

# Prime Value Citrus Harvest Update

## July 2018

### Dear Investor,

We are very pleased to update you on the operations and activities of the Prime Value Citrus Land and Business Trusts. Our first harvest for the Nangiloc farm was completed in November 2017 with strong yields and strong citrus prices delivering better than forecast results. We assumed working possession of the Orange One Farm in Colignan (near Nangiloc) and the Wiela Farm in the Riverland district of South Australia in the December quarter of 2017, and these properties settled in March and April 2018.

All three farms have since seen significant improvements under the management of Southern Cross Farms and importantly, KCT export approvals for all farms were gained for the 2018 season which will enable us to maximise the sales price for our Grade 1 production. Harvesting has begun for the 2018 fruit season. Early indications are encouraging for a good harvest, both in terms of quality and prices.

### 2018 Season Outlook

2017 was characterized by high fruit yields across the region and our first harvest at Nangiloc was similarly high yielding. Fruit quality was however variable and we were not in a position to greatly influence it as we acquired the farm just prior to harvest. This year, regional fruit yields are lower as is often the case after a high yielding year and Prime Value farm yields are similarly forecast marginally lower but our fruit quality is considerably stronger than 2017.

Every harvest will produce higher and lower grade fruit and to maximize returns to our investors, our primary farm management objective is to grow a high proportion of Grade 1 fruit. Harvesting has begun on a positive note and although only 20-25% of our total crop has so far been picked, our percentage of Grade 1 fruit has increased from 40% to 50%.

The final price outcome of the 2018 season will not be known until December, but 2018 interim pricing is similar to that of 2017. Export demand remains strong and we expect final prices will reflect this. Our revenue forecasts remain on track.



New season Washington navels being picked at Nangiloc. July 2018.

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### Farm Management

The focus on all of our farms is to maximise our production of Grade 1 fruit and maximise the prices achieved. The process can take a number of years, but with Southern Cross Farms focusing on best practice fertigation and orchard management, we are already seeing the benefits in improved fruit quality and a higher percentage of Grade 1 and KCT export fruit production. All of our farms benefit from the exchange of ideas between managers, as well as external expertise in areas such as pruning, feeding, and agronomy.



Mandarins at Nangiloc

### Nangiloc

The focus for Nangiloc has been to improve irrigation and fertigation for enhanced fruit quality and to increase the area of KCT

approved trees - the results of which are already evident. With respect to stage one of our expansion plantings, 22 hectares of premium citrus varieties were planted in 2017/early 2018 and an additional 28 hectares will be planted this Spring. The area has already been prepared for the planting of these trees.

Analysis of a second stage larger orchard expansion for Nangiloc is underway and we are in the process of determining the irrigation infrastructure requirements for the developable land. Development approval is required for the expansion and we have been working with consultants on the scope of works for the preparation of the development application (DA). The DA and approval process can take up to two years and investment decision making will take place once development approval is obtained. Regardless of the expansion decision, we believe the development approval will be beneficial for our eventual sale.

### Orange One

The Orange One farm is located 4kms from Nangiloc and is managed by the same SCF team and largely utilises the same equipment.

The focus since taking possession of the farm has been to improve fertigation and irrigation to maximize future fruit production and also to bring the farm into the KCT program. There was a small patch of vacant ground of approximately 1 hectare, which has been planted with Navels.

The original intention was to top work the Valencia trees on the farm (which comprise just under 40% of the plantings) and convert

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them to Navels. Valencia oranges are traditionally juicing oranges with considerably lower sales prices. However, the strong demand for citrus generally pushed Valencia orange prices significantly higher in 2017. This is expected to continue in 2018 and possibly beyond. Consequently, we will delay the top working, continue to monitor Valencia demand and top-work the trees when it is most beneficial to do so.



New Afourer plantings at Nangiloc

### Wiela

Harvesting on the Wiela Farm in South Australia's Riverland district began in early July with Clementine mandarins. It was an encouraging start for the farm with strong prices delivering above forecast returns despite slightly lower yields. We expect this will be a trend for the 2018 season across all our farms.

A focus since taking possession of the farm has been to improve irrigation infrastructure

and shedding to house our machinery. An additional 5 hectares has also been prepared for planting in Spring this year. The almond trees are developing well and we expect our first production late summer/early autumn 2019.

**Combined, the Citrus Trusts now hold approximately 220 planted hectares and we aim to plant a further 35 hectares this Spring.**



4 year old Afourer Mandarin trees

### Weather

The region experienced a hot, dry summer driving irrigation requirements higher. Demand for water in south east Australia saw spot water prices increase from around \$100/ML early in the season to around \$200/ML by the end of the water year (30th June). The average price for the year was approximately \$150/ML and was in line with our forecasts.

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The greater irrigation requirements, particularly at Nangiloc has resulted in higher expenses (greater volume of water and higher electricity costs to irrigate) however we expect the improved fruit quality will more than compensate.

### Secondary crops

As part of the management and maintenance of our vacant developable land we have planted 165 hectares of wheat and a further 28 hectares have been prepared for the new citrus plantings in September.

The planting of a crop feeds the soil adding nutrients and reduces the risk of weed outbreaks. Originally we had intended to plant chickpeas, however earlier this year India imposed substantial tariffs on chickpeas adversely impacting export prices for Australian producers.

The overall cost and risk associated with the wheat crop is quite small but we are evaluating the option of leasing this land/crop to 3rd parties to eliminate any price risk to Citrus Trust investors. Nonetheless, the wheat price outlook is relatively strong as western European crops are below forecast and Australian winter, non-irrigated crops have suffered from the lack of rainfall.

### Distributions, unit pricing and reports

Annual reports and statements for the Trusts will be issued in August/September and the unit price will also be updated at this time.

Distributions from the 2018 harvest will be paid in January 2019 once final pricing for the season has been established.

The unit price as at 31 December 2017 was just under \$1.09 based on an independent valuation of Nangolic at that time. The 30 June 2018 unit price, which will be provided soon, will be based on the same valuation for Nangolic and the purchase prices of Wiela and Orange One. The 30 June 2018 unit price is therefore expected to be similar to the unit price of 31 December. There is anecdotal evidence of higher farm prices over the past 6 months based on recent citrus farms sales in the region however, we do not consider it worthwhile to incur the cost of new independent valuations at this point.



Nangiloc – Wheat crop

### New acquisitions and due diligence

We continue to evaluate diversification and expansion opportunities for investors and we hope to continue to grow the citrus property portfolio with you throughout 2018.

Kind regards,  
Your Prime Value Agriculture Team