

Annual Report

2023/24

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

I joined the KNZ Board in September 2015 and have now completed three terms and will finish my role as KNZ Chair on 30 September 2024.

In those 9 years I have worked with 11 different directors of KNZ (4 independent, 7 grower elected) and 3 ZGL Chairs and 3 different Ministers of Agriculture.

My guiding principles have always been strict adherence to the intentions and the wording of the Kiwifruit Export Regulations 1999, maintaining the independence of KNZ in the face of pressure from different stakeholders, and the establishment and delivery of an efficient decision-making process.

I have always believed that a strong independent Regulator is fundamental to the success and survival of the single-desk exporter model. Zespri was established as a State Trading Enterprise under the WTO rules and operates for the benefit of New Zealand kiwifruit growers and the wider kiwifruit industry. It has been remarkably successful since its establishment in 1999/2000, and has achieved consistent growth in both volumes and returns to growers. For example, in the last 9 years kiwifruit volumes have grown from 100 million trays to 197 million trays.

The governance of KNZ is in a strong place with a mixed and skilled Board consisting of experienced kiwifruit growers with wide industry knowledge, complemented by government-appointed members who have strong commercial and international trade experience.

This mix of skills ensures that KNZ considers both the impact of its decisions on NZ growers and ensures consistency with NZ's international trade obligations. This balance will become more important in the future as countries and key markets trend towards greater protectionism and the imposition of additional non-tariff barriers.

I have greatly enjoyed my time at KNZ and working in such a dynamic and important industry. Geoff Morgan and the team at KNZ do an excellent job engaging with Zespri and industry stakeholders and provide thorough analysis and briefings to the Board. I am sure the KNZ Board will continue to deliver strong and appropriate decisions to advance the interests of both the kiwifruit industry and New Zealand.

Chief Executive's Report



Geoff Morgan

The kiwifruit sector has been through two difficult years in 2022 and 2023. Quality issues in 2022 and low production volumes in 2023 provided challenges for all industry participants. KNZ kept a close watch on the issues and was actively engaged in its role to monitor and enforce the Regulations across all market and supply conditions. These challenges, and the industry's reaction to them, have set the scene for a much more positive 2024 season.

During the 2023/24 year, KNZ considered two complaints involving a bin trial to Italy, (carried out by only one post-harvest company), and also a complaint about Zespri's RubyRed purchase conditions. The results of these complaints are published on KNZ's website, and both decisions are good examples of how KNZ goes about discharging its regulatory function. I encourage all kiwifruit stakeholders to read these decisions as they provide a good insight into how the Regulations can mitigate Zespri's "single point of entry" powers, and also the scope of KNZ's jurisdiction.

KNZ does not require a formal complaint before it acts. We monitor Zespri's activities and gather intelligence from a wide range of sources to make sure we understand the context as well as the detail of any regulatory issue. We meet with Zespri frequently and regularly engage with NZKGI, post-harvest and growers to understand their issues and assess whether KNZ should become involved in any matter.

Collaborative Marketing (CM) volumes in 2023 were also affected by lower production, but overall CM programmes made a positive contribution to the grower pools and saw the involvement of new CM exporters (Māori Kiwifruit Growers Inc. & Jingold SpA) and a new market region in the Middle East.

In August 2023 Nicole Royackers joined KNZ as "in-house" legal counsel. Nicole was previously with Western Bays Council and has a good understanding of local horticultural issues. She got up to speed quickly with industry issues and is enjoying her role working with Zespri, industry participants, and the KNZ Board.

Our Chair, Kristy McDonald KC, finishes her third three-year term this year and will leave the Board at the end of September. I started at KNZ in 2015 the same year as Kristy and have thoroughly enjoyed working with her. Her professionalism, intelligence and governance experience have set KNZ up to be the strong independent regulator we have today. Her contribution has been largely out of the public eye, but her leadership based on strong principles and high standards, has been fundamental in maintaining the independence and increasing effectiveness of KNZ.

Regulatory Monitoring and Compliance

1 April 2023 to 31 March 2024

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, and related SLA's (Service Level Agreement) reviewed and 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 two complaints were 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. KNZ initiated one investigation. Past Producer Vote outcomes and activities 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 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

Monitoring

KNZ's functions are set out in Regulation 33 of the Kiwifruit Export Regulations 1999.

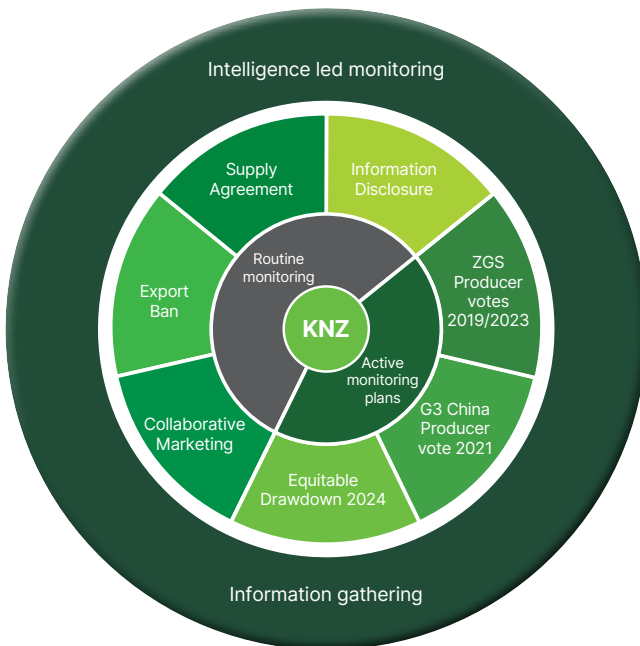
Primarily in 33(b) KNZ's function is to monitor and enforce:

- (i) the non-discrimination rule, the prior notice rule, the non-diversification rule, the information disclosure requirements, and the collaborative marketing requirements; and
- (ii) the requirement that the point of acquisition of title to kiwifruit purchased for export be in accordance with regulation 5(c); and
- (iii) any other terms and conditions of the authorisation.

KNZ takes an intelligence-led approach to its monitoring. The KNZ Executive gathers information from a wide range of sources including Zespri and key stakeholders such as growers, NZKGI, post-harvest suppliers, collaborative marketing companies, and MPI and MFAT. This ensures the KNZ Board has the right information at the right time to make sound decisions.

Active monitoring is initiated by KNZ through its monitoring plans. There are plans in place for each one of Zespri's producer votes and other targeted activities.

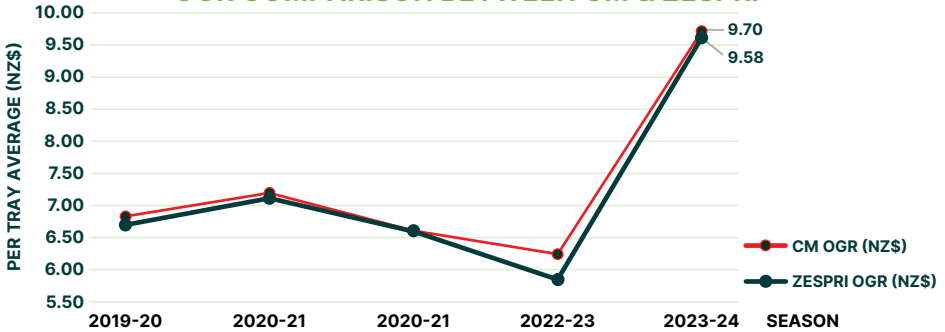
KNZ also routinely monitors all exports of kiwifruit from New Zealand, including all collaborative marketing programmes. Zespri's purchase terms are monitored including the supply agreement and associated documents before they come into effect each year.



KIWIFRUIT – 2023-24

3.1m CM TRAY EXPORTS

OGR COMPARISON BETWEEN CM & ZESPRI



KIWIFRUIT CM APPLICATIONS COMPARISON

2023-2024		2022-2023	
APPLICATIONS RECEIVED	24	APPLICATIONS RECEIVED	24
APPLICATIONS APPROVED	24	APPLICATIONS APPROVED	24
APPLICATIONS DECLINED	0	APPLICATIONS DECLINED	0

KIWIBERRY - 2024

NET RETURN PER TRAY

\$31.80

(up 8.7%)
(excluding Australia)

TOTAL CM TRAY EXPORTS

84,908

(up 8.4%)
(excluding Australia)

2023-24 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)
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	4.1	40.1	38.9	27.3
2022	2.8	27.8	28.8	17.7
2023-24	3.1	42.6	42.7	30.5

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:

Season	CM TFSP Return per TE	Zespri TFSP per TE	CM OGR Return per TE	Zespri OGR per TE
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
2020	9.99	10.05	7.23	7.14
2021	9.45	10.25	6.63	6.64
2022	10.20	9.47	6.28	5.89
2023-24	13.56	13.23	9.70	9.58

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

Zespri's Core Business

The Kiwifruit Export Regulations 1999 (Regulations) prohibit Zespri from carrying out any activities that are not 'core business' unless those activities 'supports the core business' as defined in Regulation 10A, or are approved by a producer vote under Regulation 11. Core business is defined in the Regulations as:

"core business—

- (a) means the purchase of New Zealand-grown kiwifruit for export where the point of acquisition of title to fruit is at FOBS and the export of that fruit:*
- (ab) includes the following activities:*
 - (i) the marketing of New Zealand-grown kiwifruit; and*
 - (ii) market development for New Zealand-grown kiwifruit; and*
 - (iii) research and development relating to kiwifruit:*
- (b) excludes the export at FOBS of kiwifruit for consumption in Australia:*
- (c) excludes the sale of kiwifruit in New Zealand"*

The Regulations do not define the core business activities set out in (ab) above, being marketing of and market development for New Zealand-grown kiwifruit and research and development relating to kiwifruit ('Core Business Activities'). To assist with the assessment of Zespri activities and to ensure that producer oversight is engaged where it ought to be, KNZ has developed 'working definitions' for the Core Business Activities. The three working definitions can be found on KNZ's website at www.knz.co.nz. Each working definition is subject to regular review by KNZ and include general principles of application which will be applied and analysed on a case-by case basis.



Zespri Global Supply

Zespri's Global Supply (ZGS) is a counter-seasonal supply programme based in the Northern Hemisphere.

Zespri undertook a producer vote in 2019 where it was authorised by producers to:

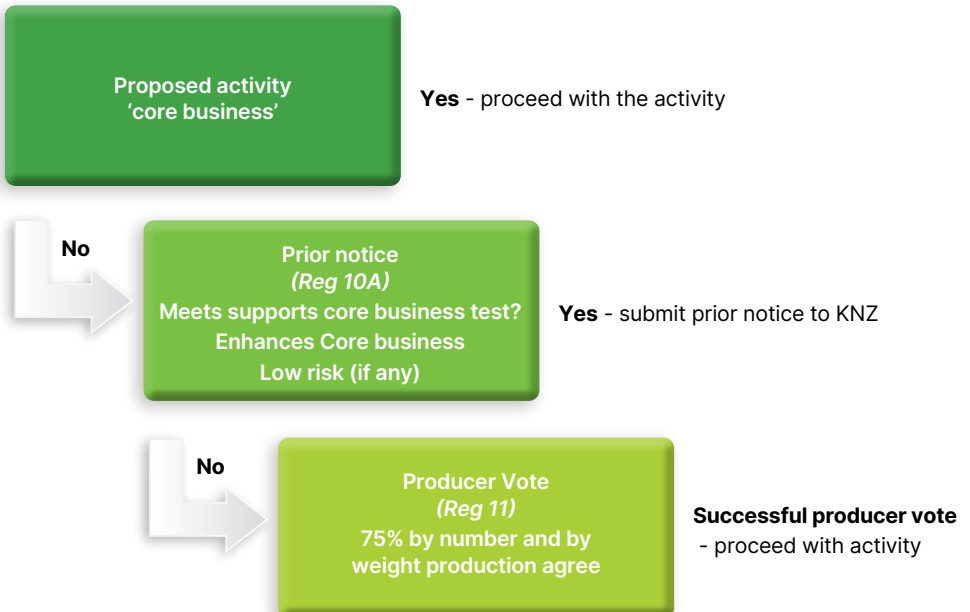
- Licence up to 5,000 hectares of SunGold planted offshore;
- Purchase up to 20 million trays of Green;
- Grow up to 1,000 hectares of other new varieties offshore.

Zespri undertook another producer vote in 2022 to:

- Increase the planted hectares by up to 10,000 additional hectares
- Increase planted hectares of any new kiwifruit variety by up to 1,000 additional hectares.

This producer vote was unsuccessful and Zespri was not able to proceed with the proposed activity.

Zespri is now approaching its maximum planted hectares for ZGS SunGold and is considering another producer vote to allow for further expansion beyond 5,000 hectares. KNZ's role in any producer vote is to ensure that producer oversight is engaged where it ought to be, and that producers are fully informed when making their decision in relation to a proposed activity. KNZ will also ensure that Zespri carries out the proper process to meet the requirements of Regulation 11.



Statement of Financial Performance

Revenue	2023-24	2022-23	2021-22
Funding from Zespri Group	633,625	659,616	575,477
Funding from Zespri Corporate (Cost Recovery)	35,813	0	0
Funding from Collaborative Marketing Fees	322,147	323,377	277,071
Interest Received	0	0	11
Total Revenue	991,585	982,993	852,558

Expenses	2023-24	2022-23	2021-22
Board Expenses	217,230	189,263	174,974
Executive Expenses	282,401	272,171	251,170
Collaborative Marketing Expenses	390,325	381,546	328,802
Other Expenses – Operations	29,706	78,480	41,611
Other Expenses – Overheads	71,923	61,534	56,001
Total Expenses	991,585	982,993	852,558

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



20 June 2024

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 2024.

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 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 Top Left: Jacqui Caine, Neil Trebilco, Colin Olesen
From Bottom Left: Peter Ombler, Kristy McDonald KC, Sarah Paterson

KNZ EXECUTIVE



Geoff Morgan
Chief Executive



Nicole Royackers
Senior Legal Counsel



Amy Te Whetu
Executive Assistant

Contact details

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