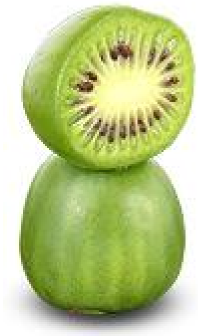
KIWIBERRY

2016 Season[1]



NZKBGI Annual General Meeting

27 October 2016

Geoff Morgan - Chief Executive, KNZ

Note 1: The information in this presentation is not to be copied or used for any purpose unless expressly authorised in writing by Kiwifruit New Zealand

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Outline of 2016 presentation

- Kiwiberry applications
- Kiwiberry results
- Perceptions, observations and questions

Kiwiberry Collaborative Marketing Applications

- For the 2016 season, there were **7 collaborative marketers approved**: T&G Global, Freshmax, Fresh Produce, New Zealand Gourmet, Produce Partners, Seeka, and Southern Produce
- The 7 collaborative marketers **operated 47 export programmes into 18 export destinations** (including Australia but excluding NZ)
- 2 collaborative marketers sold into NZ – Fresh Produce Group and Freshmax. Kiwi Produce also sold into the NZ market
- Packhouses involved are Seeka, KiwiProduce, Freshpac, Riverlock, Prendo (Southern Produce)
- 2016 CM Committee: 2 KNZ Directors – Andrew Fenton and Ruth Lee; advised by KNZ Chief Executive and NZ KiwiBerry Growers Inc. Representative – David Page
- 2017 CM Process – some changes

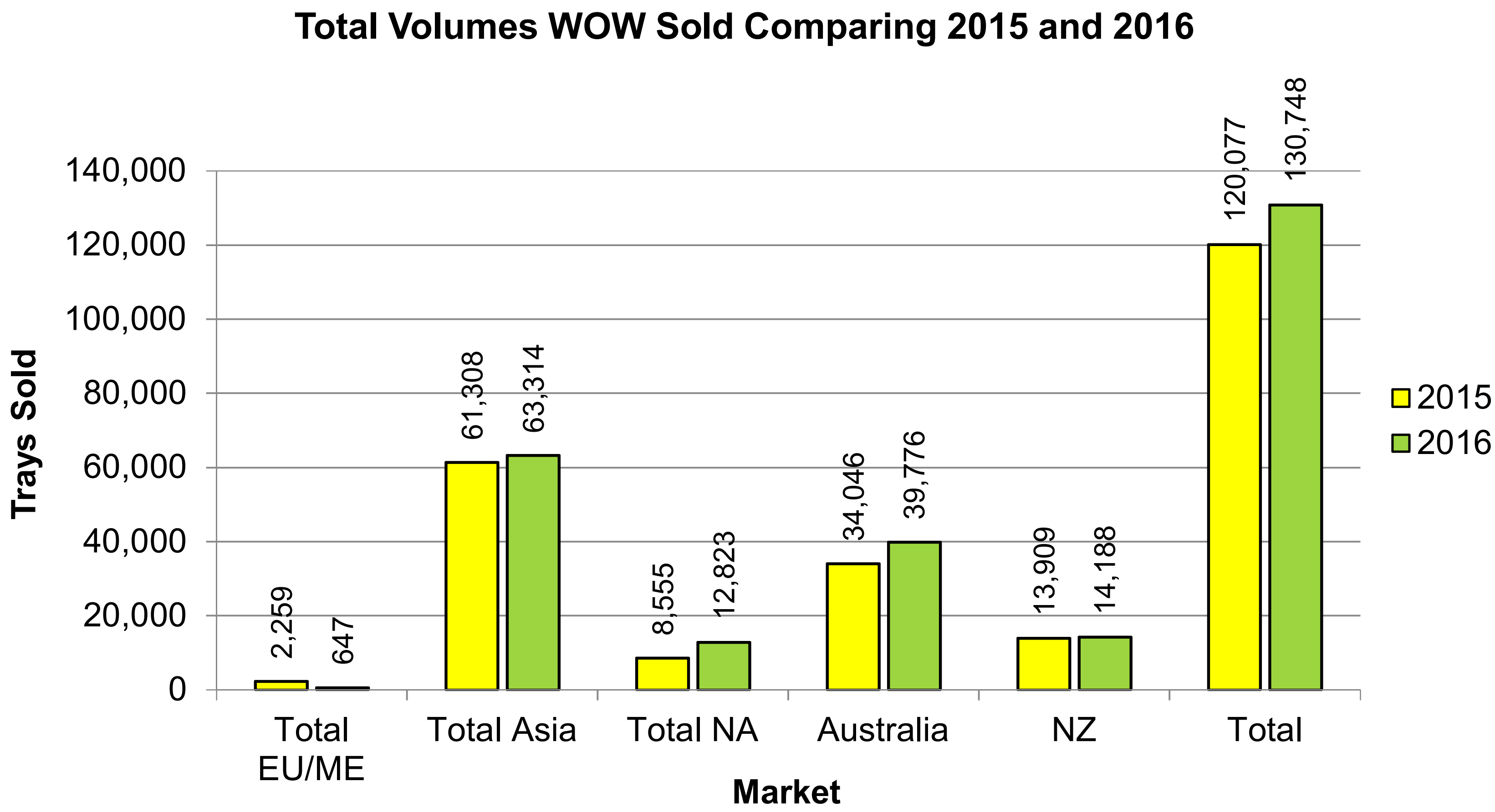
Kiwiberry results context:

For collaborative marketing purposes, consistent with the Regulations, the KNZ focus is principally on net return and OGR per tray on exports to the rest of world (ROW), not including Australasia.

However, this presentation has a grower focus, on:

- Whole of world ("WOW") volumes (including NZ)
- Return before pack house costs, for whole of world including NZ and rest of world ("ROW") (NZ sales may be/are class 2)
- WOW OGR, that is return to growers at orchard gate

Volumes: up 8%, 131k *(vs 171k Te projected)*



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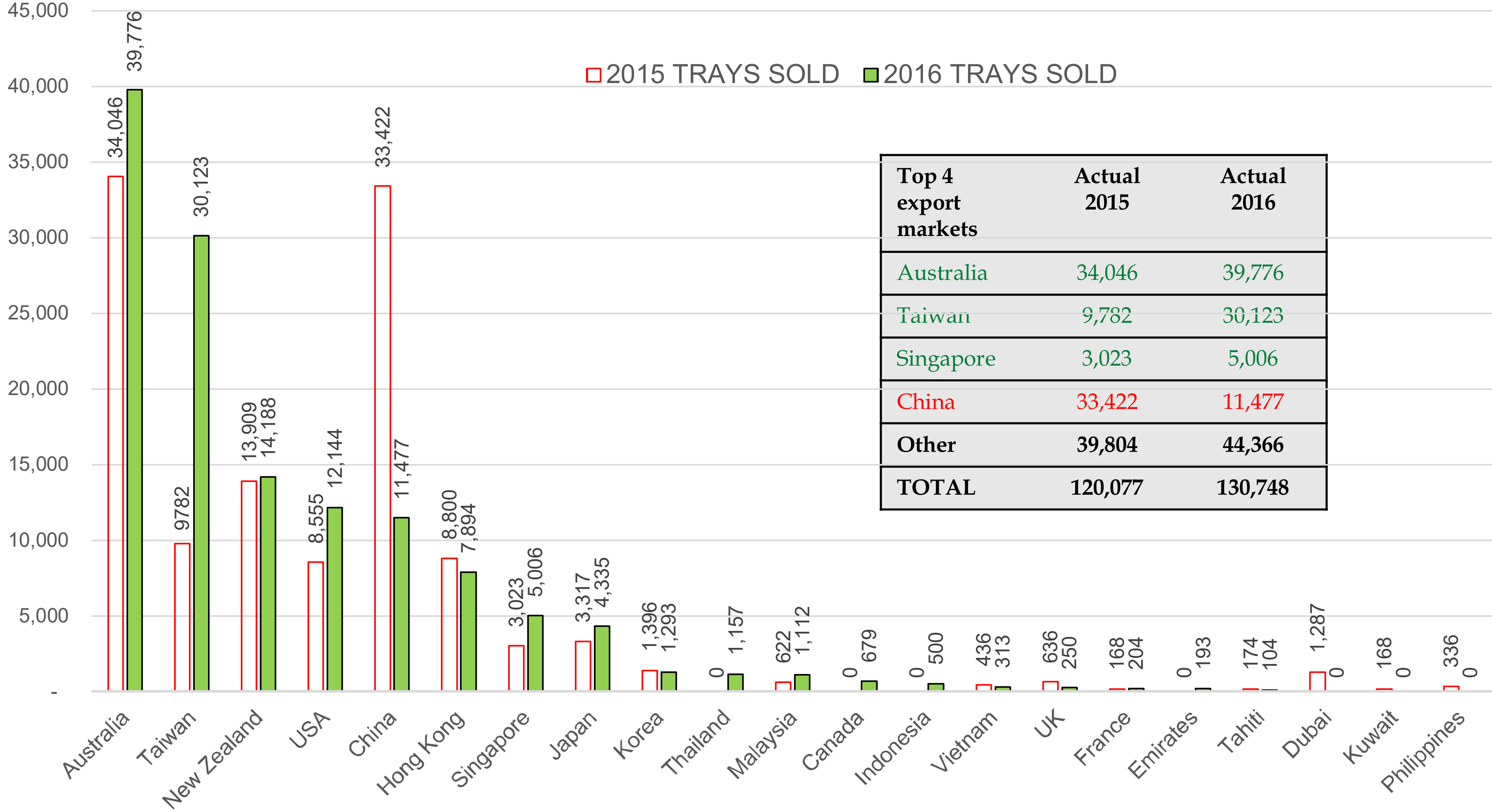
WOW volume by market:



Top 4 export markets	Actual 2015	Actual 2016
Australia	34,046	39,776
Taiwan	9,782	30,123
Singapore	3,023	5,006
China	33,422	11,477
Other	**39,804**	**44,366**
TOTAL	**120,077**	**130,748**

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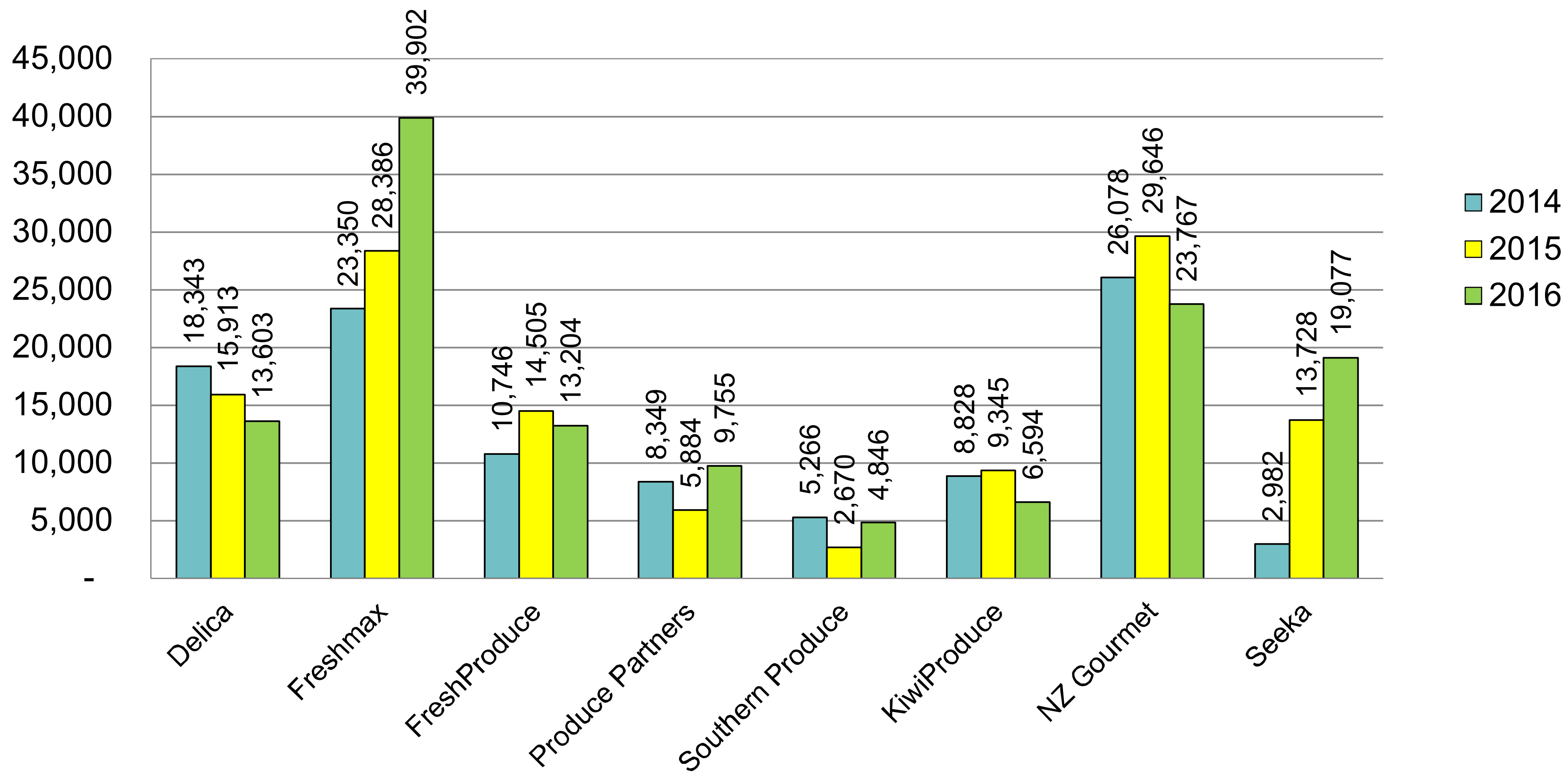
Sales by Company: 4 increased & 4 declined

Total WOW Volumes Sold Comparing 2014 Actual, 2015 Actual and 2016 Actual



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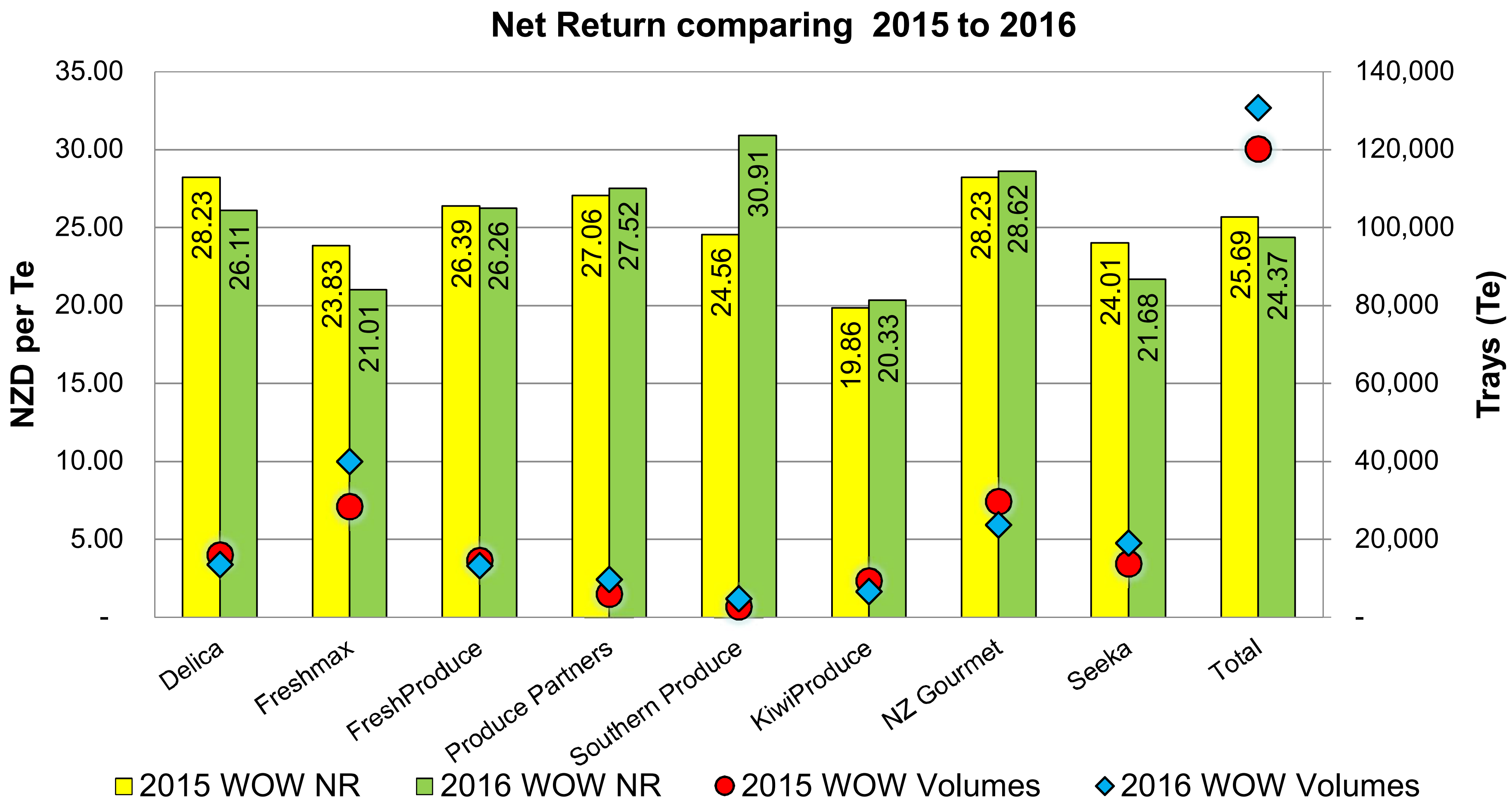
At $24.37, total WOW average net returns[1] were down on last year by $1.32 cents per tray



[1]ANR (average net return) is the return to growers before packhouse costs.

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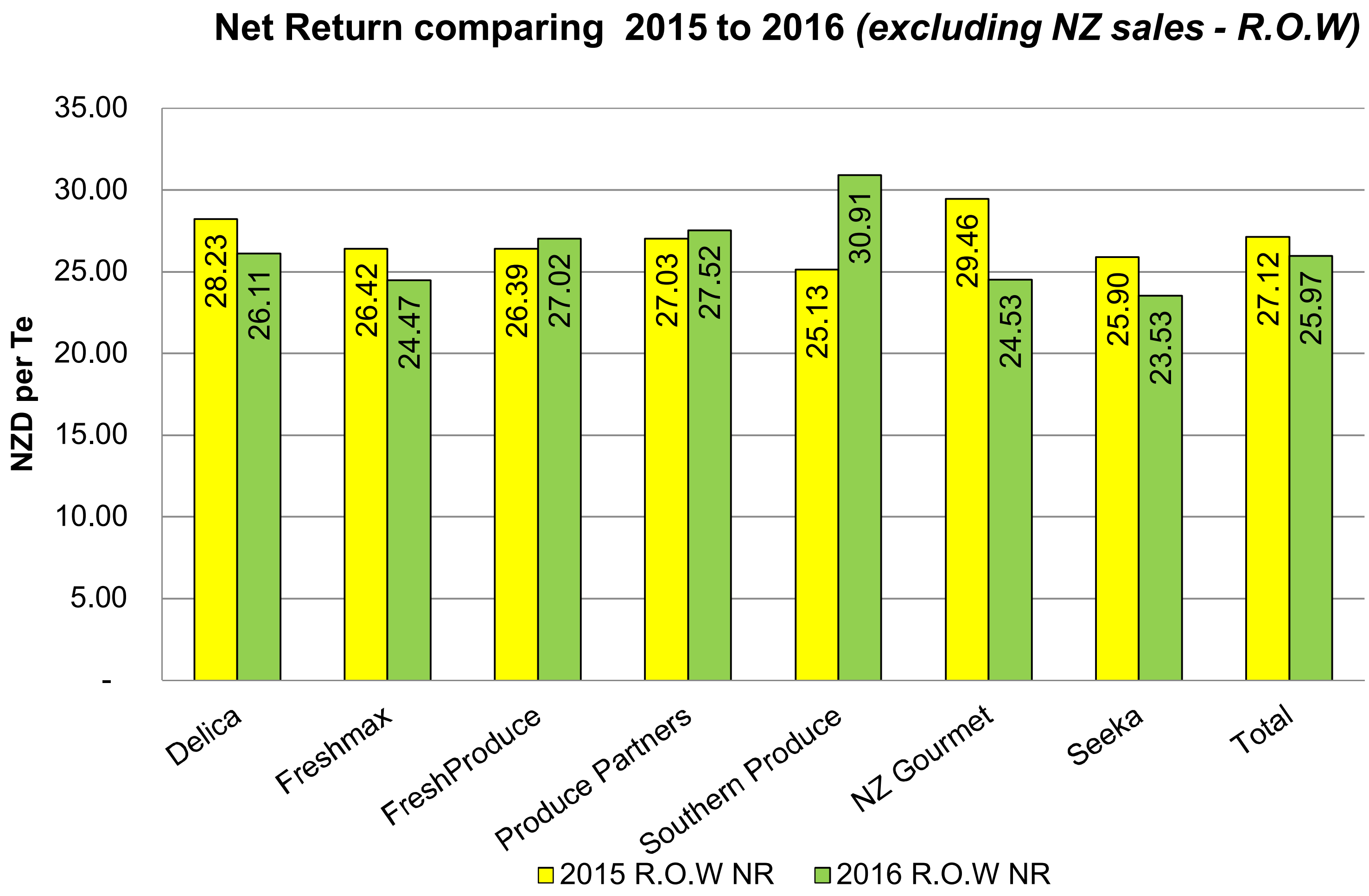
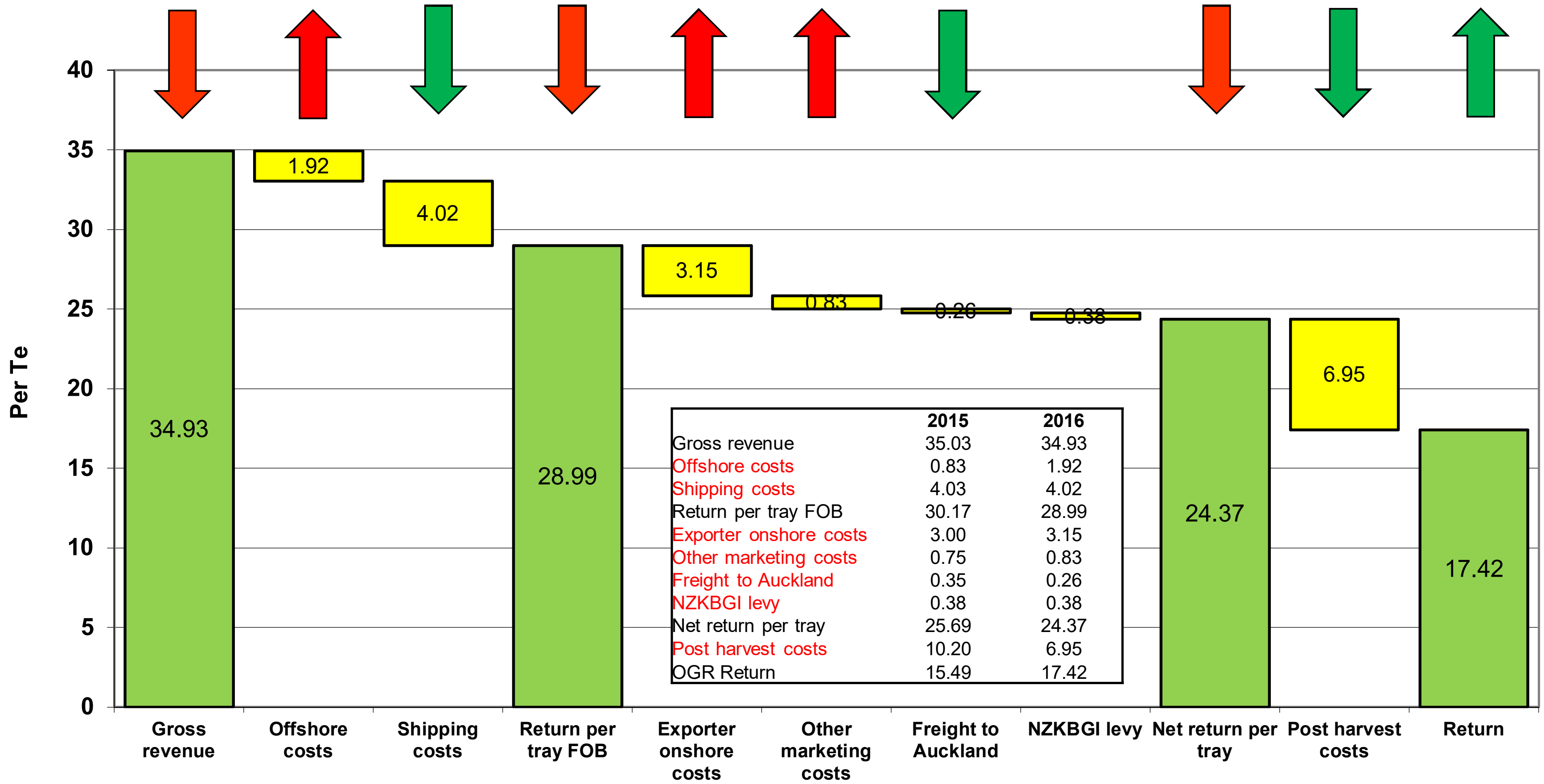
Excluding NZ sales, net returns (ROW) were down $1.15



[1]ANR (average net return) is the return to growers before packhouse costs.

Reduced pack-house costs meant the average WOW OGR per tray increased by $1.93

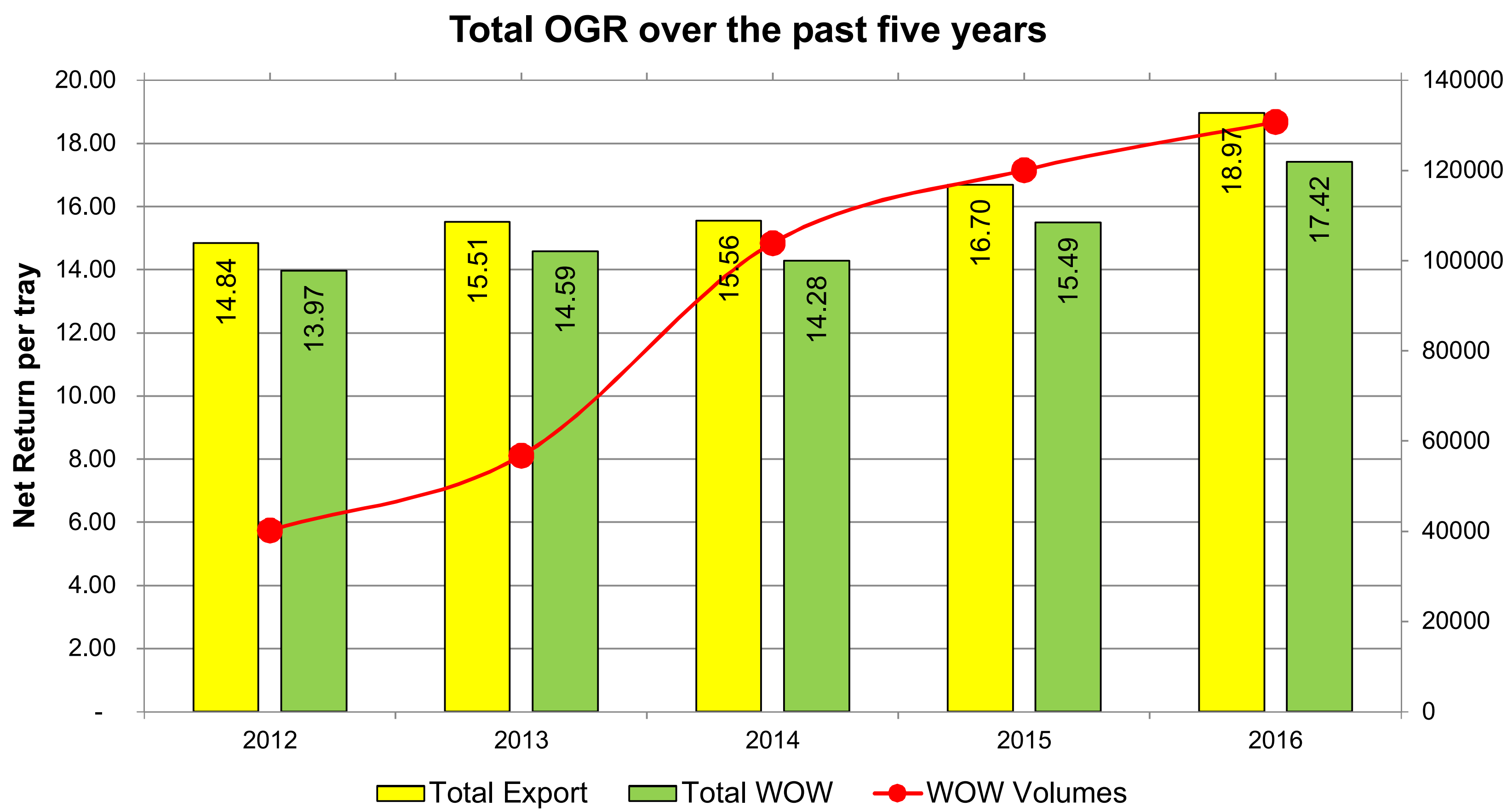
Key: Green arrows – YOY improvement in OGR
Red arrows – YOY decrease in OGR



	2015	2016
Gross revenue	35.03	34.93
Offshore costs	0.83	1.92
Shipping costs	4.03	4.02
Return per tray FOB	30.17	28.99
Exporter onshore costs	3.00	3.15
Other marketing costs	0.75	0.83
Freight to Auckland	0.35	0.26
NZKBGI levy	0.38	0.38
Net return per tray	25.69	24.37
Post harvest costs	10.20	6.95
OGR Return	15.49	17.42

Note: (1) This graph includes NZ and Australian sales. The equivalent export OGR is $18.97 (that is excluding NZ sales)

OGR is up 25% since 2012:



Note: The yellow bars on this graph are for total export sales (excluding NZ sales)
The light green bars are for total WOW sales (including Australia and New Zealand)

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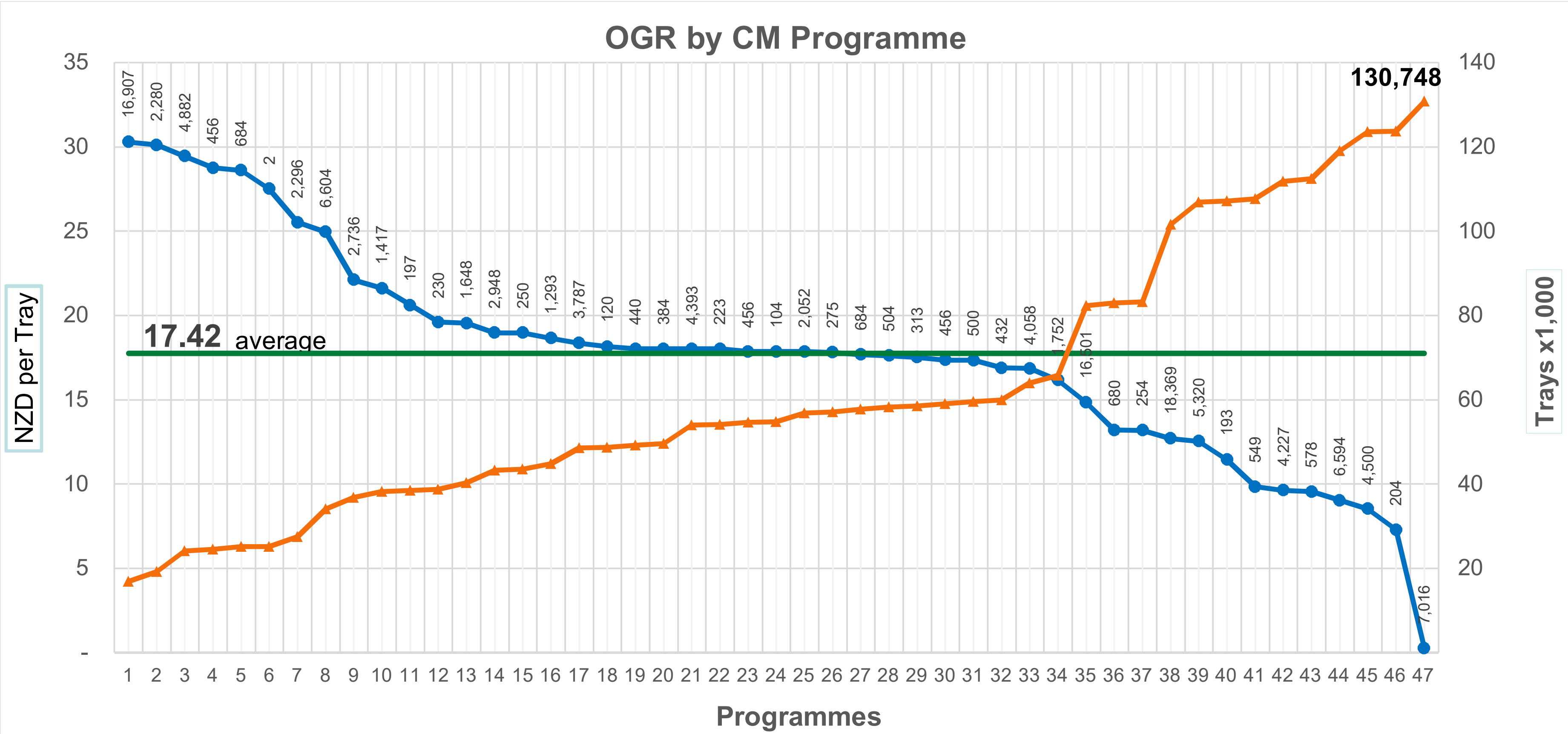
OGR comparison for each CM programme:



Note: This graph includes NZ and Australian sales

Exporter comments for the 2016 season:

- Harvest was later than expected, this helped build demand and lift early price levels.
- The unexpected closure of China meant fruit diverted to other markets. (mainly Australia and Taiwan)
- This created downward pressure on prices initially in the other markets, but then prices stabilized.
- Lower prices for Chilean fruit kept downward pressure on NZ product, however Chilean quality was poor.
- Some exporters continued promotion activity in markets to build category knowledge and demand. Others spent no promotional funds as demand exceeded supply.
- Underlying demand is strong worldwide, need to extend season at both ends, need to develop other markets to lessen reliance on China.

Any other questions or comments?

4.1: What is KNZ's role in kiwiberry collaborative marketing?

- KNZ is required to decide whether to approve a collaborative marketing arrangement *(Regulation 28)*
- Apart from the provisions of Regulation 24, there are no limitations on form, content, term, or any other aspect of a collaborative marketing arrangement
- The applicant must satisfy KNZ that overall supplier wealth will be increased by the proposed arrangement. It is up to the CM applicant to put their case, and each is considered on its merits.
- The applicant through collaboration needs to have regard to the effect its arrangement will have on others (including Zespri if it was in the market) to help establish whether the arrangement will increase supplier wealth.
- KNZ is available for discussion prior to applications being submitted.
- Before deciding whether to approve an application, KNZ may indicate possible changes to the application which if included would improve the prospects of the application being approved *(Regulation 28)*.
- KNZ can impose necessary and reasonable conditions. *(Regulation 28)*