into the future which is encouraging for both growers and the co-operative. On other oil issues Natures Fruit Company first bottles of avocado oil was released at the opening of the shed last Friday. This will hopefully become not only another solution to our growers 3rd grade avocados but also a another branded product associated directly to Natures Fruit Company.

Gazing into the famous avocado crystal ball, the market for avocados looks promising but nothing out of the ordinary. The two weeks leading up to Christmas will be slow however a slight jump after Christmas could be expected. Good rain along the coast of Queensland and New South Wales has meant that 2008 will be another year of high volume fruit. With strategic placement of avocados and good relationships with our main buyers already established, Natures Fruit Company looks confident about taking on the challenges in returning the best possible price for its growers. I hope all members of NFC have a Merry Christmas and Happy New Year.

Cormac



OPERATIONS REPORT

Glasshouse Shed

As the east coast season comes to an end we would like to thank all growers for their co-operation and hard work this year. It has been a tough year for the industry with low market prices putting strain on all sectors of the industry. The margin between premium and first grade fruit this year was significant, highlighting the importance of maintaining a suitable spray program for your region. Maintaining good fruit size should also be an important goal for next season, with many of us already implementing canopy management practices to rectify the problem faced this year of small fruit. A big thankyou to the growers that were supplying throughout the move to Glasshouse this season, we commend you all on your patience and co-operation. For those that attended the shed opening you will have seen our great new facility and we are all excited about next season.



Farm Update

Recent rain and some well needed maintenance has seen the farm respond well after a big crop load this season producing 10,672 units. Sharwil and Wurtz have a very light fruit set whilst other varieties, Hass, Fuerte and Lamb Hass have set very well. A block of overgrown Hass trees is being stag horned this year which is the first of a number of blocks earmarked for reworking.

Dan Cork
Operations Manager

