

**DISCLOSURE OF COLLABORATIVE MARKETING RESULTS FOR THE YEAR 2002
SELLING SEASON**

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

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DISCLOSURE DATE 30 June 2003

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 Zespri 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
Casino Organic	205,047
Chevalier India Class 1	12,528
Conad Europe Class 1 (environgro)	103,549
Co-op Italia Class 1 (environgro)	350,027
Eroski Europe Class 1 (environgro)	405,184
Freshco Europe Class 1	159,825
Freshco Europe Organic	56,009

Freshco Singapore Organic	4,639
Freshco UK Organic	57,295
Fruitlynx Malaysia Class 1	6,935
Fruitlynx Malaysia Class 2	37,796
Fruitlynx Waitrose Class 1	20,283
Fruitlynx Waitrose Organic	12,259
Millennium Malaysia Class 1	4,832
Millennium Malaysia Class 2	76,704
Millennium Singapore Class 2	37,998
T & G East Europe Class 2	38,392
Te Awanui Huka Pak India Class 1	11,304
Te Awanui Huka Pak Malaysia Class 1	18,893
Te Awanui Huka Pak Malaysia Class 2	44,686

Table 2. Performance of collaborative marketing programmes relative to ZGL

Collaborative marketing programmes	Net Incremental Return over ZGL \$	Weighted Index to Zespri
Freshco Singapore Organic	7,839.91	126
Fruitlynx Malaysia Class 2	34,016.40	119
Eroski Europe Class 1 (enviroagro)	441,650.56	117
Fruitlynx Waitrose Organic	7,723.17	110
Casino Organic	106,624.44	108
Co-op Italia Class 1 (enviroagro)	175,013.50	108
Freshco Europe Organic	29,124.68	108
Conad Europe Class 1 (enviroagro)	43,490.58	107
Te Awanui Huka Pak Malaysia Class 1	6,990.40	106
Te Awanui Huka Pak Malaysia Class 2	8,937.15	104
Millennium Malaysia Class 2	6,136.32	102
Millennium Malaysia Class 1	48.32	100
Millennium Singapore Class 2	2,279.88	99
Freshco Europe Class 1	-35,161.50	97
Fruitlynx Malaysia Class 1	-3,190.10	92
Fruitlynx Waitrose Class 1	10,547.16	91
Freshco UK Organic	-42,971.25	87
T & G East Europe Class 2	-39,927.68	78
Chevalier India Class 1	-22,675.68	73
Te Awanui Huka Pak India Class 1	-26,225.28	65

NOTE. Each of these programmes is discrete and is compared to the comparable Zespri 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 Marketer's 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. As Zespri does not market kiwifruit in India the Indian collaborative marketing return was compared with Zespri's South East Asian markets.
- 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 adjustment was made for sales phasing.
- Costs, revenues (net sales, freight and insurance, direct costs, market selling costs) and exchange rates used in the calculation of FOB return were those advised by the collaborative marketer.
- The commission paid to the collaborative marketer was based on the FOBS return. The commission paid to Zespri was the industry standard 3.6% of fruit return.
- Onshore costs (fruit labels, pallet cards etc) are incurred by the collaborative marketer and Zespri are apportioned accordingly.
- 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 Zespri 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.
- All calculations are in New Zealand dollars.

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 Zespri 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	1,664,185	
Currency Sales		19,313,690
Freight and Insurance		2,111,831
Direct and Market Selling Costs		2,738,050
NZD Market Return		14,463,809
Onshore Costs		542,032
Collaborative Marketers Commission		1,528,663
Zespri Commission		386,374
Total Return NZD		12,006,740
Service and Supplier Service Level Payments		1,222,345
Total Fruit Return		10,784,395
Total Incremental Fruit Return		684,615