

Annual Report

2022/23

Kiwifruit
New Zealand



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

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Report from the Chair



Kristy McDonald ONZM KC

The 2022 kiwifruit season was challenging for all industry participants on many fronts. A large crop, shortages of labour, both on-orchard and in pack-houses, and major climate events all conspired to make life very difficult for growers, contractors, post-harvest operators, and Zespri. KNZ's role in these circumstances is to stay connected with the industry, understand the challenges and concerns of stakeholders, and

monitor and enforce the Regulations in an independent and professional manner.

As the industry grows it affects more and more people and makes an increasing economic contribution to New Zealand. Thus, the role of an independent regulator becomes more important. KNZ is the only independent organisation with the legislative authority to monitor Zespri's activities and ensure compliance with the legislation. To achieve this, KNZ needs excellent governance and experienced executives to ask the critical questions and act professionally and independently. I believe KNZ has performed very well, and the Board has the right mix of independent Directors and industry elected Directors who bring deep understanding of the industry and international trade dynamics, and we have an effective Executive to carry out our functions in a professional and cost-effective manner.

Independence is the essential cornerstone of a Regulator's work. Conflicts of interest are an issue for this industry, as in many others, and we have robust policies and procedures in place to ensure we can carry out our work independently so all stakeholders can have confidence in our processes and our decisions.

KNZ was actively involved with another producer vote in 2022, in relation to Zespri's overseas plantings of SunGold and potentially other new varieties. The producer vote process is an important part of the Regulations and requires KNZ to ensure grower oversight is initiated when Zespri wishes to move outside core business activities. This means that the industry regulator is not deciding the future direction of Zespri and the industry, but that these key decisions are being made by informed growers.

In 2023 Andrew Fenton, Deputy Chair of KNZ will end his term with KNZ. Andrew will complete nine years (three terms) on the Board of KNZ and as such is not eligible for re-election. Andrew has made a significant contribution to KNZ, and the wider horticultural industry, and his experience and wise advice will be missed.

KNZ looks forward to continuing change and growth in the kiwifruit industry and is confident in our role and our ability to interact with all stakeholders in the performance of our functions under the Regulations.

Chief Executive's Report



Geoff Morgan

2022 was a busy year for the industry and KNZ. As the industry continued to grow and expand KNZ kept in touch with key industry groups and ensured it was fully briefed on issues relevant to the industry and our Regulatory functions.

In August 2022, Zespri held a producer vote to allow it to expand its offshore plantings of SunGold from 5,000 hectares to 10,000 hectares, and to allow up to 1,000 hectares of any new variety. KNZ's role with producer votes is to ensure growers are "informed of the proposed activities", make sure the vote follows the procedure laid down in Regulation 11, and to monitor the outcome of the vote.

In this case the vote was not successful. The vote gained around 70% support, which is less than the 75% support threshold in the Regulations. KNZ's role after the vote is to monitor Zespri's activities in this area to ensure its overseas programmes are consistent with the successful 2019 producer vote which allows Zespri to carry out its overseas business, but with certain constraints. (e.g. up to 5,000 hectares and not in China or Chile).

Also, in the non-diversification area, KNZ continues to monitor Zespri's activities around illegal G3 planted in China. Zespri wished to run a commercial trial in China with this fruit but did not get the required grower support with its 2021 producer vote. Zespri continues to look at options in China and is doing so as a Research and Development activity which is allowed as core business. KNZ requires Zespri to regularly report on these activities and also in late 2022 engaged an independent organisation, with experienced staff in China, to conduct a review of Zespri's work with G3 plantings in China. This involved interviews with Chinese growers, co-operatives and pack-houses and also Zespri's China based staff. The outcome of this review was that Zespri are confining its activities to Research and Development and to date has not engaged in any commercial buying and selling of illegal G3. KNZ will continue to monitor these activities.

In 2022 KNZ received calls and enquiries about possible discrimination by Zespri under the non-discrimination rule (this rule is discussed in more detail on page 9 of this report). Every complaint is considered individually and, wherever possible, KNZ's decisions on complaints and investigations are published on the KNZ website. This ensures transparency and informs the wider industry on how and when the Regulations can be applied.

Collaborative Marketing (CM) volumes in 2022 were down on the previous year for a number of reasons, not least of all being quality issues. However, CM exporters collaborated well with Zespri and continue to be a source of innovation and additional marketing options. KNZ also approved a CM application from Jingold to run a three-year trial programme for its Jintao variety in New Zealand, with exports commencing in 2023.

KNZ also refreshed its website in 2022 with a view to making it more user friendly and providing greater transparency to the public and the industry on the Regulations and how KNZ carries out its functions.

Regulatory Monitoring and Compliance

1 April 2022 to 31 March 2023

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 at FOBS	Regulations 5(c) and 33(1)(b)	Annual Supply Agreement, related SLA's (Service Level Agreement) 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 an assessment of a complaint was undertaken
To monitor and enforce the prior notice rule	Regulations 10(a) and 33(1)(b)	Compliance monitored but no prior notices received by KNZ
To monitor and enforce the non-diversification rule	Regulations 11 and 33(b)(1)	Compliance monitored, including 2022 Producer Vote to expand Zespri overseas plantings
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 and annual review of process completed
To consider requests for exemption from ZGL 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 Intent 2023 – 2026

Following the review of the Regulations by MPI in 2017, Regulations 33A,B,C were added requiring KNZ to prepare a statement of intent (SOI) for the next three-year period.

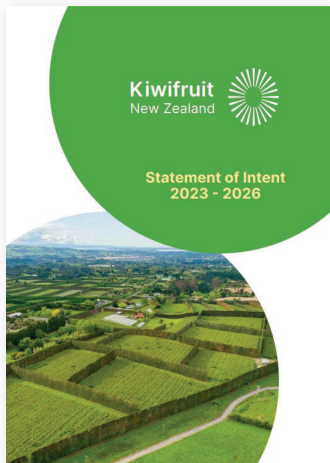
KNZ has completed two SOI's and has this year published its third SOI for the period of 2023-2026.

The four key objectives are;

1. Effective monitoring and enforcement of regulatory protections.
2. Accountable regulation and decision making
3. Stakeholder engagement
4. Capacity, capability and depth of experience

KNZ's focus remains on performing our key functions fairly, independently and to a high standard. We aim to build on the work undertaken in previous years and maintain similar performance measures to ensure consistency and comparability with previous years. We continue to review our processes to ensure efficiency and transparency.

As the industry grows in volume and complexity, we maintain a focus on meaningful stakeholder engagement, and on our capacity and capability, so we can carry out our functions effectively and contribute to the development of the New Zealand kiwifruit industry.



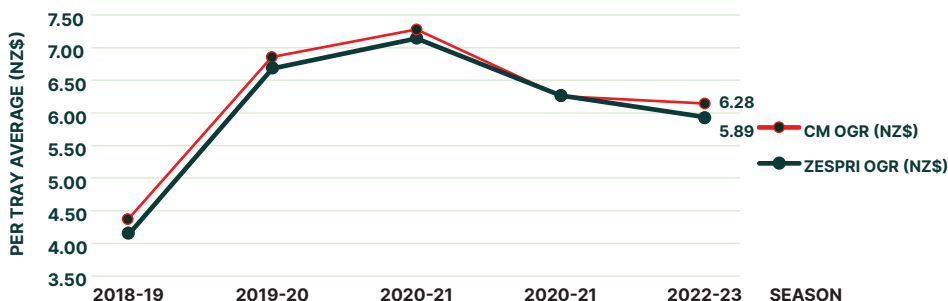
The latest SOI can be found on our website here:

[2023-2026 KNZ Statement of Intent](#)

KIWIFRUIT – 2022-23

2.8m CM TRAY EXPORTS

OGR COMPARISON BETWEEN CM & ZESPRI



KIWIFRUIT CM APPLICATIONS COMPARISON

2021-2023		2021-2022	
APPLICATIONS RECEIVED	24	APPLICATIONS RECEIVED	24
APPLICATIONS APPROVED	24	APPLICATIONS APPROVED	23
APPLICATIONS DECLINED	0	APPLICATIONS DECLINED	1

KIWIBERRY - 2023

NET RETURN PER TRAY

\$29.25

(up 11%)
(excluding Australia)

TOTAL CM TRAY EXPORTS

78,340

(down 13%)
(excluding Australia)

2022-23 Collaborative Marketing Season Results

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

Season	Volume (millions of trays)	Market Return ¹ (NZD millions)	TFSP ² (NZD millions)	Estimated OGR ³ (NZD millions)
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
2020	3.5	36.3	34.7	26.3
2021	3.5	36.3	34.7	26.3
2022-23	2.8	27.8	28.8	17.7

Each year a benchmarking⁴ 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:

Season	CM TFSP Return per TE	Zespri TFSP per TE	CM OGR Return per TE	Zespri OGR per TE
2013	7.78	7.62	4.89	4.73
2014	8.76	8.26	5.70	5.36
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
2020	9.99	10.05	7.23	7.14
2021	9.45	10.25	6.63	6.64
2022-23	10.20	9.47	6.28	5.89

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.

⁴ Benchmarking is the financial assessment made as defined by Regulation 15(c) and reported on our website www.knz.co.nz

Mitigation Measures

Regulation 8 **Purpose of Part**

The purpose of this Part is to mitigate the potential costs and risks arising from the monopsony. (i.e. Zespri acting as a single buyer of NZ kiwifruit)

- a) encouraging innovation in the kiwifruit industry while managing risks associated with activities that are not the core business; and*
- b) promoting efficient pricing signals to shareholders and suppliers ; and*
- c) providing appropriate protections for producers and ZGL's shareholders and suppliers; and*
- d) promoting sustained downward pressure on ZGL's costs.*

To achieve this purpose KNZ monitors ZGL's activities and maintains close connections to key industry stakeholders to ensure ZGL complies with the mitigation measures which are defined under the following Regulations;

- Non-discrimination rule (Reg 9 & 10)
- Prior notice rule (Reg 10A)
- Non-diversification rule (Reg 11)
- Information disclosure (Regs 12 - 21)
- Corporate form (Regs 22 - 23A)

If KNZ receives a complaint, or believes ZGL is acting outside these Regulations, then KNZ can carry out an investigation and make orders against ZGL which can include public warnings, financial penalties, payment of compensation, or any other reasonable remedies that KNZ considers appropriate.

This enforcement regime is detailed in the Export Authorisation (EA) which KNZ issues to ZGL and is reviewed annually. The EA is a public document and is published on KNZ's website.



Non-Discrimination

Regulation 9 **Duty not to discriminate unjustifiably**

ZGL, and its directors and managers, must not unjustifiably discriminate among suppliers and potential suppliers in respect of –

- a) a decision on whether to purchase kiwifruit; or
- b) the terms of the purchase contract.

Regulation 10 **Justifiable discrimination**

- 1) Discrimination (or the extent of the discrimination is justifiable if it is on commercial grounds.
- 2) A commercial ground includes, but is not limited to, matters relating to product features, quality, quantity, timing, location, risk, or potential returns.

The Regulations give Zespri the status of the single buyer of export kiwifruit (other than Australia). This means the 2,800 kiwifruit growers in New Zealand can only sell to the New Zealand local market, to an exporter to Australia, or to Zespri for all other world markets.

The non-discrimination rule protects all growers and suppliers and ensures all individuals and companies are treated equally and Zespri provide the same terms and conditions to all suppliers.

In effect these purchase terms and conditions are captured in the Annual Supply Agreement between Zespri and supply entities, and through the associated documents such as the Grower Manual, Pricing and Payments Manual, Quality and EDI Manuals.

Every year KNZ receives a number of enquires from growers and suppliers regarding potential discrimination. In all cases KNZ considers the facts, determines if KNZ has jurisdiction under the Regulations and then follows the enforcement regime set out in the Export Authorisation.

The results of these assessments and investigations are published on our website so the whole industry can see and understand the issues.



Statement of Financial Performance

Revenue	2022-23	2021-22	2020-21
Funding from Zespri Group	659,616	575,477	584,573
Funding from Zespri Corporate (Prior Notice Costs)	0	0	86,265
Funding from Collaborative Marketing Fees	323,377	277,071	279,710
Interest Received	0	11	39
Total Revenue	982,993	852,558	950,587

Expenses	2022-23	2021-22	2020-21
Board Expenses	189,263	174,974	182,798
Executive Expenses	272,171	251,170	218,515
Collaborative Marketing Expenses	381,546	328,802	345,122
Other Expenses – Operations	78,480	41,611	51,276
- ZGL Prior Notice – China G3 costs	0	0	86,265
Other Expenses – Overheads	61,534	56,001	66,611
Total Expenses	982,993	852,558	950,587

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

KNZ is funded on a cost-recovery basis and does not make a profit. All funding is from Zespri and Collaborative Marketing applicants, and KNZ applies the following principles to its financial management; equity, efficiency, justifiability and transparency.

Total costs each year are dictated by necessary monitoring activity, enforcement events and Collaborative Marketing applications, which will vary from year to year. However, KNZ strives to control costs wherever possible and achieve productivity gains through the continuous improvement of systems and processes.

A copy of Kiwifruit New Zealand's audited accounts is available on our website www.knz.co.nz

Auditors Report



28 June 2023

Kiwifruit New Zealand
PO Box 4683
Mount Maunganui South, 3149

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 2023.

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 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

A handwritten signature in blue ink that reads 'Donna Taylor'.

Donna Taylor
Partner
Audit & Assurance Services

Email: donna.taylor@bdo.co.nz

Audit Completion Report

KNZ Board & Executive

KNZ BOARD



From left to right:

Peter Ombler, Neville Harris, Andrew Fenton, Kristy McDonald ONZM KC, Colin Olesen, Sarah Paterson

KNZ EXECUTIVE



Geoff Morgan
Chief Executive



Pip Allen
Senior Legal Counsel



Amy Te Whetu
Executive Assistant

Contact details

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