



**Minutes of the Twenty Fifth Annual General Meeting of Summerfruit New Zealand Incorporated
held at the ASB Sports Centre, Wellington on 5 August 2019**

The AGM was called to order at 10.30am.

Present

A total of 32 people attended including six Summerfruit NZ staff and two advisors.

Tim Jones, Chairman	Roger Brownlie, Vice Chairman	Earnsley Weaver, Board Director	Gary Bennetts, Board Director	Stewart Burns, Board Director	Tracey Burns, Board Director	Tjeerd Smilde, Board Director
Trudi Webb, incoming Board Director	Rob Hollier, incoming Co-opted Board Director	Marie Dawkins, Chief Executive, Summerfruit NZ	Carolena Swaneveld, Summerfruit NZ	Victoria Harris, Summerfruit NZ	Andrea Crawford, Summerfruit NZ	Anna Clark, Summerfruit NZ
Juan Rosales, Summerfruit NZ	Michael Jones, Suncrest Orchard	Sharon Kirk, Tarras Cherry Corp	Al Munro, Tarras Cherry Corp	Brian Fulford, Omahuri Orchard	Peter Fulford, Omahuri Orchard	Craig Hall, RD8
Elisabeth Hinton, NS & EN Hinton	Nigel Hinton, NS & EN Hinton	Harry Roberts, H & J Roberts	Ingrid Hofma, Dunstan Hills	Kevin Paulin, Clyde Orchard	Jeremy Hiscock, Panmure Orchard	Terry Brown, Freshmax
Reece van der Velden, Judare Investments	Stephen Darling, Darling Fruit	Steven Nightingale, Buddle Findlay	Rebecca Dudley- Cobb, Buddle Findlay			

Apologies

One apology for Sid Birtles was recorded.

(E Weaver/S Burns) Carried

The Chairman confirmed that the meeting had been properly constituted and that a quorum had been achieved – being a minimum of 25 members present and by proxy. He declared the meeting open and explained the procedures for today’s AGM.

All present were required to register on arrival. Tim asked for confirmation that everyone had registered. On arrival, one member of each entity that was entitled to vote received a voting pack for the resolutions to be discussed at the AGM. He asked for confirmation that all members had received a voting pack. He confirmed that there is only one voting entitlement per entity. The Chairman also pointed out that the AGM papers included a description of the voting procedures.

The Chairman introduced Steven Nightingale, legal advisor Buddle Findlay, who was present to provide guidance to the Board on any legal issues or questions around meeting procedure. N Hinton asked why a legal advisor was here and if he was being paid with levy monies? In which case N Hinton said he expected that he represented the growers. J Hiscock asked what his terms of engagement were? S Nightingale explained that he was there to advise the Board as representatives of the society.

Proxies

51 proxies were received.

Five of those proxies were received from three members (T Jones, N Hinton, H Roberts) and were conditional in the event that the members were unable to attend the AGM due to the anticipated bad weather. As all three members were present, the conditional proxies were rescinded.

Of the proxies that were received:

- 7 undirected proxies were in favour of Earnscy Weaver
- 1 undirected proxy was in favour of Ingrid Hofma
- 1 undirected proxy was in favour of Nigel Hinton
- 3 directed proxies were in favour of Reece Van der Velden
- 2 in favour of Roger Brownlie – 1 directed and 1 undirected
- 2 in favour of Stephen Darling – 1 directed and 1 undirected
- 15 directed proxies were in favour of the Chairman
- 12 in favour of Tim Jones – 6 undirected, 5 directed and 1 mixed
- 1 proxy was received from a member who did not submit a declaration of hectares and was not accepted.

An additional directed proxy was received by T Jones from S Darling on the morning of the AGM. S Darling was in Dunedin however his flights had been cancelled due to severe weather conditions. He was awaiting an alternative flight. For pragmatic reasons this proxy, and those S Darling was holding, were accepted by the Chairman. However, as S Darling subsequently arrived on a later flight before any voting occurred, his proxy was rescinded and the two proxies he held were returned to him.

Proxies were handed out to the nominated proxy holders.

Voting

The Chairman noted that due to the vote counting procedure there would be a delay between votes being submitted and the results being known. He sought guidance from the meeting as to how they would like to receive the votes:

- stop the meeting and await the outcomes, or
- receive all outcomes at the end of the meeting?

The meeting agreed that discussions could be held on the next resolution, but results would be announced as they came to hand.

N Hinton noted that the agenda for the AGM had changed between the one issued prior to the original date of the AGM (6 June 2019) and this meeting. And that the new agenda had not been issued 14 days prior to the AGM. He demanded that the original agenda be used. S Nightingale noted the issue of his concern (discussion of the levy rate) would be discussed as part of Resolution 2. He also reviewed both agendas and noted that the difference between them was not substantive.

Confirmation of previous minutes

Moved that the minutes of the Twenty Fourth Annual General Meeting held on 31 May 2018 at the Napier Conference Centre be recorded as a true and accurate account.

(G Bennetts/J Hiscock) Carried

N Hinton queried how many growers/hectares are allowed to vote? T Jones referred the meeting to the information that appeared on page 13 of the AGM meeting papers. M Dawkins noted that 102 declarations had been received and verified totalling 1,594 hectares. Four declarations had been received after the due date (5 July), one was accepted due to postal issues. Three were declined, including one that was received on 17 July.

N & E Hinton commented that NZGAP is not audited so it is not possible to say that all the declarations had been verified. A Crawford, Summerfruit NZ, explained that the declarations, not actual hectares had been verified against NZGAP records. The Hintons disagreed with this approach but stated that they would not make an issue of this at the AGM. T Jones explained that given the unusual circumstances and tight timeframe a pragmatic way of verifying growers hectares had been developed. The Hintons' point was noted, and the hectare declaration process would be reviewed before the next AGM.

Chairman's report

T Jones acknowledged the delayed AGM and the extra costs of having the AGM in Wellington. The summerfruit industry are facing a number of challenges, including the commodity levy renewal, Biosecurity Levy and *Sensational Summerfruit*. T Jones noted that constructive discussion and debate were welcomed. The industry's strength is in its ability to work together.

The Chairman acknowledged the work of his fellow Directors and to thank M Dawkins and her dedicated team in Wellington. He also thanked E Weaver and S Tallon who have recently moved on from the Board, and wished them well. He congratulated E Weaver on becoming a life member of Summerfruit NZ. The Chairman welcomed T Webb who was recently voted onto the Board by growers and R Hollier as the new Co-opted NZ market representative. He also congratulated T Webb who received the President's Trophy at the Horticulture NZ Conference the previous week.

The full Chairman's report was published on the Summerfruit NZ website on 6 August 2019.

R Brownlie thanked T Jones for all the work he has done as Chairman.

Summerfruit NZ Annual Accounts

The Annual Report was handed out at conference in June, but additional copies were provided at the AGM as well as being online on the website.

M Dawkins commentary on the accounts noted a number of factors that influenced the accounts in 2018. These included Summerfruit NZ had moved offices, taken on additional staff, done additional work on IT and the portal plus the GIA mandate process. Additional work was also conducted on market access particularly to China and Russia. In response to a question on depreciation it was noted that the rebuild of the IT system made up \$75,000 of the \$81,000 in the accounts.

A question about the difference between industry and organisational reserves was received:

- Organisational reserves are unspent levies. These funds were allocated for spending.
- Industry reserves were non-levy funds that had accumulated over time. Where industry reserves were used for one off projects (eg building the portal) these funds were repaid from the annual funds.
- E Weaver noted that reserves were used in this way to smooth out spending. Especially where large projects would have used up significant income in any one year.

11.15am S Darling arrived.

Budget and projected financial position for 2019

A draft budget, modelled on the budget that HortNZ presents at its AGM, was provided in the meeting papers. M Dawkins noted that technically the budget for 2019, the current year, should be presented. However, given that the AGM was near the end of the 2019 financial year, a draft budget for 2020 was provided. She noted that this budget had not yet been fully considered and approved by the Board. It was due for discussion at a Board meeting on 21 August. Therefore, further changes may yet be made.

M Dawkins reported that:

- Summerfruit NZ normally works to create a zero budget. The draft budget included a loss of \$89,000. This was partially based on a low levy projection. The amount of commodity levy projected each year was an average of the previous three years.
- Salaries had been allocated across all portfolios to better present the actual costs.
- There were three items listed that would be covered from organisational reserves.
- M Dawkins noted on the day that the draft budget incorrectly stated that these would be paid for from *industry* reserves – this should read *organisational* reserves. She apologised for the error.

M Dawkins also noted that Summerfruit NZ expected to make a large loss in 2019 year. This was due to a significantly reduced levy take as a result of the bad season. Levy income had been budgeted at \$1.6million whereas the income is likely to be \$1.235m. The loss would be covered from operational reserves or surpluses from previous years.

E Hinton expressed concern that Summerfruit NZ was planning for a loss in 2020. She felt Summerfruit NZ needed to cut its cloth.

N Hinton questioned how with a projected loss Summerfruit NZ would have paid for 'The bold plan'. E Weaver noted that the intention has always been to use the unspent levies/organisational reserves in the first 2-3 years and that the investment panel fully understood the funding plan.

N Hinton wanted to know the actual cost of salaries. There was also some commentary on the items in the draft budget where the majority of spending was planned, for example salaries and biosecurity. The meeting spent some time looking at these options.

M Jones believed that Summerfruit NZ determined the amount of income it expected to receive and then planned the annual budget to use it all. He felt that if too much levy was collected then the levy rate should be reduced. E Weaver replied that the annual expenditure was based on the activities that needed to be delivered to growers, it was not focused on spending the income. Most years there were activities that could not be conducted as there wasn't sufficient levy income projected.

R Brownlie commented that levy income is not static, it fluctuates up and down. So, predicting the income and therefore the annual budget was always complex. M Dawkins noted that both surpluses and losses were not uncommon. It was the nature of the industry so the budgeting aimed to take this into account.

K Paulin noted that if the policy was to use an average of the previous three years' levy income, why had Summerfruit NZ budgeted on higher than that in 2019? T Jones replied that the continuing increase to the levy income over the previous three years had created surpluses.

In order to better predict the income in that environment the Board decided to use the three year average plus an additional 10% above that. In retrospect that was not a good move given the difficult season that followed. The 2020 draft budget reverted to the previous three-year average model.

M Jones felt that it would be better to collect the levy based on a per hectare rate as this was fairer and Summerfruit NZ would be able to better project its income. T Jones said there was an opportunity to discuss the levy collection method over next few months with growers when consulting on the commodity levy renewal.

S Darling felt that if there were concerns about the spending it was prudent for members to communicate their thoughts on priorities to the Board. The Board could also include growers more in the process of setting the priorities each year. This could be done in an open and constructive forum earlier and could avoid some of the frustrations that had been expressed at the meeting. He thought the industry review would help highlight some of those priorities. T Jones thanked S Darling for his suggestions.

With no more questions the motion was sought to approve the audited accounts for 2018.

**Moved and accepted the audited accounts for 31 August 2018
(R Brownlie/E Weaver) Carried**

Order of business

The Chairman proposed reordering the sequence of the resolutions and not discussing them in the order that they were received. He proposed discussing them in the following order 2, 5, 1, 3 and 4. The meeting agreed.

Resolution 2

That the Board shall appoint financial auditors for the 2019-20 year.

(S Burns/G Bennetts) Carried

Some discussion occurred as to whether Summerfruit NZ would confirm a new auditor for 2019 accounts. S Burns noted that the cost of changing auditors would mean that this may not occur this year.

Resolution 2	Number of votes	Hectares	Outcome
For	61	1,307	Carried
Against	0	0	

Resolution 5

That a reduction in the commodity levy across summerfruit come into effect. The level of the reduction would need to be determined after Summerfruit NZ's functions which are important or essential to Producer Members are considered and consulted on and the level of funding needed for those functions established and verified. The proposed level of the reduction would then be subject to a legally binding vote by Producer Members.

R van der Velden spoke to the resolution.

T Jones noted that Resolutions 1 and 5 were linked.

N Hinton commented that clarity is needed on Resolution 1. He queried if Resolution 1 is voted down at the AGM does the status quo remain? T Jones asked S Nightingale to clarify Resolution 5 and Resolution 1.

S Nightingale confirmed that in the event that the AGM votes in favour of Resolution 5, and against Resolution 1 the ultimate result would be that the levy rate remains unchanged. That is because:

- Resolution 5 does not propose an alternative rate.
- The resolution cannot be amended at the AGM as the rules state that no business other than that of which notice has been given can be brought forward at the meeting. Furthermore proxy votes have already been submitted on the resolution as it stands now.
- Clause 8(6) of the Levy Order states '*If SNZI does not set the actual levy rate for a levy year, the levy rate currently applying continues to apply.*' Therefore, the current rate continues.

E Hinton felt it was not possible to recommend a levy rate prior to the AGM when the financial status was not yet known.

S Darling commented that it was not possible to put the resolution into effect as no rate was expressed. He felt that this created a discussion topic on how much we wanted our industry to do. And how we pay for that. The resolution expresses a desire for efficiency and effectiveness. He expressed a concern about how the industry was perceived – he felt that it was important to be seen as progressive and positive. It was time to get our house in order and he believed that the planned industry review would do that. However, no change to the levy rate was possible for another year.

A Monro supported S Darling's comments. He agreed with conducting the industry review and felt it was presumptive to tie the review to the levy. E Weaver endorsed that view. He commented that a review will determine the future direction and he was against a reduction in levy.

R van der Velden withdrew Resolution 5, seconded by H Roberts.

Resolution 1

That for the 2019-20 year or until further notice, the levy rate should remain:

- i 1.5% (plus GST) for peaches, nectarines, plums, apricots and the hybrids thereof*
- ii 0.75% (plus GST) for cherries.*

(E Weaver/G Bennetts) Carried

E Weaver noted that he had faith in the Board to manage the levy and the annual activities. He believes the levy will be well spent. S Darling thought it was healthy that the industry had the opportunity to meet annually and discuss the spending with the Board and express their view.

There was considerable discussion about the ability to set the rate and the fact that that the rate was proposed before the industry review could take place. N Hinton questioned the ability to alter the levy. T Jones outlined the process that should have occurred if the members wanted to reduce the levy.

J Hiscock noted that we have a levy order renewal coming, and he had concern about how the levy was being spent. He thought this was back to front, the review should occur first. T Jones agreed that in a perfect world that would happen. However, the tight timeframe for the levy renewal just did not make that possible. MPI had made it very clear that the levy renewal process would be compressed by factors outside our control in 2020. It simply was not feasible to conduct both the levy renewal and the review simultaneously. To do so would undermine both processes. He reiterated that the Board have committed to conducting a robust and thorough review.

N Hinton acknowledged that a vote against would not change the levy rate but he would vote against it to show his disapproval. M Jones also planned to vote against the resolution as the levy income has been increasing and he believes the Board are budgeting to spend that increasing amount.

S Darling noted that there was nothing to stop the Board from reducing the levy in the future if the review indicated this was appropriate. E Weaver noted that the annual spend had gone up to meet the needs of growers, not to spend what we collect. He took offence at the suggestion that the money is there so the Board spends it. The budget lays out the activities that the industry needs.

Resolution 1	Number of votes	Hectares	Outcome
For	48	732	Carried
Against	13	575	

Resolution 3

That the business plan, strategy and funding model anticipated by Sensational Summerfruit: A Bold Plan for Growth (Bold Plan) be subject to a legally binding vote by all Producer Members on whether to reject or accept it (such voting process to be conducted independently of the Annual General Meeting as a postal vote).

N Hinton withdrew Resolution 3, seconded by I Hofma.

Resolution 4

The Summerfruit Industry must conduct an Independent review of its current structure prior to the Commodity Levy Renewal, to ensure that it will best meet the needs of the summerfruit stakeholders going forward.

I Hofma commented that the resolution had come about as a result of *Sensational Summerfruit* discussions. Like HEA the industry had evolved and we now had 27 exporters. She asked if SEC benefited the industry and if there should be an independent chairman? She felt a review should be focused on the structure of Summerfruit NZ and that it should be fit for purpose going forward. She believed it was time to examine the industry and stakeholders' needs.

T Jones commented on the timeline for the commodity levy renewal and reiterated that we need to get on with the commodity levy renewal now due to extremely tight timeframes much of which is imposed by MPI and government. He said he agreed with I Hofma for the need to conduct an industry review however to be robust this would take time. There is no way this can be completed before the commodity levy renewal.

N Hinton queried why Summerfruit NZ could not request an extension to the current levy order. M Dawkins referred the meeting to the advice from MPI on the back page of the meeting notes that it is too late to apply for an extension.

E Hinton asked why the levy has to be voted on in October, why not March next year? M Dawkins replied that MPI had informed Summerfruit NZ that due to their workload and the upcoming election, that to have a new levy in place for the 2020 season that they require our application by the end of January 2020. Summerfruit NZ had initially considered whether the later date was an alternative option however MPI advice meant this wasn't possible. Summerfruit NZ had only recently become aware of MPI's constraints. The renewal process would have been started much earlier if we had been aware of this.

The Chairman repeated the view that the commodity levy renewal was the priority. Once that was progressed, the industry review terms of reference could be scoped out. The wish of the Board is to have the industry review completed by our next AGM to ensure our industry was fit for purpose. Further discussion was had around the industry review and the commodity levy.

A number of members present were adamant that the industry review should be conducted prior to the commodity levy renewal. E Hinton offered to collate recommendations for the terms of reference for the review from Central Otago growers. P Fulford felt that approach would exclude Hawke's Bay growers and would not be fair. It was his view that the Board should set the terms of reference.

E Weaver hadn't heard anything about how the review would impact on the levy renewal. Post the industry review it was the decision of the members if they wish to adjust the levy rate. It could be zero. That doesn't change the consultation process. They can still make the decisions on the levy after the renewal. A Monro supported E Weaver comments and agreed that it was not feasible to conduct the review before the levy renewal. He agreed that the levy renewal was the priority. He had initially planned to vote for this resolution but now realised that it was not feasible.

S Darling questioned N Hinton if it was his intention that there should be no levy. N Hinton said that no that was not his intention. He noted that the resolutions had come about as a result of what he thought was a disconnect with growers and the Board. The industry is changing and he had real concerns about that. T Jones repeated that the Board have committed to conducting an independent review. He again outlined the reasons for conducting that after the levy renewal.

Discussion ensued as to whether the words *prior to the Commodity Levy Renewal* could be removed from the resolution. S Nightingale confirmed this was not possible.

I Hofma withdrew Resolution 4, seconded by N Hinton. The resolution was withdrawn on the commitment from the Board that an independent industry review be conducted as soon as feasible.

I Hofma noted that the resolution was written for the earlier AGM and that the desired outcome – an industry review – had been achieved.

ACIB Annual Report

S Darling, Chairman of ACIB acknowledged the work done by the interim Board with reference to investigating the co-operative model, possible commercial licences and planning the releases. As to how growers become shareholders depending on what equity or ownership stake, there has been one Board meeting since conference.

They have looked at the royalty model options from other fruit types and want the best royalty model that will serve growers needs. The Board needs to identify what costs have to be met and what's the best way to achieve this. Plant & Food Research have provided a draft master licence agreement, but we have yet to formalise the per hectare rate in the royalty mix and who will administer the master licence and sub licences and the best way to administer these.

ACIB are considering the effects of several methods of royalty. Brand development and how do we fairly represent where these costs should lie, the first growers vs new later growers. There needs to be equity across the stakeholders. Will be difficult to make this a success without a critical mass. We have better products now and need to develop market opportunities through brand development and market access, which is part of Summerfruit NZ's brief not currently Apricot Co. brief. A strategic planning session is critical to develop premium paying customers. The ACIB Board meeting is after the AGM.

T Jones thanked those on the ACIB for their work as it has been challenging at times.

K Paulin asked were ACIB proposing to promote varieties? S Darling said we need to be showcasing new varieties to get uptake and to get trees in the ground. We need to be teasing customers that we want to sell to with sample fruit. As conscious of how slow market access works, need to be developing other commercial relationships, persuading someone to buy your products. The cost structure to secure trademarks is in the hundreds of thousands of dollars. 2029-30 looking at 3,000 or 4,000 tonnes of apricots.

12.55pm J Hiscock, K Paulin and T Brown departed to catch their flights.

In response to a comment from E Hinton about the varieties, S Darling replied that other growers have successfully trialled these varieties. E Weaver said that PFR has done the work to assess how acceptable they are.

T Burns said that we need to develop branding. S Darling noted that ACIB hasn't done this, the focus so far has been on:

- royalty funding mechanism
- entity structure to operate.

E Hinton asked if ACIB had done any surveys? The meeting asked about the uptake so far. A Crawford replied that a dozen growers had ordered 20,000 trees in this budwood supply this year.

1.17pm S Nightingale and Rebecca Dudley-Cobb from Buddle Findlay left the AGM.

General business

R van der Velden asked whether there was a likelihood of a fruit fly breeding population in Auckland?

M Dawkins updated the meeting on the response so far and the activities that are planned for the coming spring and summer. She noted that depending on whether further flies are found it may be necessary to implement the Biosecurity Levy.

The costs of the response were projected to increase to \$24million. If this occurred the costs would be split 70% government, 30 % industry, and of the 30%, summerfruit made up 5% of the industry share. E Hinton was unhappy that the industry would have to pay towards biosecurity however M Dawkins noted that in the GIA mandate vote, all but one grower voted in favour of signing up to GIA and the Fruit Fly Operational Agreement.

E Hinton queried whether everyone (ie all sectors) would contribute? M Dawkins confirmed that, with the exception of Buttercup Squash, all sectors affected by fruit fly were signatories to GIA and the Fruit Fly Operational Agreement. She noted the fruit Fly Council continued to put pressure on Buttercup Squash to join GIA.

Tim Jones thanked everyone for their attendance in Wellington and declared the AGM closed at 1.40pm.