

**DISCLOSURE OF COLLABORATIVE MARKETING RESULTS FOR THE YEAR 2001  
SELLING SEASON**

**PURSUANT TO REGULATION 15 OF THE KIWIFRUIT EXPORT REGULATIONS  
1999**

**BOARD**

Peter Trapski (Chairman)  
Hendrik Pieters  
Malcolm Cartwright  
Grant Eynon  
Ruth Lee

**DISCLOSURE DATE**

**28 June 2002**

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

<b>Approval holder in alphabetical order</b>	<b>Volume marketed t/e</b>
Chevalier India Class 1	6,264
Co-op Italia Class 1	468,164
Conad Europe Class 1	157,917
Eroski Europe Class 1	349,292
Fresh NZ Sth Africa Class 1	31,590
Fresh NZ UK Class 1	97,688

Fresh NZ UK Organic	43,492
Freshco Europe Class 1	179,349
Freshco Europe Organic	79,040
Freshco Singapore Organic	11,690
Freshco Taiwan Organic	6,844
Freshco UK Organic	38,121
Fruitlynx China Class 1	23,040
Fruitlynx Indonesia Class 1	8,142
Millennium – SE Asia Class 1	40,325
Millennium – SE Asia Class 2	119,106
Natural Selection Foods USA Organic	31,950
T A Huka Pak India Class 1	6,264
T & G East Europe Class 2	70,087
Vanguard USA Class 1	91,855

Table 2. Performance of collaborative marketing programmes relative to ZGL

<b>Collaborative marketing programmes</b>	<b>Net Incremental Return over ZGL \$</b>	<b>Weighted Index to Zespri</b>
Millennium SE Asia Class 2	35,448	106.8
Natural Selection Foods Organic Class 1	34,578	116.4
Freshco UK Organic	11,600	105.4
Fruitlynx Indonesia Class 1	7,988	126.0
Freshco Singapore Organic	1,725	102.5
T A Huka Pak India Class 1	- 3,031	92.9
T & G East Europe Class 2	-17,399	94.0
Chevalier India Class 1	-18,748	56.0
Freshco Taiwan Organic	-21,534	63.8
Freshco Europe Class 1	-22,688	97.9
Fresh NZ UK Organic	-24,426	91.8
Millennium SE Asia Class 1	-30,631	79.9
Fresh NZ Sth Africa Class 1	-35,814	68.0
Freshco Europe Organic	-55,439	90.2
Conad Europe Class 1	-67,070	93.5
Eroski Europe Class 1	-79,811	96.5
Fruitlynx China Class 1	-114,917	46.8
Co-op Italia Europe Class 1	-179,038	94.0
Vanguard USA Green Class 1	-335,682	22.1
Fresh NZ UK Class 1	-456,336	26.5

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.

### **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

<b>SUMMARY</b>	<b>Trays</b>	<b>NZ\$</b>
Total Fruit Sold	1,860,220	-
Currency Sales		19,914,874
Freight		2,913,023
Direct Costs		2,331,740
Market Selling Costs		2,410,843
Currency Mkt Return		-
NZD Market Return		12,275,622
		-
Onshore Costs		75,330
Commission		453,669
ZGL Commission		422,879
Total Return NZD		11,323,744
Service Payments		1,029,445
Supplier SLA Payments		397,905
Total Fruit Return		9,896,394
<b>Total Incremental Fruit Return</b>		<b>-1,371,226</b>