



Natures Fruit Company

Chairman's Report – February 2008

The rains are definitely here, with most areas receiving above average rainfall since Christmas. We received 300mm in the three weeks from Christmas Day in the Glasshouse Mountains area. The rain has continued throughout January making it difficult to keep on top of our regular spray regime. With all the rain that has been experienced, it is important that phytophthora control is implemented, if you have not been up to date with your control measures already.

On the 18th January, we took the opportunity to hold our Board meeting in the Mareeba area. Your Board and management then met with growers from the surrounding area at a function that evening. It was great to catch up with some familiar faces and to meet some new growers who have recently joined us. Your Board looks forward to meeting growers from our various regions each year, as it gives us the opportunity to hear your views first hand, and helps us keep in touch with various regional issues. We look forward to another successful season in North Queensland. We are already seeing some early Shepard on the market. Early estimates for the season indicate strong volumes throughout the region.

As part of our commitment to visiting regions throughout our grower base your Board will be heading south to the Stuarts Point area in the next few months, to hold a similar function in that area. We look forward to meeting growers from the mid Coast area, and time permitting, will also take the opportunity to visit some orchards while we are there.

Your Board and staff have been working hard over the past year to ensure that we continue to provide a valuable and cost effective service for our shareholders. It is with great pleasure that I announce a cash rebate on unit throughput will be paid to all eligible growers with throughput for 2007. The final amount per unit throughput will be advised to each of you via a letter shortly, once the audited 2007 figures are available.

I am also pleased to announce a reduction in charges for the 2008 year. The packing charges are for all fruit packed through the Glasshouse facility. Packing charges will be negotiated as usual through the satellite sheds. Marketing and distribution charges will apply to all fruit marketed by NFC.

Tabled following are the comparisons of the 2007 charges with the reduced 2008 charges.

Description	2007 Charge	2008 Charge
Packed tray	\$4.05	\$3.70
Packed bulk	\$4.50	\$4.00
Marketing and distribution	\$1.18	\$1.08

Your company has been forging ahead in the last twelve months, and it is a credit to both you as shareholders and our staff, that through loyalty and dedication NFC has not only purchased its first capital asset and constructed a purpose built facility, but has also through careful management been able to reduce its charges to growers significantly.

We will not be resting on our laurels in 2008, with many other developments on our agenda to further strengthen your company's position. We will keep you posted as these come to fruition.

Our AGM will be held on the 16th May. I encourage you all to attend as this is an important part of the governance of your company. It is an opportunity to meet with your Board and staff, and discuss the development of NFC. It is also a chance to catch up with other growers, and dinner afterwards is also a great social occasion.

Andrew and the team have had great success over the last twelve months developing export markets for our fruit. They will continue to develop these relationships, and are also working on other avenues to ensure greater returns for growers.

I wish you all well for the coming season, and look forward to seeing some of you through the course of the year.

All the best.



General Managers Report

Welcome to 2008

It's now another year and with it will come another set of challenges. These challenges will vary from region to region. For some it will mean personal challenges and for others it will consist of business challenges. I refer back to a presentation I gave at the 2005 AGM where I outlined that the only real constant we have in life is change. In these challenging times this motto has never rang truer.

Our industry is again looking at record volumes this season. Again the skew in expected volume occurs in the peak of the season between April and August. The challenge in this period is to ensure that we are keeping the market vibrant and fruit is moving through the supply chains we have established.

Communication

With the large volumes of fruit coming on-line again this season the key to our and more importantly your success will be the communication. So let's look at that word for a minute!

Communication consists of two or more people passing information or dialogue between them. The information or dialogue can come in many forms. For instance, an email, a phone call, a fax, a newsletter (on a larger scale) and of course the face to face meeting.

The key element to successful communication is that those engaged in the dialogue or information exchange make the effort to provide accurate and concise data. More often than not decisions are made from the dialogue or information exchange. We may look at the decision making process in our next newsletter.

Taking into account what has been put before you I would like to recap on how communication affects our business.

If we are able to accurately and concisely pass information between one another we can make decisions that result in above average outcomes for those engaged in the communication process.

It is a key element to our success. However, it must be remember and given paramount importance that communication is a two way street. The act of communication must be undertaken by both parties and therefore initiation of the act must be freely done by all. I can't stress enough that we too like to hear from you our growers. If you have a question, please call us, fax us, email us or come and see us.

With active communication we can all face the challenges that this season will bring.

Lychees

Our lychee season, like most years, comes and goes quickly. It is an intense period of time that we work fast and hard.

This season we operated from the new facility in Glasshouse Mountains. With the additional of some new machinery were we able to offer our growers some cheaper packing costs, always a welcome relief in these days of increased inputs and decreases returns.

We were exceptionally pleased with this years results. Fruit quality has been improving over the lat few years. The rain this season gave us some trouble late in the season and given the volume of rain experienced on the Sunshine Coast over the Christmas and New Year Period we are very pleased with the overall outcome from the fruit.

Lychees are a crop that we have recognised have a distinct future with NFC in coming years. During the season we were able to further our relationships with direct customers resulting in less fruit being placed on the open market. This is a beneficial outcome for our growers as we are able to better guide price and ensure control of the fruit.

We look forward to the transition from lychees to avocados. Being such an intense season, often spending hours at a time in the cold room (not so bad if its 30 degrees outside.....), it is good to finish and start the process of working towards the next season.

Continual Improvement

As Ros Smerdon outlined in the Chairman's Report NFC are working towards a reversal in the continual trend of rising costs by reducing our costs to our growers. NFC see this as a source of continual improvement.

One of the benefits you have as growers engaged in NFC is that as our volumes grow we are able to look at ways of reducing our costs to our growers. While we may never have these costs so low that they negate reduced returns it is however a positive that we are working towards this objective.

As we work through the season we will be looking at ways that 2009 will result in the maintenance of costs or further reductions if the situation and objectives being met dictate. I am very pleased with the fact our investment in our own facilities has yielded results for our members.

We always welcome your input and suggestions. So please open up those lines of communication and provide us with your thoughts on your company.

Export

One of the areas that we worked hard on last season (2007) was the export market. Our work achieved in this area was demonstrated by the attendance of 3 exporters at our Shed Opening and grower function late last year.

Our achievements to date include the substantial recognition of the Natures Reserve brand in South East Asian markets, particularly Singapore. This resulted in NFC achieving well above average market returns for smaller fruit sizes. In all we sent over 27000 units into export markets during 2007.

It is anticipated this season that we will continue to forge our name and brand on these markets. We are also hoping to increase our scope of exporter product to include second grade fruit and larger sizes.

Personal Message

I am wanting to wish all of our members all the best in the coming season. There will be challenges however with continued effort and work towards a collective goal I am sure we can survive and move forward in this environment.

If you have any concerns or suggestions I would welcome your feedback.

All the best

Andrew

Marketing Report

January was a solid month for growers supplying avocados into the markets. Natures Fruit Company was receiving fruit from Western Australia and New South Wales and predominately placing the fruit into the southern markets as well as keeping a keen interest in the chain stores. Mid January saw a major shortage in bulks creating a spike in the Brisbane markets which saw returns well over \$40. Adelaide and Melbourne markets were the two outlets where the larger fruit was placed. Strong demand kept Australian Hass prices around the \$30 return to our growers.

The Lychee market was very difficult to compete in this year for two main reasons. North Queensland season extended well past their usual cut off time with good clean large fruit and the large amount of rain on the sunshine coast caused considerable damage to the appearance of the fruit. A black tinge on the outside of the skin along with sizes being small made marketing the premium fruit difficult. Export markets were targeted along with the Sydney central market. This proved to be the best outlet for the Lychees at the time.

The Shepards from North Queensland are underway with the first bit of produce hitting the Brisbane floor early this week. Quality is very good and the current pricings are reflecting the early season Shepards. The next two weeks will be NFC establishing the chain stores pricing and volume requirements as they begin to move from New Zealand Hass back over to Australian Shepards. The Queensland Woolworth buyers have been approached and the first fruit has already arrived. As the weeks progress the volume will increase which should mean better than market returns for NFC growers.

Western Australian Hass will continue right up until early March. Any buyers looking to stay with Hass will most likely be paying a premium price for this variety of Avocado. The fruit currently is heading east to either Adelaide and Melbourne. The best returns are seen from the buyers who have supplying directly into the chain stores. All Hass bulks continue to bring very good returns as they either head direct to Asia or to the Adelaide market.

The outlook for avocados, especially for Shepards will be strong for the next two weeks. Even once the chains re-open their gates, we should see prices for avocados hold until volumes really start to hit the market floors. All States chain stores will begin on the 18th of February so the flood gates will open for another year for Avocados will begin.

New Look Newsletter

In our Endeavour's to provide you with reading of interest, what would you like to read about in your newsletter. Please email or fax your suggestions to Kerry on klinnane@naturesfruit.com.au or fax: 07 5493 0911

As part of our new look newsletter we have included a recipe of the month.....

TROPIC MOUSSE – Patti Stacey's secret recipe

Into a food processor, place 1 cup of frozen custard apple puree and blend until puree is light and fluffy. Add one third of a cup of ripe avocado flesh and 10mls lime juice. Blend until smooth and creamy. Serve chilled in a small Brule dish with a sprig of mint for decoration.



Wrap of the Regions - National Roundup

New South Wales

Central NSW Growing region:

This season will see our local area (Stuarts Point) experience the traditional 'off season' for crop volume, some orchards may have a reduction of 50% in volume, however reports from Comboyne indicate a good crop set with the hopes that any 'fruit drop' will be minimal.

Our summer period has been rather mild, with quite a number cloudy days, good rains have also been experienced. Seems like we may be going back to a normal weather pattern. All dams and storage facilities will be full, a pleasant change.

At this point growers with Fuerte will be harvesting mid to late April, whilst the Hass harvest could start as early as mid June.

FNQ

The first of the Shepard crop was picked and palletised by the end of the first week in January . One has to wonder how this fruit could possible make a pass on a dry matter test.

I recall as a director with AAL some five years ago, writing for Talking Avocados and making the same comment .

Clearly the fruit can not be ready and all that is achieved in sending a signal to the market that the quality of Shepard is poor .

Where is the Quality Assurance that should be displayed by the central market agents!!! The almighty dollar drives decision to pick early,not the welfare of good growers who choose to ensure only mature quality fruit is despatched to the markets.

The peek industry body has to move to ensure that the central market reject fruit that does not come up to dry matter standards .We could learn from New Zealand exporters who control the standard of all export fruit .If it fails the DM test it is not packed.

This seasons production volume from Nth Qld is looking to exceed well over 1 million trays with more than 500000 being Shepard

Colin Cummings ,
Director

Region Wrap (Continued)

Toowoomba

This had been a mixed season for growers in the Toowoomba Range vicinity. Severe frosts during one of the coldest winters on record (thank goodness for global warming or it could have been worse) played havoc with a number of orchards in the Hampton and Ravensbourne areas and will have an effect on the volume of this year's crop.

After an absence of five years, the return of a wet season has been very welcome by growers who have been battling the worst drought in over 100 years (some say a thousand years). Fruit volumes and sizes are looking promising for most growers in the region particularly in the Blackbutt area. Unfortunately a hail storm in late January caused considerable damage to orchards in the Ravensbourne area.

Bundaberg - February '08

At this point in the growing season in the Bundaberg area different varieties have exhibited varying sets. Hass has set better than last year, if that's possible, whilst Shepard has been variable, but mostly down after a big year last year. Wurtz is well down on last year.

Some farms have received beneficial rainfalls whilst others have had no rain for eight consecutive weeks during the November/December period. January has been better with approximately 100mm but this has still been patchy.

Water availability is seriously short. South of the Burnett River started the year with 3% allocation which has been recently lifted to 27%. North of the river is on 47%. Most seem to be getting by with temporary transfers and on farm storage.

There has been a serious lack of direct sunlight in the last 2 months resulting in the high risk of instant sunburn when the sun does show for a few hours. Day temperatures have been well down compared to several recent seasons. Night temperatures equate to recent past seasons with no recordings of night temperature below 20c in January. Lower temperatures may auger well for increased fruit size, however this needs to be balanced against a heavier crop load and water shortages.

Reportedly, one Bundaberg grower is about to pick Shepard!!!!