

Regulation 15 of the Kiwifruit Export Regulations 1999.

2007/2008 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.¹

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 marketer	Programme	Fruit type	Volume	Net incremental return compared with Zespri NZ\$	Weighted index to Zespri
Zespri International Limited	Germany	Green Organic class 1	190,000	438,872	131.4%
Zespri International Limited	Spain	Green class 1	185,000	399,133	131.1%
Te Awanui Huka Pak	Indonesia	Green class 1	15,400	11,800	114.9%
Marquet	Philippines	Green class 1	22,400	8,477	107.2%
Southern Produce	USA	Green class 1	211,925	54,702	107.0%
South Seas Produce	Pacific Islands	Green class 1	16,479	7,003	106.3%
Fruitlynx Marketing Ltd	Malaysia	Green class 1	95,129	29,610	105.9%
Te Awanui Huka Pak	Malaysia	Green class 1	99,125	29,261	105.6%

¹ Regulation 15(c) requires an assessment to be made as to whether net returns to suppliers are greater including compared with excluding a collaborative marketing arrangement that is a comparison of the arrangement with the next best alternative. Currently available information limits the comparison to benchmarking against the Zespri benchmark (actual average Zespri return) for the comparative market.

Turners & Growers	Pacific Islands	Green class 2	1,473	360	104.3%
Marquet	Vietnam	Green class 1	13,962	2,160	102.9%
Fruitlynx Marketing Ltd	Indonesia	Green class 1	16,880	1,336	101.5%
Te Awanui Huka Pak	India	Green class 1	46,080	1,700	100.8%
Freshco	UK	Green Organic class 1	37,700	1,651	100.6%
Turners & Growers	Pacific Islands	Green class 1	27,045	-3,546	98.1%
South Seas Produce	Pacific Islands	Green class 2	9,196	-1,539	97.0%
Lai Exports	India	Green class 1	55,104	-9,650	96.2%
Fresh Partners	UK	Green class 1	67,858	-16,424	95.3%
Zespri International Limited	Italy	Green class 1	250,000	-98,637	94.2%
Chevalier Wholesale Produce	Pacific Islands	Green class 1	22,764	-9,096	94.1%
Fruitlynx Marketing Ltd	Baltic States	Green class 2	62,649	-21,816	92.7%
Freshco	Europe	Green Organic class 1	62,480	-36,537	92.6%
Chevalier Wholesale Produce	Pacific Islands	Green class 2	1,174	-554	91.6%
Fern Ridge	Reunion Island	Green class 1	32,344	-35,002	84.6%
Marquet	Eastern Europe	Green class 1	93,008	-116,538	76.4%
Global Fresh	Thailand	Green class 1	21,691	-28,819	74.7%
Total			1,656,867	+607,907	

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:

- With the exception of the Pacific Island programmes², each Collaborative Marketer programme fruit and service payments per tray was compared to the Zespri return of the closest comparable market, by fruit type.
- In two cases only, because of the particular circumstances, an adjustment was made for sales timing. No adjustment has been made for fruit size.

² There are no Zespri Pacific Island programmes. Although there are variances between them, the average of the returns from the collaborative marketing arrangements into the Pacific is used as the benchmark.

- 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 direct costs (fruit labels, pallet cards, export documentation etc) are allocated at a fruit loss adjusted standard rate across all Collaborative Marketer and Zespri programmes.
- Service Level Agreement costs are the specific additional supplier and packhouse costs incurred by the collaborative marketer, for handling collaborative marketing packs. These costs are allocated at actual cost by Collaborative Marketing arrangement and take into account the type of pack that the fruit was supplied in.
- 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 closest comparable 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.

Net fruit returns to suppliers per tray since 2000 are as follows:

Season	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	\$202,485	\$6.85	\$6.71
2007-08 (year ended 31 March 2008)	\$607,907	\$6.27	\$5.90
Total	+\$968,232		

The above table sets out:

1. By year, the total amount by which the collaborative marketing programmes exceeded the comparative Zespri fruit returns (for 2007-08, the collaborative marketing programmes returning NZ\$607,907 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 2007-08, the average return per tray for collaborative marketing was NZ\$6.27 per tray, and the Zespri equivalent was NZ\$5.90 per tray);
3. The total amount by which collaborative marketing programmes have exceeded comparative Zespri fruit returns for the 8 years up to and including the 2007-08 (2007) season is NZ\$968,232.

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 Tray
NZ Orchard	475	\$31.75
Global Organics	5,904	\$26.06
Southern Produce	5,891	\$25.71
Delica	594	\$24.91
Freshmax	6,275	\$24.01
Fresh Fruits	500	\$22.20
Produce Partners	16,850	\$21.63
Total (average)	36,489	\$23.61