

Manhong Farm, Menghai Country, Yunnan Province



Establishing and growing
our China farming
operations

Costa Group Holdings (ASX:CGC)
November 2020

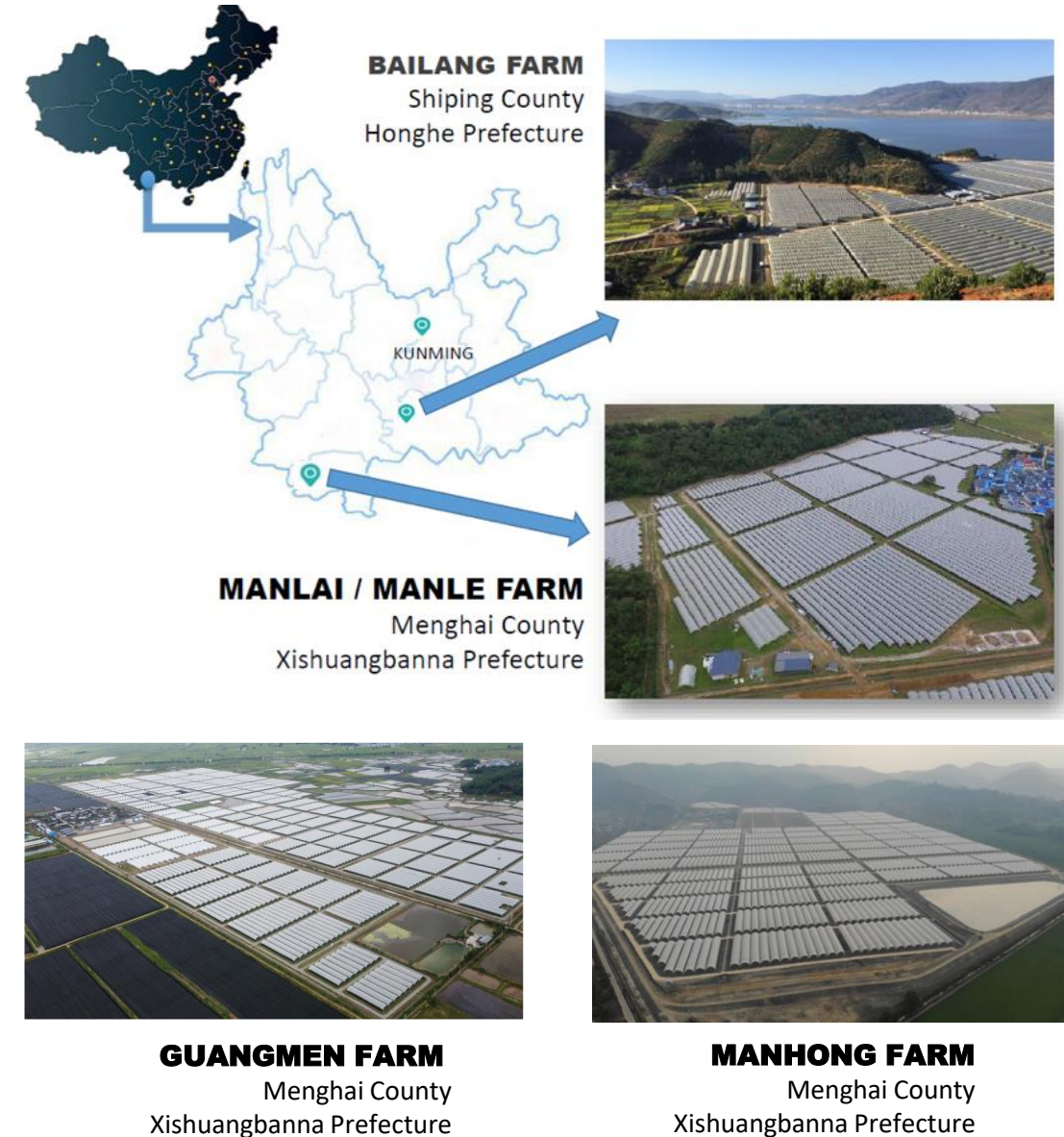
Three main growing locations in Yunnan Province, Southern China:

- Honghe Prefecture
 - Bailang
- Xishuangbanna Prefecture (3 sites in close proximity)
 - Manlai/ Manle
 - Manhong
 - Guangmen - First crop in CY21
- Baoshan Prefecture
 - Pupiao 50ha in CY21 with first crop in CY22
 - Further 100ha planned CY22 with first crop in CY23

Total plantings of 237 hectares as at June 2020:

- Blueberries: 207 hectares
- Raspberries: 21 hectares
- Blackberries: 9 hectares

Joint venture with Driscoll's – 70% Costa, 30% Driscoll's.



- 2010 - Costa commenced preliminary investigations into the opportunity and practicality of establishing commercial berry plantings in China.
- Over the course of approximately five years, work was undertaken to determine the most appropriate locations and berry products to produce. First harvest occurred in 2016.
- Yunnan Province identified as best opportunity based on the following factors:
 - Climatic conditions in the province, particularly in the southern regions of the province, and the impact on crop timing.
 - Availability of suitable land and quality water.
 - Importance of agriculture to the local economy in Yunnan, including National and Regional policies to support the initiative.
 - Availability of labour.
 - Opportunity for further development.



- Commitment by Costa JV to establish a production footprint in China utilizing world leading IP/genetics to supply the Chinese consumer with premium berry fruit varieties.
- Introduction of world's best growing technology and modern agricultural production and agronomic practices. Including growing in substrate (out of soil).
- A commitment to work cooperatively and harmoniously with local stakeholders, including Government, officials, employees, local villages and the surrounding community. Economic benefit for local villagers arises both from their being landlords and providing labour.
- Recognition of, and commitment from key Chinese Government agricultural policies, specifically as they relate to rural economic improvement, positive environmental impacts and the wider social good.
- Introduction and development of our established sustainable commercial farming practices.



- A successful berry fruit operation is labour intensive.
- Built on utilising local expertise and resources.
- Labour availability from adjacent villages is a factor in sizing of farms in each sub region.
- Specifically, this means Costa is committed to:
 - Respecting and complying with all local labour laws and regulations.
 - Development and implementation of sound and proven safety practices to the same standard as all of our operations.
 - Providing fair remuneration and incentives for workers.
 - Training and development initiatives.
 - Clean and safe accommodation.
 - Development and career opportunities for local people, with a particular focus on young people.
- Total peak labour force during CY20 harvest was 980 FTEs.



- Key social and community initiative run by the Government in Yunnan is the Poverty Alleviation Program.
- Nationally driven program that targets regions in China that are classified as the poorest provinces.
- Aim is to improve the economic well-being of the poorest sections of the population.
- Because of its largely agricultural economy, its resources, ethnic spread and geography, Yunnan is classified as one of the five poorest provinces in China. It is therefore a major target for the program.
- Costa JV supports these initiatives and has already been recognized in Menghai for its support for poverty alleviation, largely through the creation of employment opportunities and the benefits this has brought to the local population.



- Securing suitable land in China is a process that requires close attention to detail.
- Costa JV has developed these skills and understanding of process.

Key considerations are:

- Impact of land use regulations and the need to recognize land that is reserved for food security (wheat/rice/sugar cane etc.)
- Legal authority to make land available
- Support from local officials and communities
- Ability to negotiate long term leases. (typically 20 years +)
- Timeframe to negotiate leases with the local government and communities
- Guarantees on water supply
- Availability and support from local labour
- Up to two years to complete land procurement, development planning and approvals, and for construction to become fully operational.



- Main source of water is primarily from Government controlled reservoirs, onsite dams and local irrigation schemes.
- Security of supply addressed through formal arrangements with local Water Bureaus to ensure a guarantee of continuous supply of quality water.
- Backup supply is through a combination of secondary Government reservoirs, on-site storage tanks and dams/bores.
- The berry fruit is grown in substrate pots. Irrigation is delivered through advanced irrigation systems that deliver controlled volumes of fertigated water directly throughout the day to optimise growing conditions in a sustainable way.





Blueberries: January to June



Raspberries: September to June



Blackberries: September to May

- Raspberries and blackberries are a market development project in China.
- Blueberries will remain the dominant crop for the foreseeable future.
- Strawberries are also early in the R&D stage.



- Cool storage , distribution and marketing is all handled by Driscoll's China.
- Coolers are located in Goujie (servicing Bailang), Mengzhe (servicing Banna farms) and planned for Pupiao (servicing future needs of the Baoshan farms)
- Driscoll's has plans to expand and improve fruit handling capacity as total farm production increases. To date this has occurred in Mengzhe.
- Logistics have materially improved.
- Supply focus initially on the large Coastal Tier 1 cities of Beijing , Shanghai, Shenzhen and Guangzhou. These are the most sophisticated markets and are still the main focus.
- Over past two years Driscoll's have spread their sales distribution into Tier 2 cities.
- In CY20 also began servicing South West China. This includes the large population centres of Chongqing, Chengdu, Kunming and Guiyang (50 to 60 million people per city). Total population of this area is circa 220 million people .

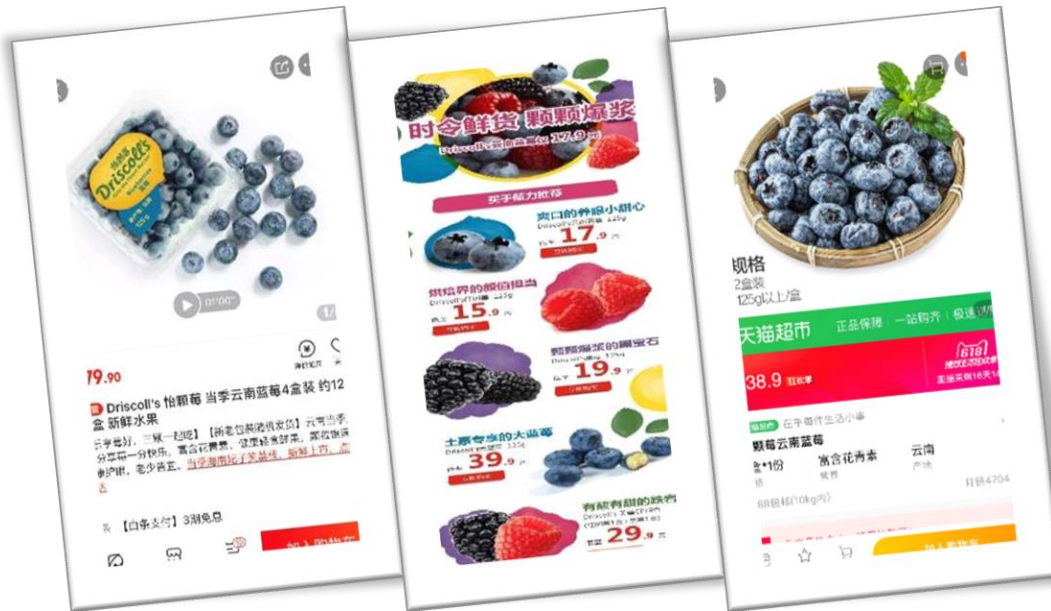
Goujie Cooler	
Current	Plan
148 sqm receiving area	148 sqm receiving area with smoother process flow
8 semi-full pallets max pre-cooling capacity	18 full pallets max pre-cooling capacity
74 sqm holding room	94 sqm holding room (space for 15 additional pallets)
Semi-insulated truck loading dock	Full cold chain sealed truck loading dock

Banna Cooler	
Current	Plan
160 sqm receiving area	600 sqm receiving area
18 pallets max pre-cooling capacity	110 pallets max pre-cooling capacity (next 2 years volume)
6 inbound docks for loose tray receival	12 inbound docks for loose tray receival and additional docks for forklift offloading
Holding and shipping capacity to support last season	Expansion of holding rooms and outbound docks

- Ongoing evaluation of current commercial varieties as well as the potential of new varieties (including from Costa's Variety Improvement Program in Australia).
- Looking for varieties that are successful in the geographic/climatic conditions for best quality, yield and market demands (timing, size, shelf life and taste) and that lead to spreading the shoulder seasons.
- Continuous monitoring, learning and improvements to understand and respond to the specific needs and challenges of the different locations.
- Closely working with Driscoll's to understand market needs and conditions that drive strategic and agronomic decision making.



- All marketing is undertaken by Driscoll's under their brands.
- Substantial price premium being received for Costa's Arana jumbo variety.



- Demand fuelled by burgeoning middle class, which now numbers 230m+.
- Projected demand growth for blueberries in China to be in excess of 20% p.a.
- 'Super fruits' gaining market share due to increasing income levels and recognition of nutritional value of berry fruit.

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