

Our view on the Macadamia Industry as a Processor

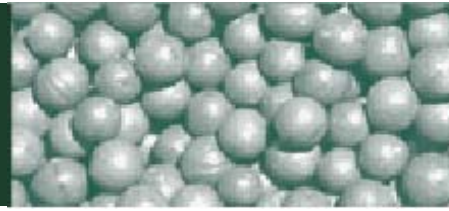
Our focus is and always has been the long term viability of the Australian macadamia industry. Processors cannot allow themselves to speculate in any market. MIA offered long term contracts to a handful of their suppliers without back to back kernel supply agreements to counterbalance their offer. In our view the growers that signed the long term contract with MIA would be understandably upset and entitled to enforce their legal document. When a contract is put in place, financial decisions are made based on the content of such an agreement. Many of these growers will be financially disadvantaged as a result.

In 2005, Pacific Plantations secured a long term supply agreement for kernel. We then tailored a long term offer for NIS suppliers to guarantee we would process enough kernel to fulfill our long term supply agreement. All contractual obligations under this agreement will be met.

Pacific Plantations has paid over 50% more than the major cooperatives have paid their suppliers for their 2006 crop. It is worth noting that Pacific Plantations' suppliers are not required to purchase shares to achieve this exceptional market price for their NIS. We have paid for 90% of the 2006 crop intake already. The remaining 10% are the growers that opted for longer payment terms and they will be paid in full when payment is due. We have completely sold our entire 2006 crop intake. We are therefore in a good position to begin trading on 2007 crop.

Pacific Plantations will endeavour to accommodate as much NIS as physically possible during 2007. We are currently working on our schedule for NIH/NIS intake directly in line with our drying and production capacities. Intake will be prioritised for loyal growers who have supplied us in the past.

As a result of the volatility of the market, it will take time to determine what the 2007 NIS offer will be for our suppliers who do not hold a long term contract with us. To those growers waiting on prices we urge you to be certain that your decisions about which processor you will supply are based on solid information. We intend to extend the most favourable conditions possible in the current market for our suppliers. As a grower, we understand these times will be difficult. We will do our best to accommodate growers' requirements.



Our view on the Macadamia Industry as a Grower

Pacific Plantations are the only major processor that still own substantial farming operations. One of our main concerns as a grower is the long term viability of the macadamia industry. The inept decisions and mismanagement of the industry by the Australian Macadamia Society (AMS) is clearly evident with the open flow of research and development information to South African growers, which is funded by Australian growers and works towards diminishing any competitive advantage we once had. In hard times we need a professional body that benefits Australian macadamia growers.

We were surprised and appalled to read the 'Hargreaves Half Page' in the AMS January News Bulletin indicating that the AMS received almost no negative comments on the joint venture marketing project with South Africa except for those from three processors.

We addressed the issues at our own Forum held at the Byron Bay Golf Club in November 2006. Over 100 growers attended. We received no positive comments. The presentation notes and questions from the audience are available on our website www.macadamia.com.au

The industry is experiencing a very difficult time. It is a direct result of the volumes of low priced South African macadamia kernel available on the World market. Support your processor's efforts to promote Australian macadamia kernel, not the AMS's initiative that we believe will damage the brand "Australian Macadamias".

We find the issues related to the AMS's intention to form an International Macadamia Society are an incredible waste of Australian growers' funds. As custodians of the growers' funds, all decisions the AMS make must be in the best interests of the Australian grower. We do not believe this is happening. They have a fiduciary obligation to invest those funds for the best possible return for the grower. Do you as levy payers feel you are receiving value for money?

The industry needs proper leadership and understanding to be able to positively approach the future. We believe the marketing needs to be coordinated by qualified persons. We believe an independent audit should be conducted on the research and development projects to determine the value growers are receiving from this considerable expenditure. A report should be tabled and provided to all members to enable an informed decision to be made about the cost of the grower contribution and the distribution of our levy funds. Could expenditure be more effectively directed elsewhere, i.e. marketing?

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