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**New Zealand**

**KIWIFRUIT REPORT**

**KIWIFRUIT NEW ZEALAND SUBMITS**

**STRATEGIC PLAN FOR DEREGULATION**

**1998**

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**Report Highlights:** In its May 1998 Budget, the Government of New Zealand announced its intention to review the statutory backing of New Zealand's agricultural producer boards and invited the boards to file plans for operating without statutory backing by November 15. In accordance with the Government's request, Kiwifruit New Zealand has developed a strategic plan closely reflecting the changes already endorsed by the industry.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Wellington [NZ1], NZ

In its May 1998 Budget the Government of New Zealand announced its intention to review the statutory backing of New Zealand's agricultural producer boards and invited the boards to file plans for operating without statutory backing. These plans were due November 15, 1998. The Government argues that its primary reason for reviewing producer board legislation is to improve returns to its agricultural producers. In accordance with the Government's request, Kiwifruit New Zealand has developed a strategic plan. Kiwifruit New Zealand will not be releasing its entire strategic industry plan publicly.

### **STATUTORY BACKGROUND**

Kiwifruit was introduced to New Zealand in the early 1900's from China, but it was not until the late 1970's and early 1980's that plantings and production experienced significant growth. The kiwifruit industry has grown from a small base. Marketing moved from voluntary and cooperative arrangements to statutory control under the New Zealand Kiwifruit Authority. Following declining market returns and grower profitability, the government decided (at the request of growers) to replace the New Zealand Kiwifruit Authority with a statutory marketing board from the 1989/90 season. The New Zealand Kiwifruit Marketing Board was given monopoly powers to procure and distribute the crop to all markets except Australia (exports to Australia have been left deregulated under the New Zealand:Australia Closer Economic Relations agreement). The domestic market was left open to competitive selling. The regulations state that the objectives of the Board is "to obtain, in the interests of New Zealand growers, the best possible long term returns for kiwifruit intended for export".

The regulations set out the functions of the Board as being to acquire and market kiwifruit produced in New Zealand and intended for export, to determine payments for the kiwifruit it acquires, to help the general development of the kiwifruit industry, to endorse desirable methods of and standards for the cooling, growing, handling, packing, picking, spraying, storing, transporting or doing any other things, in respect of kiwifruit, and to establish standards of soundness and acceptability.

### **SUMMARY OF KIWIFRUIT'S NEW ZEALAND'S STRATEGIC PLAN**

In the last 10 year the New Zealand kiwifruit industry has seen:

- C The establishment of the New Zealand Kiwifruit Marketing Board on a commercial basis.
- C The splitting of the NZKMB with Kiwifruit New Zealand dealing with governance and industry-wide issues.
- C The launch of international marketing subsidiary ZESPRI International Limited and the ZESPRI brand.
- C Development of a number of marketing programs, including the Kiwigreen environmental integrity program, the Kiwistart program increasing early season sales, new varieties such as ZESPRI Gold kiwifruit, and expansion of the organic crop.
- C A restructuring of the post-harvest onshore supply chain operation.

The industry now intends to continue its self-managed evolution process by:

- C Achieving corporatization of Kiwifruit New Zealand as the highest priority, defining shareholding ownership and value and providing new opportunity for new entrants.
- C Shifting the contractual relationships between supply entities and ZESPRI International.
- C Further enhancing the business in identified strategic and developing markets.
- C Facilitating collaborative marketing third party initiatives and, where appropriate, executing these in partnership.
- C Continuing to build value through the brand and new products.
- C Increasing the accountability, transparency and efficiency of ZESPRI International offshore subsidiaries, through further restructuring.

- C Obtaining agreement of shareholders to advance year-round marketing of kiwifruit.
- C Retaining the integrated structure which incorporates a single point of export exit-single point of market entry approach.

The Board argues the continuation of the integrated business structure of the New Zealand kiwifruit industry, combined with these measures, maximizes grower/shareholder wealth and New Zealand economic benefits.

The five-year outcomes of this strategy include:

- C An average 20 percent annual growth in EBIT (earnings before interest and tax).
- C An increase in the industry net tangible assets from N.Z.\$1,600 million to N.Z.\$2,000 million (U.S.\$860 million to US\$1,075 million).
- C An increase in the value of the industry on an earnings basis from N.Z.\$1,600 million to N.Z.\$3,500 million (U.S.\$860 million to U.S.\$1,880 million).

**Board Recommendations:**

- C That Government recognizes the value of the New Zealand kiwifruit industry's integrated single export exit/market entry structure and the wealth it can deliver to New Zealand growers and the nation.
- C That Government implements critical minimal legislative and regulatory changes to allow Kiwifruit New Zealand's corporatization by April 1999 and possible operational/pricing changes.
- C That in 2003 a performance and efficiency review of the industry be undertaken against the plan outlined in this report by appropriately qualified international consultants acceptable to both the industry and government.

**For more information, please see:**

NZ8055      Kiwifruit New Zealand One Step Closer to Corporatization.