



**Summerfruit NZ**

*For the year ended 31 August 2016*

# Annual Report



The purpose of Summerfruit NZ is to create a better earning base for growers, utilising a collective approach to industry good issues, funded predominantly by an industry levy.

**Our vision: A vibrant summerfruit industry focused on both the New Zealand and export markets, which is profitable and sustainable.**

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## CHAIRMAN'S ANNUAL REPORT

### How should we grow?



**TIM JONES**  
Chairman

In Central Otago, times are generally good. Most fruit growers have had a few good seasons in a row, the grape industry continues to expand, and tourism in our region is booming with occupancy levels in hotels running in excess of 80%. Commercial property construction is on a high and the housing bubble shows no sign of bursting any time soon. Other regions are experiencing similar growth; hundreds of hectares of grapes continue to be planted in Marlborough, apples are expanding in the Hawkes Bay, with kiwifruit and avocado growth continuing in areas further north.

Cherries are the hot topic in Central Otago. Existing growers are planting new land and enquiry by new entrants is higher than ever, with talk of multiple 100ha plus orchards being planned. All of this because we are told we can't satisfy the demand coming out of China and other Southeast Asian markets for our fruit.

Planting the orchard is the easy part though. So with all these plantings happening, a lot of fruit is going to show up in a few short years' time. The questions I ask are: where will the expertise to grow and pack the fruit come from, and where will these people live? And what are the implications for the area from the additional seasonal workers that will be required?

It is great to see the growth in cherries in Central, but it's also good to hear of growers placing orders for new apricot plantings. This tells us the industry is in good heart and confidence levels are high. The potential for the export of these crops is huge. Our ability to embrace the new growing systems that bring the benefit of increased yields of higher quality fruit, at lower costs of production, opens up even more opportunities.

But on the surface it wouldn't appear that there are the same export prospects for peach, nectarine and plum growers. Aside from some niche export opportunities in recent years, these are almost exclusively domestic market crops, which are limited by our small population. So serious growth of these crops will only come from export.

The margin doesn't seem to be there at present to make export of nectarines, peaches and plums economically viable. But wouldn't it be a different story if new growing systems were adopted that could double, treble or even quadruple production?

Who would have thought a few years ago that apples could consistently produce crops approaching 200 tonne per hectare? Going down this same route, we are learning so much from the Future Orchard Planting Systems (FOPS) project in Hawkes Bay and Central Otago on apples, cherries and apricots. The next challenge is to develop FOPS for peaches, nectarines and plums. This would lift production, lower costs and improve quality so that we would have an offering to export markets that suggests good returns to all in the supply chain.

I am a firm believer that intensification is the way forward for summerfruit. We are proving it with cherries, working on the systems for apricots, and need to kick-start the research on the other fruit types to show what is possible. Just imagine it – 100 tonne per hectare of peaches or nectarines at a margin of \$0.50 per kg is a compelling argument!

Writing this report marks the end of my first year as chairman. The role brings extra challenges and responsibilities, but has been an enjoyable one with many learnings along the way. My thanks to all the Board members for their time and commitment to our industry, and to our chief executive Marie Dawkins and all the Summerfruit NZ staff and contractors, whose work enables our growers to get on and do what they do best – growing that wonderful summerfruit.

**TIM JONES** | Chairman



## 16 17 SUMMERFRUIT NZ BOARD



**Tim Jones**  
Chairman  
Grower representative



**Roger Brownlie**  
Vice chairman  
Grower representative



**Earnscy Weaver**  
Associate representative



**Dean Astill**  
Exporter representative



**Tjeerd Smilde**  
Exporter representative



**Simon Tallon**  
Co-opted marketer



**Gary Bennetts**  
Grower representative



**Stewart Burns**  
Grower representative

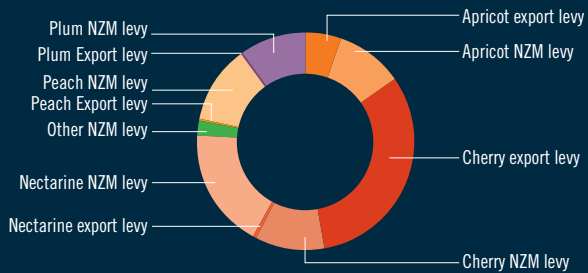


**Tracey Burns**  
Exporter representative



# KEY STATISTICS

Levy income by fruit type and market 2016



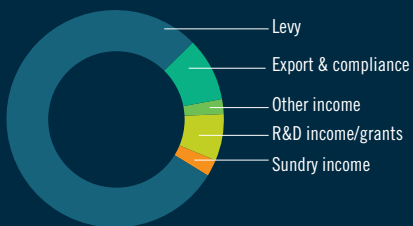
Export volumes for the past three seasons (kgs)

	Apricots	Cherries	Nectarines	Peaches	Plums
2016-17	838,311	3,396,540	22,159	102,460	51,904
2015-16	1,052,955	3,408,482	11,807	76,041	60,484
2014-15	634,982	2,711,012	5,212	37,454	29,856

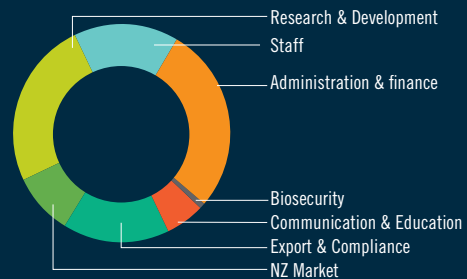
Total value NZ and export markets 2016-17 (NZ\$)

	Apricots	Cherries	Nectarines	Peaches	Plums
NZ Market	\$6,428,099	\$16,835,830	\$17,072,546	\$13,601,283	\$8,281,077
Export	\$5,216,161	\$71,253,819	\$148,335	\$679,015	\$280,863
<b>Total value</b>	<b>\$11,644,260</b>	<b>\$88,089,649</b>	<b>\$17,220,881</b>	<b>\$14,280,298</b>	<b>\$8,561,940</b>

Summerfruit NZ income 2016



Summerfruit NZ expenditure 2016



## MESSAGE FROM THE CHIEF EXECUTIVE

### Running Summerfruit NZ



**MARIE DAWKINS**  
Chief Executive

Undoubtedly we have invested heavily in the administration side of the organisation this year. I'm aware that it's a common complaint that too much is spent on admin and that funds should be spent on member activities. This is true and certainly admin is something that we aim to contain. However, every now and then you just have to stop, refocus and invest in the resources that underpin the organisation.

This additional investment has included the rebuilding of internal IT systems, employment of additional staff and securing new office space. They all go hand in hand. And in reality we have probably under invested in these areas for some years now, which takes a toll on efficiency and effectiveness.

#### IT rebuild

IT continues to be a focus for a lot of the activity within Summerfruit NZ. We have been conducting a major review and are now rebuilding our IT system. Anyone who relies on IT to support their business will be familiar with the facts that:

- it's an extraordinarily complicated process to set up and one that is very easy to get wrong
- there is a need to constantly invest in IT and stay up to date
- bad IT is a serious burden.



### Out with the old

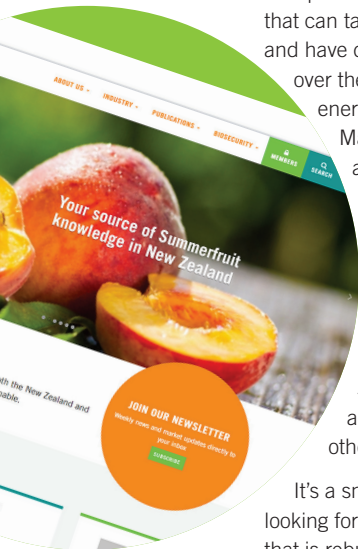
When you are a small team, good IT makes everyone more effective and efficient. Unfortunately our previous system was no longer either. The old website was not unlike those cliffs you see in the pictures after the Kaikoura earthquake – bits kept falling off and cracks were visible elsewhere. It looked like we were going to have to invest significant amounts to shore the site up, so before the whole thing crumbled, we shut it down. Unfortunately this had to occur six weeks before the new site was ready. Not the best timing we agree, but sometimes things break. A temporary site with limited info has been created to fill the gap until our new systems go live. I must say that it's a huge relief to be free of a system that was always a bit clunky and never very effective.

### In with the new

To avoid making the same mistakes with a new system, we have employed the services of Business Cycles who have stepped us through the minefields of finding new providers and are now project managing the rebuild. It's an intense business that can take over your working day but Christine and Sally have kept us focused and have driven us through the worst of the development. Victoria has agonised over the content and appearance of the websites while Anna has focused huge energy on the 'right' structure for our new CRM (Customer Relationship Management system). It has overlapped their existing workloads and put a lot of pressure on everyone. You don't see any of this effort from the outside, but it's a truth that creating simple things takes huge amounts of work. So I need to thank Victoria and Anna for the huge amount of extra work and dedication that they have put into this rebuild.

The replacement systems have not been found in a single website. Instead we will have a separate website and secure portal, both of which are being built simultaneously, and are due to go live in early June. At the end of this drawn out process we will have a clever, adaptable, modern system that will cost significantly less than many other options we explored.

It's a smart system that will provide that efficiency and effectiveness we were looking for. We have relied on Business Cycles to guide us through the morass that is rebuilding the IT system. It's a scary process that can turn into a disaster. Christine and Sally have been in our offices weekly for the last six months. We enjoy their support but do look forward to the time when they are no longer with us, because that means all our shiny new systems are operating and our workload has been tamed.



The website – a work in progress

**Phase 1** of the rebuild will be ready by conference and will introduce real savings of time and money for us. It includes a:

- new public website
- new secure portal with sophisticated security settings
- new updated database
- new online levy declaration process which links directly into Xero
- significantly improved reporting function and the ability to analyse our data.

**Phase 2** will deliver time savings to the industry, including:

- enhanced export registration which will also link to Xero
- your own dashboard with a record of all your key documents, eg all of your levy declarations, export registrations or any notifications that have been sent to you
- weekly reporting of sales figures which will move back online and provide increased access to the data we collect.

**Phase 3** hasn't been drafted yet but will involve the greater use and access by industry of the data we collect. We expect to be able to use the new systems to enhance our biosecurity commitments.

### Changes afoot

As the industry grows, so do we. This growth reflects an increasing demand to be involved in a greater number of activities, biosecurity in particular. For the first time in many years we are seeing significant change in those people who deliver services to, or are employed by, Summerfruit NZ. Some of whom you may not be aware of.

- We've had a change of chairman and vice chairman. It's been great working with Tim. We have put him through his paces and are making consistent demands on his time, which he seems to be coping with.
- We filled our first new role in three years. Carolena Swaneveld came on as my assistant and has settled in really well. Her baking has won us over.
- Trisha Aitken, who has worked for Summerfruit NZ as a contractor for many years, is moving on to a more relaxed lifestyle. She says this is not retirement but it looks an awful lot like it to me. Her dedication and passion for her work on the NZ Market is well known and will be greatly missed. We will be advertising for her replacement post conference.
- We are about to advertise another new role for an export-biosecurity person. Biosecurity in particular is becoming very demanding and too much for me to continue to manage.





- Market monitoring: Monica Will, who originally worked with Mack Nicol, retired after many years and was replaced by Terry Richards.
- NZ Market update: Denise Landow took over from Emma Logan to prepare the weekly newsletter during the season.

These changes are exciting but we shouldn't forget the great work of those who are still here: Victoria Harris and Anna Clark plus our long-term contractors Chris Hale and Stephen Ogden. Thanks guys for all your work and commitment to Summerfruit NZ.

### The joy of hot-desking

Unless you live in the city you probably aren't familiar with hot-desking. It was one of those fancy new ideas where part-time staff share a single desk. Sounds great, unless you are doing it because you've run out of space, rather than by choice. We are in the former situation; we simply do not have enough room for our existing and future staff. We have finally outgrown our office space at Horticulture NZ and immediately after conference we will be moving into a bigger space dedicated solely to Summerfruit NZ. The move takes us four blocks further along from where we are now; a four-minute walk according to Carolena.

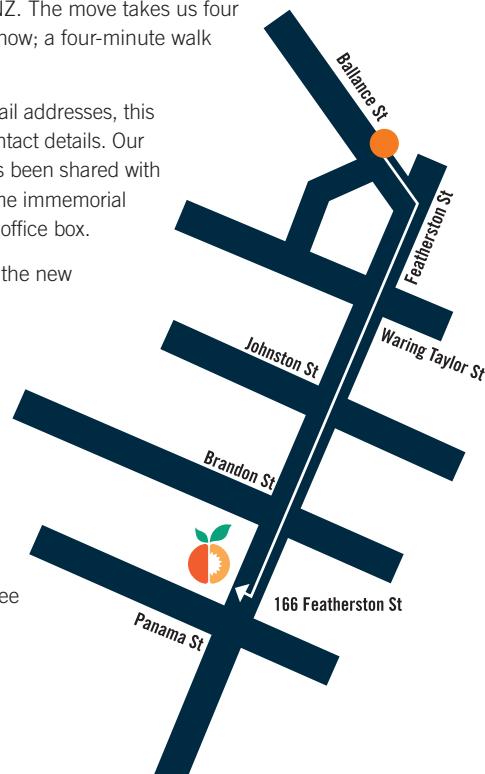
With the exception of the website and email addresses, this move means a complete change of all contact details. Our current postal address, PO Box 2175, has been shared with the Fruitgrowers Charitable Trust since time immemorial so we have had to apply for our own post office box.

Phone numbers have yet to change, but the new physical and postal addresses are:

**Physical**  
Level 7  
166 Featherston Street  
Wellington 6011

**Postal**  
PO Box 25255  
Wellington 6146

If you are in Wellington do drop in and see us sometime.



### Biosecurity

From my perspective, biosecurity is the biggest growth area that we are dealing with. The demands on industries to be involved in biosecurity have boomed with the introduction of Government Industry Agreements (GIA). I guess you don't buy a car if you're not going to drive it. But, to continue the analogy, you need to have a driver's licence which I'm not sure is the case just yet.

#### Stage 1: Getting mandate

We have been talking to the industry about GIA for what seems like years. I'm pretty sure you all felt the same. This was demonstrated by the hugely positive results we got when late last year we sought mandate from you to:

- sign the GIA Deed
- sign the Fruit Fly Operational Agreement (FFOA)
- implement a Biosecurity Levy.

One hundred percent of growers voted in favour of signing the Deed and FFOA. Ninety-seven percent of responses voted in favour of the Biosecurity Levy. Having got that fantastic result we have prepared the application to sign the Deed. Right now we are still back-and-forthing with MPI about the contents of the application, but hopefully by the time you read this, our application will have been submitted to the Minister. We should be signed up before the Cabinet rises for the election. So that's stage one almost done and dusted.



Stinkbug photo courtesy of Ministry of Primary Industries



Queensland fruit fly

### Stage 2: Getting on with it

So now we are working on the actual business of being involved in GIA. The development of Operational Agreements (OA) for shared pests is underway. The FFOA was the first off the rank and has been progressed in conjunction with MPI and eight other product groups considered to be beneficiaries of fruit fly OAs. The Brown Marmorated Stinkbug (BMSB) OA is in development with at least two other OAs being planned.

The FFOA was the first of its kind and broke a lot of new ground in policy decision, processes and relationships with MPI. While this might sound tiresome from the outside, there is a real sense of being involved in change and doing something very real that may affect growers' businesses. I'm not promising that there will never be an incursion that cannot be eradicated. Nor that we will never have fruit fly or BMSB incursions. In some instances there is a sense of inevitability that the pests will eventually arrive. But the shift from standing on the side-lines while MPI made all the decisions, to being involved in the practical management of biosecurity, is immense.

The focus of any OA will always be very much on keeping unwanted pests out of New Zealand for as long as possible. But part of the planning also means having pre-prepared plans ready to ensure that industries can be in a better place to manage the pests if they do arrive. The trick is knowing where to invest and when to stop investing in an eradication and start thinking about management. The most effective investment is a constant topic of discussion in the two biosecurity councils that I participate in.

Part of the bargain of being involved in making those practical management decisions is that we agree to invest in biosecurity, both upfront on readiness, and in the event an unwanted pest arrives. There are financial commitments involved in each Operational Agreement that we sign. So our budget will shift in the coming years with more funding going into this area. I think it is inevitable that we will need to implement the Biosecurity Levy at some point to help meet these commitments. However I don't think that will be in the near future and it wouldn't occur without consultation. Though the more we are involved, the more we all understand biosecurity and where savings could be made. We will continue to work closely with the other members of the Biosecurity Councils to drive change in the costs and processes that will make biosecurity in New Zealand as reliable and secure as possible.

As mentioned earlier we are about to employ a new staff member who will specifically work on biosecurity for the summerfruit industry. It will be a great position, full of opportunities to develop a new role from scratch.



#### Fruit Fly Council Strategy: Key Result Areas

– the priority work areas needed to deliver our mission.

- 1 **Prevention and Readiness:** planning and delivery to ensure processes, technologies and resources are in place to minimise the likelihood of incursion.
- 2 **Response:** planning and delivery to apply timely cost effective measures to minimise the impacts of incursion.
- 3 **Research:** coordinated and effective research relevant to fruit fly control. Including oversight/coordination and influence of research conducted by others as well as FFC sponsorship of research to fill identified gaps and deliver solutions and improvements to readiness and response.
- 4 **Standards:** setting, promoting and/or advocating for science-informed standards and policies relevant to fruit fly control.
- 5 **Capability:** fostering the development of fruit fly-specific capability, including within industry, to ensure the delivery of plans and activities can occur now and into the future.
- 6 **Awareness:** promoting awareness, education and communication to engage all stakeholders in minimising the risks from fruit flies.

### Research and development

We produced the first research report last year intending to produce it annually, however much of our research is conducted over several years and new information is not available each year. Therefore, we felt it would be better to be produced biennially, so the next report will be produced prior to the 2018 conference.

Our research this year invested in the following projects. Chris Hale provided regular updates on these projects in the magazine throughout the year.

*Research projects: Total committed investment 2016-17*

R&D commitments 2016-17	Total Amount	Funded	Notes
Summerfruit NZ scholarship	\$5,750		Ongoing annual investment
Future Orchard Planting Systems	\$85,000	MBIE	Fifth year of a seven year project
New Variety Evaluation	\$50,000		Ongoing annual investment
Bee minus to bee plus	\$20,000	MBIE	Third year of a six year project
Pathogen resistance inc benchmarking, bacteria work	\$65,450	SFF	First year of a three year project
Vapormate/Postharvest disinfestation #2	\$30,000		1 year investment. Additional investigation into higher doses for mite, mealybug and leafroller control.
Plum bioactives	\$19,000		1 year project
Invasive pests workshop	\$5,000		Funding for US scientist to attend the workshop in NZ. Workshop cancelled due to uncertain political situation in USA.



### Public Growth Partnership

Our much discussed PGP application is finally coming together. It's emerging as an exciting project that will provide direction and underpin growth long beyond its seven year timeframe. Building from the Business Plan that was developed for us last year by NZIER, we have framed up an application for a \$6 million project covering work across all summerfruit varieties and the supply chain. The key project areas being:

- Understanding consumers: what creates high value for consumers of fresh fruit in target Asian markets as well as NZ?
- New market development and market access: new markets and maximising existing ones.
- Innovative packaging/packing/transport solutions: what impact are the growing online sales channels having on traditional packing techniques?
- On orchard intensification and improved genetic material.
- Industry development: new industry systems for data, benchmarking and new sales models.

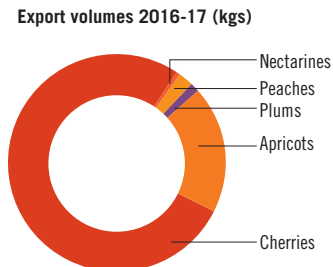
We anticipate submitting this application to MPI in July. Then the hard part starts as PGPs are notoriously hard to get across the line. However, those industries that have secured a PGP are putting the funds and focus to good use and are showing serious growth. Just take a look at where the avocado industry is headed right now.





### Export

Probably the quietest portfolio at the moment is Export. This doesn't mean that nothing is happening, more that it is 'business as usual', with the usual raft of projects underway.



### Market access



- 1** OPI: The Australian Department of Agriculture and Water Resources (DAWR) is seeking an 'incremental wind-down' of the OPI programme while 'looking at options to keep trade flowing'. The system is being trialled with Northland avocados this season. As this programme is introduced it will reduce the pressure on inspection requirements, but does not resolve some of the issues unique to summerfruit. Some of the proposed changes are good and will modernise the process, others are yet to be proved. It is clear however, that ethyl formate will become an important component in exporting apricots to Australia.

There is still a lot of work to be done before these new systems can be rolled out to our summerfruit. We regularly remind MPI and DAWR that a key measure of success of any programme is that the outcome is predictable, consistently applied, and results in the rapid clearance of produce in Australia without any disruption to supermarket supply programmes.

- 2** China: Application for apricot access to China is moving at a predictably slow pace. 'The world' wants access to China right now and the waiting list is long and slow moving. MPI is still waiting for the present queue of access requests to clear before submitting the apricot access request. Our earlier hopes of an expedited access based on 'clarification' of the status of *Prunus mume* vs. *Prunus armeniaca* is fading. I've always said this will be a 10-year project. That said, there has still been plenty of background work done preparing the supporting information on the New Zealand industry and developing the PRA.

- 3** Russia and brown rot: Russia's proposed brown rot (*M. fructicola*) freedom requirements will effectively prohibit summerfruit from entering Russia, as the requirement is for fruit to be from places of production free from brown rot. Which is a pretty hard criteria to fulfil. Russia has also rejected fungicide application as sufficient means of control. So the focus is on finding a programme that will meet Russia's standards that are reasonable and viable for growers to meet.

On average just under 20 tonne of cherries and 12 tonne of other summerfruit are exported to Russia. You may ask why invest time and money in a small market? Well it may be small now, but that is no predictor of where it might be in 5-7 years – just take a look at the growth in Vietnam. Furthermore it's our policy not to lose any market, we need to maximise the opportunities for exports.

- 4** Myanmar: Another seeming oddity is negotiation for access to Myanmar, which has announced a review of import requirements, similar to the Thailand process. There's no indicator that it is a big market – yet! But if the window of opportunity opens, we take it. So Summerfruit NZ confirmed interest for all five fruit types. Though there is a potential that each crop will be considered separately, which is a frustrating trend.
- 5** We continue to push for a reduction in the frequency of the Japan inspectors' visits to audit the Japan programme. And we continue to hope that our request will get some traction.

### My Fruit Inspector

A web-based training tool for quality controllers was launched just prior to the last season. Modelled on the pipfruit training programme, MyfruitINSPECTOR is a Summerfruit NZ sector-specific competency assessment tool for packhouse pest identification. The training programme was launched just prior to the 2016-17 season and was very much a pilot to assess the response from packhouses. Additional high quality photos of specific pests and diseases in particular, were gathered over the summer. So, the full programme will be available to packhouses prior to the 2017-18 season. We anticipate that the competency assessment will be approved by MPI. Our thanks to Market Access Solutions for their ongoing quality work in this area.



### NZ Market

The strategy driving the development work on the NZ Market was developed three years ago with the assistance of Lisa Cork. The strategy identified green fruit on the NZ Market as a major problem for the industry. The Harvest Decision Tools project driven by Trisha Aitken and 50% funded by AGMARDT was developed as a result. So the focus of the three-year strategy was the creation of tools and processes that targeted immature fruit throughout the chain.

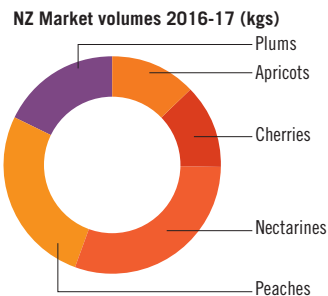
Pickers' wrist bands and harvest maturity guides were developed for growers and packhouses. The fuel-gauge harvest prediction tool developed, handling charts were created for retailers, with supermarkets being keen to receive any materials we produced. Temperature trials were conducted throughout the coolchain and Nielsen reports were conducted during each season to capture the outcomes from a consumer's perspective.

Trisha has reported extensively on this project in the magazine and at conferences. So I imagine few are unfamiliar with the progress of these projects.

#### Wrist bands my man (you got to have a wrist band)

A major output of the strategy are the wrist bands which are starting to get traction with growers. If you haven't already trialed these cheap simple tools I encourage you to do so. Trisha will tell you that when promoting the wrist bands it was often hard to get past the grower, as they are fully aware of picking criteria. However, once she started talking to the foreman or the pickers the interest changed significantly, with staff being very keen to get the wrist bands. Those who have picked the wrist bands up talk about the consistency of the fruit in the picking bins and lack of green fruit picked by mistake. The seven available bands are perfect for apricots and golden peaches. They are ridiculously cheap, so go on – get a few this summer and give them a go.

Cherry and plum wrist bands have been harder to identify and more work is needed this summer.



### Green fruit

So did we get green fruit off the market? Well yes and no. From my perspective as a consumer we certainly saw less green fruit coming through the supermarkets in Wellington. Certainly grower response to this target was strong. Overall fruit quality did seem to improve even in poor weather conditions. The Nielsen surveys however say that consumer awareness of green fruit increased last summer. We were very surprised to read that outcome. Maybe we were a bit optimistic planning to get this problem sorted out in just three years, but you know what they say about reaching for the stars... So eliminating green fruit goes back into the strategy and we will continue this work.

#### Strategy #2

In spite of all of Trisha's hard work we have really only scratched the surface. Coolchain and temperatures in particular need more focus. I'm a bit of a fan of strategies so we went back, reviewed the strategy and developed a further strategy for the next three years. As you would expect this version retains many features of the previous strategy, expanding the previous three targets of Quality, Information and Communication, adding Technology and the Consumer into the mix.

Quality will continue to be the primary focus but we believe we are heading towards a time when we can introduce a consumer focus to the NZ Market activities. Our new IT systems will enable us to make better use of technologies, including apps if suitable. We anticipate that the new website will morph more into a consumer website within three to four years. So watch this space.

### And a couple of musings

#### Information is king

We have seen huge increases in productivity in pipfruit due to different planting and pruning techniques, plus a different mix of varieties which has boosted the volume and quality of product being grown. It's fair to expect that technology will continue to boost productivity.

The same lesson is being learned in the summerfruit industry. Significant new planting and replanting of cherries are moving onto FOPS types of structures. Apricots on FOPS is still an unknown quantity though it's reasonable to expect some positive outcomes. Others are playing with peach, nectarine and plum intensification as well. They aren't making more land and what is out there is increasing in value almost by the day. So it makes total sense to make greater use of what you have. And if growing fruit is harvesting light, then there is a lot of potential going to waste with the traditional methods.



Our grower surveys indicate that this can't come too soon. The surveys suggest some startlingly low production volumes. These surely can't be correct as growers simply couldn't be in business if that was the case. Either that or living off the land has a different meaning.

Or the information that has been provided is incorrect. Which begs the question – why would that be the case? It seems that we have got the collection of industry data wrong and that we need to re-evaluate how we do it. We have made the commitment to move the next surveys to use independent survey companies, eg Colmar Brunton, in future. Prior to going ahead, we will hold grower meetings to discuss what information they will supply and how they would prefer to do it. Hopefully this will lead to more complete and accurate data on the industry.

The amalgamated surveys from 2011, 2014 and 2016 are being released at conference. They show an industry on the edge of change. Cherries going gangbusters, apricots teetering on the verge of falling backwards or stepping onto the first rungs of the same growth ladder as cherries, plums having a small unexpected renaissance, nectarine replanting occurring while peaches appear to be watching from the wings trying to decide where to go next. While all that happens, our consumers continue to tell us that they love summerfruit and will buy and buy and buy again if the quality is there. Even when the quality isn't there they will buy, but they quickly drop away and start buying our real competitors, early apples, berry fruit, chocolate. Which takes us back full circle to our NZ Market strategy.

### Velocity and shelf life

Two themes have come through recent strategy sessions: influencing velocity from the NZ Market strategy, and pick, pack, ship, eat from our PGP planning sessions. They both speak of the need to move the crop quickly, and the need to focus on the parts of the chain and supporting systems that will ensure the product gets onto our consumers' tables in as short a time as possible.

Velocity is the speed at which the product moves through the market. It means maximising the shelf life of the fruit at the consumer end so it can spend more time on their table than in the chain. It means minimising the amount of time it spends in coolstores and DCs and retailers' coolstores. It means no backlogs or bottle necks. That means shipping systems that don't degrade the fruit in any way. It means knowing our markets and how they want to receive the fruit. It means packaging that fits the markets demands – particularly for online supply.



Someone is going to tell me that this is all in place now. But I'd suggest that there are parts of the chain that simply don't fit together properly. Backlogs will continue while poor information flow exists. Overproduction at certain periods will continue to add to those backlogs while growers aren't fully aware of what else is being produced at the same time. Forecasting will remain a dark art until pre-harvest data can be better gathered. Hmm I seem to have circled back to my earlier comments about the industry survey.

My thanks to Hort NZ for your long hosting of us, first in the Huddart Parker and now in Cooperative Bank House. Thanks to HEA for being a great lease partner. And finally, my thanks to the Summerfruit NZ Board for your commitment and support this year.

I look forward to our new space and new staff, to the PGP application and to using our shiny new IT tools. But more than that, I look forward to another positive growing year with this great little industry.

Kia kaha

MARIE DAWKINS | Chief Executive



## INDEPENDENT AUDITOR'S REPORT

### To the Members of Summerfruit New Zealand Incorporated

We have audited the financial statements of Summerfruit New Zealand Incorporated on pages 21 to 29, which comprise the balance sheet as at 31 August 2016, and the statement of profit and loss and statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared in accordance with the reporting requirements specified in the Tax Administration (Financial Statements) Order 2014.

### Board's Responsibility for the Financial Statements

The Board is responsible for the preparation of these financial statements in accordance with the Tax Administration (Financial Statements) Order 2014 and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

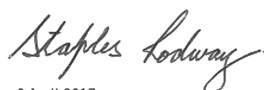
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Other than in our capacity as auditor we have no relationship with, or interests in, Summerfruit New Zealand Incorporated.

### Opinion

In our opinion, the financial statements on pages 21 to 29 of Summerfruit New Zealand Incorporated as at 31 August 2016 are prepared, in all material respects, in accordance with the reporting requirements specified in the Tax Administration (Financial Statements) Order 2014.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 in the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Summerfruit New Zealand Incorporated to comply with the reporting requirements specified in the Tax Administration (Financial Statements) Order 2014. As a result, the financial statements may not be suitable for another purpose.



6 April 2017  
Staples Rodway Wellington  
Chartered Accountants  
Wellington

## Profit and loss

For the year ended 31 August 2016

	2016	2015
<b>Income</b>		
<b>Administration &amp; finance</b>		
Commodity levy	1,270,253	1,079,462
Conference/AGM	145,691	116,966
<b>Total admin &amp; finance</b>	<b>1,415,944</b>	<b>1,196,429</b>
<b>Export &amp; compliance</b>		
Exemptions	-	1,991
Japan programme	15,561	16,766
Korean programme	10,100	9,083
OPI - Australia	75,750	52,956
Registration - exporters	38,093	41,195
Registration - growers	14,976	15,871
Registration - packers	4,840	5,600
Tape	4,435	4,109
WA registrations	4,400	7,533
<b>Total export &amp; compliance</b>	<b>168,155</b>	<b>155,102</b>
<b>Other income</b>		
AgMardt Harvest Assurance Tools	28,658	8,458
Magazine advertising	6,111	7,601
NZ market resources	3,667	125
Publications	209	91
Wallchart advertising	2,500	2,425
<b>Total other income</b>	<b>41,145</b>	<b>18,700</b>
<b>R&amp;D income/grants</b>		
Bee +	26,500	15,000
SummerGreen Futures	-	90,000
Grants received	47,500	91
R&D income	52,524	60,972
<b>Total R&amp;D income/grants</b>	<b>126,524</b>	<b>166,063</b>
<b>Sundry income</b>		
Interest received	40,105	39,870
<b>Total sundry income</b>	<b>40,105</b>	<b>39,870</b>
<b>Total income</b>	<b>1,791,873</b>	<b>1,576,164</b>
<b>Gross profit</b>	<b>1,791,873</b>	<b>1,576,164</b>



**Profit and loss (cont)**

For the year ended 31 August 2016

	2016	2015
<b>Less operating expenses</b>		
<b>Administration &amp; finance</b>		
Accommodation	7,895	5,287
Accounting	13,194	16,638
Admin portfolio budget	1,431	575
Annual report	5,584	2,600
Bank charges	559	644
Board expenses	10,401	4,392
Chairmans honorarium	15,000	15,000
Commodity levy expenses - audit & renewal	8,276	1,920
Conference/AGM	136,370	109,469
Depreciation	7,259	13,444
Health & safety	5,000	-
Insurance	4,863	4,543
Meeting fees	27,724	40,732
Office expenses	2,873	3,833
Other conferences	5,456	2,352
Phone/IT	2,272	2,423
Postage & courier	2,375	1,984
Printing/stationery/document store	7,045	3,377
Relationships & sponsorship	9,243	10,000
Rent	16,209	12,959
Small asset write off	-	1,675
Summerfruit NZ audit costs	9,609	8,791
Sundry	13,310	4,974
Travel	22,526	22,072
Strategic planning/business plan	65,000	5,708
Subscriptions	3,285	483
Bad debts	-	41
Legal	-	2,363
<b>Total administration &amp; finance</b>	<b>402,759</b>	<b>298,278</b>
<b>Biosecurity</b>		
Biosecurity	11,181	1,528
GIA	2,115	-
<b>Total biosecurity</b>	<b>13,296</b>	<b>1,528</b>
<b>Communication &amp; education</b>		
5+ A Day	5,000	5,000
Young growers sponsorship & Hort NZ leadership course	2,209	-
Summerfruit magazine	26,907	22,668
IT - website, database, backups, etc	13,887	9,589
IT strategy/rebuild	29,635	-
Communications portfolio expenses	3,152	-
<b>Total communication &amp; education</b>	<b>80,790</b>	<b>37,257</b>

**Profit and loss (cont)**

For the year ended 31 August 2016

	2016	2015
<b>Export &amp; compliance</b>		
Export programme coordinator	19,600	14,645
Export registration expenses	4,905	4,490
Export team budget	4,412	11,114
H.E.A.	38,283	38,436
Market access - China	3,103	-
Market access - Korea	688	63
Market access - General	4,160	1,854
Market access - Japan	1,281	732
Market access - WA	-	125
Market access manager	56,880	71,920
OPI Australia	76,944	52,993
Spray programme	6,866	15,909
Tape (Japan/Korea)	4,725	2,330
Korea programme	94	-
Japan inspector	8,474	9,866
<b>Total export &amp; compliance</b>	<b>230,414</b>	<b>224,477</b>
<b>NZ market</b>		
NZ market co-ordinator	27,814	27,635
NZ market projects	1,779	-
NZM resources	1,701	2,450
Data collection NZ market	3,564	3,738
NZM portfolio expenses	3,900	3,901
Industry survey	12,899	-
NZM newsletter	22,690	18,143
Harvest Assurance Tools (AgMardt)	58,021	51,957
<b>Total NZ market</b>	<b>132,368</b>	<b>107,824</b>
<b>Research &amp; development</b>		
Agrichemicals - research	3,700	-
Agrichemicals - market access	6,370	38,903
Future Orchard Systems	85,000	85,000
New variety evaluation breeding programme	50,357	50,082
PGP	4,806	-
Research manager	45,537	43,902
Research portfolio budget	9,706	11,978
Scholarship	5,500	5,000
Scientific research	107,996	71,074
SummerGreen facilitators	9,290	8,018
SummerGreen Futures	807	133,650
Bee +	15,000	15,000
Tech transfer	3,150	7,190
R&D report	10,065	-
<b>Total research &amp; development</b>	<b>357,284</b>	<b>469,797</b>

**Profit and loss (cont)**

For the year ended 31 August 2016

	2016	2015
<b>Staff</b>		
ACC	560	993
Professional development/training	214	4,792
Salaries & payroll	222,203	226,126
Staff expenses	814	2,128
<b>Total staff</b>	<b>223,791</b>	<b>234,039</b>
<b>Total less operating expenses</b>	<b>1,440,702</b>	<b>1,373,200</b>
<b>Net profit (loss) before taxation</b>	<b>351,171</b>	<b>202,964</b>
<b>Non-operating expenses</b>		
Provision for tax	10,949	10,800
<b>Total non-operating expenses</b>	<b>10,949</b>	<b>10,800</b>
<b>Net profit (loss) for the year</b>	<b>340,222</b>	<b>192,164</b>

**Movements in equity**

For the year ended 31 August 2016

	2016	2015
<b>Equity</b>		
<b>Opening balance</b>	<b>1,047,853</b>	<b>855,689</b>
<b>Surplus and revaluations</b>		
Net surplus after tax	340,222	192,164
<b>Total surplus and revaluations</b>	<b>340,222</b>	<b>192,164</b>
<b>Other movements</b>		
Industry reserve fund	(109,895)	109,869
Operational reserves	109,895	(109,869)
<b>Total other movements</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,388,075</b>	<b>1,047,853</b>

**Balance sheet**

As at 31 August 2016

	Notes	2016	2015
<b>Assets</b>			
<b>Bank</b>			
ANZ - current acc		70,735	25,814
ANZ - on-call acc		704	491
ANZ Bank - conference account		45,844	17,612
<b>Total bank</b>		<b>117,284</b>	<b>43,918</b>
<b>Current assets</b>			
Accounts receivable		34,664	11,689
Investments	16	1,136,963	952,914
Accrued income		99,768	73,590
Accrued interest		12,261	16,082
GST		47,063	53,324
Prepayments		9,193	4,875
<b>Total current assets</b>		<b>1,339,912</b>	<b>1,112,474</b>
<b>Fixed assets</b>			
Fixed assets as per schedule		11,794	19,053
<b>Total fixed assets</b>		<b>11,794</b>	<b>19,053</b>
<b>Total assets</b>		<b>1,468,989</b>	<b>1,175,444</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		41,604	74,814
Accrued expenses		39,262	51,380
Taxation	18	47	1,398
<b>Total current liabilities</b>		<b>80,914</b>	<b>127,591</b>
<b>Total liabilities</b>		<b>80,914</b>	<b>127,591</b>
<b>Net assets</b>		<b>1,388,075</b>	<b>1,047,853</b>
<b>Equity</b>			
Industry reserve fund		436,945	546,840
Operational reserves		951,130	501,013
<b>Total equity</b>		<b>1,388,075</b>	<b>1,047,853</b>

Signed by

Chairman:



Chief Executive:



Date: 3 April 2017

## Schedule of movements in members' funds

For the year ended 31 August 2016

	2016	2015
<b>Members' funds</b>		
<b>Operational reserves</b>		
Opening balance	308,848	382,780
Net interest income transferred to industry reserves	(40,105)	(39,870)
Transfer from/(to) operational reserves	150,000	(70,000)
Transfer from/(to) member activities	190,164	35,938
<b>Total operational reserves</b>	<b>608,907</b>	<b>308,848</b>
<b>Industry reserves</b>		
Opening balance	546,841	436,971
Net interest income transferred from operational reserves	40,105	39,870
Transfer from/(to) operational reserves	(150,000)	70,000
Transfer from/(to) general fund	-	-
<b>Total industry reserves</b>	<b>436,946</b>	<b>546,841</b>
Total recognised revenue & expenses for the year	320,952	190,164
<b>Total members' funds</b>	<b>1,366,805</b>	<b>1,045,853</b>

Under the Commodity Levy Act, Summerfruit NZ can accumulate interest derived from levy income. Summerfruit NZ has chosen to accumulate all interest income and capital expenditure repayments in the Industry Reserves.

Industry Reserves are made up of Historical Funds, plus interest transfers.

Operational Reserves represent unspent income, less approved expenditure, including unspent levy from prior years.

## Notes to the financial statements

For the year ended 31 August 2016

### 1. Statement of accounting policies

Summerfruit New Zealand Incorporated is an incorporated society registered under the Incorporated Societies Act 1908. These Financial Statements are special purpose financial statements and have been prepared in accordance with the Tax administration (Financial Statements) Order 2014.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical basis have been used.

### 2. Changes in accounting policies

All Accounting Policies have been applied on bases consistent with those used in previous years.

### 3. Revenue recognition

Levy income is calculated based on growers sales during the financial year and recognised in the same period.

Interest income is recognised using the effective interest method.

All other income is recognised at the time that services are provided.

## Notes to the financial statements (cont)

For the year ended 31 August 2016

### 4. Fixed assets and depreciation

All fixed assets are recorded at cost less accumulated depreciation.

Depreciation of the assets has been calculated at the maximum rates permitted by the Income Tax Act 2007.

The entity has the following asset classes:

Computer Equipment. 40% - 50% Diminishing Value

Office Assets. 10% - 67% Diminishing Value

### 5. Intangible assets and amortisation

The entity has the following classes of intangible assets:

Website and database

All intangible assets are recorded at cost less accumulated amortisation. Amortisation is calculated at the maximum rates permitted by the Income Tax Act 2007. Website and database is amortised at 48% diminishing value.

### 6. Goods and services tax

These financial statements have been prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable.

### 7. Income tax

Summerfruit New Zealand Incorporated is a non-profit body within the terms of the Income Tax Act 2007. All income derived other than interest is from Society members. Tax is payable on the interest received in excess of \$1,000.

### 8. Investments

Investments are carried at the lower of cost and net realisable value.

### 9. Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

### 10. Audit

These financial statements have been subject to audit, please refer to the Auditor's Report.

### 11. Contingent liabilities

At balance date there are no known contingent liabilities (2015: \$0). Summerfruit New Zealand Incorporated has not granted any securities in respect of liabilities payable by any other party whatsoever.

### 12. Securities and guarantees

There was no overdraft as at balance date nor was any facility arranged.

Summerfruit New Zealand Incorporated has four Visa credit cards with ANZ, with a combined limit of \$17,500.

## Notes to the financial statements (cont)

For the year ended 31 August 2016

### 13. Operating commitments

	2016	2015
<b>Research &amp; development projects</b>		
Current commitments	358,737	303,195
Term commitments	497,782	600,250
<b>Total research &amp; development projects</b>	<b>856,519</b>	<b>903,445</b>

### 14. Events subsequent to balance date

There were no material changes subsequent to balance date that would affect the interpretation of the financial statements.

### 15. Capital expenditure commitments

As at balance date, there were no capital expenditure commitments outstanding (2015: Nil).

### 16. Investments

	2016	2015
ANZ Term Deposit 1035 maturing on 21 March 2017	67,811	65,826
ANZ Term Deposit 1037 maturing on 2 February 2017	56,452	55,450
ANZ Term Deposit 1038 maturing on 9 January 2017	56,226	54,543
ANZ Term Deposit 1042 matured on 4 July 2016	-	27,096
ANZ Term Deposit 1060 maturing on 27 January 2017	82,855	80,000
ANZ Term Deposit 1061 matured on 16 September 2015	-	80,000
ANZ Term Deposit 1062 maturing on 2 May 2017	83,350	80,000
ANZ Term Deposit 1064 matured on 16 December 2015	-	60,000
ANZ Term Deposit 1066 matured on 17 August 2016	-	60,000
ANZ Term Deposit 1067 maturing on 27 August 2017	80,000	80,000
ANZ Term Deposit 1068 maturing on 17 January 2017	80,000	80,000
ANZ Term Deposit 1069 matured on 15 October 2015	-	75,000
ANZ Term Deposit 1070 matured on 16 November 2015	-	75,000
ANZ Term Deposit 1071 matured on 26 May 2016	-	80,000
ANZ Term Deposit 1075 maturing on 17 October 2016	80,000	-
ANZ Term Deposit 1076 maturing on 14 December 2016	80,000	-
ANZ Term Deposit 1077 maturing on 14 December 2016	50,000	-
ANZ Term Deposit 1079 maturing on 7 October 2016	80,268	-
ANZ Term Deposit 1080 maturing on 16 September 2016	80,000	-
ANZ Term Deposit 1081 maturing on 17 October 2016	80,000	-
ANZ Term Deposit 1082 maturing on 17 October 2016	50,000	-
ANZ Term Deposit 1083 maturing on 16 December 2016	80,000	-
ANZ Term Deposit 1084 maturing on 16 December 2016	50,000	-
<b>Total Investments</b>	<b>1,136,963</b>	<b>952,914</b>

## Notes to the financial statements (cont)

For the year ended 31 August 2016

### 17. Fixed and intangible assets

	2016	2015
<b>Fixed assets</b>		
<b>Computer equipment</b>		
At cost	9,975	9,975
Less disposals	-	(412)
Less accumulated depreciation	(9,180)	(8,055)
<b>Total computer equipment</b>	<b>795</b>	<b>1,508</b>
<b>Office equipment</b>		
At cost	10,230	10,230
Less disposals	-	(1,263)
Less accumulated depreciation	(5,595)	(3,659)
<b>Total office equipment</b>	<b>4,635</b>	<b>5,308</b>
<b>Total fixed assets</b>	<b>5,430</b>	<b>6,816</b>
<b>Intangible assets</b>		
At cost	93,374	93,374
Less accumulated depreciation	(87,010)	(81,136)
<b>Total intangible assets</b>	<b>6,364</b>	<b>12,238</b>
<b>Total fixed and intangible assets</b>	<b>11,794</b>	<b>19,054</b>

### 18. Taxation

	2016	2015
<b>Current year taxable income</b>		
Assessable interest income for the year	40,105	39,570
Less exemption	(1,000)	(1,000)
<b>Total current year taxable income</b>	<b>39,105</b>	<b>38,570</b>
<b>Current year tax provision</b>		
Taxation provision applied thereon at 28%	10,949	10,800
<b>Total current year tax provision</b>	<b>10,949</b>	<b>10,800</b>
RWT paid	12,299	9,403
Total	(1,350)	1,396
Income tax paid/(refunded)	-	-
Prior years tax balance brought forward	1,396	-
Income tax payable/(refund) per balance sheet	46	1,396

### 19. Related parties

There were no related party transactions during the year that are not disclosed separately in this report.

Name	Nature of transactions	2016
NZ Fruitgrowers Charitable Trust	Funding to assist business plan and implementation.	30,000





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