

2 May 2019

BUSINESS UPDATE

Murray River Organics Group Limited (MRG) provides this business update.

- Harvest for Dried Vine Fruit (DVF) is progressing approximately 4-5 weeks behind initial estimates due to the impact of hot weather over summer. This may delay MRG's ability to meet all customer orders for the last quarter of FY19, pushing some sales into FY20. MRG will continue to update the market as the harvest progresses. Demand for DVF continues to be strong and export Sales are above last year to end of April.
- Our value adding and margin improvement capital works program (Project Optima) to commission the colour sorter, blast freezer, major bulk room upgrade program and waste water treatment system at Mourquong is expected to be completed by June 2019.
- Sales growth in National Retail and Wholesale & Industrial channels are behind expectations, as we continue to bed down operational restructuring initiatives; the strategic exit of some low margin contracts; and longer lead-time required for retailers to rollout new Pacific Organics brand lines.
- Fresh table grapes harvest is progressing well (also late due to the hot weather over summer) and expected to be completed in May. Yields have increased from last year, with significant improvement in the Fifth Street farm operations, with full turnaround to take an additional growing season to achieve expectations.

Crop and Harvest

While harvest is ongoing, MRG provides the following update based on the harvest conducted to date.

The harvest of fresh table grapes is well progressed (following an initial delay due to hot weather conditions), the crop quality is high and volumes bigger than last year. Once complete total crop yield tonnage will be provided.

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Citrus harvest will commence in May and through to November with indications it will be strong and pricing more attractive to MRO than the last year.

As previously reported, the hot weather conditions in Sunraysia have affected the harvest progress and time-lines particularly for DVF, which may delay MRG's ability to meet all customer orders for the last quarter of FY19, pushing some sales into FY20, in particular the Organic Sun Muscat variety which is in high demand and only recently commenced harvesting. There is also some evidence of heat stressed vines producing lighter crops than originally estimated in some patches. MRG will continue to update the market as the harvest progresses and total crop yield tonnage will be provided at completion in June.

Taking Sunraysia to Asia

MRG launched a new range under its Gobble brand in Japan in March and will introduce the range in China and Vietnam over the coming months

Chief Executive Officer Valentina Tripp said, "Export is a key growth platform for MRG and export sales continue to strengthen. Our international customer relationships are a key focus, and we have invested significant time and resources to restore confidence through improved reliability, supply and continued ranging of our products."

MRG has also re-established relationships in the North American and European markets and has commenced supply of targeted varieties.

As previously announced on 18 January 2019, MRG has increased its customer pricing of DVF in line with world pricing and additional farming costs, effective from 1 April 2019.

Customer demand for Australian dried vine fruits continues to be strong in all regions and channels.

Outlook

Valentina Tripp added: "Our growth program over the next 18 months is very exciting. We are building significant capability to enable launch of new products to meet the emerging healthy snacking trends. Our farm team has set the foundations to rebuild the health of our vines, grow canopy, and embed disciplined farming practices to enable strong yield growth in 2020.

"We are strategically well placed as a diversified Australian food business in growing high value-added markets with a current vertical in dried vine fruit and review of complimentary verticals. These are currently being assessed under Project Magnum, our feasibility scoping study for development of the Nangiloc property. We will provide an update to the market in the months ahead."

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Murray River Organics Group Limited (ASX: MRG) is a leading Australian producer, manufacturer, marketer and seller of certified organic, natural and better-for-you food products. We service the organic, natural and healthy food and snack market globally.

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