

WEBSTER

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Operations update as at the end of harvest 2014

Harvest for the current financial year has this week been completed for both walnuts and onions.

Tasmanian orchards met targeted walnut yields. Riverina orchards, whilst ahead of the prior year, did not meet internal forecasts, with crop yields per hectare below target profiles for trees in the 8th leaf whilst trees in the 5th and 7th leaf yielded above the target profile. Early analysis suggests this to be a temporary matter. There may be some alternate, or biennial, crop variation, however management review practices each year and anticipate making some adjustment in the mix of nutrition, water application and pruning in coming years to continue to meet global benchmarks. Webster has company owned, third part managed, and managed investment schemes (MIS) orchards which are operated under product disclosure statements (PDS) in the Riverina. For efficiency and profit optimisation, the nuts are pooled for processing and sale by Webster.

The commissioning of the new the state of the art walnut cracking and value add facility has progressed on time and within budgeted parameters. In-shell packing and distribution commenced in mid-March and during April our first orders were dispatched to domestic retail customers on the new retail packing equipment. Trading terms have now been finalised for supply of Australian grown walnut kernel to a major Australian retailer replacing previously imported product. Supply commences in June and volumes are expected to be approximately 10% of the imported walnut volume into Australia.

Macro industry fundamentals remain positive and demand and pricing are strong from traditional export markets, particularly from Europe.

Site preparation is now well advanced on our newest orchard property, Avondale in the Riverina. Major infrastructure projects are well underway on the new orchard, including the building of an 800 mega litre on-orchard water storage dam, three phase power installation and site preparation for tree planting which has included laser levelling, ripping, row and mound formation and soil nutrition. The property is planned to be established over 3 years with the first trees being planted in July this year.

This week the Australian tree nut industry hosted the International Nut Congress in Melbourne. More than 800 global delegates attended this three day forum. Webster's Walnuts Australia operation used this opportunity to showcase our orchards and the new state of the art walnut cracking and processing facility and hosted several delegations of international customers. This has assisted sales planning for the current and future years.

As reported at the half year, the Northern Tasmanian climate delivered wetter and cooler than normal spring conditions resulting in difficulties getting the onion crop planted to schedule and established. Coupled with cool temperatures at the beginning of summer these growing conditions resulted in slower than normal crop growth and the lifting and harvesting process commenced later than ideal. Required summer conditions for

crop development did not eventuate resulting in Webster's Field Fresh Tasmania operation not meeting yield targets along with some stress on crop quality.

The capital upgrades in the Field Fresh Tasmania onion operation aimed at quality and efficiency improvements have been successfully commissioned and are meeting our internal expectations. The new main line in the factory packing operation has settled well and management is particularly pleased with the improved handling dynamics of the line. The installation of the pre-pack line was completed prior to the season and is functioning to its specifications, facilitating packing in retail format for the first time. This capability has enabled direct supply to a major Australian retailer to commence. This assists delivering on the strategic purpose of rebalancing the export/domestic sales mix.

As previously indicated, Webster Limited anticipates an improved profit before tax result for FY14.

John Hosken
Chief Executive Officer
Webster Limited

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