

About Costa Group

Costa is Australia's leading grower, packer and marketer of fresh fruit & vegetables and operates principally in five core categories: citrus, berries, mushrooms, glasshouse tomatoes and avocados. Operations include approximately 4,500 planted hectares of farmland, 30 hectares of glasshouse facilities and four mushroom growing facilities across Australia. Costa also has strategic foreign interests, with majority owned joint ventures covering six blueberry farms in Morocco and four berry farms in China.

Employing more than 6,000 workers during peak harvest periods, Costa has an economic presence in more than 35 regional and rural communities across every state of Australia.

Costa also operates a marketing alliance network with hundreds of fresh produce growers across Australia.

Costa Farms and Logistics segment operates in the fresh produce wholesale markets and provides value added supply chain and logistics services

About Costa Group's Citrus and Grape Category

Costa is the number one grower, packer and marketer of citrus in Australia, with a circa 16% market share (both Costa grown and 3rd party grown). Costa produces approximately 50% of SA's citrus crop, and in calendar year 2019, Costa will export circa 75% of its citrus crop.

We grow a variety of oranges, lemons, limes, grapefruit, tangelos and mandarins at regional South Australian and Victorian citrus and grape farms. The farms also include a smaller portion of avocados and persimmon trees.

The water source for these farms is the Murray River, with Costa using approximately 27,000 ML of water sourced from the Murray Darling Basin system annually. This water is sourced through a combination of permanently owned water licenses, water licenses held under long term lease, forward contracts and temporary market purchases.

Important role of carryover arrangements

Carryover arrangements play a critical and important role in increasing the economic use of temporary water and reducing seasonal volatility in the price of temporary water. Such arrangements need to be maintained in order to maximise the economic and efficient use of water as they also play a role in reducing volatility in temporary water markets.

Carryover arrangements also facilitate the transfer of excess temporary water from one water year to another. This enhances the economic use of the water as it can be traded to its most efficient and valuable use. For example, a water license owner, holding excess water at the end of the season can sell the water to a willing buyer who is prepared to carry over the allocation for use in a future year. Without carryover arrangements, the water license owner would be incentivised to use the water in the current year even if it only generated marginal return.

Carryover arrangements play an important role in reducing the pricing volatility in temporary water markets. The arrangements allow market participants to effectively plan and pre-purchase their water needs to align with planned usage and budgeted requirements. Without carryover arrangements, market participants would need to be in the market more regularly and potentially at times of the year where prices tend to spike. For example, Costa can use carryover arrangements to effectively pre purchase water required in hot summer months. Without access to such arrangements, Costa would need to be in the market more often throughout the year, potentially creating more volatility in temporary water pricing.