



# ANNUAL REPORT

1 APRIL 2019 - 31 MARCH 2020

The New Zealand Kiwifruit Board was established by Regulation 32 of the Kiwifruit Export Regulations 1999 and is known as **Kiwifruit New Zealand**

Kiwifruit  New Zealand

# Kiwifruit New Zealand's Annual Report

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# Report from the Chair



**Kristy McDonald ONZM QC**

The kiwifruit industry has faced difficulties in the past and the Covid19 pandemic has been another significant test for it.

The speed and scale of the crisis was unexpected and unprecedented and required cooperation between government and industry to ensure the 2020 season crop could be picked and exported.

KNZ has closely monitored the developing pandemic to ensure the rapid changes and consequent decisions have not infringed the Kiwifruit Export Regulations, particularly in relation to the purchase conditions for the 2020 season and the mitigation measures of non-diversification, non-discrimination and information disclosure.

The changes to the Kiwistart programme in March 2020 are being worked through by Zespri and industry groups (NZKGI and IAC) and KNZ will continue to monitor progress and the final decisions.

A new Statement of Intent for the next three years (2020-2023) was finalised during the year and reflects KNZ's ongoing commitment to independence, professionalism and transparency.

One of the changes made in the 2017 amendments to the Regulations was that Directors are no longer eligible for reappointment to the Board after serving three terms. As a consequence of that legislative change, Ian Greaves retired in 2019 having served 15 years. Ian had provided remarkable service to KNZ as a Director from 2004 to 2019 and his deep commitment to growers and their welfare was acknowledged by the industry awarding Ian the Hayward Medal in 2019.

Peter Ombler was elected to the Board in 2019, and along with Andrew Fenton and Colin Olesen serve as the industry members on the KNZ Board ensuring we have great depth of industry knowledge around the Board table.

2019 marked my third year as Chair of KNZ. I was happy to continue in the role, and with the support of the Board, I was reappointed by the Minister of Agriculture for a second three year term.

Our small executive team of Geoff, Megan and Amy has had another busy and productive year. Our aim is to keep the team small but effective and efficient and utilise outside resources if and when required.

We look forward to another year, with further development and refining of our processes to ensure we continue to be the professional and independent regulator of one of New Zealand's most important industries.

# Chief Executive's Report



Geoff Morgan

The impact of Covid19 was the defining event for the kiwifruit industry in the 2019/20 year.

The risk of an outbreak in the Bay of Plenty hung over the industry from March to May, but thanks to diligent and innovative people across the industry, the total crop of 160 million trays was picked, packed and is being exported to plan.

During this time KNZ closed its office, and staff and directors worked from home. Video conferencing became the norm and worked very well. Productivity was maintained and all deadlines were met under lock-down. We also learnt that a mix of working from home and office can work, and KNZ certainly plans to increase its use of video conferencing for internal and external meetings and contact with international collaborative marketing companies.

This year saw the completion of our first Statement of Intent (2017-2020). All performance measures were completed on-time and these results are reported annually to MPI and published on our website.

Our second Statement of Intent will run from 2020-2023, and is the result of our continuing evolution which builds on the work undertaken in the last three years and moving from the initial implementation stage of structural and regulatory framework changes to a greater emphasis on compliance and monitoring and improving our systems and processes. We have a strategic focus on undertaking new initiatives with the aim of increasing communication and engagement with our stakeholders so that we can identify issues in a proactive way.

Collaborative marketing (CM) is one of the three main pillars of the Regulations (Zespri Export Authorisation, the Mitigation Measures, and Collaborative Marketing). It is a key focus for KNZ and the results of CM activity are published every year under Regulation 15 and are available on our website and summarised in this report. As Zespri expands internationally and its marketing budget increases, it becomes more and more difficult for CM programmes to find a niche or opportunity in the market, that can be accessed in collaboration with Zespri. However, as you will see by the results, CM exporters are still making a positive financial return to growers, and continue to operate in a number of markets, including new or emerging markets, and specific opportunities within mature markets where the CM has a comparative advantage. KNZ reviews its CM application process each year and feedback from all stakeholders has been positive.

Events of the 2019/20 year reinforced the need for a unified and co-operative industry, and the importance of a truly independent and professional regulator in such a dynamic world-trade environment.

# 2019-20 Statement of Intent – Performance Measures

In accordance with regulation 33A of the Kiwifruit Export Regulations 1999, KNZ prepared its Statement of Intent in 2017 relating to the period 1 October 2017 to 31 March 2020. This is published on KNZ's website [www.knz.co.nz](http://www.knz.co.nz)

Each year KNZ report to the Ministry for Primary Industries comparing the Statement of intent performance indicators with KNZ's actual performance for the preceding year. The full report is available on the KNZ website, but can be summarized as follows;

The KNZ Statement of Intent identifies its 6 strategic outputs and uses the following measures to assess performance:

<p><b>Monitor and Enforce</b></p>	<ul style="list-style-type: none"> <li>• The Zespri kiwifruit purchase terms are reviewed each year.</li> <li>• Monitoring and enforcing the mitigation measures are monitored.</li> <li>• Any complaints and investigations must meet specific deadline.</li> <li>• Pro-active in-depth reviews are undertaken each year.</li> <li>• Collaborative Marketing requirements are monitored and ZGL contracts for collaborative marketers are reviewed.</li> <li>• The Zespri Export Authorisation review is completed.</li> </ul>
<p><b>Collaborative Marketing Process</b></p>	<ul style="list-style-type: none"> <li>• Increase awareness by publishing Guidelines and making application process clear.</li> <li>• Annual review with input from CM applicants and stakeholders</li> <li>• Decisions are clear, sound, and consistent.</li> <li>• Publicly disclose CM results and information by June 30 each year.</li> </ul>
<p><b>Effective Cost Recovery</b></p>	<ul style="list-style-type: none"> <li>• Cost recovery from users based on principles of equity, efficiency, justifiability and transparency.</li> <li>• Internal best practice through policies and controls.</li> </ul>
<p><b>Complaints and Investigations</b></p>	<ul style="list-style-type: none"> <li>• High quality investigations conducted within cost-effective timeframes.</li> <li>• Decisions are clear, sound, and consistent.</li> </ul>
<p><b>Official Information Act Requests</b></p>	<ul style="list-style-type: none"> <li>• Ensure adequate resourcing to manage and fulfil requests in OIA timeframes.</li> </ul>
<p><b>Information Management and Confidentiality</b></p>	<ul style="list-style-type: none"> <li>• Systems and processes support KNZ's operations and all sensitive and confidential information is secure.</li> </ul>

## ACTUAL PERFORMANCE FOR 2019 - 2020

KNZ measured its performance measures which relate to the period 1 April 2019 to 31 March 2020 and all performance measures were met or exceeded during that period.



# Statement of Intent 2020-2023 Outline

KNZ has produced its Statement of Intent for the next three years, to cover the years 2020-2023. The focus of the next three years within our SOI is;

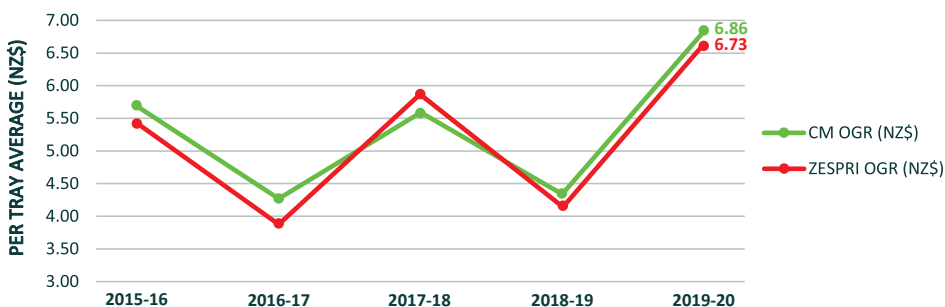
<b>Outcome 1: Effective Monitoring &amp; Enforcement</b>	<b>Outcome 2: Robust Regulation &amp; Decision Making</b>
<p>To be an effective regulator, we take a risk-focused approach to monitoring and enforcement. This is informed by a detailed understanding of the Regulations, the kiwifruit industry, and the factors that shape it and the matters we regulate.</p> <p>In the next three years we will be increasing our focus on identifying risk areas in a manner which ensures the most efficient and effective use of our resources. Following the amendment to the regulations there was a period of interpretation and adjustment required.</p> <p>Going forward our emphasis will be on strengthening the monitoring and enforcement of the mitigation measures. KNZ will subject key Zespri activities to detailed analysis and risk assessment as required by the Regulations.</p>	<p>Robust, credible, and clear standards and processes are important to our success as an independent and effective decision maker. While we are created by statute, and our functions are clearly defined, it is important that the way we operate is fit for purpose and agile.</p> <p>We continually assess our systems, processes and policies to ensure that our oversight and regulation of the industry is robust, proportionate, and fair, and that we have a solid framework to deliver the legally correct decisions. Our decisions must be sound, easy to understand and credible.</p> <p>While we are based on a low overhead cost model, we have three highly experienced permanent staff, and a Board that brings skills and knowledge to ensure robust regulation and decision making. We also make use of specialist external expertise where required.</p>
<b>Outcome 3: Improved Industry &amp; Stakeholder communications</b>	<b>Outcome 4: Improved efficiency from systems &amp; technology</b>
<p>As an independent public interest body, communication with our stakeholders is critical to how we operate. We want to support constructive stakeholder engagement recognising that open and clear communication is a key element of strengthening trust and knowledge about KNZ's work. Two-way information flow also enables us to be a pro-active responsive regulator. As such, we need to communicate with stakeholders and interest groups in a variety of ways.</p> <p>We will be increasing the frequency and quality of engagement with both Zespri and other stakeholders. This will involve an increased attendance at industry events, use of discussion and issue specific working groups, and making presentations at relevant forums.</p>	<p>KNZ is a modern regulator, utilising technology and the latest good business practises to support quality decision-making and maximise efficiency and cost effectiveness.</p> <p>KNZ is reducing financial and environmental impact by applying sound technology disciplines and guidelines for the organisation. This includes secure and confidential storage and handling of information, implementing new technology solutions, stream-lining collaborative marketing applications and processes, and minimising travel requirements by audio and video conferencing.</p> <p>By way of example, we have implemented a document system which provides our staff and Board with remote and secure access to documents and upgraded our communications systems to better support remote conferencing.</p>

# Collaborative Marketing 2019-20 Statistics

## KIWIFRUIT - 2019-2020

**2.9m** CM TRAY EXPORTS

### OGR COMPARISON BETWEEN CM & ZESPRI



### KIWIFRUIT CM APPLICATIONS COMPARISON

	2019-20	2018-19
APPLICATIONS RECEIVED	<b>21</b>	<b>27</b>
APPLICATIONS APPROVED	<b>21</b>	<b>25</b>
APPLICATIONS DECLINED	<b>0</b>	<b>2</b>

## KIWIBERRY - 2020

NET RETURN PER TRAY  
**\$25.24**

(up 4%)  
(excluding Australia)

TOTAL CM TRAY EXPORTS  
**108,400**

(up 46%)  
(excluding Australia)

# 2019-20 Collaborative Marketing Results

- The purpose of collaborative marketing is to increase the overall wealth of New Zealand kiwifruit producers
- Kiwifruit collaborative marketing volumes and returns for the last ten years are as follows:

Year	Volume (millions of trays)	Market Return <sup>1</sup> (NZD millions)	TFSP <sup>2</sup> (NZD millions)	Estimated OGR <sup>3</sup> (NZD millions)
2010	2.5	18.5	17.3	Not available
2011	3.6	23.7	22.2	
2012	2.4	18.7	16.1	9.3
2013	1.7	15.5	13.6	8.5
2014	1.7	16.6	14.5	9.4
2015	1.5	14.2	13.6	8.5
2016	2.7	22.4	21.6	11.7
2017	2.3	19.8	18.9	12.7
2018	3.16	25.4	23.9	13.5
2019	2.9	28.6	27.7	19.7

Each year a benchmarking exercise is carried out between the kiwifruit collaborative marketing programmes and similar Zespri programmes, on a comparable basis for region, country, market and time.

The results of the benchmarking averaged across all programmes for fruit return is as follows:

Year	CM TFSP Return per TE	Zespri TFSP per TE	CM OGR Return per TE	Zespri OGR per TE
2010	6.82	6.48	Not available	Not available
2011	6.21	6.38		
2012	6.71	6.94	3.85	3.99
2013	7.78	7.62	4.89	4.73
2014	8.67	8.02	5.60	5.16
2015	9.22	8.88	5.73	5.42
2016	7.86	7.00	4.26	3.89
2017	8.34	8.71	5.58	5.86
2018	7.70	7.30	4.35	4.15
2019	9.65	9.56	6.86	6.73

1 "Market Return" is what is returned to the Grower Pools at "Free on Board" after all in market costs, including freight, insurance, promotional expenditure, in market commissions, and before service costs, service level agreement and onshore costs, service charges and fruit incentives.

2 "Fruit Return" or Total Fruit and Service Payments ("TFSP") is the Market Return less all commissions, supply costs including costs in respect of service level agreements, onshore direct costs, and the Zespri administration charge, but before service charges, fruit incentives and postharvest costs.

3 "OGR" is the return to growers at orchard gate after deduction of all downstream packing, distribution and marketing costs



# KNZ Funding Statement

Regulation 39 of the Kiwifruit Export Regulations 1999 (Regulations) require that the New Zealand Kiwifruit Board (KNZ) must publicly disclose its final Statement of Intent every 3 years, and at the same time “must publicly disclose a statement of how funding has been achieved under this regulation.” This statement was published on the KNZ website on 25 March 2020, and is summarised below.

## **1. Funding Methods or Structures**

In accordance with the Regulations, KNZ is funded on a cost-recovery basis and KNZ must not operate to make a profit. KNZ sets an annual budget which is based on the expected activities and work-streams which are necessary to perform its functions and obligations under the Regulations.

KNZ is funded on a cost recovery basis by charging:

- a) ZGL is charged in accordance with the Export Authorisation for the costs incurred by KNZ in administering that authorisation, including monitoring and enforcement. ZGL is also charged under regulation 33(1)(b) and the collaborative marketing regime.
- b) Collaborative marketing applicants are charged for 90% of the costs incurred under the collaborative marketing regime.

At the end of each financial year the financial position of KNZ is calculated to arrive at a break-even position (no profit, no loss) and any excess revenue is refunded to ZGL and/or collaborative marketing applicants.

## **2. Kind and level of charges imposed**

The regulations state that when deciding the kind and level of charges to impose under the Regulations, KNZ must take the following principles into account as far as is reasonable practicable;

- Equity
- Efficiency
- Justifiability
- Transparency

Costs are, to the extent, practicable, allocated to the users or beneficiaries of the relevant functions, powers or services.

The Regulations state that ZGL and collaborative marketing applicants are to be charged under the collaborative marketing regime. This charge recognises that there is an industry benefit to all growers from collaborative marketing and this should be shared by KNZ charging both ZGL and collaborative marketing applicants. KNZ assessed that 10% of the collaborative marketing costs was the most appropriate proportion payable by ZGL based on the above four principles. This proportion is reviewed on an annual basis.

## **3. Summary (any other relevant info)**

KNZ has clear policies and procedures to ensure that KNZ can carry out its role as the independent regulator and that all expenditure is reasonable and appropriate and in line with regulatory requirements.

KNZ also has an Audit & Assurance sub-committee which provides additional oversight of the budget and expenditure, and reports to the KNZ Board on a regular basis.

In 2018, KNZ commissioned Kevin Brady, former Auditor General of New Zealand, to review the kind and level of charges that KNZ imposes on external parties.

Kevin Brady completed his review in July 2018 and noted that:

*“the kind and level of charges that KNZ imposes on external parties is consistent with the Regulations and meets best practice requirements.”*

# Regulatory Monitoring and Compliance

1 April 2019 to 31 March 2020

KNZ Function	Relevant Regulation	KNZ Actions
To authorise the export of kiwifruit by Zespri (except to Australia).	Regulations 4, 5, 6, 7, 33(1)(a) and 42(2)	Reviewed and reissued the Export Authorisation. Monitored all kiwifruit exported from NZ in conjunction with NZ Customs
To monitor and enforce the point of acquisition of title to kiwifruit which currently is at FOBS	Regulations 5(c) and 33(1)(b)	Annual Supply Agreement, related SLA's and compliance monitored.
To monitor and enforce the terms and conditions of Zespri's export authorisation	Regulation 33(1)(b)	Monthly reports from and regular meetings with Zespri plus specific requests for information
To monitor and enforce the non-discrimination rule	Regulations 9 and 33(1)(b)	Compliance monitored and investigation of a complaint undertaken and completed
To monitor and enforce the prior notice rule	Regulations 10(a) and 33(1)(b)	Compliance monitored
To monitor and enforce the non-diversification rule	Regulations 11 and 33(b)(1)	Compliance monitored
To monitor and enforce the information disclosure requirements	Regulations 12 to 14 and 33(1)(b)	Compliance monitored
To monitor and enforce the collaborative marketing requirements	Part 4 and Regulation 33(1)(b)	Compliance monitored
To consider requests for exemption from Zespri from the information disclosure requirements	Regulation 21	Considered Zespri's requests and exempted information where Regulation 21(1) and/or (2) were satisfied

# Statement of Financial Performance

Revenue	2019-20	2018-19	2017-16
Funding from Zespri Group	614,520	598,924	598,715
Funding from Collaborative Marketing Fees	271,989	225,830	281,592
Interest Received	144	336	436
Other Revenue	0	847	127
<b>Total Revenue</b>	<b>886,652</b>	<b>825,937</b>	<b>880,870</b>

Expenses	2019-20	2018-19	2017-18
Board Expenses	180,982	179,967	179,967
Executive Expenses	231,820	232,137	232,137
Collaborative Marketing Expenses	349,196	362,488	362,488
Other Expenses – Operations	66,741	74,364	74,364
Other Expenses – Overheads	57,913	31,914	31,914
<b>Total Expenses</b>	<b>886,652</b>	<b>825,937</b>	<b>880,870</b>

<b>Surplus before tax</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Income Tax Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Surplus/(Deficit) for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

KNZ works hard to closely manage its costs and as can be seen above, KNZ Board and Executive expenses have remained very stable over the last three financial years.

Total costs are attributable to necessary monitoring and enforcement activity, and collaborative marketing applications (which will vary each year). However, KNZ looks to achieve productivity gains through the use of technology and best-practice systems and procedures.

A copy of Kiwifruit New Zealand's audited accounts is available on our website [www.knz.co.nz](http://www.knz.co.nz)

# Auditors Report



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Dear Board of Directors

We have pleasure in presenting our Audit Completion Report for our audit of Kiwifruit New Zealand's financial statements for the year ended 31 March 2020.

We set out the findings of our audit work for that year in the report attached to this letter.

We take this opportunity to express our appreciation for the assistance and co-operation provided by the Geoff and Amy during the audit.

The primary aim of our audit is to form an opinion as to whether your financial statements fairly reflect the results of your organisation's activities for the reporting period and its financial position at balance date. The audit report expresses this opinion.

We would like to emphasise that our audit work involves the review of only those systems and controls in your organisation upon which we rely on for audit purposes. Our examination may not have identified, and should not be relied upon to identify, all control weaknesses that may exist.

We have received full and frank cooperation throughout our audit.  
There is nothing we wish to raise solely with the Board.

Yours faithfully,  
BDO Tauranga

**Donna Taylor**  
Partner  
Audit & Assurance Services

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# Board & Executive

## KNZ BOARD



Photo credit: Wayne Douglas Photography

From left to right: Peter Omler, Neville Harris, Andrew Fenton, Kristy McDonald (Chair), Colin Olesen, Tim Main

## KNZ EXECUTIVE



Photo credit: Wayne Douglas Photography

From left to right: Amy Te Whetu (Executive Assistant), Geoff Morgan (Chief Executive), Megan Anderson (Senior Legal Counsel)

### Contact details

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