

Regulation 15 of the Kiwifruit Export Regulations 1999.

2006/2007 Season Collaborative Marketing

Regulation 15 of the above Regulations requires Kiwifruit New Zealand, within 3 months after the end of each season, to publicly disclose for that season:

- (a) The identity of each person approved by the Board to be a collaborative marketing approval holder; and
- (b) The volume of kiwifruit marketed by each collaborative marketing approval holder; and
- (c) 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 results for each collaborative marketing programme are set out in Table 1 below.

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

| Collaborative marketing programme | Programme | Fruit type | Volume | Net Incremental Fruit Return ¹ over Zespri NZ\$ | Weighted Index to Zespri |
|-----------------------------------|-------------------------|-----------------------|---------|--|--------------------------|
| Freshco | UK (Organic Farm Foods) | Green Organic Class 1 | 18,391 | 35,508 | 122.6% |
| Zespri International Limited | Edeka | Green Organic Class 1 | 29,932 | 55,220 | 121.3% |
| Zespri International Limited | Spain (Eroski) | Green Class 1 | 260,775 | 313,469 | 116.3% |
| Fruitlynx Marketing Ltd | Malaysia | Green Class 1 | 68,568 | 41,356 | 109.0% |
| Te Awanui Huka Pak | Malaysia | Green Class 1 | 35,423 | 20,964 | 108.9% |
| Lai Exports | India | Green Class 1 | 25,128 | 7,494 | 104.3% |
| Te Awanui Huka Pak | Malaysia | Green Class 2 | 26,048 | 6,343 | 103.9% |
| Te Awanui Huka Pak | Indonesia | Green Class 2 | 5,017 | 461 | 102.2% |
| Pacific Harvest | Singapore | Green Class 1 | 11,259 | 1,586 | 102.1% |
| Turners & Growers | Pacific Islands | Green Class 1 | 35,734 | 4,653 | 101.8% |
| Fruitlynx Marketing Ltd | Indonesia | Green Class 1 | 24,720 | 2,369 | 101.4% |
| Chevalier Wholesale Produce | Pacific Islands | Green Class 1 | 22,822 | 1,898 | 101.2% |

¹ 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, commissions, and service costs.

| | | | | | |
|--------------------------------------|---------------------|-----------------------|-----------|----------|--------|
| Fruitlynx Marketing Ltd | Indonesia | Green Class 2 | 6,213 | 333 | 100.9% |
| Del Monte Fresh Produce | UK Fresh Cut | Green Class 1 | 49,055 | 1,525 | 100.7% |
| Southern Produce | Trucco | Green Class 1 | 130,348 | 1,215 | 100.2% |
| Turners & Growers | Pacific Islands | Green Class 2 | 4,226 | 45 | 100.2% |
| Chevalier Wholesale Produce | Pacific Islands | Green Class 2 | 2,270 | 11 | 100.1% |
| Fern Ridge | Iran | Green Class 1 | 0 | 0 | 100% |
| Freshco | Singapore | Green Organic Class 1 | 0 | 0 | 100% |
| Marquet | Philippines | Green Class 1 | 22,138 | -379 | 99.7% |
| Marquet | Vietnam | Green Class 1 | 7,618 | -115 | 99.7% |
| Marquet | Eastern Europe | Green Class 1 | 30,684 | -1,547 | 99% |
| Fern Ridge | Reunion Island | Green Class 1 | 25,833 | -1,750 | 98.9% |
| Global Fresh | Thailand | Green Class 2 | 9,329 | -693 | 98.5% |
| Zespri International Limited | Italy (Coop Italia) | Green Class 1 | 281,355 | -44,271 | 97.9% |
| Zespri International Limited | Dubai | Green Class 1 | 12,265 | -2,664 | 96.9% |
| Fresh Fruits | India | Green Class 1 | 23,040 | -7,648 | 95.2% |
| Freshco | Eosta | Green Organic Class 1 | 43,544 | -21,196 | 94.4% |
| Global Fresh | Thailand | Green Class 1 | 8,759 | -6,064 | 89.6% |
| Fruitlynx Marketing Ltd | Baltic States | Green Class 2 | 24,613 | -15,794 | 87.4% |
| Te Awanui Huka Pak | Costco | Green Class 1 | 87,809 | -85,564 | 83.4% |
| Fruitlynx | Costco | Green Class 1 | 85,445 | -90,217 | 82.0% |
| Te Awanui Huka Pak | India | Green Class 1 | 9,712 | -14,061 | 79.0% |
| Total collaborative marketing | | | 1,428,075 | +202,486 | |

Note: Each of these programmes is discrete and benchmarked against the comparable Zespri market by fruit type. 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:

- Each Collaborative Marketer programme return was compared to the Zespri return of the closest comparable market, by fruit type.
- No adjustment was made for sales phasing, and fruit size.
- 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 8-9% of the FOBS return.
- For non-Zespri collaborative marketing programmes, Zespri are reimbursed at a standard rate per tray for their direct collaborative marketing costs. For Zespri sponsored collaborative marketing programmes, the standard Zespri commission rates apply. Onshore costs (fruit labels, pallet cards, export documentation etc) are allocated at a differential standard rate (so

as to exclude categories of costs incurred directly by non-Zespri collaborative marketing programmes) across all Collaborative Marketer and Zespri programmes.

- Service payments were allocated at a differential standard rate by fruit type to each collaborative marketing programme. These take into account the supply period that the fruit was supplied to the collaborative marketing arrangements 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 handling collaborative marketing packs. These costs are allocated at actual cost by Collaborative Marketing programme.
- All calculations are converted to 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 using the methodology outlined above.

- 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.
- The return under each collaborative marketing arrangement 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. This will occur by default for those programmes where the collaborative marketer purchases at a fixed price per tray FOBS.
- 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.

Net fruit returns to suppliers per tray 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 |
| 2006 season (year ended 31 March 2007) | \$202,485 | \$6.85 | \$6.71 |
| Total | +\$360,324 | | |

The above table sets out:

1. By year, the total amount by which the collaborative marketing programmes exceeded the comparative Zespri fruit returns (for 2006, the collaborative marketing programmes returning NZ\$202,485 more 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 2006, the average return per tray for collaborative marketing was NZ\$6.85 per tray, and the Zespri equivalent was NZ\$6.71 per tray);
3. The total amount by which collaborative marketing programmes have exceeded comparative Zespri fruit returns for the 7 years up to and including the 2006 season is NZ\$360,324.

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

No benchmarking was conducted with Zespri's programme as Zespri did not market any kiwiberry.

| Collaborative marketing programmes | Volume marketed t/e | Average FOBS Return Per 1.5kg Tray |
|------------------------------------|---------------------|------------------------------------|
| Delica | 4,009 | \$23.08 |
| Freshco | 562 | \$25.30 |
| Fresh Fruits | 260 | \$22.74 |
| Fruitlynx | 9,607 | \$21.86 |
| Produce Partners | 11,001 | \$21.40 |
| Southern Produce | 8,000 | \$24.23 |
| Total | 33,439 | \$22.49 |