



**Regulation 15 of the Kiwifruit Export Regulations 1999.**

**2009/2010 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.<sup>1</sup>

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 over Zespri NZ\$	Weighted index to Zespri
Zespri International Limited	Germany	Green Organic Class 1	224,269	769,038	146.3%
Zespri International Limited	Italy	Green Class 1	182,000	199,391	116.7%
Marquet Trading Limited	Philippines	Green Class 1	26,694	28,644	115.5%
Te Awanui Huka Pak Limited	Malaysia	Green Class 1	191,605	87,680	106.6%
Southern Produce Limited	USA	Green Class 1	336,277	80,587	105.3%
Chevalier Wholesale Produce Limited	Pacific Islands	Green Class 1	18,635	3,452	102.6%
Southern Fresh Fruit Exports Limited	Philippines	Green Class 1	51,791	4,314	101.2%
Turners & Growers Limited	Pacific Islands	Green Class 1	16,952	520	100.4%

<sup>1</sup> Regulation 15(c) requires 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, 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.

Fern Ridge Produce Limited	Reunion Island	Green Class 1	25,124	-1,489	99.1%
South Seas Produce Limited	Pacific Islands	Green Class 1	63,732	-7,754	98.3%
Fruitlynx Marketing Ltd	Malaysia	Green Class 1	208,854	-32,301	97.8%
Fresh Partners (Pacific) Limited	UK	Green Class 1 <sup>2</sup>	92,379	-23,849	94.2%
Fruitlynx Marketing Ltd	Malaysia	Green Organic Class 1	5,864	-3,869	92.3%
Fruitlynx Marketing Ltd	Indonesia	Green Class 1	92,376	-70,985	88.9%
Fruitlynx Marketing Ltd	Indonesia	Green Organic Class 1	3,804	-4,040	87.6%
The Fresh Fruit Company of New Zealand Limited	UK	Green Organic Class 1	44,045	-97,682	74.3%
The Fresh Fruit Company of New Zealand Limited	Europe	Green Organic Class 1	68,017	-152,310	72.9%
Fruitlynx Marketing Limited	Baltic States	Green Class 2	62,328	-96,560	71.3%
Totals			1,714,748	682,789	

Note: Each of these programmes is discrete and benchmarked against the comparable Zespri market by fruit type. The results cannot be reliably compared to each other because of the differing circumstances of each market.

## Financial analysis methodology

The Collaborative Marketer's net returns to suppliers 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 programmes<sup>3</sup>, each Collaborative Marketer programme fruit and service payments per tray was compared to the Zespri return of the closest comparable market, by fruit type.
- No adjustment was made for sales timing or fruit size.
- Revenues and costs (net sales, freight and insurance, direct costs, market selling costs, and Collaborative Marketer commission) and exchange rates used in the calculation of FOB return were those advised by the Collaborative Marketer.
- 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.

<sup>2</sup> This programme includes Hayward and Wilkins kiwifruit.

<sup>3</sup> As there are no Zespri Pacific Island programmes, the average of the returns from the collaborative marketing arrangements into the Pacific is used as the benchmark.

- 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	\$607,907	\$6.27	\$5.90

2008	\$392,174	\$7.01	\$6.80
2009-10 (year ended 31 March 2010)	\$682,789	\$6.79	\$6.39
Total	+\$2,043,195		

The above table sets out:

1. By year, the total amount by which the collaborative marketing programmes exceeded the comparative Zespri fruit returns (for 2009-10, the collaborative marketing programmes returning NZ\$885,874 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 2009-10, the average return per tray for collaborative marketing was NZ\$6.79 per tray, and the Zespri equivalent was NZ\$6.28 per tray);
3. The total amount by which collaborative marketing programmes have exceeded comparative Zespri fruit returns for the 10 years up to and including the 2009-10 (2009) season is NZ\$2,246,280.

**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
Delica	3,091	\$33.02
Freshmax	3,388	\$33.05
Global Organics	7,900	\$33.12
NZ Orchard	1,075	\$27.55
Produce Partners	14,932	\$27.12
Southern Produce	6,527	\$28.27
Total (average)	36,913	\$29.66

Kiwifruit New Zealand  
30 June 2010  
(Revised as at 29 July 2010)