

- **2007 Farm Gate Price**

Pacific Plantations has always been committed to developing strong long term relationships with both our suppliers and customers. We are continually focussed on providing long term solutions to our suppliers to ensure they are advantaged by supplying Pacific Plantations over other processors over a long period of time. This is evident in our final 2007 price to growers. Your processor should be judged by their performance over at least the last 2 years. We paid on time our committed contract price of \$3.00\* in 2006 and will match market price in 2007. We will always reward those growers who have supported us in the past and will continue to reward them in the future. As such, our final 2007 price to our loyal growers is \$1.45/ kg NIS @ 10% moisture content (MC) for 33% sound kernel recovery (SKR), plus quality and commercial grade bonuses. Final details and payments will be made within the next few days.

- **Reducing Volatility in the NIS Price**

In any market, there are many causes of price volatility. Within the macadamia industry, some of the major causes are relatively straight forward. Price goes up when demand exceeds supply and price goes down when supply exceeds demand. When demand exceeds supply such as in relatively recent years, fierce market competition for product drives the price up to over inflated and unsustainable prices. High prices unfortunately cause a whiplash effect by slowing down demand dramatically and allowing supply to exceed demand, such as is the case now. As an industry, the better we can manage the fragile supply demand equation, the less volatility we will have in our NIS price. The best way to manage this equation is to ensure all Australian macadamia stock is sold as soon as possible at a fair market price. Excessive build up of stock causes unnecessary discounting of older stock and allows our buyers to drive down price to increasingly desperate sellers.

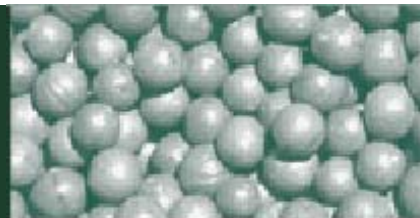
As a grower, you can alleviate the problem by supporting processors that are selling your stock the quickest at a fair market price; not contribute to the problem by continuing to add more stock on top of the already large stock piles of those processors struggling to sell their stock as quickly. Using a simple analogy, if you need to move a large group of people through a limited number of turnstiles as quickly as possible, why would you line up behind the longest line? Pacific Plantations has completely sold its 2007 crop and can see signs of strengthening demand in 2008. Has your current processor sold their 2007 crop? If not, you're in the wrong line!

As a processor, we recognise that we can maximise the profitability of our growers in two ways; increase their revenue with the NIS price and reduce their costs of producing NIS. Only focusing on NIS Price is not a responsible approach, and can add to the inflation of price in buoyant markets. That is why we have invested so significantly in our farm services to growers, so that we can also help reduce their costs to increase their total return on investment.

\* standard 12 month payment term offer

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## • Your Quality Driven Processor

With the increasing need to differentiate Australian macadamia kernel from its international competitors as the best macadamias in the world, now more than ever is the time for the Australian industry to be focussed on quality. This unfortunately comes at a time when growers have never been more financially stretched to maintain their sound orchard management practices. As a processor, we are committed to maximising the quality of your crop and processing your crop to produce the best possible macadamia kernel in the world. From our perspective it is simple; once the nut has matured and fallen, it's started its gradual decline in quality. It is at its most vulnerable as wet NIH in storage, so the sooner the husk is removed and the NIS dried to a suitable moisture content for storage, the better the quality of the final product. From the growers perspective, the sooner you can remove the majority of the husk (using harvesters with inline dehuskers) and deliver your consignment to the processor, the optimum your quality will be. It then passes all responsibility of future degradation onto the processor, not the grower.

At Pacific Plantations, we continue to invest significantly to continually improve our service to growers. We believe that growers should invest their valuable capital and time into growing quality macadamias; not processing them themselves with their own expensive and costly drying and dehusking facilities. The longer you hold your product, particularly in the most vulnerable wet NIH form, the greater your risk of quality degradation. As the marketer of your macadamia kernel, it is our responsibility to ensure we maintain and continuously improve our international reputation as the supplier of the best quality macadamia kernel in the world. You can help us achieve this by focusing on being the best *growers* of macadamia in the world; not the best semi-processors of NIS in the world.

## • Farm Services at Pacific Plantations

### ○ Nut in Husk Storage and Transport

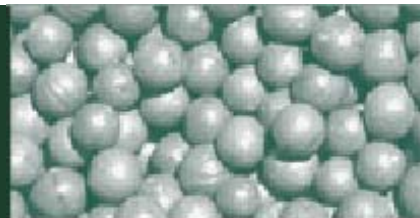
- We can provide on farm storage solutions such as our custom built 19m<sup>3</sup> skip bins. This allows the grower to optimise their harvest efficiency by harvesting directly into these strategically placed bins, rather than having to transport wet NIH back to a centralised storage facility. The use of inline dehuskers on your harvester not only reduces your exposure to quality degradation, but greatly reduces your on farm transport costs.
- NIH is transported back to PP facilities using our own customised trucks where it is weighed prior to further processing. This weight is used to invoice your transport and dehusking cost; **not** your sort cost. The transport costs are based on the following:
  - 6km radius      2c/kg NIH    Min \$80.00
  - 20km radius    2.3c/kg NIH   Min \$100.00
  - 50km radius    2.6c/kg NIH   Min \$120.00

From historical average bin weights, this equates to a 19m<sup>3</sup> bin delivered, left on farm for harvest run, picked up and delivered to our facility for approx \$228 inc GST. **Comparing this to current industry pricing would equate to under \$120 inc GST for a 10m<sup>3</sup> bin which is a saving of over 60%**

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## ○ Dehusking

- Once your consignment is delivered to our facility and weighed, it is run through the dehusker and trommel and over a sort table to remove all the remaining husk, obvious unsound nut and foreign material. The NIS is then sampled and weighed prior to entering our drying facility. The cost structure for the dehusking service is:

NIH Del MT	c/kg NIH
• 100+ MT	1.5c/kg NIH
• 40-100 MT	3c/kg NIH
• 15-40 MT	5c/kg NIH
• <15MT	6c/kg NIH

## ○ Sorting

- This is the most important step of the process as it directly relates to the quality from which your consignment will be paid. With the proportionally high amount of immature NIS in this season's crop, it is imperative that your consignments are water sorted at the correct moisture content. The samples taken after dehusking are dried to a moisture content of between 12% and 16%, depending on variety. The samples are then hand sorted either by our very experienced staff or the grower themselves and water sorted if required with the weights of NIS removed recorded for consignment weight calculation. The final sorted NIS sample is then dried down for laboratory kernel recovery testing. Your final consignment kernel recovery is based on how you would sort your NIS on your farm, whether that is a quick sort, a double sort or a triple sort. This important step is completely at the discretion of the grower. The cost structure for the sorting service is:

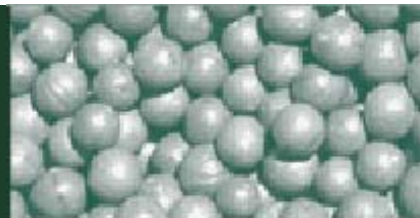
NIH@10% Del MT	c/kg NIH@10%
• 100+ MT	3c/kg NIH@10%
• 40-100 MT	5c/kg NIH@10%
• 15-40 MT	6c/kg NIH@10%
• <15MT	8c/kg NIH@10%

- From historical averages, post sort NIS @ 10% is typically 60% of the delivered wet NIH weight, so for example \$3c/kg NIS@10% equates to approximately \$1.8c/kg NIH. Comparing this to current industry pricing would equate to a grower supplying over 100MT of wet NIH paying 3.3c/Kg + GST NIH for dehusking, hand sort to their level of scrutiny and water sort at 12%-16% moisture content. **Pacific Plantations sorting service is over 10c cheaper than current industry pricing for services that only water sort at field moisture levels and have a standard level of sort scrutiny.**

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For a number of years now, Pacific Plantations has believed that this philosophy of utilising our economy of scale benefits and subsidizing our farm services to dramatically reduce your on farm costs is a more responsible industry approach than over inflating NIS prices, which only amplifies these large seasonal swings in NIS price. The benefits are:

▪ **For the Processor:**

- Ensuring we have more responsibility and management over the quality of the crop we purchase
- The ability to pass on quantifiable benefits to our growers (approx 15c/Kg) without over inflating the volatile NIS price market
- Freeing up more valuable grower capital and time for them to spend on improving their farm practices or supplementing their income if required in hard times such as these, so that our growers are the best and the most advantaged in the industry

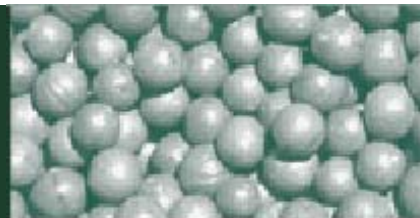
▪ **For the Grower**

- Optimises their harvesting practises by reducing unnecessary movement of wet NIH
- Optimises their quality by ensuring that crop degradation is minimised
- Increases their cash flow by delivering their crop earlier
- Eliminates the need to continually invest in installing/upgrading and maintaining expensive drying, dehusking and sorting equipment to improve their quality
- Frees up valuable resource time to focus on improving the quality of your crop, not the quality of your drying, dehusking and sorting
- Allows you to achieve your 'optimum sort' for a consignment on a sample, not the whole consignment
- Allows you more time to supplement your income if required in hard times such as these

As a large grower and processor, we believe this approach is the best way to continually improve and maintain our international reputation as the supplier of the best macadamias in the world. With the vast majority of our growers now utilising this service, we believe it is the optimal win-win approach for both parties and provides the best platform to ensuring Australian Macadamias continue to be the best Macadamias in the world.

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- **2008 Offer**

For those who do not have long term agreements with us, we have structured the following progress payment system:

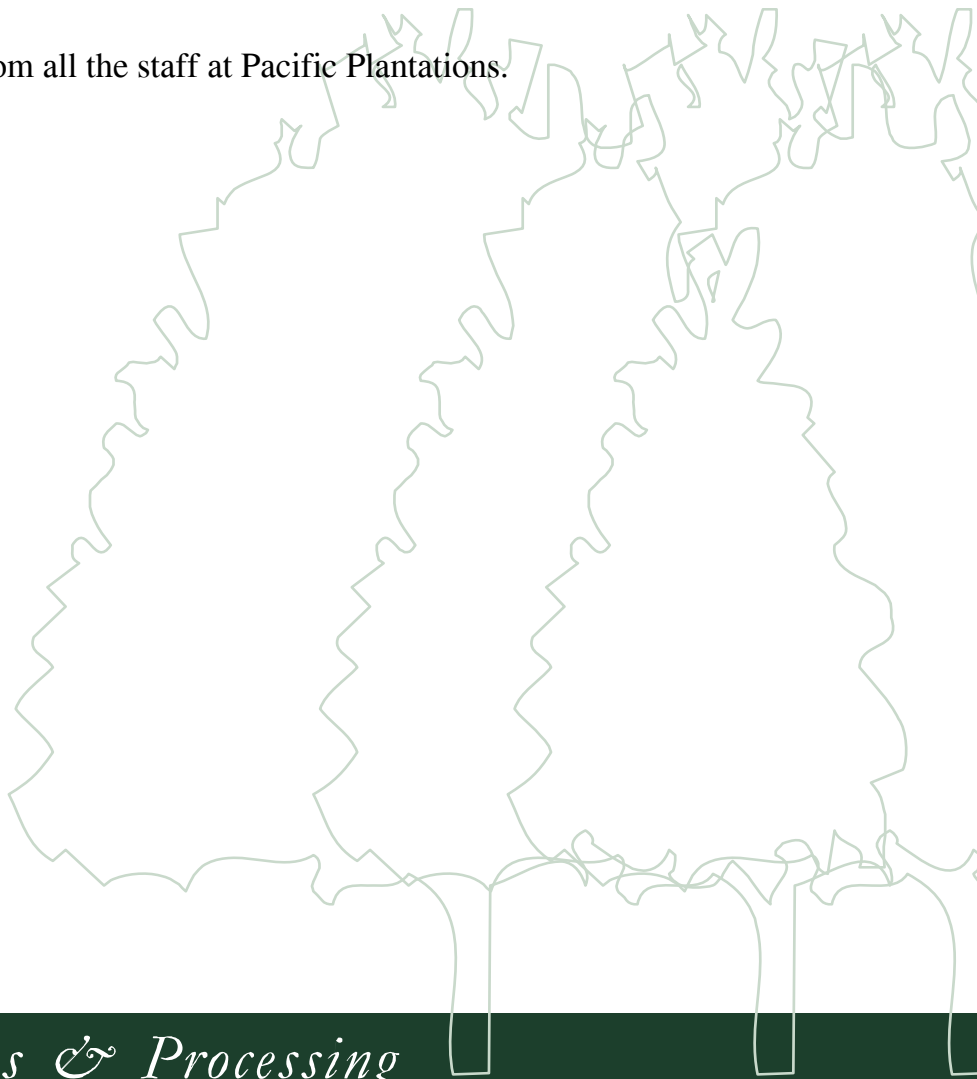
- Growers that have supplied Pacific Plantations for the last 3 years or more or commit 50% of their crop or a minimum 50MT for 3 years
  - 20c/kg per month (NIS @ 10%MC 33%KR)
- Growers that haven't supplied Pacific Plantations for the last 3 years or more
  - 10c/kg per month (NIS @ 10%MC 33%KR)

Our estimated price range for 2008 is between \$1.60 - \$1.85, subject to market conditions and currency movements. We will endeavour to keep you updated on these conditions as the season unfolds. We believe that we have seen the worst of this horrific downturn in price, and hope that you can support us in 2008, so we can continue with our focus of keeping the Australian industry as the best macadamia industry in the world.

Best wishes for the 2008 season from all the staff at Pacific Plantations.

Regards,

Pacific Plantations Management



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