



**SUPPLEMENTARY DISCLOSURE OF COLLABORATIVE MARKETING RESULTS
FOR THE YEAR 2005 SELLING SEASON**

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

The regulatory requirement is to disclose:

1. Identity of collaborative marketers and volume of fruit marketed

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;

2. Financial information to assess relative returns

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 identity of all collaborative marketers and the volume of kiwifruit marketed by them have been released through Zespri and KGI in a statement dated 14 June 2006. The statement also included the return and return per tray of all collaborative marketers compared with the performance of Zespri.

This supplementary Disclosure of collaborative marketing results for the 2005 selling season details the results of each collaborative marketing programme compared with the Zespri benchmark¹ and the methodology used by Zespri to allocate costs to collaborative marketers.

The result of each collaborative marketing programme is set out in Table 1 below.

¹ Zespri benchmarks are used on the assumption that they would not change if the collaborative marketing programme did not exist.

Table 1: Performance of each collaborative marketing programme relative to Zespri

Collaborative marketing programme	Programme	Fruit type	Net Incremental Fruit Return ² over Zespri NZ\$	Weighted Index to Zespri
Turners & Growers	Pacific Islands	Green Class 1	63,127	151%
Chevalier Wholesale Produce	Pacific Islands	Green Class 1	33,930	135%
Fruitlynx Marketing	Malaysia	Green Class 2	2,294	126%
Freshco	Singapore	Green Organic Class 1	5,622	119%
Fern Ridge	Reunion Island	Green Class 1	9,905	112%
Te Awanui Huka Pak	Indonesia	Green Class 2	3,621	110%
Fruitlynx Marketing	Indonesia	Green Class 1	6,116	110%
Southern Produce	Pacific Islands	Green Class 2	1,856	109%
ZIL - Coop Italia	Italy	Green Class 1	112,819	108%
ZIL - Eroski	Spain	Green Class 1	163,849	107%
Fruitlynx Marketing	Malaysia	Green Class 1	1,774	101%
Southern Produce	Trucco	Green Class 1	3,218	101%
Freshco	United Kingdom	Green Organic Class 1	0	100%
Freshco	Continental Europe	Green Organic Class 1	-4,311	99%
Pacific Harvest	Singapore	Green Class 2	-217	98%
Te Awanui Huka Pak	Malaysia	Green Class 2	-4,157	98%
Marquet	Philippines	Green Class 1	-10,495	93%
Fruitlynx Marketing Ltd	UK Waitrose	Green Organic Class 1	-10,214	89%
Te Awanui Huka Pak	India	Green Class 1	-14,963	86%
Te Awanui Huka Pak	Costco	Green Class 1	-84,822	85%
Del Monte Fresh Produce	UK Fresh Cut	Green Class 2	-27,055	84%
Fresh Fruits	India	Green Class 1	-21,121	83%
Fruitlynx	Costco	Green Class 1	-93,060	77%
Fruitlynx Marketing Ltd	UK Waitrose	Green Class 1	-70,282	71%
Fruitlynx Marketing Ltd	Baltic States	Green Class 2	-20,810	69%
Global Fresh	Thailand	Green Class 2	-35,167	68%
Te Awanui Huka Pak	Malaysia	Green Class 1	-32,383	62%
Fruitlynx Marketing Ltd	UK Waitrose	Green Class 2	-34,733	19%
Total collaborative marketing			-\$55,660	

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.

² The Net incremental fruit return is the amount by which the collaborative marketing programme exceeded (fell short of) comparative Zespri fruit returns. Fruit return is after offshore costs, fruit incentives, commissions, and service costs.

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 closest comparable market. Adjustment for size was made in one programme.
- 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 11% of the FOBS return.
- Zespri are reimbursed at a standard rate per tray for their direct collaborative marketing costs. Onshore costs (fruit labels, pallet cards etc) are allocated at a standard rate across all Collaborative Marketer and Zespri programmes.
- Service payments were allocated to the collaborative marketing programmes at the same standard rates as specified in the 2005 Supply Agreement. 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 allocated at an average rate across all Collaborative Marketing programmes.
- 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 average Zespri return for the closest comparable market was calculated as a benchmark, and is used as the 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** comparable Zespri returns in the same market.
- An index figure of **less than 100** means that the net return from the collaborative marketing programme was **less than** comparable Zespri returns in the same market.

- An index figure of **more than 100** means that the net return from the collaborative marketing programme was **more than** comparable Zespri returns in the same market.

Table 2: Approval holder and tray allocation for Arguta (KiwiBerry) for all export markets excluding Australia.

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
Delica	3,765	\$20.85
Freshco	2,489	\$27.70
Fruitlynx	7,465	\$24.00
Produce Partners	2,722	\$23.44
Southern Produce	7,289	\$21.92
Total	23,730	\$23.19

2006 Collaborative Marketing

For the 2006 season, Kiwifruit New Zealand approved 24 collaborative marketing programmes, involving 13 marketers' programmes. Compared with the 2005 season, 4 programmes were added, and 2 withdrawn. In addition, one further new programme is under consideration.

As outlined in the Kiwifruit Export Regulations 1999, collaborative marketing has a purpose of increasing the overall wealth of New Zealand kiwifruit suppliers. This had a significant influence on approvals for 2006 in two ways. It has meant that the volumes of kiwifruit approved into collaborative marketing programmes for 2006 are similar to those for 2005, and more programmes are now at collaborative marketer, rather than Grower risk.

The 2006 season shapes up to be different. The Green Class 1 and Green Organic Green crop is expected to be down on 2005 season levels by 1% and 14% respectively. This meant that increasing volumes into some collaborative marketing programmes could divert fruit from other more profitable programmes, including from Zespri, with the result that overall wealth to Growers would decrease. If additional fruit becomes available during the season, it needs to be placed in priority into those programmes that yield the highest additional returns, and so that the average price received for other kiwifruit sold into the same market is not unnecessarily placed at risk.

Both Zespri and most collaborative marketing programmes market kiwifruit on a commission basis. However, where the circumstances justify the differentiation, some collaborative marketing programmes are being approved on the basis that kiwifruit are sold to the collaborative marketer at a fixed price at FOBS. This lessens risk to Growers by putting the risk of placement of kiwifruit into the market and marketing the kiwifruit to achieve acceptable returns on the collaborative marketers, rather than Growers. The Waitrose UK collaborative marketing programme is an example of this. This programme was withdrawn by the collaborative marketer because it found this condition unacceptable. The Waitrose UK programme had produced below average returns in recent years, but had been re-approved in the expectation that returns would increase. The increased returns had not eventuated. KNZ was prepared to re-approve this programme in 2006, but only on the condition that the collaborative marketer carried the risk, not Growers, of the returns in 2006 being less than acceptable. The collaborative marketer was not prepared to run the programme on that basis, and withdrew the programme.

The other 2005 programme that was withdrawn for 2006 was withdrawn at the choice of the collaborative marketer for marketing reasons.

In commenting on the 2006 approvals for collaborative marketing, KNZ's chairman said "KNZ last year undertook a complete review of the collaborative marketing regime after wide consultation with industry representatives and collaborative marketers. There is a perception that collaborative marketing has not reached its full potential as a marketing tool for New Zealand grown kiwifruit. The new regime is designed to encourage the development of collaborative marketing opportunities based on two clear statutory objectives. Collaborative marketing must have as its purpose increasing the overall wealth of New Zealand kiwi fruit suppliers and must be undertaken

in collaboration with Zespri. KNZ has been in discussion with Zespri over the past year and has welcomed its acceptance of collaborative marketing as an important marketing tool. Zespri has appointed dedicated staff to assist in the successful development of collaborative marketing opportunities. Industry participants now have the opportunity to develop new and innovative proposals to develop collaborative marketing in collaboration with Zespri."

2005 Collaborative Marketing

Further to Regulation 15 of the Kiwifruit Export Regulations 1999, details of each collaborative marketer and the volume of kiwifruit marketed in the 2005 season are set out below:

Collaborative Marketer	Programme	Fruit type	TE's
Del Monte Fresh Produce	UK Fresh Cut	Green Class 2	49,766
Freshco	United Kingdom	Green Organic Class 1	26,850
Freshco	Continental Europe	Green Organic Class 1	83,631
Fruitlynx Marketing Ltd	UK Waitrose	Green Class 1	64,560
	UK Waitrose	Green Organic Class 1	15,585
	UK Waitrose	Green Class 2	9,359
Fruitlynx Marketing Ltd	Baltic States	Green Class 2	20,143
ZIL - Coop Italia	Italy	Green Class 1	285,657
ZIL - Eroski	Eroski Spain	Green Class 1	475,000
Fern Ridge	Reunion Island	Green Class 1	17,108
Fresh Fruits	India	Green Class 1	23,040
Te Awanui Huka Pak	India	Green Class 1	20,520
Chevalier Wholesale Produce	Pacific Islands	Green Class 1	22,128
Freshco	Singapore	Green Organic Class 1	4,651
Fruitlynx	Malaysia	Green Class 2	1,944
	Malaysia	Green Class 1	27,284
Fruitlynx	Indonesia	Green Class 1	12,332
Global Fresh	Thailand	Green Class 2	24,498
Pacific Harvest	Singapore	Green Class 2	3,083
Marquet	Philippines	Green Class 1	27,648
Southern Produce	Pacific Islands	Green Class 2	4,599
Te Awanui Huka Pak	Malaysia	Green Class 1	16,483
	Malaysia	Green Class 2	38,992
Te Awanui Huka Pak	Indonesia	Green Class 2	7,632
Turners & Growers	Pacific Islands	Green Class 1	28,690
Southern Produce	Trucco	Green Class 1	124,532
Fruitlynx	Costco	Green Class 1	93,032
Te Awanui Huka Pak	Costco	Green Class 1	131,372
Collaborative Marketing Total			1,660,119

Net fruit returns to suppliers since 2000 are as follows:

Year	Compared to Zespri	CM per TE	Zespri per TE
2000	+\$142,464	\$5.26	\$5.13
2001	-\$1,371,226	\$5.32	\$6.06
2002	+\$684,615	\$6.48	\$6.07

2003	+\$738,349	\$7.56	\$7.10
2004	+\$19,297	\$5.57	\$5.56
2005	-\$55,660	\$4.79	\$4.82
Total	+\$157,839		

The above table sets out:

1. By year, the total amount by which the collaborative marketing programmes exceeded the comparative Zespri fruit returns (for 2005, the collaborative marketing programmes returning NZ\$55,660 less than Zespri would, had Zespri been able to sell the fruit at the same level as the average it actually achieved in equivalent markets);
2. By year, the average return per tray for all collaborative marketing programmes, and the average equivalent Zespri return (for 2005, the average return per tray for collaborative marketing was NZ\$4.79 per tray, and the Zespri equivalent was NZ\$4.82 per tray);
3. The total amount by which collaborative marketing programmes have exceeded comparative Zespri fruit returns for the 6 years up to and including the 2006 season, that is by NZ\$157,839.

Kiwifruit New Zealand
14 June 2006