



**DISCLOSURE OF COLLABORATIVE MARKETING RESULTS FOR THE YEAR 2003
SELLING SEASON**

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

BOARD

Peter Trapski (Chairman)
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DISCLOSURE DATE

12 March 2004

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 four summary tables plus explanatory comments.

Table 1. Approval holder and tray allocation

Approval holder in alphabetical order	Volume marketed t/e
Casino Organic	171,398
Chevalier India Class 1	18,792
Conad Europe Class 1 (envirogro)	116,217
Co-op Italia Class 1 (envirogro)	329,663
Eroski Europe Class 1 (envirogro)	450,273
Freshco Europe Class 1	160,279
Freshco Europe Organic	60,611

Freshco Singapore Organic	4,921
Freshco UK Organic	33,210
Freshco UK NSS 46 Organic	5,444
Fruitlynx Malaysia NSS Green 46	12,914
Fruitlynx Waitrose Class 1	56,722
Fruitlynx Waitrose NSS 46	10,012
Fruitlynx Waitrose Class K	3,716
Fruitlynx Waitrose Organic	19,499
Marquet Philippines	9,025
Millennium Malaysia Class K	28,860
Millennium Malaysia NSS Green 46	22,273
Te Awanui Huka Pak India Class 1	11,304
Te Awanui Huka Pak Indonesia Class 1	12,300
Te Awanui Huka Pak Indonesia Class K	5,105
Te Awanui Huka Pak Indonesia NSS Green 46	1,033
Te Awanui Huka Pak Malaysia Class 1	11,459
Te Awanui Huka Pak Malaysia Class K	36,180
Te Awanui Huka Pak Malaysia NSS Green 46	22,274

Table 2. Performance of collaborative marketing programmes relative to Zespri

Collaborative marketing programmes	Net Incremental Return over Zespri \$	Weighted Index to Zespri
Eroski Europe Class 1 (envirogro)	730,791	118
Fruitlynx Malaysia NSS Green 46	7,814	112
Te Awanui Huka Pak Malaysia NSS Green 46	11,295	110
Te Awanui Huka Pak Indonesia Class 1	5,333	109
Co-op Italia Class 1 (envirogro)	234,737	109
Conad Class 1 (envirogro)	78,936	109
Te Awanui Huka Pak Malaysia Class K	13,629	106
Freshco Singapore Organic	1,060	103
Te Awanui Huka Pak Indonesia NSS Green 46	111	102
Te Awanui Huka Pak Malaysia Class 1	1,020	102
Freshco Europe Organic	7,545	101
Chevalier India Class 1	1,059	101
Freshco Europe Class 1	5,527	100
Millennium Malaysia Class K	-4,748	97
Casino Organic	-110,616	92
Te Awanui Huka Pak Indonesia Class K	-2,160	92
Te Awanui Huka Pak India Class 1	-6,487	88
Millennium Malaysia NSS Green 46	-11,027	87
Fruitlynx Waitrose NSS Green 46	-7,849	83

Marquet Philippines Class 1	-7,861	81
Freshco UK Organic	-52,655	68
Fruitlynx Waitrose Organic	-39,374	67
Fruitlynx Waitrose Class K	-5,050	56
Fruitlynx Waitrose Class 1	-103,244	53
Freshco UK NSS 46 Organic	-10,218	50

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 Zespri 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	1,613,486	
Currency Sales		21,052,857
Freight and Insurance		1,661,953
Direct and Market Selling Costs		2,616,109
NZD Market Return		16,774,795
Onshore Costs		740,501
Collaborative Marketers Commission		1,647,395
Zespri Commission		451,771
Total Return NZD		13,935,128
Service and Supplier Service Level Payments		1,739,145
Total Fruit Return		12,195,983
Total Incremental Fruit Return		738,349

Table 5. Approval holder and tray allocation for Arguta for all markets including Australia and New Zealand. No benchmarking was conducted with Zespri's programme as the volume of fruit exported was very small.

Collaborative marketing programmes	Volume marketed t/e	Average FOBS Return Per 1.5kg Tray
Prendo	2,963	\$ 33
Freshco	1,888	\$ 29
Zespri	120	\$ 26
Delica	333	\$ 18.10
Paragon	2,013	\$ 11
Freshmax	150	Trial shipment only