



& views

SUMMER
2023

It's that time of year again when Christmas lights and decorations start to re-appear everywhere, when Christmas music is playing in shopping centres and parents are taking photos of their children with Santa Claus, and when many of us look back on another year that is about to end.



**Update
from
Paul Griffin
General Manager**

Packing at our Glass House shed finished a little earlier this year but that has been good. The extra time has been used for repairs to equipment, staff training, and time to start preparing for 2024.

In fact, 2024 will be here before we know it with Lychee packing scheduled to start in mid-January.

It has been another good year for NFC.

Total avocado volume (kgs) is up 28% compared with 2022 and is the highest volume in the last six years. Pack shed volumes were up 29%.

At the start of 2023, 180 new bins were purchased for growers to use during harvest. These bins are provided free of charge by NFC to growers.

A second solar system has been installed on the roof of the Glass House pack shed. This second system doubles the current solar supply capacity and will further reduce electricity costs going forward.

The condensing unit on one of the cold rooms was replaced back in February and another unit is being replaced before Christmas.

Leading up to Christmas, all shed lighting will be converted from old Halogen units to more energy-efficient and brighter LEDs.

The strong increase in volume through the pack shed was achieved with no increase in permanent staff. NFC's fixed operating costs, as a percentage of total income, has been reduced further and has contributed to this year's strong financial result.

And to cap off our strong financial result I am pleased to inform our grower suppliers that your Board has directed me to prepare calculations for the announcement of grower rebates for the 2023 season. More detail to follow in the newsletter.

A very strong and sincere "thank you" to Troy for his continued excellent management of the pack shed operations. Troy is always cheerfully positive and has managed this year's extra volume with his "can do" attitude and dedicated professionalism.

A similar "thank you" to Caroline for her work in the administration area of the business. If I am away, I know that the office is in "good hands" and that she will handle any issues that arise.

Looking ahead, unfortunately it appears as though we can expect more of the same for growers in '24. Supply volumes are forecast to increase further, maintaining downward pressure on prices, whilst input costs will remain high.

We believe there will be ongoing rationalisation in the avocado industry and, whilst there is a lot of effort being directed towards the development of export markets, this will take time to gather momentum and benefit the domestic supply/demand equation.

Finally, a sincere thanks to everyone who supported NFC during the year ... we look forward to working with you again in 2024.

Wishing all a safe and enjoyable Christmas and New Year.

United we stand.

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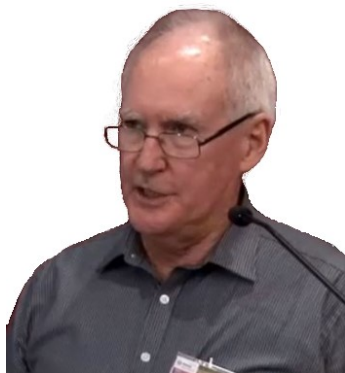
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Message from the Chairman



John Tannock
Chairman

G'day Readers,

2023 has seen another strong performance by Natures Fruit Company, thanks to the loyal support of our growers and the efforts of our staff in servicing the needs of our growers.

The other side of the coin of course is that while the volumes of fruit flooding the market have been a contributing factor to NFC's strong performance, they have caused a dampening effect on grower returns. Unfortunately this inequity, while a bitter pill to swallow, it is part and parcel of primary production and while we may accept it resignedly, the co-operative model, and the co-operative model alone, helps to ease the severity of the discrimination.

I urge you to read our Editor's comments on Page 3 of the newsletter in regard to this.

And in accordance with this philosophy of assisting growers and in line with the cooperative model, the Board of NFC is currently considering the payment of a rebate to growers who supported us during the 2023 season. More information will be forthcoming shortly.

As I have stressed many times, Natures Fruit Company is the only entity in the avocado industry that shares its operating surpluses with its supplying growers.

An issue that has occupied the Board's time recently, is ensuring compliance with the Horticulture Code of Conduct.

In 2022 the ACCC updated its Horticulture Code guidance and advised the industry of a greater focus on enforcement. The ACCC has followed through with their advice with a prominent packing and marketing entity recently being fined approximately \$25,000 for non-compliance with the code.

To minimise its risks, NFC recently had its documentation reviewed from a legal perspective and will be implementing some minor changes commencing in 2024, to bring it in line with the revised guidelines introduced by the ACCC.

As the festive season approaches, I would like to take this opportunity to wish all readers a Merry Christmas and a safe festive season. I particularly wish to thank the staff of NFC who have once again managed a very busy season, seamlessly and efficiently.

Regards,

John Tannock

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... from the editor.

It was with more than a passing interest that I glanced at a recent press article that raised key business issues challenging a certain company's financial performance. What was so pertinent was the parallel that could be drawn between this company's difficulties and those so characteristic of our business at NFC, not to mention both businesses operate under the co-operative model and within the agricultural sector.

I refer to the company **Casino Food Co-op** who operate a meat processing plant and related industries, but specifically the press headline ..

Farmer-owned Casino Food Co-op delivers \$11m loss on back of record cattle prices

"While beef producers with Australia's largest meat cooperative enjoyed record prices last year, it resulted in a massive hit to the processing business."

This highlights one of the seemingly illogical transaction patterns so characteristic of the nature of the business we are engaged in. There is no "win win", only one party can win, and at the loss of the other.

Whereas in Casino Foods' case, the farmer was taking time out to focus on rebuilding his herd and increasing value to his farming operations, he was unintentionally denying the processor much needed throughput in order to remain-commercially viable.

As farmers were re-stocking, the shortage of cattle on the market as a consequence earned higher prices for the producer.

Farmer 1; Processor 0.

With the weakened demand for re-stocker cattle, prices have now more than halved since earlier in the year, paving the way for improved profitability for processors.

At the same time meat prices across the globe were dropping quite substantially, and it was about May-June when profitability come back into processing.

Farmer 0; Processor 1.

Liken this scenario to the supply patterns we regularly experience at Natures.

Growing conditions often determine if we will have a short fruit supply season, either due to weather struck tree health, alternate cropping or an adverse weather event. The resultant shortage of premium fruit on the market drives prices higher and delivers a welcome bonus to those growers able to supply.

Meanwhile, the processor - Natures in our case - suffers the consequences of seriously depleted throughput and struggles to cover fixed costs.

Farmer 1; Processor 0.

The tables turned in 2023 with processing volumes nearing record highs and operating surpluses well in the black.

Unfortunately, but faithful to the predictable pattern, the grower has been penalised through lower prices and poor returns.

Farmer 0; Processor 1.

This account of what many of our growers may term "the unavoidable risks of farming" has a brighter note and a redeeming feature ... all related to the provisions of the corporate model and ownership structure of NFC.

Whereas the grower in the first instance, may appear to be losing during a volume season, part ownership in the company means sharing that operating surplus generated by volume, helping offset the impact of lower prices.

This sharing obviously comes in the form of grower rebates issued by co-operatives.

Certainly we are not suggesting for a moment that the quantum of the rebate will recover the scale of the income that growers' fruit would have hypothetically earned in "another" season, but it is nevertheless an addition to the better side of the ledger for growers.

Farmer 1; Processor 1.



Operations Manager Troy Dwyer looks back over 2023

2023 - A Long Season of High Volumes.

For the Glass House packhouse, 2023 was a year of significantly high volumes, both lychees and avocado, a marked improvement in the quality of fruit, excellent productivity and low staff churn ... all in all, an excellent year for the Operations side of your company.

On Friday 6th October the Glass House shed finished another long packing season. Whilst last year we finished on the 18th November the volume we pushed through this year was higher, so much to be said about productivity gains contributing to our attempts to have costs pushed down and under tight control.

It was a welcome sight seeing the last pallets of fruit being loaded onto linehaul transport for southern markets.

Our volume increase again this season was mainly a result of a number of new growers choosing to switch to Natures for their packing and marketing. We trust we have earned their continued support.

There was a good crop from Far North Queensland while in Central Queensland the Childers/Bundaberg crop was light this past season due to a poorer fruit set.

South East Queensland had an excellent fruit set and this materialised in an earlier crop and higher volumes from the region.

Hass was by far our leading variety (84%) with Shepard accounting for just over 10%.

Fruit quality overall was good, with a slight improvement over previous averages ... main exception was patchy cases of fruit spotting bug damage.

Average fruit size was down on previous, mainly with higher volume growers where trees may be more mature.

Outlook for 2024

The 2024 crop as a whole is shaping up to be good. Volumes will be down a bit however in those areas that had a large crop in 2023, particularly in South East Queensland, and with orchards that have older trees.

More young trees have kicked on again for the 2024 season as you would expect.

The Shepard season will also be knocking on the door before we know it. Volumes in North Queensland a bit off from last season although will be up in the Childers/Bundaberg region.

Lychee volumes will be well down following a poor fruit set. Returns for growers should be on the up due to the lack of volume.



Productivity

All packhouse machinery has performed well this year with almost zero downtime due to equipment breakdown.

We have been doing the usual end-of-season maintenance and are now getting ready for the 2024 lychee crop.

All machinery remains under review in terms of serviceability and efficiency. At this point, we are not contemplating any equipment replacement apart from cold room compressor units that are showing signs of their age.

Staffing has not been an issue this year. There is an abundance of back packers to choose from to compliment our existing local staff.

Indeed, our core team has been stable during the year which has benefitted us in efficiency gains and productivity improvements.

NFC Board announces grower rebate for 2023



Preliminary financial projections for the company's financial year (Jan-Dec) indicate we will be in a position to report a strong trading surplus for 2023.

A prudent approach to cost control, operating efficiencies and higher throughput volumes at our Glass House Mountains pack shed have combined to contribute towards a pleasing bottom line.

The Board of Directors have considered the result in the context of apportioning the surplus. Whilst the exact quantum of the surplus won't be known until the financials have been finalised, a broad measure took into account each of the following business imperatives ...

- maintaining debt control
- preserving adequate working capital
- making allowances for future capital expenditure

The Directors also considered the pressures on grower returns during the year caused by continued low market prices and rising costs on-farm, agreeing in principle to repatriate a sizeable portion of the surplus to active members in the form of a cash rebate.

Announcing the news Chairman John Tannock said the Board of Directors was keen to return as much as was commercially prudent to our growers, recognising that the rebate may well convert a loss to profit for some who have experienced a season of extraordinary low operating margins."

The final calculation on the per unit rebate payable for each tier will be declared following finalisation of the Company's accounts, which is just around the corner.

This calculation provides for those grower members who have had their fruit packed and marketed by NFC, and those who only market their fruit through the Company.

The Chairman paid tribute to the efforts of the Management Team at Glass House .

"It has been a high volume year for avocados and our executive has persevered with the increased scale of operations while continuing to keep a tight lid on costs".

"This outcome is further testimony to how a co-operative delivers real tangible benefits to growers, a distinguishing advantage over other packing and marketing options." John added.

Reflecting on 2023

2023 has been another big year for your company, a season of increased fruit volumes resulting from record tree plantings over recent years. It was also a year of continuing cost increases both on farm and here at NFC. This has presented a challenge for management, containing cost recovery measures so as not to unduly penalise growers with higher charges, though the inevitability of recovering costs is a business necessity.



Merry Christmas

Wishing all our readers the very best for the Festive Season, from the Directors, Management and Staff at Natures.

As you are all aware, when we have a season like the one we have just endured, with an oversupplied market, growers need high yields of good quality fruit in the size range of 20 - 25s to achieve commercially acceptable returns .



Horticultural Notes

Graeme Thomas
GLT Horticulture

Where are we at with improving fruit quality?

It would be very nice if we could all snap our fingers and ... "hey presto".

As we have presented in the newsletters in recent times, to improve quality, we need to concentrate on the uptake of calcium in the first ten weeks after fruit set.

But we also need to be aware that in the same ten week period we are determining fruit size. It is a balancing act.

Fruit size and final yield is managed by your nitrogen fertiliser program. Not too much ... but not too little.

Research over the last 25 years has shown the quality issue basically revolves around the uptake of calcium in the first ten weeks after set.

The industry funded literature search (AV19004) on maximising fruit quality came up with the following:

Strategies recommended to improve avocado fruit robustness at harvest as supported by the scientific and technical literature include:

- ◇ Provide adequate Ca to trees, especially during flowering, fruit set and early development.
- ◇ Do fruit tissue analysis as a relatively reliable indicator of fruit Ca concentrations.
- ◇ Ensure leaf nutrient concentrations for N and K do not exceed the optimum range.
- ◇ Delay K application until latter stages of fruit development and only apply if needed.
- ◇ Achieve a good balance between vegetative growth and crop load.
- ◇ Select appropriate rootstocks when establishing new plantings.

An avocado tree is a subtropical rainforest In addressing the uptake of calcium, it is a very complex area, but at this point we are making some very important advances.

As with all management decisions, we need to be able to measure it, to be able to manage it.

What long established research has shown so far, can be summarised as follows:

Calcium uptake to a large degree depends on the balance between, calcium, magnesium, potassium and sodium in the soil - the cations. Increase magnesium or potassium and you will reduce the uptake of calcium.

Calcium is only taken up through the transpiration stream. Foliar calcium is not effective.

In an avocado, the fruit only absorbs calcium in the period (1st 10 weeks) when the skin has functioning stomata. After that 10 week period, the stomata close and form the lenticels.

Calcium uptake requires adequate moisture through healthy root tips.

Practically what does that mean?

With your soil analysis around flowering time, you now need your soil calcium balance ... the percentage of calcium compared to sodium, potassium and magnesium to be near 80%.

* During that critical period do not apply magnesium or potassium based fertilisers. They will have the effect of reducing the calcium uptake.

* Ensure the trees are not under or over watered.

* Ensure you have healthy roots.

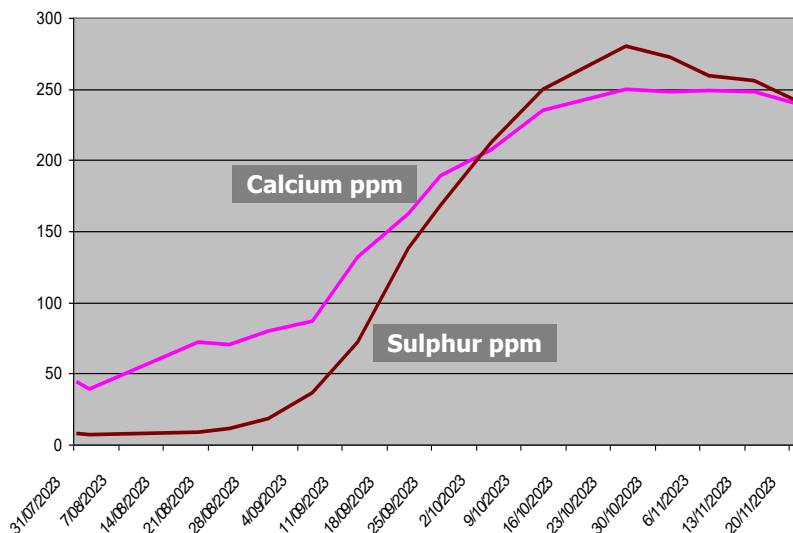
* Do not apply foliar calcium based fertilisers. You are wasting money and time.

How do we measure our calcium?

Initially, I was dependent on looking at the soil calcium balance. Whilst this is still important, there will be some calcium in this analysis result that will not be readily available to the tree.

Measuring how much calcium is present in the soil solution, takes away some of the variables that occur with the soil sample.

It is a simple process of inserting a tube similar to a tensiometer, creating a vacuum in it with a pump, the coming back the next morning and extracting the sample and getting it analysed.



In the graph below, gypsum was applied on the 17/08/23.

Samples were taken before the gypsum was applied to get base level and then samples were taken weekly to measure when there was a change on the calcium in sulphur levels in the solution. This is the data that can be generated from these soil solution samples.

The details of suction tubes can be seen in the link below.

<https://www.irrometer.com/ssat.html>

The benefits of this system are that we can measure the accurate application of a fertiliser with the aid of a series of samplings. It is then easy to observe how long it takes for that fertiliser to become available in the soil solution and then how long it persists in the soil solution.

With massive help from some of our growers, we have been able to install suction tubes and then apply commercial application of gypsum.

We then took a series of samples to enable us to plot how long the calcium took to become available and how long that elevated calcium remained in the soil solution.

To date, what this data has shown us, is that after approximately 6 weeks, the applied gypsum is now starting to be seen in the soil water solution in the form of calcium and sulphur. These samples were taken at 150mm - In the middle of the root ball.

It is also showing us that that application has persisted at this stage, for over nine weeks at this point.

In this case we will be sampling fruit looking at the skin nitrogen : calcium ratio as being the indicator of robust fruit. That is, of fruit being more capable of withstanding the rigours exposed on it, by the market process.

What we do not know at this point, is the optimum level of calcium to aim for, or a balance between calcium and other positively charged elements in solution.

Over time, I would expect we will be able to arrive at determining that optimum level in the soil solution, providing you have moisture and healthy root tips to absorb it.

As we learn more, on how to manage your conditions to produce more robust fruit, I would hope that standards will be developed and that this data will tell you how much gypsum to apply to your soil type and when to apply it, to maximise the benefit of your calcium application.

Samples are still being taken as the calcium level still remains elevated.

With gypsum, it is calcium sulphate.

To plot the gypsum dissolving in the soil solution, we have measured calcium and sulphur among a range of other elements.

Where are we at with improving fruit quality? (cont. from Page 7)

As with all management decisions, there are many variables that need to be worked through.

Questions like,

- ◇ What is the effect of soil type?
- ◇ What is the effect of mulch?
- ◇ What is the effect of over watering?

This is where you as growers can help the industry as a whole and yourself as a producer of robust fruit, by participating in the on-farm monitoring program.

The more varied the conditions we can collect samples from, whether they be soil types, with or without mulch, or different individual farming practices, the more relevant and beneficial this data will be.

If you as growers are interested in installing some suction tubes in your orchard, collecting and sending samples to the Lab, I am happy to co-ordinate results and return them to you.

This way, you can measure your responses from fertiliser applications, and over time, optimise calcium application rates and timing, specific to your property.

As a final measure of fruit robustness, fruit can be sent to the Lab for skin analysis to determine the skin Nitrogen : Calcium ratio.

This is an accepted measure of how robust your fruit is.

Natures Fruit are active in their support of the on-farm monitoring program and facilitate much of the logistical processes for sample collection and analyses at subsidized cost to their grower members.

The skin analysis data generated last season highlighted some very good fruit as well as some fruit that would not be expected to stand the stresses of prolonged marketing activities.

At this point it is expected that the industry will settle on a robust piece of fruit as having a skin analysis nitrogen : calcium ratio of <10:1.

Last season some of the results we received from a large number of participating growers were typical of a nitrogen : calcium ratio of lower than 7:1, indicating very good fruit, whilst others were over 16:1, indicating that there was a very high possibility if that fruit was kept in the market for any period of time, or in transit to an export market, it would have very likely broken down.

At this point in time, research has conclusively shown us what we need to do nutritionally to maximise fruit robustness.

Simply, it is to maximise the calcium in the fruit.

The work that is required is to how to develop a system, to manage that challenge. From the work I have done, I believe we are very close to having a system and a range of practices in place to manage that problem.

But to be more certain that we are on the correct path, we need to be engaging many more different farm management practices to test against. This will add validity and confidence in the system and its outcomes

The more data we can collect, the more accurate the recommendations will be in the future. The aim would be to develop a standard calcium level in the soil solution or a balance in the soil solution between cations, which will result in enabling growers' fruit to be consistently more robust.



Growers are invited to enquire how Natures Fruit Company can assist them in participating in the *Robust Fruit Project*. NFC believes this is a great initiative that promises to deliver huge benefits for growers and the industry as a whole.

Direct enquiries to admin@naturesfruit.com.au

THE ATO'S CURRENT APPROACH TO DEBT COLLECTION



AMY WARK

Director Tax Consulting

HLB Mann Judd

MELBOURNE

During the COVID-19 pandemic, the ATO took a step back from debt collecting, partly due to staff being redeployed to stimulus measures such as JobKeeper and the cashflow boost, allowing businesses to better manage cash-flows during uncertain times.

During that period, the ATO's focus was to encourage taxpayers to keep up to date with lodgements even if they didn't have capacity to pay off erring payment plans and, in certain circumstances, remission of general interest charges and late lodgement penalties.

Although the ATO will be targeting all outstanding debt, some of the key focus areas will include unpaid superannuation, debt arising from ATO audits, fraud and aged/ high-value debts.

The ATO has now increased the workforce in its debt collection department and is taking a more proactive approach to debt collection. This means the ATO will be more aggressively following up tax debts in a timely manner and taxpayers will be required to provide further justification in requests for payment plans and interest remission requests.

In addition, the ATO will be using additional strategies to encourage taxpayers to make payment and, where there is failure to comply with the request, it will be resorting more to director penalty notices (DPNs), garnishee notices and, in extreme circumstances, Insolvency measures.

The DPN can apply to make directors personally liable for outstanding debt relating to the GST, the Superannuation Guarantee Charge (SGC) and PAYG withholding. These amounts are viewed separately from income tax debt in that they represent money of which the ATO has collected on behalf of others, and not taxpayers, and hence the DPN is a more aggressive approach.

Taxpayers need to be aware of the ATO's tougher approach to debt collection and not automatically assume that general interest charge will be remitted, or a payment plan granted at a lower interest rate than they could have received elsewhere.

Now is the time to ensure that all debts are paid on time. If that is not possible, there should be clear communication to the ATO to ensure that some of the harsher actions by the ATO do not occur.

“Taxpayers need to be aware of the ATO's tougher approach to debt collection and not automatically assume that general interest charge will be remitted.”

In the period since the pandemic, economic conditions, including rising interest rates, has seen cash-flow pressures for many taxpayers, and they have become accustomed to this relaxed approach by the ATO with respect to debt collections. This has seen the amount of debt owed to the ATO increasing from \$26.5 billion in June 2019 to \$50.2 billion in June 2023.

The ATO has described this increase in outstanding debt as unsustainable and noted of particular concern that small businesses are over-represented in the taxpayers with debt outstanding.

They are also concerned taxpayers are using the ATO as a bank and being passive in their response to outstanding tax debts.

Article courtesy HLB Mann Judd