

*Innovation,
Investment and
Improvement to
maintain a point of
difference in a
competitive
environment*



Hansen Orchards

A family business



Hansen Orchards – A Brief History

- The Hansen Family have been growing apples in Tasmania since 1887
- My Grandfather Rupert moved to our home farm in the Huon Valley in 1944
- When my father Carl started working in the business there were over 2,000 apple growers in Tasmania
- When I started in 1995 there were 200 growers left
- In 2018 there are only 20 full time apple growers



Tasmanian Apple Industry - History

- Tasmania become know as the “Apple Isle” for its **counter seasonal supply** into the major markets of the northern hemisphere
- Exports peaked in 1966 when **6.5mil cartons** were exported to Europe and North America
- Start of the EU, increasing competition from other SH suppliers, development of CA storage, massive increases in freight rates and movement in value of A\$ vs £
- Mid 1970’s Federal Govt funded tree pull scheme
- Growers that were committed to the future started changing varieties to **Red Delicious**, build CA stores and started supplying the Australian domestic market and exports turned their focus to Asia



Tasmania's Competitive Advantages

- Tasmania's **cool maritime climate** allows us to supply hard red apples
- A **reliable supplier** year in year out with out extremes of heat/cold, wet/dry
- Tasmania has 1% of the countries land area but 13% of the countries **water**
- Australia has an outstanding reputation for **safe reliable food** across a range of products
- A **story** to go with the product, a long family tradition, from a clean green and pristine environment with the cleanest air in the world
- Tasmania's **fruit fly free status** allows us access to a number of key markets, China, Taiwan, Japan



NZ vs Tasmania

- 1994 was my final year at Marcus Oldham and time to decide if I return to Tasmania or accept a position with EEC in NZ
- Tasmanian production 75% Red Del for export and in 1994 NZ growers receive \$8/ctn
- Hansen Orchards had a lot of debt from buying an orchard full of Red Del 8 years earlier
- Ultimately decided that if I did not start working in Hansen Orchards then I would not have the opportunity later in life
- I had been inspired while working in NZ by Tony Gilbertson who was 20 years ahead of his time with high density plantings on dwarfing rootstocks
- Bulldoze Red Delicious and plant Gala, Pink Lady, Jonagold, Sundowner and Stripe Fuji
- Planted stoolbeds and established nursery



Stoolbeds, Nursery, Fumigation and High Density Plantings



Key Strategies for Commodity Varieties

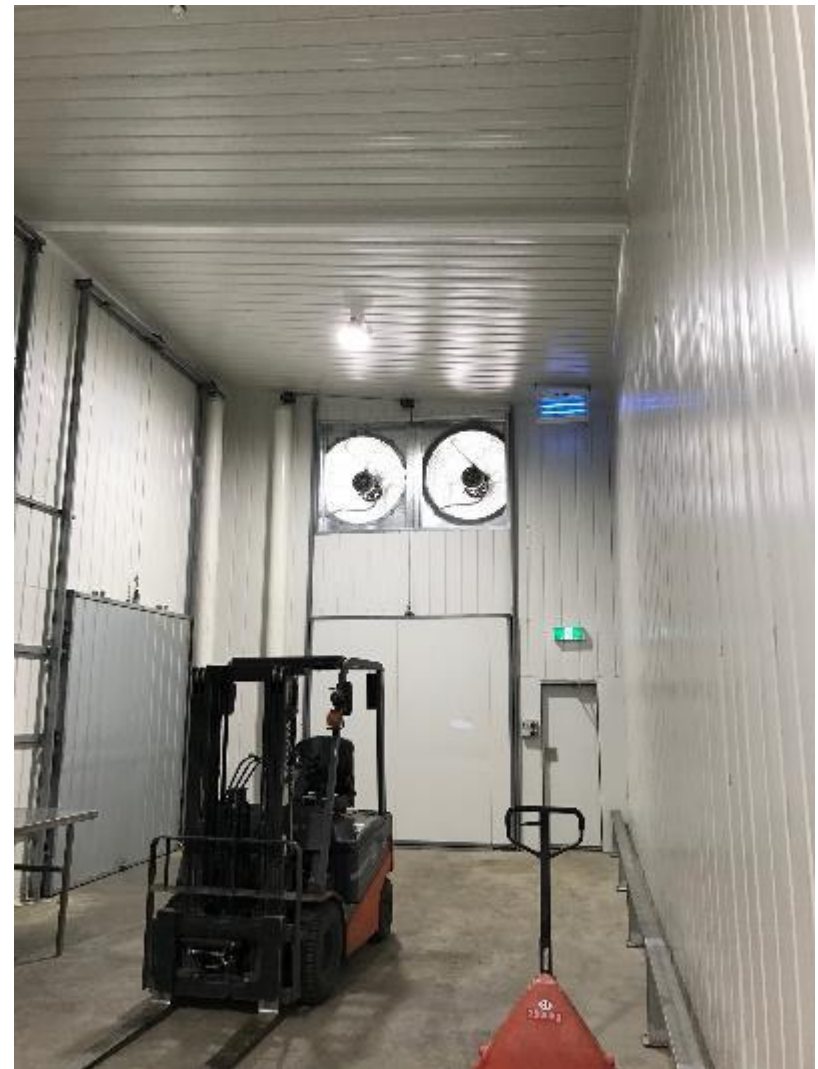
- Very difficult for us to compete outside Tasmania for commodity varieties
- Match our production of commodity varieties to what we can sell in Tasmania
- Focus our marketing and branding around growing that Tasmania business
- Direct supplier to the two major retailers and the leading independent
- In just over 12 months we have given away 100,000 apples



Niche Export Opportunities



Japan Market Project



50% of Production Trademark Varieties

New Varieties, Trademark Protection and Domestic Focus



Vision for New Apple Plantings



Diversification to Cherries

- In 1994 completed a **research project** while studying at Marcus Oldham College looking at the opportunities for late season sweet cherries
- Objective was to find another horticultural crop where we again had a **counter seasonal supply** opportunity to the northern hemisphere
- In 1995 planted first 400 trees
- Cherry plantings have since expanded to 130ha with current production over 1750 tonnes and we pack another 500 tonnes for 5 other growers in Tasmania
- Usually 60% of production is exported to 15 countries



Tasmania's Competitive Advantages

- **Southern Hemisphere**
- Tasmania's **cool maritime climate** give a **long growing season** without climatic extremes and the **latest maturity in SH** and higher firmness (late Dec – late Feb)
- Tasmania's "**Fruit Fly Free Status**" allows market access to China, Taiwan, Japan, Korea, Thailand, Vietnam, USA and Indonesia, all without fumigation
- Close Proximity to Asia and ample airfreight capacity at a reasonable price



Expansion of Cherry Plantings

- In the Huon we removed some apple and converted to cherries as well as planting some bare ground and bought neighbors
- In 2007 we made our first plantings in the Derwent Valley on a green field site
- Drier climate, cheaper land, larger blocks and an abundance of water
- Now over 120ha of cherries and apples planted in the Derwent Valley and potential for more



Premium Branded Product vs Commodity

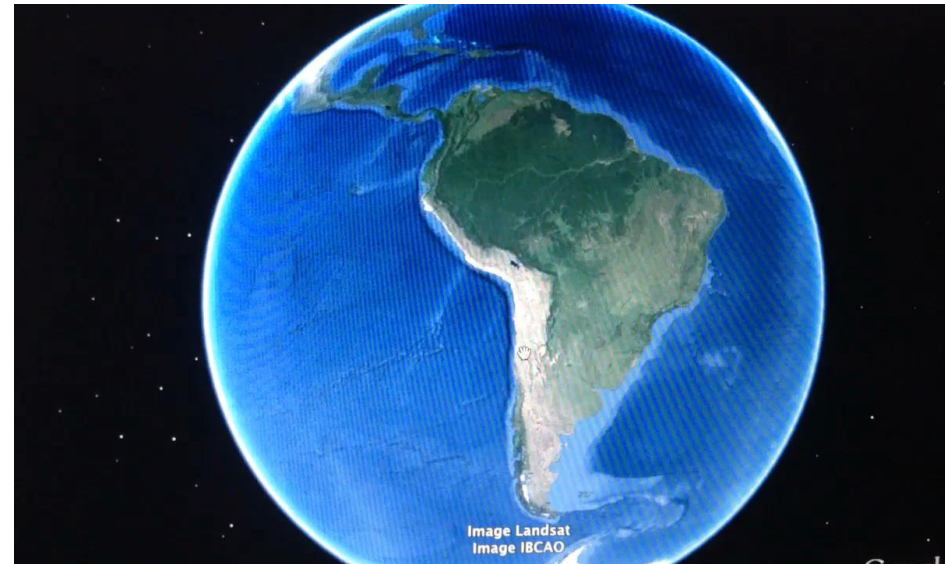
Point of Difference – Fruit Size

- Our labour x2 NZ, x10 Chile
- We have to supply a completely different product, watermelons vs pineapples
- We have to be in the premium product business, the niche at the top of every market
- We make no excuse for having the most expensive cherries in the world
- 80% of our exports are 30mm and larger in a 2kg gift box



Chile In Perspective

- There are enough cherry trees in the ground today in Chile to produce 500,000 tonnes when they are in full production
- In 2018 180,000 tonnes exported to China alone
- They are planting more than 600ha/year
- Each year production is increasing by well more than total Australian and NZ production combined
- We have no chance to compete in the commodity business
- **We are in the gift business not the food business**



Differentiation

Bigger	65% greater than 30mm
Firmer	Over 400gms on a Firmtech
Sweeter	Approaching 20 brix
Darker	Very Dark Mahogany
Later	Latest in SH, harvest from early Jan to late Feb and hopefully soon into March
Fresher	Airfreight
Single Stems	No cluster cutters



Branding To Differentiate



Counterfeit



Fresher



48 hours



Vs

48 days

Late Timing Point of Difference

- Hansen Orchards season runs from late December until late February
- Exclusive Australian Summerland Varieties Corporation licence for late season varieties, Sentennialtm and Sovereigntm and joint Australian licence for Staccatotm extend our season by 3-4 weeks over any other Tasmanian supplier



Chinese New Year

Chinese New Year

Hansen Orchards are best positioned to supply fresh, premium, large cherries for Chinese New Year.

2017 – January 28th

2018 – February 15th *

2019 – February 5th *

2020 – January 25th

2021 – February 12th *

* Hansen Orchards only global supplier
of fresh picked premium cherries

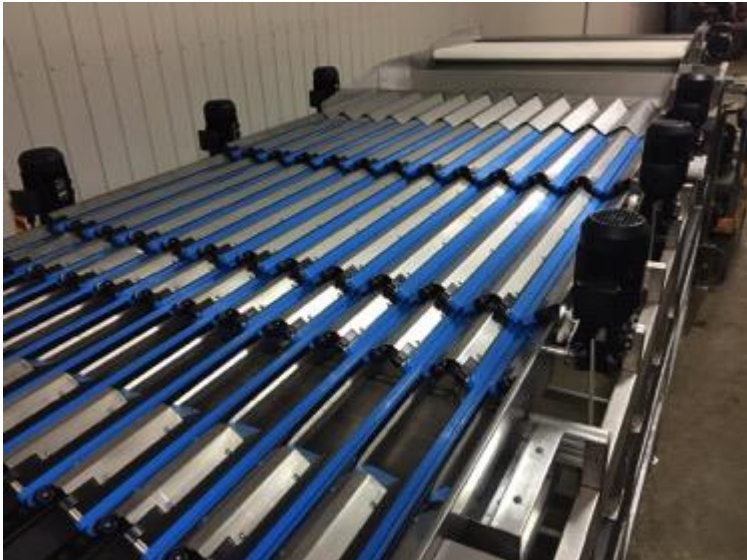


Staccato[™] trees (Grove)

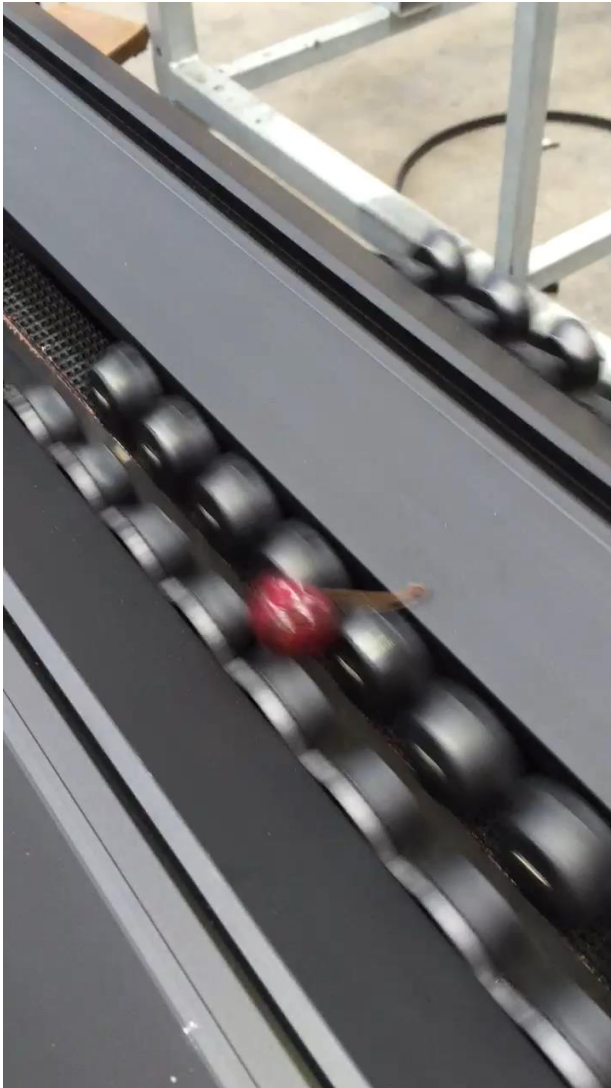
Packing Technology

GP Graders Hansen 360 Presorter installed in December 2016

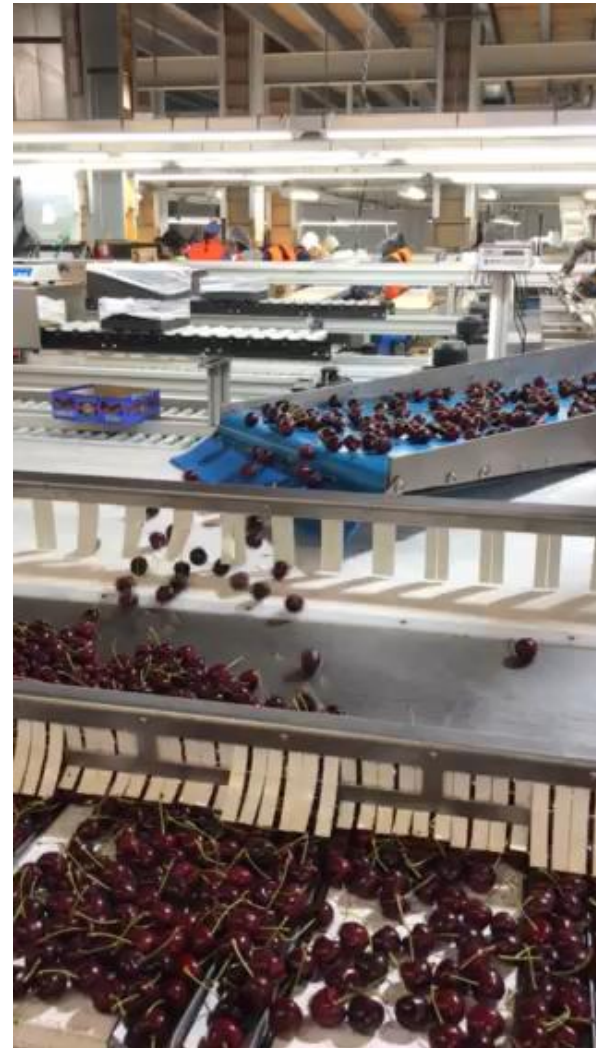
- Revolutionary 360 Degree rotation of cherries beneath HD cameras
- 12 tonne per hour
- Ellips software
- Labour Efficiency
- Guaranteed Quality



Packing Technology



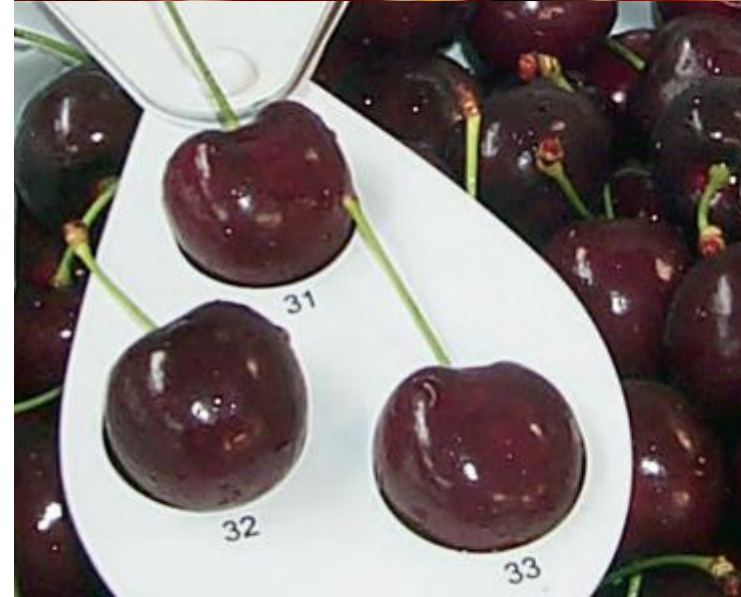
Prepacks to Add Value



Key Focuses for Export Success

Firmness

- If you ask a Asian customer to list their 5 most important quality characteristics they will answer, **firmness, firmness, firmness, firmness and firmness**
- We simply do not get as many **hot days** when the stomata close and the tree shuts down
- **Cool nights** help our fruit to recover
- Firmness is a “barbed wire fence” – packout v firmness
- Influenced by crop load, leaf to fruit ratio, nutrition, climate, GA rates and timing
- If they are too hard your in a risky spot of not getting a packout
- The price penalty for fruit that is too soft is huge



Key Focuses for Export Success

Cold Chain

- Fruit growing is about getting all the simple things right
- Cherries don't have a reserve of starch so the only thing we can do to maximise their shelf life is to get them cold as soon as possible after picking and keep them cold until they are eaten
- Hydrocool within 1 hour of harvest
- Pack maximum 18 hours after picking
- Must be delivered into the box at less than 1 Degree C



Key to Profitability - The 3 P's

$$\begin{aligned} & \textit{Profit} \\ & (\$/\textit{Ha}) \\ & = \\ & \textit{Production} \\ & (\textit{Tonnes/ha}) \\ & \times \\ & \textit{Packout} \\ & (\% \textit{1}^{\textit{st}} \textit{Grade}) \\ & \times \\ & \textit{Price} \\ & (\$/\textit{Kg}) \end{aligned}$$

Maximise Revenue not Minimise Cost



Keys to Profitability – In the Orchard

- It is attention to detail and sound horticultural practice that will maximise fruit size and packout – **“there are no silver bullets”**
- **Full Canopy** to capture 70% of light falling on the orchard
- **Heavy pruning** and attention to detail of nutrition (ground applied and fertigation) to ensure 500mm of annual extension growth and **big leaves**
- **Tipping and limb removal** to avoid over cropping and maximising leaf to fruit ratio – **15-18 tonnes/ha** is ideal
- The growing season for cherries is so short that any stress while the fruit is on the tree must be avoided
- Must use high rates of **gibberelic acid**
- Do not harvest too early as a cherry can put on half its final weight in the last 14-20 days prior to harvest



Maximizing Packout

- Shelter against wind damage
- Do every thing possible to keep stems thick and green
 - Heavy Pruning
 - Leaf to Fruit Ratio
 - Nutrition
 - Irrigation Scheduling
 - Keep fruit in shade after harvest and hydrocool with 1 hour
- Do every thing possible to reduce rain damage
 - Avoid light crops
 - Pre rain applications
 - Drying after rain
- **Supervise, supervise supervise** harvest, do not allow pickers to waste a full years work by harvesting the wrong fruit or damaging fruit



Risk Mitigation - Raincovers

- Over the past 4 years we have invested over \$8mil on installing 120ha of VOEN self venting, retractable rain covers
- We hope this will revolutionise our business by managing the most significant risk to our business
- This will allow us to give our customers a 100% guarantee of supply regardless of the weather
- We are confident the improved growing environment will give us a healthier trees with bigger leaves, resulting in larger fruit size, higher yields, firmer fruit because of high GA rates, higher packouts
- We expect to almost double the long term packed yield/ha to future proof our business and allow us to remain profitable at lower prices
- **Heat Heat Heat Heat**



Raincovers



Raincovers



Raincovers



Vertical Integration – No Low Boards

- Manage **varieties** in Australia on behalf of international owners
- Propagate our own rootstocks and **nursery trees**
- Best practice, high density apple and cherry **orchards**
- Have apple and cherry **packing** facilities with the latest technology in the world to maximise labour efficiency
- **Year round** utilisation of infrastructure and labour resources and invoicing a customer every day of the year
- **Direct supplier** to the two major domestic supermarkets in Australia
- Directly **export** to 15 countries around the world with the majority of this business being to retailers
- If there is a **profit** to be made we hope the only significant partner we share that with the the retailer



Questions

