



The New Zealand Kiwifruit Board

Annual Report

1 April 2013 to 31 March 2014

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's Annual Report

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References to "the Regulations" or "the Kiwifruit Export Regulations" in this report are references to the Kiwifruit Export Regulations 1999

References to "Zespri" in this report include Zespri Group Limited and Zespri International Limited

References to "Zespri's Export Authorisation" in this report are references to the Authorisation to export kiwifruit granted to Zespri Group Limited by Kiwifruit New Zealand

References to "the Single Desk" or the "Single Point of Entry" are referring to Zespri having the right to export kiwifruit to all countries except Australia.

About Kiwifruit New Zealand

In 2000, the New Zealand kiwifruit industry was restructured through the Kiwifruit Industry Restructuring Act 1999 and Kiwifruit Export Regulations 1999.

The Act established Zespri, and provided for the making of Regulations providing for the establishment, funding, and other matters relating to Kiwifruit New Zealand. The Regulations established on 1 April 2000 a new regulatory board, Kiwifruit New Zealand ("KNZ") and contain:

Export orientated provisions that:

- ban the export of New Zealand grown kiwifruit otherwise than for consumption in Australia, except as authorised or approved by KNZ.
- require KNZ to provide Zespri with an authorisation to export kiwifruit.
- enable KNZ to approve collaborative marketing arrangements (an arrangement by which a person may export New Zealand grown kiwifruit in collaboration with Zespri) and up to 30 April each year direct Zespri to make kiwifruit available for these arrangements.
- do not apply to the sale of kiwifruit in New Zealand, or its export for consumption in Australia (which from 2004 is regulated by the Horticultural Export Authority).

and provisions relating to monitoring and enforcement:

- the non-discrimination rule that limits Zespri from unjustifiably discriminating in the way it purchases kiwifruit and sets the point of purchase of New Zealand grown kiwifruit at not earlier than FOBS (free on board ship).
- the non-diversification rule that requires, unless necessary for the purchase and export of New Zealand grown kiwifruit (other than for consumption in Australia and sale in New Zealand) or the risks are minimal, that the providers of capital agree to the ways in which their capital is used.
- the information disclosure requirements that require information disclosure by Zespri and KNZ.

The scope of the Regulations and the responsibility of KNZ is limited.

The Regulations deal with the export of New Zealand grown kiwifruit and mitigating the potential costs and risks of the export provisions. They do not provide for KNZ to have a general supervisory role in the kiwifruit industry or of Zespri. KNZ is prohibited from carrying out any commercial activity, including the purchase or sale of kiwifruit, or operating to make a profit.

Kiwifruit New Zealand Governance

The Regulations create KNZ as a Body Corporate of five Members (a Chairman and four others) who serve for three year terms. Producers elect three members, and the fourth member is appointed by the New Zealand Kiwifruit Growers Incorporated. The Chairman is appointed by the other four Members, and is required to be fully independent of the kiwifruit industry.

Producers (owners of land in New Zealand on which kiwifruit is produced for export sale) are eligible to vote in elections to appoint the three Producer elected members, and an election is held each year to elect a member by rotation. Candidates are nominated by Producers, and there is no restriction on who may be nominated.

The KNZ Board meets monthly, from February to November inclusive. Each Member, apart from the Chairman, also sits on two Collaborative Marketing Committees. The Chairman chairs the Collaborative Marketing Appeal Committee.

Kiwifruit New Zealand's Year

During the year ended 31 March 2014 KNZ:

Kept in contact **with the Markets, Zespri Marketing Managers, Collaborative Marketers, Growers and Suppliers**

Processed **collaborative marketing** applications and **appeals**

Monitored the **information flow** from Zespri

Monitored Zespri's **business assessments**, including for 12 month supply

Dealt with **complaints and enquiries**

Monitored **approved collaborative marketing** arrangements for acceptable returns

Monitored Zespri's compliance with the **Kiwifruit Export Regulations**

Responded to **Official Information Act** requests

Contact with Markets, Zespri Marketing Managers, Collaborative Marketers, Product Groups, Growers and Suppliers

- Market visits were made to Hong Kong, China, Korea, Japan, and Singapore
- Meetings were held with the Zespri Collaborative Marketing Manager and Zespri Marketing Managers
- Meetings were held with Collaborative Marketers
- Meetings were held with Growers and Suppliers during the year
- Meetings were held with the Zespri Board and New Zealand Kiwifruit Growers Incorporated Executive
- Presentations were made to New Zealand Kiwifruit Growers Incorporated, and New Zealand Kiwiberry Growers Incorporated

Information Disclosure

- Zespri's disclosure of information was monitored to ensure compliance with the Regulations
- Details of collaborative marketing for last season were published to industry groups, including financial information as to the performance of the collaborative marketers

Non Diversification

- Zespri's assessment of its activities was monitored and reviewed by the Board
- Zespri's global supply activities were monitored, and additional information requested

Complaints and Inquiries

- A number of informal enquiries and Official Information Act requests were received, and actioned

Collaborative Marketing Results

- The purpose of collaborative marketing is to increase the overall wealth of New Zealand kiwifruit suppliers
- Collaborative marketing volumes decreased in the 2013 – 2014 season
- Kiwifruit collaborative marketing volumes and returns since 2000 are as follows:

| Season | Volume (millions of trays) | Market Return ¹ (NZD millions) | TFSP ² (NZD millions) | Estimated OGR ³ (NZD millions) |
|----------------|-------------------------------|--|-------------------------------------|--|
| 2000 | 1.1 | 7.2 | 5.8 | Not available |
| 2001 | 1.8 | 12.2 | 9.9 | |
| 2002 | 1.6 | 14.5 | 10.8 | |
| 2003 | 1.6 | 16.8 | 12.2 | |
| 2004 | 1.7 | 14.1 | 9.7 | |
| 2005 | 1.7 | 10.8 | 7.9 | |
| 2006 | 1.4 | 12.0 | 9.8 | |
| 2007 | 1.7 | 12.9 | 10.4 | |
| 2008 | 1.9 | 16.3 | 13.4 | |
| 2009 | 1.7 | 14.2 | 11.6 | |
| 2010 | 2.5 | 18.5 | 17.3 | |
| 2011 | 3.6 | 23.7 | 22.2 | |
| 2012 | 2.4 | 18.7 | 16.1 | 9.3 |
| 2013-14 Season | 1.7 | 15.5 | 13.6 | 8.5 |

Each year a benchmarking exercise is carried out between the kiwifruit collaborative marketing programmes and similar Zespri programmes, including 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 |
|----------------|--------------------------|-----------------------|-------------------------|----------------------|
| 2000 | 5.26 | 5.13 | Not available | Not available |
| 2001 | 5.32 | 6.06 | | |
| 2002 | 6.48 | 6.07 | | |
| 2003 | 7.56 | 7.10 | | |
| 2004 | 5.57 | 5.56 | | |
| 2005 | 4.79 | 4.82 | | |
| 2006 | 6.85 | 6.71 | | |
| 2007 | 6.27 | 5.90 | | |
| 2008 | 7.01 | 6.80 | | |
| 2009 | 6.79 | 6.39 | | |
| 2010 | 6.82 | 6.48 | | |
| 2011 | 6.21 | 6.38 | | |
| 2012 | 6.71 | 6.94 | 3.85 | 3.99 |
| 2013-14 Season | 7.78 | 7.62 | 4.89 | 4.73 |

Monitoring

- Regular meetings held with Zespri at Board and Senior Executive level and Zespri's activities were monitored as required by the Regulations
- Market visits were undertaken to provide the context for consideration of collaborative marketing applications and to monitor Zespri's and collaborative marketers' in market activities

Zespri Export Authorisation Re-issued

- Zespri's Export Authorisation was unchanged

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

Chairman's Report

2013-14 has been another very full year for Kiwifruit New Zealand and the industry. There were more collaborative marketing enquiries, above average collaborative marketing applications received, and a growing requirement to consider and respond to other requests, including those under the Official Information Act.

Collaborative marketing is an important tool for the industry, and represents an avenue for others to apply their own particular competitive advantages for its benefit. There are only two criteria for approval of a collaborative marketing application. An applicant must satisfy KNZ that an increase in the overall wealth of New Zealand kiwifruit suppliers will result, and the programme will be implemented in collaboration with Zespri. Apart from these regulatory requirements, there are no limitations on form, content, term, or any other aspect of a collaborative marketing arrangement. The same two Regulatory criteria apply to applications irrespective of the cultivar an application is for.

KNZ may, in approving an application, impose any reasonable and necessary conditions. Generally these are directed toward ensuring that collaboration is on-going, a collaborative marketer does what they say they can, and the risks of an arrangement on the remainder of the industry are carefully managed. The conditions are included for a purpose.

With collaborative marketing, a number of trends are emerging, which are placing increasing demands on the Board and management as it considers collaborative marketing applications.

The focus of applications is increasingly toward Asia, and China in particular, one of the higher returning markets, where there is no shortage of perceived market opportunities. Some consider that they should be entitled to access the higher paying markets, that is to "cherry pick" them, and by way of separate pooling benefit one or more growers to the detriment of other growers generally. This may be appropriate in the case of product that genuinely differentiates itself as a proposition to customers and consumers, but it is for the applicant to demonstrate how what is proposed will result in an increase in the overall wealth of NZ kiwifruit suppliers.

Full compliance with the laws of the country of destination is becoming a very significant issue, particularly in China. It is not just a matter of heightened health and food safety concerns, quality and supply chain risk, and safe food consumer preferences. It is also about quality of delivery generally, including accurate and correct documentation, and ensuring the correct duty and taxes are paid fully in accordance with the laws and rules of the country of destination. The risks and consequences to the New Zealand kiwifruit industry of inadequate compliance are too great to be ignored.

The emergence of collaborative marketing applications for numerous cultivars has necessitated the consideration of grower OGR and orchard yield and the orderly overall marketing of the substantial crop of NZ kiwifruit. The opportunities open to collaborative marketers need to be developed into a genuine business case in collaboration with Zespri. Not only is there the matter of ensuring an arrangement works in conjunction with what Zespri are attempting to achieve, the risk of adverse consequence increases significantly when the compliance methodology of a collaborative marketer varies from that of Zespri. The need for full pre-application collaboration has increased, and KNZ will be looking for that to occur.

The full potential of collaborative marketing is yet to be achieved.

Zespri has appropriately complied with its obligations under its export authorization and the Regulations.

During the year Ian Greaves was elected for a further three year term to the Board. Ian's contribution and experience are invaluable.

Sir Brian Elwood
Chairman

KNZ perspectives on some important issues associated with collaborative marketing

We record some general comments on issues which are assuming increasing importance when considering collaborative marketing applications although a final outcome on each will depend on the particular circumstances being considered.

The relationship between the PVR Act and the Regulations

"A grant of Plant Variety Rights for a new plant variety gives" ... the holder..."the exclusive right to produce for sale and sell propagating material of the variety"⁴, in other words a legal property right to the propagating material. A grant is made when the Commissioner of Plant Variety Rights is satisfied that a variety is new, distinct, homogenous (uniform), and stable⁵. A Plant Variety Rights holder may license others to produce for sale and to sell propagating material of the protected variety. Rights holders commonly collect royalties from the commercialisation of their protected varieties. For example, there may be a royalty payable on the sale of the fruit of the propagating material, not on the propagating material itself.

Since March 1985, the Intellectual Property Office records there have been a total of 56 applications for kiwifruit PVR, in respect of which 15 PVR grants were issued, about 27%. Over that same period, 19 of the 56 applications have been surrendered, have lapsed, been refused or withdrawn.

Registration involves payment of fees, on the face of it an indication that the PVR holder believes that the cultivar holds some commercial value. Nevertheless, a PVR is no more than a legally created property right, and the ultimate test of value is whether it is commercially viable as tested in the market.

KNZ is required to treat all NZ grown kiwifruit in a similar manner on the basis that all such kiwifruit is subject to the Kiwifruit Export Regulations when exported from New Zealand other than for consumption in Australia.

Occasionally there is a view advanced that a PVR holder should be granted an automatic right to export kiwifruit the subject of a PVR. If that occurred, there could be many existing and potential future kiwifruit PVR holders able to parallel export kiwifruit out of New Zealand, independent of Zespri and effectively outside the provisions of the Kiwifruit Export Regulations. Unlike with collaborative marketing pursuant to the Regulations, there would be no requirement that the purpose be to increase the overall wealth of NZ kiwifruit suppliers in collaboration with Zespri. The purpose of the Regulations may be lost.

Pooling

The practical effect of pooling is that participants in the pool (growers) share returns from the overall mix of higher and lower returning markets. Rather than face the necessity to compete against other grower groups for customer orders, growers work together using Zespri to achieve an increased overall return. To achieve this the NZ kiwifruit industry has historically invested heavily in promotion, brand and systems, the effect of which manifests itself in a price premium, increased sales, or both.

⁴ Intellectual Property Office web site

⁵ Plant Variety Rights Act 1987, Clause 10(2)(d).

⁶ Marketing benefits are captured by the application of the marketing strategy developed in one market across all markets in which kiwifruit is sold

Common pooling enables the capture of the economy of scale cost and marketing benefits⁶, including for freight. Pools also provide a mechanism to address the return and cost issues originating from the agronomics. Kiwifruit is picked over a time frame of approximately 13 weeks and sold over 40. Unless holding costs are somehow compensated, the natural consequence is that prices tend to bottom when fruit supply is most available, as a result of supply pressure. Pooling permits the orderly optimisation of promotion and holding costs, and diversification of outcome risk for suppliers.

Separate pooling can be an attractive proposition for collaborative marketers, and is most likely to involve a different cultivar. The understandable incentive on the collaborative marketer is to access higher returning markets ('cherry pick') in a time frame when the net benefit of differential holding costs compensation is maximised while at the same time accessing the benefits of Zespri's economies of scale and marketing system and channelling the returns to one or more growers. Pooling the returns into the Zespri pools eliminates at least some of the incentives to game the system for the benefit of a limited group of growers.

Alternatively, that risk could be addressed by compensatory payments to or from the Zespri pools, with the objective of eliminating any implicit subsidies. While this could achieve the same outcome as common pooling, in practice assessment and calculation of what those payments might be is likely to be difficult at best. A collaborative marketer may be reluctant to agree there is any benefit from the industry promotion investment made since the introduction of the current regulations, that results in price premium for both current and future products.

Ultimately, grower returns depend on customers and consumers being prepared to pay for what they regard as value. For example brand communicates an expectation around value, not only as to what might be expected from existing product offerings, but also new offerings. In this sense there is a historical and ongoing infrastructure and marketing investment that results in price premiums for both current and future products.

A new cultivar can be either a direct substitute replacement for an existing product, or a new product that adds to the portfolio of products on offer. Historically Hayward is an example of the benchmark product in the Green kiwifruit category. A consumer is likely to purchase either a Hayward or an in type substitute, one or the other at one time, not both.

A genuine new product that results in an expansion of the overall market for kiwifruit or for which the consumer is prepared to pay some premium can be a different proposition. A kiwifruit that matures and can be marketed earlier than any alternatives has a clear differential advantage, the potential to earn an associated price premium, and provide enhanced returns. Under these circumstances, while some cross subsidy issues could remain (particularly as a result of investment in markets, promotion and brand, and scale economies), nevertheless the case for separate pooling could be stronger.

It is up to the collaborative marketer to present their case to justify separate pooling.

Market agents and compliance

It is likely that an exporter of kiwifruit will make use of a number of agents depending on the extent of the exporters own resources, and the point at which the exporter is perceived to cease being responsible for any risks. Compliance risk can increase with the number of agents involved, in that they may be more attuned to the requirements of their own business. In respect to post sale risks, while title may have passed, the responsibility for adverse outcomes may in some way be passed or inferred back to the exporter. As an example, an exporter may be held responsible for duty and value added tax even though this is an accountability of an importer acting on behalf of a purchaser. An exporter provides information to an importer about the contents of a container. If this information is incorrect, fines and other consequences may eventuate, for which the purchaser will in all probability seek re-dress from the exporter. This presents a compliance risk.

There can also be a reputational risk. Performance failure can have reputational consequences for the importer, which can be far reaching. On the face of it, it appears that China takes the view that it is countries from which it imports, not manufacturers. Failure of one can affect all.

How successful is collaborative marketing

Success could be viewed as a high number of approved collaborative marketing arrangements, or a large volume of sales through collaborative marketing arrangements. Either could be achieved by making the price low enough with little regard for the consequences. However that is not what the Regulations intend. Collaborative marketing is only successful if it succeeds in increasing the overall wealth of NZ kiwifruit suppliers in collaboration with Zespri. In other words, collaborative marketing is successful if growers generally are better off as a result.

Generally for collaborative marketing to make growers better off requires applications which use the kiwifruit available more successfully than other collaborative marketers or Zespri can. At any point of time, there will be some optimum combination of sales between collaborative marketers and Zespri of NZ grown kiwifruit that increases overall wealth. Helping achieve this would be success for collaborative marketing.

During the coming year the Board will be giving consideration to how best to simplify the collaborative marketing application process. The problem will be to achieve simplicity whilst ensuring the Board has enough information supporting the applicant's business case to establish compliance with the Regulatory requirements which are the basis of a collaborative marketing approval – an increase in the overall wealth of kiwifruit suppliers and collaboration with Zespri.

These issues are among the many KNZ needs to address when considering collaborative marketing applications.

Kiwifruit New Zealand's

Regulatory Performance 1 April 2013 to 31 March 2014

| KNZ Function | Relevant Regulation | Performance |
|---|--|---|
| To authorise the export of kiwifruit by Zespri (except to Australia). | Regulations 4, 5, 6, 7, 33(1)(a) and 42(2) | Monitored during 2013-2014, authorisation and the effectiveness of the enforcement regime reviewed. Authorisation continued unchanged. |
| To monitor and enforce the point of acquisition of title to kiwifruit which currently is at FOBS | Regulations 5(c) and 33(1)(b) | Compliance monitored during 2013-2014. |
| To monitor and enforce the terms and conditions of Zespri's export authorisation. | Regulation 33(1)(b) | Monthly reports from and meetings with Zespri Group Limited plus the provision of relevant information. |
| To monitor and enforce the non-discrimination rule | Regulations 9 and 33(1)(b) | Compliance monitored during 2013-2014. |
| To monitor and enforce the non-diversification rule | Regulations 11 and 33(1)(b) | Chief Executive monitored Zespri making its assessments and Zespri presented its assessments to KNZ's Board. |
| To monitor and enforce the information disclosure requirements | Regulations 12 to 14 and 33(1)(b) | Monitored Zespri's compliance. |
| To consider requests for exemption from ZGL from the information disclosure requirements | Regulation 21 | Considered Zespri requests and exempted some information. |
| To determine collaborative marketing applications | Regulations 24 to 31 and 33(1)(c) | <p>For the year ended 31 March 2014, 30 kiwifruit collaborative marketing arrangements were approved, operated into 14 countries, involving 13 collaborative marketers. 7 kiwiberry collaborative marketing arrangements were approved.</p> <p>For the year ended 31 March 2015 (2014-15 season), 27 kiwifruit collaborative marketing arrangements are approved to operate into more than 18 countries, involving 14 collaborative marketers. In addition, 7 kiwiberry collaborative marketing programmes were approved.</p> |
| KNZ will inquire into complaints about the application of the non-discrimination rule, the non-diversification rule, the information disclosure regime and collaborative marketing requirements | Regulation 33(1)(b) | A number of informal enquiries were received and actioned. |

Copies of the Zespri Group Limited Export Authorisation and the Report on Collaborative Marketing Results for the 2013 - 2014 season are available from Kiwifruit New Zealand on request.

Financial Summary 1 April 2013 to 31 March 2014

| | 2013-14 \$NZ | 2012-13 \$NZ | 2011-12 \$NZ |
|---|-----------------|-----------------|-----------------|
| Income | | | |
| Regulation 39(a) from Zespri International Ltd | 351,487 | 280,450 | 243,970 |
| Regulation 39(b) from Collaborative Marketing | 222,984 | 279,280 | 214,820 |
| Interest and Miscellaneous Income | 9,278 | 2,888 | 8,941 |
| Total Income | 583,748 | 562,619 | 467,731 |
| Expenditure⁽¹⁾ | | | |
| Kiwifruit New Zealand Board | 166,161 | 152,437 | 136,297 |
| Kiwifruit New Zealand Executive | 112,707 | 105,355 | 93,966 |
| Collaborative Marketing | 271,139 | 279,280 | 214,820 |
| Operations | 12,266 | 6,086 | 3,072 |
| Administration and Overheads | 20,690 | 19,088 | 19,740 |
| Total Expenses | 582,963 | 562,247 | 467,894 |
| Income Tax | 785 | (373) | 172 |
| Net Surplus (deficit) to Accumulated Funds | 0 | (1) | (335) |
| Accumulated Funds | | | |
| Opening Funds | 20,241 | 20,242 | 20,576 |
| Net Surplus for Year | 0 | (1) | (335) |
| Total Funds as at Year End | 20,241 | 20,241 | 20,242 |

Reconciliation of Zespri Funding with Zespri accounts and actual KNZ expenses:

| | 2013-14 NZ\$000 | 2012-13 NZ\$000 | 2011-12 NZ\$000 |
|--|--------------------|--------------------|--------------------|
| Funding as reported in Zespri Accounts | 318 | 285 | 244 |
| After year-end charge to Zespri (refund) | 33 | (5) | - |
| Regulation 39(a) funding from Zespri as per KNZ accounts | 351 | 280 | 244 |
| Funding transferred from one year to another by KNZ | - | - | - |
| (net (surplus)/deficit) | | (1) | |
| Actual funding by Zespri used each year | 351 | 279 | 244 |
| Collaborative marketing fees and interest | 232 | 282 | 224 |
| KNZ actual costs (including collaborative marketing) | 583 | 562 | 468 |

Notes: (1) KNZ allocates its expenses between collaborative marketing and general (other) expenses.

A copy of Kiwifruit New Zealand's audited accounts is available on request.

Chief Executive's Report

For Kiwifruit New Zealand, the financial year ended 31 March 2014 saw an elevated level of activity. There were more collaborative marketing enquiries, more applications, many of increased complexity. There were also more enquiries for other information. This increase in activity, most of which is not within KNZ's control, resulted in an increase in KNZ's costs for the year.

Collaborative marketing over the years

As a result of a request for information from the Kiwifruit Industry Strategy Project (KISP), a comparison has been made of the experience of collaborative marketing applications for the last five years (2010-2014), compared with the previous five years (2005-2009). A summary is set out in the table below:

| Five Year Period: | Applications | Approved Applications | % of applications approved | Non Zespri cultivar Applications |
|---------------------|--------------|-----------------------|----------------------------|----------------------------------|
| 2005-2009 inclusive | 149 | 119 | 80% | 4 |
| 2010-2014 inclusive | 144 | 134 | 93% | 28 |
| Total | 293 | 253 | 86% | 32 |

What this shows is that as between the two five year periods:

- the number of applications was about the same,
- the percentage of applications approved increased from 4 in every 5 to over 9 in every 10.
- The successful non Zespri cultivar applications increased 7 times.

At the same time applications are becoming more complex. The focus of collaborative marketing applications has shifted from Europe to Asia, generally there is unsatisfied demand for NZ supply, particularly at lower prices, leading to an increased enquiry for supply through collaborative marketing. This appears to be creating a situation where some fruit buyers see collaborative marketing as a means to get access to New Zealand fruit at lower prices.

2013-14 Season collaborative marketing

In the 2013-14 season, there were thirty approved collaborative marketing arrangements. Ninety seven percent of applications were approved. Collaborative marketers have the opportunity to choose the country to export to, the customers to target, the channel to apply, the product of choice, and the timing of delivery. Zespri also makes its expertise available, and more often than not share the benefits of its scale. While there was significant variation in the performance of collaborative marketers on an individual arrangement basis, overall, collaborative marketing performance was ahead of Zespri performance when measured on a comparative basis.

Monitoring and Enforcement of the Non-diversification and Information Disclosure Rules

During the year, Kiwifruit New Zealand monitored Zespri's compliance with the non-diversification and information disclosure rules. All potential diversification activities were evaluated and reviewed. Monitoring of Zespri's twelve month supply activities continues.

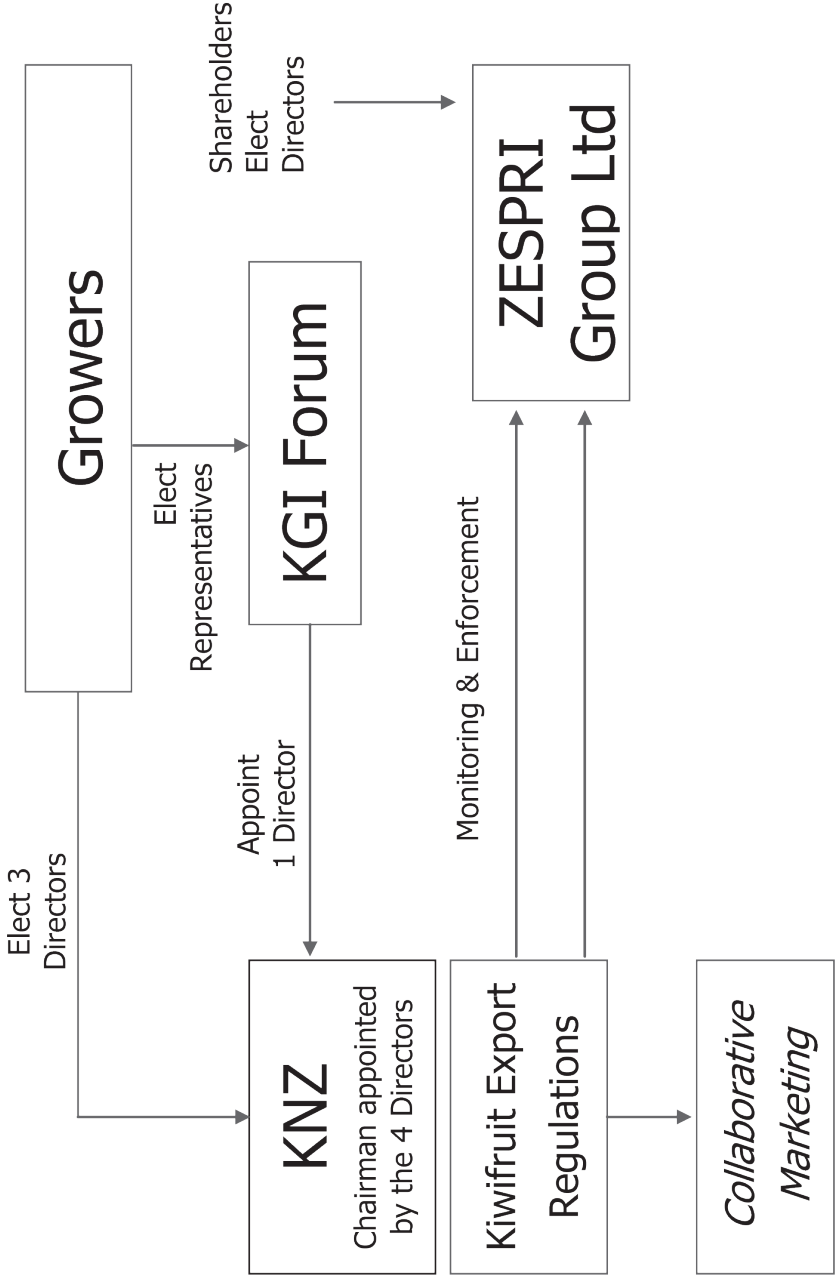
Complaints and Information Requests

The last financial year saw a number of informal complaints and official information requests. The Ombudsman investigation undetermined at the end of the 2011-12 financial year remains under investigation.

I would like to thank the Board, and industry for the help and cooperation that I have received over the last year.

Richard Procter
Chief Executive

Regulatory Structure



List of Members and Staff

Kiwifruit New Zealand is comprised of the Chairman and four members who serve for three year terms. Growers elect three of the members, and the fourth member is appointed by the New Zealand Kiwifruit Growers Incorporated. The four members appoint the Chairman. The Kiwifruit Export Regulations 1999 require the Chairman to be fully independent of the kiwifruit industry. Alister Hawkey's position as director is up for election this year.

Kiwifruit New Zealand:

| | | |
|------------------------|------------------|--|
| Chairperson | Sir Brian Elwood | (Term expires in July 2015) |
| Deputy Chairperson | Hendrik Pieters | (Term as member expires in September 2015) |
| Members | Ian Greaves | (Term expires in September 2016) |
| | Alister Hawkey | (Term expires in September 2014) |
| NZKGI Appointed Member | Ruth Lee | (Term expires in July 2014) |

Kiwifruit New Zealand Executive:

| | |
|--------------------------|-----------------|
| Chief Executive | Richard Procter |
| Administration Assistant | Amy Te Whetu |

Kiwifruit New Zealand offices are at:

Zespri Building
400 Maunganui Road
Mount Maunganui, 3116

Phone 07 572 3685

Fax 07 572 5934

Postal Address:

PO Box 4683
Mount Maunganui South, 3149

Procedures Manual

A procedures manual is available on request. The procedures manual is designed to provide general advice and guidance on the role and function of Kiwifruit New Zealand Board and its application of the Kiwifruit Export Regulations 1999. It will be updated and revised from time to time. The procedures manual includes KNZ's Code of Conduct for the Conflicts of Interest, and Code of Conduct for trades in Kiwifruit Company Securities.

