

DISCLOSURE OF COLLABORATIVE MARKETING RESULTS FOR THE YEAR 2000 SELLING SEASON

PERSUANT TO REGULATION 15 OF THE KIWIFRUIT EXPORT REGULATIONS 1999

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The regulatory requirement is to disclose:

*The identity of each person approved by the Board to be a collaborative marketing approval holder; and
The volume of kiwifruit marketed by each collaborative marketing approval holder;*

Financial information to enable an assessment to be made as to whether the net returns to suppliers in respect of each collaborative marketing arrangement were greater than would have been the case if the collaborative marketing arrangement had not been approved, including the methodology used by ZGL to allocate costs to the collaborative marketing approval holder.

The required disclosure follows in three summary tables plus explanatory comments.

Table 1. Approval holder and tray allocation

Approval holder in alphabetical order.	Volume marketed t/e
Chevalier India Class 1	2,958
Co-op Italia Class 1	410,450
Freshco Europe Organic	137,666
Freshco Europe Class 1	376,643
Freshco UK Organic	51,147
Freshco Taiwan Organic	6,437
Freshco Singapore Class 1	12,345
Freshco Singapore Organic	785
Fresh NZ UK Organic	47,887
Fresh NZ UK Class 1	42,340
Pacific Harvest Singapore Class II	6,072
T.A. Huka Pak India Class 1	6,264

Table 2. Performance of collaborative marketing programmes relative to ZGL

Collaborative marketing programmes	Net Incremental Return over ZGL \$	Weighted Index to Zespri
Europe Organic	-5,070	99.4
Europe Class 1 (1)	-32,500	98.1
UK Organic (1).	80,077	141.1
Taiwan Organic	-1,865	97.6
Singapore Organic	4,647	231.0
Singapore Class 1	27,292	136.5
UK Organic (2)	-36,730	86.2
UK Green class 1	-206,767	19.3
Europe Class 1 (2)	314,074	114.0
India Green (1)	-1,114	92.5
India Green (2)	5,919	125.1
Singapore Class II	-5,499	77.9

NOTE. Each of these programmes are discrete and are compared to the comparable ZIL programme only. They cannot be reliably compared to each other because of differing market dynamics, differing sectors and differing associated cost structures. Results presented here are coded to protect information that may be commercially sensitive between the collaborative marketer and their in market clients.

Financial analysis methodology

The Collaborative Marketers Net return was calculated as far as possible in a consistent manner with ZESPRI returns so that comparisons could be made. To achieve consistency the following apply:

- The Collaborative Marketer return was compared to the ZESPRI return of the same or comparable market.
- The ZESPRI return was adjusted so that the comparison was made for the same or comparable range of fruit sizes to those sold by the collaborative marketer.
- No exact adjustment was made for sales phasing. However to take into account that ZGL are marketing the main crop over the whole season the figure that the collaborative marketer was compared to was based on ZGL sales up to the point in time when the collaborative marketer exited the market.
- Costs and revenues (net sales, freight and insurance, direct costs, market selling costs) used in the calculation of FOB return were those advised by the collaborative marketer. Under the Collaborative Marketing Agreement, these costs and revenues are subject to audit, (at ZGL's discretion).
- The commission paid to the collaborative marketer was based on the FOBS return. The commission paid to ZGL was the industry standard 3.6% of pool return.
- Onshore costs (fruit labels, pallet cards etc) are normally arranged and incurred by the collaborative marketer, where ZGL makes these arrangements on behalf of the collaborative marketer, these costs were taken into account against the specific return.
- Service payments were allocated to the collaborative marketing return in line with industry standards. These take into account the supply period that the fruit was supplied by ZGL to NZ FOBS and the type of pack that the fruit was supplied in.
- Service Level Agreement costs are the specific additional supplier costs incurred by the collaborative marketer, for example special packs. These costs are reported against the specific return.

Net Return Indexed to Weighted ZGL Return

The net return to New Zealand suppliers is indexed against a weighted ZESPRI return - calculated on the equivalent ZESPRI return in the market adjusted for comparable size and quantity mix of fruit.

Methodology

- The volume of fruit (trays equivalent) sold by the collaborative marketer in each size was multiplied by the comparable ZESPRI return to suppliers for that size in that market, and these were added together. This calculates a comparable return to suppliers for the fruit if ZGL had sold it, which is weighted for the profile of the fruit.
- The return to suppliers through the collaborative marketing programme was indexed against the comparable weighted ZESPRI return to suppliers.

Interpreting the Index:

- An index figure of **100.0** means that the net return to suppliers from the collaborative marketing programme was **the same as** ZESPRI returns in the same market for the same size / quantity mix.
- An index figure of **less than 100** means that the net return from the collaborative marketing programme was **less than** ZESPRI returns in the same market for the same size / quantity mix.
- An index figure of **more than 100** means that the net return from the collaborative marketing programme was **more than** ZESPRI returns in the same market for the same size / quantity mix.

Table 3. Summary of Collaborative Marketing Financial Performance

SUMMARY	Trays	NZ\$
Total Fruit Sold	1,100,594	-
Currency Sales		11,629,360
Freight		1,631,295
Direct Costs		1,619,129
Market Selling Costs		1,197,358
Currency Mkt Return		-
NZD Market Return		7,209,744
		-
Onshore Costs		104,152
Commission		347,311
ZGL Commission		247,306
Total Return NZD		6,510,975
Service Payments		526,038
Supplier SLA Payments		192,929
Total Fruit Return		5,792,008
Total Incremental Fruit Return		142,464