



**DISCLOSURE OF COLLABORATIVE MARKETING RESULTS FOR THE YEAR 2004
SELLING SEASON**

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

BOARD

Sir Brian Elwood (Chairman)
Hendrik Pieters
Ian Greaves
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DISCLOSURE DATE

15 April 2005

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	180,801
Chevalier India Class 1	14,616
Chevalier Pacific Class 1	9,485
Chevalier Pacific Class 2	7,213
Conad Europe Class 1 (envirogro)	124,709
Co-op Italia Class 1 (envirogro)	301,548
Del Monte UK Green Class 2	28,012

Eroski Europe Class 1 (envirogro)	402,615
Fern Ridge Class 1	11,372
Fresh NZ Pacific Class 1	11,064
Freshco Europe Class 1	201,376
Freshco Europe Organic	73,319
Freshco Singapore Organic	5,224
Fruitlynx Baltic Green Class 2	6,313
Fruitlynx Indonesia Green Class 2	15,369
Fruitlynx Malaysia Green Class 2	30,943
Fruitlynx Malaysia NSS 46	14,087
Fruitlynx Waitrose Class 1	63,446
Fruitlynx Waitrose NSS 46	7,208
Fruitlynx Waitrose Class K	4,389
Fruitlynx Waitrose Organic	12,834
Global Fresh Thailand Green Class 2	20,079
Marquet Philippines	6,763
Pacific Harvest Green Class 2	17,734
Southern Produce Pacific Green Class 2	9,599
Southern Produce USA Class 1	35,441
Te Awanui Huka Pak India Class 1	15,480
Te Awanui Huka Pak Indonesia Class 1	1,111
Te Awanui Huka Pak Indonesia Class K	16,929
Te Awanui Huka Pak Malaysia Class 1	24,439
Te Awanui Huka Pak Malaysia Class K	32,624
Te Awanui Huka Pak Malaysia NSS 46	14,417
Turners & Growers Pacific Class 1	12,977
Turners & Growers Pacific Class 2	8,073

Table 2. Performance of collaborative marketing programmes relative to Zespri

Collaborative marketing programmes	Net Incremental Return over Zespri \$	Weighted Index to Zespri
Te Awanui Huka Pak Malaysia Class K	36,231	127
Eroski Europe Class 1 (envirogro)	563,905	122
Marquet Philippines Class 1	4,491	117
Fern Ridge Class 1	8,868	117
Turners & Growers Pacific Class 1	10,771	116
Fresh NZ Pacific Class 1	5,753	110
Pacific Harvest Green Class 2	6,418	108
Te Awanui Huka Pak Malaysia NSS 46	4,378	108
Casino Organic	74,984	106
Conad Class 1 (envirogro)	37,854	106

Turners & Growers Pacific Class 2	2,180	106
Del Monte UK Green Class 2	4,793	105
Fruitlynx Malaysia NSS 46	1,818	103
Te Awanui Huka Pak Malaysia Class 1	-221	100
Co-op Italia Class 1 (envirogro)	-10,682	99
Chevalier India Class 1	-2,821	96
Fruitlynx Waitrose Class K	-717	95
Te Awanui Huka Pak Indonesia Class K	-4,515	94
Southern Produce USA Class 1	-10,425	90
Freshco Europe Organic	-50,175	89
Fruitlynx Indonesia Green Class 2	-7,731	89
Freshco Singapore Organic	-5,977	86
Fruitlynx Waitrose Organic	-10,993	86
Fruitlynx Malaysia Green Class 2	-21,744	85
Chevalier Pacific Class 2	-7,069	80
Fruitlynx Baltic Green Class 2	-5,395	78
Te Awanui Huka Pak Indonesia Class 1	-788	78
Chevalier Pacific Class 1	-11,287	77
Fruitlynx Waitrose NSS Green 46	-7,400	75
Global Fresh Thailand Green Class 2	-28,015	70
Freshco Europe Class 1	-351,690	67
Te Awanui Huka Pak India Class 1	-23,216	67
Fruitlynx Waitrose Class 1	-181,936	50
Southern Produce Pacific Green Class 2	-28,797	38

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	1,741,609	
Currency Sales		18,260,656
Direct and Market Selling Costs (includes Freight and Insurance)		4,120,048
NZD Market Return		14,140,608
Onshore Costs		665,054
Collaborative Marketers Commission		1,211,261
Zespri Commission		690,725
Total Return NZD		11,573,568
Service and Supplier Service Level Payments		1,868,617
Total Fruit Return		9,704,951
Total Incremental Fruit Return		19,297

Table 5. Approval holder and tray allocation for Arguta (KiwiBerry) for all markets including Australia and New Zealand. No benchmarking was conducted with Zespri's programme as Zespri did not market any Arguta.

Collaborative marketing programmes	Volume marketed t/e	Average FOBS Return Per 1.5kg Tray
Southern Produce	11,062	\$ 32.96
Freshco	5,540	\$ 31.40