



& views

**AUTUMN
2023**

No sooner had the starter's gun gone off, we were in the thick of it. 2023 has begun in earnest and the year promises to be one of our busiest on record.



**Update
from
Paul Griffin
General Manager**

Our forecasts indicate a strong performance for all business segments which augurs well for another successful year ahead.

Nevertheless, given the inflationary environment that we expect will persist throughout the year, tight control of our cost base will be needed to ensure our revenue growth will not be in vain.

After a late start, Lychee packing extended into March due to higher volumes this season. Volumes packed through our Glass House shed were almost 200% above last year's volume. Fruit marketed under our Natures Banquet brand earned growers good returns this year. Troy Dwyer reports in more detail Page 4 of the newsletter.

Ever mindful of the heavy reliance on Avocados for our revenue, we will always remain receptive to promising diversification opportunities for our Glass House Mountains pack shed, especially if the synergy "fit" with our existing operations is a practical one.

When we were approached late last year to pack Plums we agreed on a trial pack to be undertaken early this year. If successful, this pack would fill a gap in the shed packing calendar between Lychees and the start of Avocado season, providing shed employees with much needed continuity of work.

The trial was successfully completed following the Lychee pack, and I am pleased to report that staff at NFC are now trained in the handling and grading of the Queen Garnet variety plum.

We look forward to a full packing season of plums next year.

The North Queensland Shepard season has been in full swing for some time now, and we are busy supplying weekly volumes into the Chains and the general market floor. I am pleased to report that, to date, the average prices across all grades is approximately 60% higher than last year, which is no doubt very pleasing to our Shepard growers who experienced extremely low prices in 2022.

The Avocado pack at Glass House Mountains will commence earlier than usual with fruit from the Bundaberg region due to arrive from mid-March. This will mean a longer season this year for the pack shed.

Further on in the newsletter there is an article about the "Growing Robust Fruit" project that NFC has agreed to support and be involved. I encourage all growers to read the article and to seriously consider participating in the program.

As always, "my door" is always open to anyone who wants to call into the NFC office for a chat. Alternatively, please pickup the phone and give me a call.

United we stand.

DATE CLAIMER

12th May 2023

The Fruit Company Limited

Annual General Meeting

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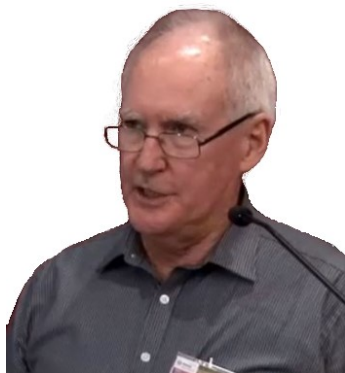
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Message from the Chairman



John Tannock
Chairman

G'day Readers,

In my last column, I made reference to an exciting project that is hoped will lead to better quality avocados being consistently produced. Currently one of the factors weakening returns to avocado growers, is the perceived variability in the quality at point-of-sale. Too many consumers purchase an avocado, only to throw it out due to internal disorders. The end result of this project should be that greater certainty will be provided to avocado consumers and that this will lead to higher demand and therefore higher prices for our fruit.

By now many of you will have received an information sheet '*Growing Robust Avocados*' outlining how NFC is going to assist growers in participating in the project. Feel free to contact our office if you have any queries in relation to this project.

All member growers who supplied us fruit in 2022 will by now have received a rebate towards their packing and/or marketing costs. The payment of rebates is a significant point of difference between a cooperative such as NFC and a private packer/marketer who retains all profits in his own pocket.

2023 is shaping up to be a busy year at NFC with a number of new growers seeking our assistance in the packing and marketing of their fruit. Our additional activities have not been restricted to avocados with other categories such as plums being added to our portfolio as outlined on page 5 of this newsletter.

The Lychee pick this year yielded a substantial increase in tonnage over previous years. It was pleasing to note also that excellent unit prices accompanied this incremental volume. Not too often the case!

The next major event on our horizon is our Annual General Meeting. This will be our first opportunity in two years to get together with last year's AGM restricted to an online affair due to Covid issues. The AGM is scheduled for Friday 12th May at Pelican Waters. It would be great to see as many shareholders as possible roll up. This is an excellent opportunity to catch up with your directors, NFC staff and fellow shareholders.

I look forward to catching up with as many of you as possible at Pelican Waters.

John Tannock
Chairman

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Natures Fruit Company

SINCE 1988

Celebrating 35 years



The original visual identity for the Natures Reserve brand as used on packaging and promotional literature 1989

This year we celebrate 35 years trading, a bold achievement for a once fledgling enterprise that started out in an industry known for its unnerving volatility, uncertainty and risk.

And true to form, the industry delivered on its promise, presenting Board and Management with many daunting challenges over the years.

As we look back and reflect on the company's history, much of Nature's success can be attributed to the fact that throughout those 35 years the company has remained faithful to the co-operative business model despite changes to its corporate structure.

The current Board of Directors acknowledge that this is testimony to the continued loyalty of the many shareholder members who have supported the company over the years, and who have firmly believed in the co-operative principle. And management's commitment to the sound control of business basics.

Originally registered as the Sunshine Coast Fruit Growers Co-operative Association Ltd, the venture was the initiative of a small group of hinterland avocado growers seeking clout in the market by collectively marketing their fruit through a single desk and saving costs by packing through a central packhouse.

From these humble beginnings the company has grown substantially with shareholder growers spread from Atherton Tableland in Far North Queensland, round to the South West region of Western Australia.

Natures continues to be a respected supplier of fruit to the national supermarket chains and selected market agents in all mainland states.

As we enter our 36th year prospects for the company's future remain bright with many growth opportunities on the horizon. We look forward with anticipation to realizing the full potential of our enterprise.

Looking back ...

Jan 1988	Inaugural General Meeting of the Co-operative and appointment of the General Manager
Apr 1989	Market launch of the 'Natures Reserve' brand and introduction of the unmistakable 'Pink Box'
Mar 1990	Moved operations to new premises and dedicated packing facility in Nambour
1995	'Natures Reserve' acknowledged by the market as the quality standard by which other fruit is judged
Apr 1997	New Board of Directors appointed and all financial and management accounting functions brought in-house
May 1999	Inaugural 'Natures Champion' quality awards presentation
2000-01	Expansion of grower membership from North Queensland and interstate growing regions
May 2002	Business incorporated as 'The Fruit Company Limited' trading as Natures Fruit Company
Oct 2006	Purchased 70ha property Coonowrin Road, Glass House Mountains. Commenced construction of packshed & offices
Nov 2007	Relocated administration and packing operations to new facility Glass House Mountains
May 2008	Commissioned new grader and auxiliary equipment
Jun 2013	First edition of the company's quarterly newsletter, 'The Fruit Vine'
Jun 2014	Organisational restructure following decline in fruit volumes in the wake of catastrophic weather events
Oct 2019	NFC entered into a Deed of Arrangement with the Administrators of the Sunfresh Cooperative
2022	The company undertook substantial capital expenditure projects totalling \$196K



Troy Dwyer
Operations Manager

Delayed start to higher volume Lychee harvest

The 2023 Lychee pick was very late kicking off due to a delay in fruit maturity caused by an unseasonably cooler Spring. Hot conditions at harvest time slowed picking operations further.

Our Lychee pack finally got under way the first week in February. This meant we were kicking off nearly two weeks later than our traditional start-up which put us in what you might term as being between a rock and a hard place.

We had committed to contract pack another fruit between Lychees and the first consignment of Shepard Avocados from Bundaberg. When this window was shortened, we had to put our thinking caps on.



Preparing for the Lychee harvest on the Sunshine Coast hinterland

Very happy to report that some innovative re-arrangements saved the day and all stakeholders' needs were met.

Volume was well up on more recent years, approx. 200%, and our growers put this down to the excellent growing conditions over the season in the hinterland. Most growers were glad to report heavy crops.



Sorting freshly picked Lychees ready for packing

The three main varieties this packout were Kwai Mai/B3, Salathial, and Wai Chee.

Quality was generally excellent putting our Natures Banquet premium grade packout at 85%. This rewarded growers with some good returns while the market was strong.

The market favourite, Natures Banquet Salathial, peaked at \$90.00 a 5kg tray in the Sydney markets to average a very worthy \$70.00 per tray for the season.



Other varieties ranged between \$45.00 and \$55.00 which has given growers a welcome increase over recent year's returns.

Our primary markets were selected market agents in Sydney, Melbourne and Brisbane with Sydney being our stand-out destination.



The Lychee pack spread over four weeks and kicked the year off for our core team of shed employees. Comprising mainly of workers from the local community we are hopeful of being able to give them continuity of employment throughout the year.

A stable workforce provides certainty for us. In these uncertain times, particularly when it comes to recruiting labour. It also augurs well for improved efficiencies and less time spent on training fresh recruitments.

What a Plum Job

Earlier this month the Glass House packshed took on the assignment of grading and packing 20 tonnes of plums from orchards south of Toowoomba. The plum, 'Queen Garnett', is a late pick variety that benefits from its longer duration on the tree, raising its sweetness and its natural antioxidant properties



First consignment of Plums arriving at Glass House

The fruit was transported direct from orchards on the Granite Belt and initially a trial shipment to test our capability to process such a fruit that has distinctly different handling demands to the more forgiving Avocado.

The plums were packed into dedicated Queen Garnett packaging and consigned to a merchant licensed to market the variety..

In preparation for the task shed workers were trained on handling this 'new kid on the block', particularly grading to demanding quality standards and managing temperature control.

Operations Manager, Troy Dwyer noted the scale of the undertaking. "At first I thought this would be a great top-up giving the shed employees continuity of work between the Lychees and the arrival of the first Shepard bins from Bundaberg."

"The thinking made sense in theory until it became apparent that the Lychee crop was going to be late. The narrow window was going to be a challenge."



Fruit exiting the spray tunnel

The trial was successful from all measures. Both the growers and the marketers were on site to witness the packout first hand and gave their assurances of a full scale pack for 2024.

General Manager, Paul Griffin commented on the productivity benefits that result from such diversification.

"Not only are we offering continuity of work for our shed employees, we are in the 'volume' game and our bottom line benefits from additional shed throughput. And I should add, this in turn benefits all our members."



Queen Garnett Plums ready for retail shelves

"So, in effect, we will continue to seek out diversification opportunities and in doing so, reduce our heavy reliance on Avocados for our revenue base", Paul added.

This regal fruit offers health benefits

The Queen Garnet Plum was developed by the Queensland Department of Agriculture, Fisheries and Forestry (DAFF).

A research team from the University of Southern Queensland subsequently discovered the plum's potential health benefits and is now described as a "superfood" due to its antioxidant content, 'anthocyanin'. It is claimed that the Queen Garnett has up to five times more antioxidants than other plums.

Anthocyanin is the antioxidant found in many naturally dark coloured fruits, e.g., blackcurrants, blueberries, raspberries

and linked to reducing blood pressure and controlling cardiovascular disease. It's the pigment that gives the Queen Garnett its very dark purple flesh and skin.



Initially grown in Southern Queensland, the variety is now a commercial success story, grown across all states of Australia.

It is able to withstand a much longer hanging time on the tree before picking. This allows the fruit to continue increasing its sugar levels and antioxidant content.

Queen Garnet has an extremely long shelf life, when stored appropriately and similarly, it is great eating for much longer than other varieties.

Queen Garnet has become an extremely popular plum due to its well documented health benefits. It is retailed through the national supermarket chains and independent fruit outlets, typically from February to June following the traditional stone fruit season.

Our Involvement in the Quest for Robust Avocados

In the last edition of our newsletter we reported on a significant research project being funded by the Australian avocado industry - “Growing Robust Avocados”.

The project is in the first stage of seeking statistical substantiation of the relationship between a favourable soil analysis and optimum fruit skin test result as the main determinant of fruit “robustness”.

Reliable fruit quality will be the key factor influencing domestic consumption growth and securing export markets for avocados. NFC will be actively involved in supporting grower participation in the project.



The Project literature refers to the term ‘robustness’.

In this context, the term means the inherent ability of fruit to withstand the various rigours of handling in the supply chain.

This could be time, pressure or temperature related.

Robust fruit will resist discoloration that often results from such challenges

“Growing Robust Avocados” is a joint industry and Australian Government funded project being undertaken in response to the findings of earlier research into avocado quality issues.

This research showed that the robustness of avocado fruit is linked to fruit mineral nutrient status, with high calcium and comparatively low nitrogen and potassium concentrations in fruit being consistently associated with better fruit quality.

In particular, the ratio of nitrogen to calcium in fruit at harvest has found to be useful in identifying fruit at risk of developing post harvest diseases and disorders in the supply chain (i.e., fruit with a higher ratio of nitrogen to calcium tending to have more quality issues than those with lower ratios).

Now with this body of research findings being well documented, the project team’s focus will be on linking the measurement of a number of key pre-harvest variables to the robustness of the fruit post-harvest.

One of the pre-harvest variables central to measuring this relationship is the soil calcium balance. Other soil nutrient and tree health factors will contribute to post-harvest quality outcomes and help to broaden our understanding of the interplay between pre-harvest management and avocado robustness.

How will NFC become involved?

NFC has announced its support for the project, in the belief that reliably consistent quality is a strategic imperative in securing the viability of the avocado industry for years ahead.

The Board firmly believes that this will be the direction for the future ... not only by putting a strong focus on quality but investing in encouraging growers to embrace the concept by participating in the research project.

To this end, NFC will subsidise the laboratory skin tests of growers’ fruit for the 2023 season. This test is to analyse and report on the Calcium : Nitrogen ratio of growers fruit and present each grower’s result alongside other growers’ analyses for comparison purposes.

NFC will manage and fund all postage and handling of growers’ fruit in expediting the laboratory testing.

Further, ‘library’ trays of fruit catalogued as representing the fruit sent to the laboratory will be retained by NFC. The fruit will be quality assessed on ripening and referenced to the skin analysis. This relationship will figure in creating an important statistic for the project.

Growers will be kept fully informed on findings of the testing regime and provided with agronomy assistance where appropriate.

The Fruit Company

21st Annual General Meeting

The 21st^h Annual General Meeting of your Company will be held Friday 12th May at the Sebel Resort, Mahogany Drive, Pelican Waters. All members are encouraged to attend. This is your chance as a shareholder to question operational outcomes first hand, voice opinion and contribute to the future policy and direction of your company.

The Chairman's Report outlining our operating and financial performance for '22 and projections for '23 will be sent to all shareholders as part of the Company's Annual Report.

In addition to the formal AGM, we are in the process of putting together a growers' forum on the afternoon of the meeting with speakers presenting on a range of matters that will be of topical interest to growers. More information containing details of the presentations including all timings will be sent to shareholders separately.

Natures Awards

Following the meeting we will announce the winners and present the trophies for the 2022 Natures Champions Awards and the Jan Toerien Memorial Award for Excellence.

AGM Dinner

Meeting attendees and partners are invited to join with the Directors and Management for pre-dinner drinks followed by the AGM Dinner.

Drinks 6:00pm - Dinner from 6:30pm

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Where to from here?

Growers wishing to participate in the project and wanting to take advantage of the bonus lab test offer can indicate their intentions when booking their next fruit consignment.

Following the packout a tray of Size 25 fruit will be set aside on behalf of the grower. Six pieces of fruit will be forwarded to the test laboratory along with the necessary documentation and the balance of the tray labelled and retained for ripening.

Skin test results will be collated with a quantitative evaluation of the fruit in the corresponding 'library' tray held for ripening. A report will be sent to the grower. This relationship - Ca:N skin ratio and fruit irregularities - when aggregated over many growers will serve as statistically sound evidence of the Calcium impact.

This is but the first stage of the testing regime. The next step will be relating the skin analysis Ca:N ratio to the 'Soil Calcium Balance' of a soil sample from the same block from which the tested fruit was picked.

Preliminary comparisons made between a significant number of soil Calcium balances and the Ca:N skin ratios have indicated a consistently strong relationship.

Further studies to better understand Calcium application time - to achieve optimum soil Calcium balance - will follow.

- how long before flowering do you need to apply your calcium fertilizers for it to be available to the tree at flowering time?
- depending on your soil type and current Calcium level, how much gypsum, for example do you need to apply to achieve your target level of soil Calcium?

From the data available to date, it would indicate a Calcium balance of 80% will give better quality than a balance of 60%.

In fact, a soil analysis at flowering time, providing good orchard management is practised, will give you a strong and reliable indication of potential fruit quality.

In Summary

These are early days for this project yet we can envisage the direction it will be taking and the potential benefit for growers.

If as an industry we improve the robustness of our fruit, we improve the confidence of the consumer to buy more, effectively raising the per capita consumption of avocados.

The project team encompasses 19 professional and technical horticulture science specialists from four delivery partners

- Qld Dept of Agriculture & Fisheries,
- WA Dept of Primary Industries & Regional Development,
- Central Queensland University, and
- GLT Horticultural Services

Jointly, the project team has extensive project management and RD&E skills and experience, as well as specialised technical skills in pre - and postharvest horticulture

Key to the integrity of the project findings will be the level of participation by growers. The more growers participating, the more reliably sound the statistical outcome.

Accordingly, NFC encourages our growers to participate in the project, not only from the perspective of contributing to the industry's future security but just as importantly, learning to measure inputs that will produce better quality fruit, and earn better returns.

The case for assuring robustness becomes clearer and indisputable. It will lead to increased sales at better margins, particularly in the export market where fruit is often subject to supply chain challenges.

Poor Leaf Cover = Potential Problems

What must be remembered with any crop, leaves are the factory for the production of energy.

Without a good leaf cover long term production will decline.



Horticultural Notes

Graeme Thomas
GLT Horticulture

This year there is an increased incidence of avocado trees carrying a good to heavy crop with a significant loss of leaf cover.

The major reason for an avocado tree to have reduced foliage is first, they have had a loss of roots. That loss of roots in an avocado can be put down to one or both of the following:

- Severe infection of *phytophthora* causing the destruction of the roots
- A water logging event. Avocados are one of the most susceptible trees to water logging as the roots have a higher oxygen requirement than most other crops.

So the vicious circle commences. The roots die off causing the leaf cover to reduce that then, cannot produce sufficient energy to develop new roots.

The complicating factor that then comes into play is your fruit load.

When a tree is not carrying a crop, energy distribution is roughly as follows:

Shoot System	55%
Root System	45%

When a tree is carrying a crop - depending on the crop size - the distribution of energy changes dramatically to the point where root development is restricted.

Fruit	55%
Shoot System	40%
Root System	5%

For many this year, after a long wet period, where root rot has had the opportunity to flourish and in many instance water logging has been a problem, your trees have set a large crop.

The end result of this situation is a mass of small sun burnt fruit that is not marketable

There are many who with the wet seasons have for whatever reason, been unable to get their fertilizers applied. This has further added to the energy balance deficiency.

Fruit size is determined in the 1st 10 -12 weeks following flowering. That is when the cells are laid down. In late Summer/Autumn the tree sends energy to the fruit to fill out those cells. If you have insufficient cells laid down in the fruit in those 1st 12 weeks, you are going to have small fruit, regardless of how you feed the tree during this timeslot.

This situation may not be right across your block. It may be a few trees in a spot where drainage is a little suspect.

“We are getting a little late but those trees with a thin canopy and lots of small fruit, you need to make a decision to remove that fruit as soon as possible.”

In this situation, the tree's root system will not be very effective. But I have found it is sound advice to remove crop load and increase nitrogen applications to compensate for the poor root system.

The aim being to return the tree to vegetative state where it will resume re-directing up to 45% of available energy to root development, which will then support additional leaves that then produce more energy to grow more roots.

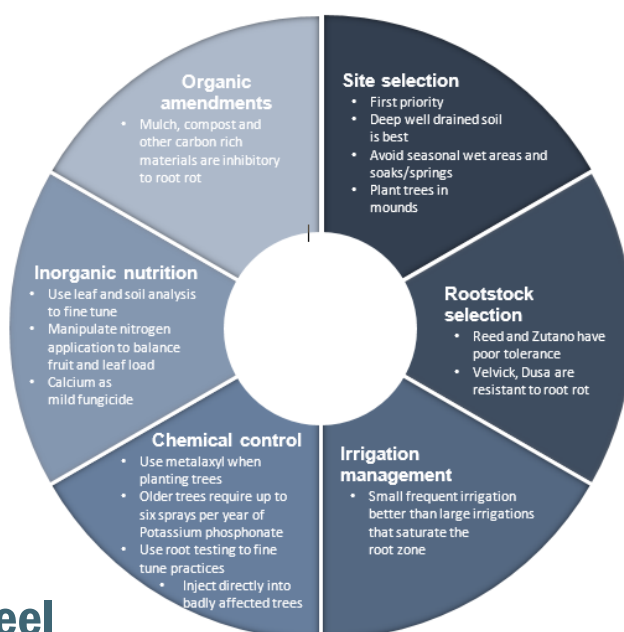
The cycle then moves in the positive direction that then allows for energy to be used for fruit production ... what they were planted for in the first place.

Yes it is late to help generate leaf growth, but if you wait any longer, there is no chance of producing leaf growth this season.

Back to the old topic of root rot management.

The Australian avocado industry has spent many years and lots of research funds on root rot management. As an industry world wide, we have probably been at the forefront of research, having the benefit of the world's best researchers in Ken Pegg & Tony Whitley servicing our industry.

That research has shown that to minimize the infection of *phytophthora* we need to have 80 mg/kg of phosphorous acid in the roots of our trees, combined with all of the agricultural activities as outlined in the world renowned 'Pegg Wheel' illustration.



Knowing that we needed phosphorous acid in the roots is why I developed the root monitoring service. I am astounded by the results that I have been getting back in the last few years.

In all of Australia there's not 10 growers who will consistently get results of their root tests that are above the required level of 80 mg/kg.

“In all of Australia there's not 10 growers who will consistently get results of their root tests that are above the required level of 80 mg/kg.”

I appreciate the massive increase in the cost of phosphorous acid products in the last few years, but without a healthy root system, your trees will ultimately decline into the cycle described above.

In looking at the recent results and knowing what root rot did to the Australian Industry in 1974 and 2010/11, I would not be surprised if some time in the near future we will again return to a situation where our supply of fruit does not meet demand.

I could be wrong, but when I get root analysis results from large corporate orchards where the root phos acid levels vary between 5 and 20 mg/kg, a decline in production in those big operations will have a very significant effect on the fruit supply across Australia.

Yes, in the short term, we may have to endure lower returns than desired, but if you want to remain a profitable orchard, these are the times when you need to intensify your efforts to increase your production of higher quality fruit.

“When the going gets tough, the tough get going”

For more information, go to
www.avocadosource.com/papers/research_articles/wolstenholmenigel2010b.pdf

ATO update on Employees vs Contractors



JOSH CHYE

Partner — Tax Consulting

HLB Mann Judd

MELBOURNE

Whether a worker is employee or contractor for tax purposes is an area that the ATO has placed recent significant focus due to recent landmark High Court Decisions offering further judicial guidance requiring the ATO to update its public guidance on these matters.

In addition, there is increasing community sentiment that unpaid superannuation is effectively amounting to “wage theft” which impacts retirement outcomes.

On 15 December 2022, the ATO issued a Draft Tax Ruling and Draft Practical Guidance to provide updated and new direction on what constitutes an employee and the ATO’s compliance approach to assess the level of risk when reviewing such arrangements.

From our experience, there are instances where a worker lodges an unpaid super claim directly with the ATO against an engaging party and this often comes with surprise and angst to the purported employer due to for example, the arrangement being documented as a “contractor” relationship and the worker engaging through their own entity.

It is clear from the ATO’s more recent guidance these factors are only given minor weighting and the key issues relate to the contractual terms of the worker relationship and whether the worker is working “in the business” of the engaging party.

As community opinions increase regarding unpaid superannuation as wage theft, and the ATO is under pressure to increase recovery in this area, it is prudent for employers where applicable to revisit their current independent contractor relationships to determine the risk that may arise from incorrect classifications for tax purposes.

Whilst there may be time and costs involved, a review can provide assurance to the Board/owners of a business on these matters and to quantify any necessary corrections, which should be lower than if otherwise reviewed by the ATO when further penalties and interest may be applied.

The answer to the question whether a worker is an employee or contractor for PAYG and superannuation purposes requires identifying the ‘totality of the relationship’ between the worker and the engaging entity.

Some of the key points that can be taken away from the updated ATO guidance are as follows:

- The central question is whether the worker is ‘working in the business’ of the engaging entity.
- Where a clearly written contract exists between the worker and the engaging party, the legal rights and obligations of the written contract will form the basis of determining the relationship
- The fact that a worker may be conducting their own business, including having an ABN, is not determinative. A person conducting their own business may separately be an employee in the business of another.
- The level of control the engaging party will have over the worker is a key indicator.
- Where a worker has the ability to delegate their duties, this will indicate an independent contractor relationship.
- The ‘label’ that parties use to describe their relationship, whether within a written contract or otherwise, is not determinative of, or even relevant to, what the ATO might determine as the correct characterisation.
- Results based contracts (e.g. a fixed sum being paid for a specific outcome) is a strong indicator of an independent contractor relationship rather than being paid for hours worked.
- The provision of tools and equipment by the worker is a factor to be considered but this needs to be considered in the context of the type of work provided.
- Where the worker bears little or no risk of the costs arising out of injury or defect in carrying out their work, they are more likely to be an employee.