



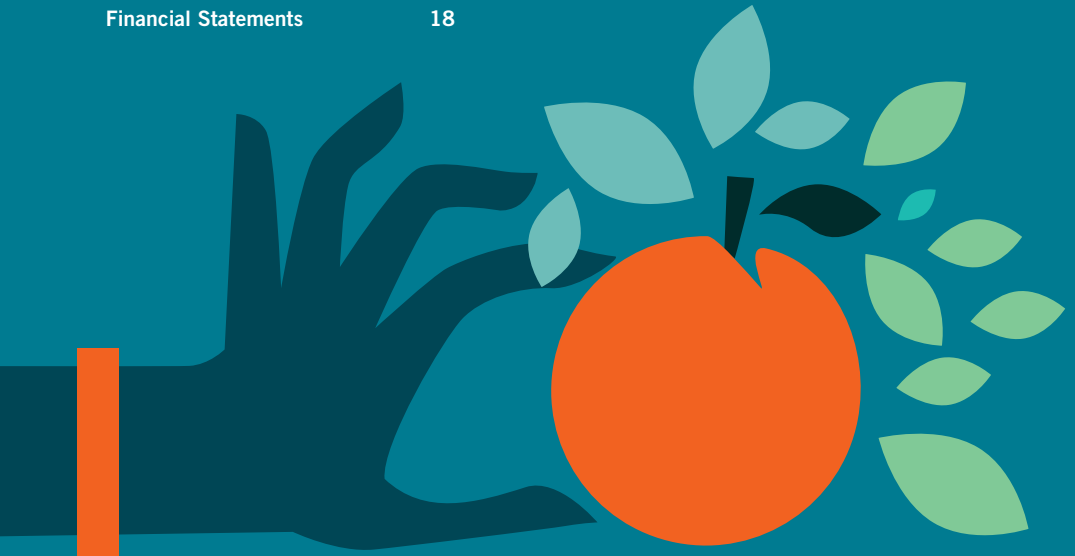
**Summerfruit NZ**  
*For the year ended 31 August 2017*

# Annual Report



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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.***

## CHAIRMAN'S ANNUAL REPORT

# Planning for the future

**The last year has once again been a busy one for Summerfruit New Zealand. I feel that as an organisation, we have matured over recent times to the point now that we are able to operate in a more effective way as we represent our growers and industry stakeholders.**

The biggest change this year has been the creation of a biosecurity and export role within the organisation and the recent appointment of Juan Rosales to this role. Having a dedicated resource to represent the summerfruit industry on these matters, places us all in a better position that our particular issues and concerns will be heard effectively. The brown marmorated stinkbug is just one of many pests that, if established here, could have a devastating impact on the summerfruit industry. And publicity on the number of interceptions at the border this summer only highlights how important it is that we have a seat around the 'biosecurity table'.

Autumn is the time of the year when summerfruit growers generally have a bit of time to reflect on the season just finished and plan for the future. It seems to me that the time between seasons, although not getting shorter, is certainly much busier now than it has ever been.

Compliance continues to challenge many with recent examples of upgrades to existing systems or new requirements being changes to hazardous substances under the HSNO requirements, asbestos monitoring and coming soon will be updates to food safety programmes through the Food Act. These are just a few examples of what growers need to get their heads around as well as figuring out how to grow the best possible piece of fruit!



**TIM JONES**  
Chairman



You will have heard us talking about our Primary Growth Partnership (PGP) proposal – *Sensational Summerfruit*. In my opinion this is more than a research project, the reality is this is step one of a 20-year plan to increase the value of our industry to \$465 million. I have real concern that we run the risk of crops such as peaches, nectarines and apricots becoming marginalised if their profitability can't be improved. *Sensational Summerfruit* aims to provide you as growers, as well as all stakeholders in the industry, with a platform to achieve a transformational change; three to four-fold increases in production at lower cost, with higher quality, more consistent fruit resulting from these high-performance orchards, plus innovative packaging and packing technology to get the best possible piece of fruit to consumers in the shortest possible time. And we all know what the result of consistent high quality is – increased sales!

A huge amount of work is going into the preparation of this proposal. Broadly, this project will cover the five areas on the right.

- **Consumers.** Delivering what the consumer wants can only be achieved if we fully understand just what they desire.
- **Markets.** Market access and market development must align with the information gleaned from the consumer work above.
- **Innovative packing, packaging and transport.** We will create the options needed for transporting the fruit to target markets in such a way that the fruit retains unquestioned quality.
- **New varieties and intensive growing systems.** Continuing the FOPS programme with all fruit types with the result of improved yields of exceptional quality fruit and the introduction of novel new varieties from our breeding programme.
- **Industry.** Our goal is to increase the value of the summerfruit industry four-fold by 2035. Everyone in the chain will need to be equipped with the information, models and practices to make this a success.

I would like to take this opportunity to thank our chief executive, Marie Dawkins, and the staff of Summerfruit New Zealand for the work they undertake on the industry's behalf. The new offices in Wellington give the team a much-improved environment to operate in and also give us the room to expand as new people will be required to run the PGP programme.

The Board is also in the process of implementing an observer programme in an effort to show some of our younger growers how the industry is governed and run. Information on how to participate will come through regional fruit grower associations and I would encourage as many young growers as possible to consider this as an option to grow their industry knowledge.



**TIM JONES** | Chairman

17  
18

# 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

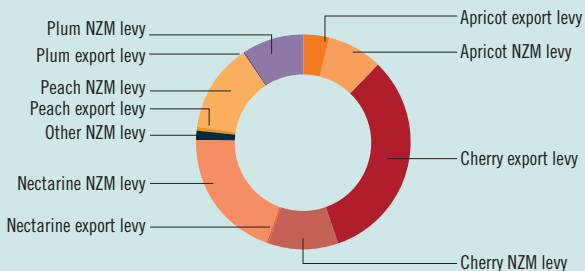


**Tracey Burns**  
Exporter representative



# Key statistics

### Levy income by fruit type and market 2017



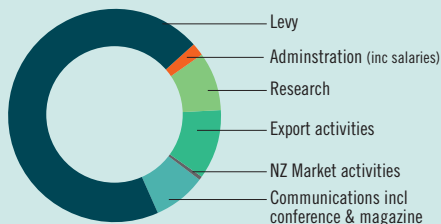
### Export volumes for the past three seasons (kgs)

	Apricots	Cherries	Nectarines	Peaches	Plums
2017-18	451,109	4,244,809	20,942	92,941	52,079
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

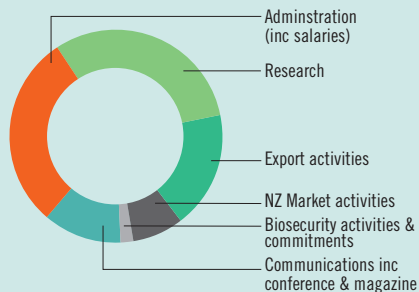
### Total value NZ and export markets 2017-18 (NZ\$)

	Apricots	Cherries	Nectarines	Peaches	Plums
NZ Market	\$5,864,641	\$9,091,192	\$9,720,652	\$8,116,679	\$6,445,731
Export	\$2,828,541	\$84,119,816	\$118,830	\$596,046	\$298,282
Total value	\$8,693,182	\$93,211,008	\$9,839,482	\$8,712,725	\$6,744,013

### Summerfruit NZ income 2017



### Summerfruit NZ expenditure 2017



## MESSAGE FROM THE CHIEF EXECUTIVE

# Fast forward

### *Sensational Summerfruit: a bold plan for growth*

You will have heard us talk of our 'PGP' application for some time. The Primary Growth Partnership (PGP) is a government fund, managed by MPI, that invests in long-term innovation programmes in partnership with industry to increase the market success of the primary industries. We first looked at a PGP four or five years ago but shelved the idea due a change in priorities.

The NZIER business case developed for us in 2016, reported on the risk of the poor growth by the industry and recommended that an industry-wide growth strategy would offer the best opportunity to achieve sustainable progress. That report triggered a return to considering applying for a PGP grant. Our first presentation of our strategy to the PGP panel in November last year was well received. As a result, the business case for *Sensational Summerfruit: a bold plan for growth* is now being developed in detail.

The business plan is being written with the help of Jane Lancaster of Catalyst Ltd. Jane has brought a wealth of knowledge and great focus to the project. The details of *Sensational Summerfruit* are set out in the proposal that was distributed at the conference. This proposal is still in draft as we work through the deep details of the business case that is required by the PGP panel. The overall direction is unlikely to change however, the details are being fine-tuned as we talk to industry and potential investors. We aim to present the business case to the PGP panel later this year.



**MARIE DAWKINS**  
Chief Executive



The subtitle for *Sensational Summerfruit* is 'a bold plan for growth'. With a target of \$465 million by 2035, a bold plan is what is needed. *Sensational Summerfruit* is not perhaps as out-there as it may first appear. A lot of analysis has been conducted and we believe it is entirely feasible for the target to be achieved.

With *Sensational Summerfruit*, value will be created all along the supply chain, from market access, packaging, transport, on-orchard production systems, transferable technologies and improved genetic material – innovation can come from all of these. All of this will be underpinned by industry systems which collect and share data, insights and benchmarking, to enable the rapid uptake of innovation. To achieve this growth the summerfruit industry needs to do things significantly differently – a paradigm shift. This growth and change will challenge the industry's current practices on every level.

**The following five major initiatives of *Sensational Summerfruit* are built around:**



**The consumer** – delivering healthy, flavourful fruit with quality, freshness and New Zealand provenance to consumers.

**New markets** – the need to open new markets, including online retail models, based on New Zealand's competitive advantage of quality fruit.



**Velocity through the supply chain** – providing fruit to market faster, in fresher condition and in consumer packs.

**High performance orchards** – providing greater volumes of quality fruit with efficiency and greater profitability.

**A stronger industry** – characterised by innovation, scale and greater profitability.

Cherry growers might be thinking that because of the current cherry growth trajectory, *Sensational Summerfruit* doesn't apply to them. However, without a plan, that trajectory will some day peak. And, as a result of that tidal wave of Chilean cherries washing over us, cherries could become just another commodity. Boom and bust is not a plan. So, an industry-wide growth strategy is the most cohesive, positive way forward.





We have plenty of independent thinkers in our industry, which is a great thing. *Sensational Summerfruit* does not require you to do everything the same way as everyone else. The aim is to provide a platform which supports your own activities and growth.

Personally, I find *Sensational Summerfruit* both a little overwhelming for the change it will bring to our office and really exciting at the same time. You're also allowed to be a little overwhelmed, but I hope you find it exciting too.

### Our growth

We have spent much of this year completing work that will underpin the growth projects that we have identified as part of *Sensational Summerfruit*. There is a need to grow ourselves in order to provide extended services and manage the additional projects. We have moved offices from a tight four desk space at Hort NZ, to new facilities four blocks away. Our new offices provide space for up to nine, maybe 10 people. The new space is light and bright and surprisingly cost effective for this part of town. It also has a high earthquake rating which was a requirement of the Board. It's also close to the railway station which was a requirement of staff. The only downside is that I have traded my view of the Wellington harbour for the closed curtains of the Ibis Hotel across the road. There are certainly less distractions from the Ibis with little more activity than the odd twitched curtain.

We have added more staff with technical skill.

**Richard Mills** replaces the vacancy left by Trisha Aitken's departure. He has a background in growing up on fruit orchards then starting as a technician at DSIR (now Plant & Food Research), as a consultant in pip and stonefruit, and auditor to Global GAP. Most recently he was part of a global R&D team developing fertilisers, bio-stimulants and bio-pesticides.

**Juan Rosales** has extensive knowledge of the fruit industry in New Zealand. He has previously worked with AsureQuality, Zespri and the Avocado Industry Council. Prior to starting with Summerfruit NZ he was based in Peru and was responsible for initiating the National Citrus Health Scheme with a focus on biosecurity impacts.

Both Juan and Richard are settling in well and making great use of their extensive skills.

The aim is to provide a platform which supports your own activities and growth.



Richard Mills



Juan Rosales

...up to  
**25**  
 projects  
 will be  
 initiated  
 in the first  
 year.

### Our people in the future

Like growers we face a constant demand to do more in different areas. This demand comes from both industry and government. We have signalled for some time that government departments are expecting greater involvement and activity by industry organisations. Part of this is the general expectation by many that government will consult with any affected party.

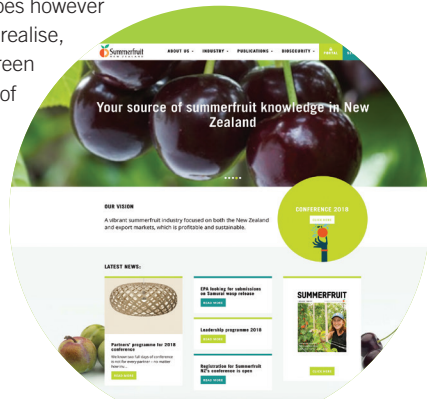
Where it is realistic we leave these activities to Horticulture NZ, where they have the resource and skill to handle them. Resource management is a good example where we do not have the experience to represent summerfruit growers with the level of technical knowledge that is required. However there are issues that require our involvement in order to protect specific summerfruit growers' interests.

While I'm not sure of the timeframe, we fully expect our *Sensational Summerfruit* PGP to be approved. Once that happens up to 25 projects will be initiated in the first year. While not all of that work will be conducted in-house, much will be managed here. The requirement for more staff with specialist skills is included in the budgeting for this project. As a result, while we currently have lots of room in our new offices, this will change within the year.

### IT upgrade

Our major IT upgrade is largely completed. Phases 1-3 are now well bedded in with both a new website and the secure portal up and running. The database is majorly restructured to take considerably more information and produce substantially better reporting. It was also built to enable future expansion of information resulting from *Sensational Summerfruit*. My vision of interactive data or reports that growers can search, probably falls into phase 5 or 6 of future developments.

The portal is largely being used by those submitting levy and during export registration last year. It does however contain more information than you may realise, in particular the online SummerGreen manual contains a significant amount of information on summerfruit growing. You will also find any information on agrichemicals and research outcomes on the portal. Weather forecasting and prediction tools will be added this year.



## Information

IT leads on to the collection and use of information. At a risk of repeating myself in last year's annual report, information continues to be king. There are much greater expectations around information. The internet puts so much at our fingertips in seconds. That information has to come from somewhere though and for that information to be useful it needs to be reliable.

Our annual collection of sales data on the NZ market failed us this year. The 1,650t of reported cherry sales are likely to be 550-600t short of actual volumes sold. So reasonable numbers of sales were under reported or not reported at all. The subsequent impact was that very few people saw that flood of cherries coming on to the market. That flood ran below the radar until it was too late for anyone to take any proactive action. The impact was significant with cherries selling for well below their value. Sales of other summerfruit plummeted as a result of consumers hoovering up the cheap cherries. Nectarines backlogged at a key time in the marketing period. I seem to be repeating myself here but why would you not supply information of this nature? It is collected by an external independent provider and shared only as collated data. Consequently, we guess about the gaps and the reasons for them, casting more light on those places than would otherwise have been the case.

Furthermore, in every significant interaction with government, whether it's talking funding, biosecurity or labour, the first thing they want to know is the size of the industry. Undervaluing your industry is the last thing you want to be doing if you want the attention of government or ministers. Try explaining that we have a labour issue when the reported sales of cherries on the NZ market were the same as last year.

**...information continues to be king.**



**The subsequent impact was that very few people saw that flood of cherries coming on to the market.**

**Try explaining that we have a labour issue when the reported sales of cherries on the NZ market were the same as last year.**



# What information do you need?



Marie at Fruit Logistica in Berlin

## Surveys

We plan to conduct a new survey in 2018. We will start with a pre-survey survey. The pre-survey will not be asking how many trees you have but what information do you need that you aren't currently getting. Once we have that feedback we can work backwards to design the surveys that will give you the answers to those needs. While the data we have previously collected is of great value to us in our management of industry affairs, the ultimate aim is to provide information or tools that are of value to growers.

## Apricot Co

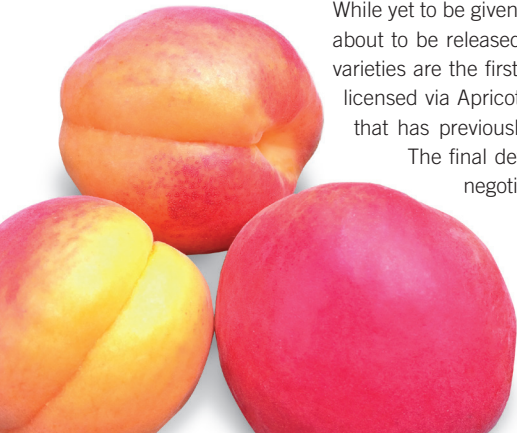
Alongside Plant & Food Research (PFR), Summerfruit NZ has been investing in apricot breeding for many years. The programme has taken innovative directions in the last 10 years and exciting new selections are ready for release, with more selections still in the evaluation stage. The release of new varieties is a key part of the long-term plan to reinvigorate and grow our apricot industry. The access to new genetic material is also key to *Sensational Summerfruit*.

Growers have had plenty of opportunity to see the new apricot selections at PFR in both Hawkes Bay and Central Otago. Interest in several of these selections has started to take off with significant volumes of two varieties being planted, or on order.

That means we can now initiate Apricot Co and develop the co-operative. This development was put on hold several years ago until we had sufficient interest to warrant setting up the co-op. Until we got to this stage there were no 'transacting growers', so we have now moved to set up an interim Board to get Apricot Co over the line and operating.

We are for the first time in many years releasing two new exciting varieties. While yet to be given 'marketing' names, Nzsummer2 and Nzsummer3 are about to be released for commercial development by growers. These two varieties are the first varieties that will move from test agreements and be licensed via Apricot Co. A royalty structure for these varieties of the style that has previously been discussed with growers will be put in place.

The final details of the fee rates will be advised when the licence negotiation with PFR is complete.



The new apricot

Once Apricot Co is up and running and the varieties have moved to commercial release, all growers will have the opportunity to access this opportunity. While there was initial discussion about capping the total planted area to 50 hectares, at this stage no cap has been set on tree numbers. Though there may come a time when Apricot Co decides to do that.

## Research and development

Research is the single largest and a very active portfolio for Summerfruit NZ.

The 2017-18 projects are listed in the following table.

Project	Name	Based	Term	Status
<b>Future Orchard Planting Systems</b>	Stu Tustin, Jill Stanley	PFR	A seven-year project	Funded by MBIE that ends in 2019
<b>Bee- to Bee +</b>	David Pattermore	PFR	A seven-year project	Funded by MBIE that ends in 2020
<b>Managing Pathogen Resistance in Summerfruit</b>	Phil Elmer	PFR	A three-year project in its second year	Funded by Sustainable Farming Fund with contribution by Watties
<b>Apricot evaluation 2017-18</b>	Jill Stanley	PFR	Ongoing	Evaluation of advanced material that emerged from the breeding programme
<b>Research scholarship</b>	Michelle Schurmann		Annual investment	This is a joint project with PFR. The student was once again based at the Clyde Research Centre
<b>Extending use of Vapormate to disinfect export apricots</b>	Kate Calhoun	PFR	Extension of previous work	Seeking increased efficacy against mites and mealybugs
<b>Apricot bioactives</b>	Indrawati Oey	Otago University	Follows on from the previous year's research into plum bioactives	Experiments to determine the total content of bioactives namely carotenoids, phenols and vitamin C in apricots
<b>Apricot pollination assessment 2017</b>	David Pattermore	PFR	A new project in 2017-18	This is a three-part project looking at: i) Pollen compatibility ii) Pollen tube growth in low temperatures iii) Fruit set and insect activity

Chris Hale has reported closely on these projects in each edition of our magazine so I won't go into detail here. Also, research days, which were hugely popular last year, will be repeated in late June. These days will provide a more detailed look at research outcomes and will be targeted at each region. Keep an eye on *Prunings* for the dates of those meetings.

The Research Report that was released in 2016 is being updated for the two intervening years. The new report will be released at the regional research days.

## NZ Market

It's hard to believe that it's almost a year since Trisha Aitken moved on. Her energy for the NZ market and our three-year strategy was such a strong presence. A new three-year strategy was developed just before Trisha departed. The strategy covers six key activity areas and aligns closely with *Sensational Summerfruit*. Consumer research and investigation of nutritional benefits of summerfruit will come into the projects being developed in the draft business case.

### Other activity areas are:

- continued development and roll out of grower tools which include the wrist bands and maturity guides, remain in the strategy
- industry information which includes the grower survey, the quality of the weekly sales data and new consumer data
- technology, new tools and communication.

Without Trisha's focus and the timing of Richard's starting with us, the uptake of the wrist bands dropped off somewhat this season. The wrist bands were developed as a result of consultation with growers and were well received by those who actually used them. Richard will be focusing on them again in the coming season.

### Quality

The delivery of quality summerfruit to our consumers sits behind all parts of the strategy. Someone recently said to me that 'we have been harping on about quality for years'. That is certainly true, but remember what one of the earliest Nielsen reports told us. That with the right fruit we could see a four-fold increase in sales on the NZ market. So while we have seen some real improvement, the supply of reliable quality fruit to consumers, irrespective of the weather, will continue to be a focus.



## Market access

Market access is a long end game. Nothing moves fast enough nor reflects the effort involved. Market access negotiations take perseverance and patience. We have an active market access programme that falls into three categories.

		Focus	Current activity
i.	<b>New markets</b>	Opening up markets that we don't currently have access to	<ul style="list-style-type: none"> <li>• Application for apricots to China</li> <li>• Access to Myanmar</li> </ul>
ii.	<b>Maintaining access to existing markets</b>	Fighting to maintain or regain access to a market where the import or phytosanitary conditions have changed, affecting our ability to export there	<ul style="list-style-type: none"> <li>• Restoring access to Russia due to a change in requirements around brown rot</li> <li>• Restoring access for peaches, nectarines and plums to Thailand</li> <li>• OPI</li> </ul>
iii.	<b>Improving access to existing markets</b>	Seeking better conditions for export by challenging the requirements of importing countries	<ul style="list-style-type: none"> <li>• Reduction of the frequency of audits by the Japan inspector</li> <li>• Change of the phytosanitary inspection requirement by Korea from 2% to the standard 600 inspections</li> </ul>

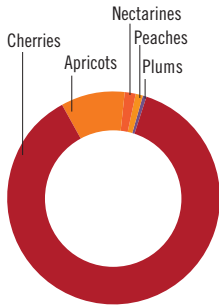
Our success this year with changing the inspection regime for Korea can be attributed to hard work, and more patience than I have, by Stephen Ogden. Details on these projects can be found in each edition of the magazine.



## Export by the numbers

In 2017 a total of 105 growers, 33 packhouses and 29 exporters registered for export. Of those exporters seven were new licence holders and two were Pacific-only licences.

Export volumes 2017-18 (kgs)



We exported 4,420 tonne of cherries, 486 tonne of apricots, 21 tonne of nectarines, 93 tonne of peaches and 52 tonne of plums to more than 17 countries. Notable details of 2017-18 include:

- the growth of cherries which was less than projected due to the difficult season
- the reduction in apricot volumes which was half of the previous year
- while not huge the volumes of the 'smaller' export crops have been steadily increasing in recent years
- Chile exported 130,000 tonne of cherries to the same markets as we did.

I do sometimes wonder whether so many exporters can make anything out of exporting what is realistically rather a small volume. Mind you new exporters can only gain a licence if growers are prepared to supply them.

## Annual biosecurity report

During the discussions with growers around signing the GIA Deed, Summerfruit NZ made the commitment to provide growers with an annual biosecurity report. The first report follows.

After a long gestation our application to sign the GIA Deed was accepted and confirmed by the then Minister for Primary Industries, Nathan Guy, on 24 August 2017. The Deed was signed on 18 September by our Chairman Tim Jones and Tjeerd Smilde, the Summerfruit NZ Director for Biosecurity. An application to become a party to the Fruit Fly Operational Agreement, and therefore on the Fruit Fly Council, was accepted on 28 September. These were big steps that saw a major change in our involvement in biosecurity.

The employment of Juan Rosales as Biosecurity and Export Manager in March this year significantly increases our ability to engage in these activities.





## Operational Agreements

Two Operational Agreements (OAs) are in place for the plant sector. Both of which are relevant to summerfruit growers. Summerfruit NZ is a party to the Fruit Fly OA and will be seeking support to sign the Brown Marmorated Stinkbug (BMSB) OA at the AGM.

Summerfruit NZ is a member of the Fruit Fly Council and currently sits as an observer on the BMSB Council until such a time as the OA is signed. A strategy and readiness work programme has been developed for both Councils. The readiness activities underway for both Councils are:

### Fruit Fly Council activities

- Optimisation Surveillance Programme
- Other Fruit Flies of Economic Significance
- Technical Development (*Testing and registration of new insecticides*)
- Awareness Campaign
- Pre-Agreeing Major Risks
- Review Fruit Fly Response Standard
- Considering the Benefits of Sterile Fruit Fly Release
- Industry Surveillance Pilot.

### Brown Marmorated Stinkbug Council activities

- Understanding BMSB Biology
- Coordinated Research Plan
- Communications Strategy/Awareness Campaign
- Response Operational Specifications
- Samurai Wasp Release Plan

### Samurai wasp EPA application

An example of the activities of the BMSB Council is the application to the EPA to release the Samurai wasp, *Trissolcus japonicus*, to help combat a BMSB incursion should one be found in New Zealand. Studies overseas have shown the Samurai wasp can destroy over 70% of the eggs in a stinkbug egg mass. The wasp does not sting and is completely harmless to humans, but is a natural enemy of the stinkbug. The female wasp lays her eggs inside stinkbug eggs, killing the stinkbug in the



process. Control options are very limited, with use of broad-spectrum chemicals being one of the only tools currently available. The Samurai wasp presents a targeted and biological self-sustaining control tool that could be used, and provides growers with an option other than increasing insecticide sprays.

Summerfruit NZ contributed financially to the research into the potential to import the Samurai wasp. Along with other industry organisations participating in GIA, we made a submission to the EPA supporting this initiative.

**Current activities**

- 1 An application for a Biosecurity Levy is being developed. We have been warned that this is a long slow process and there are other industries backlogged ahead of us awaiting the approval of their levy.
- 2 One of Juan’s first jobs is to develop a biosecurity strategy for the summerfruit industry. He has met with other sectors and reviewed their approach to the development of a strategy to prepare us for the future. The strategy will be built around:
  - i. Threat Identification
  - ii. Preparedness
  - iii. Risk Mitigation
  - iv. Response Management.

**Biosecurity expenditure**

In the 2017 financial year expenditure on biosecurity amounted to \$30,692 and fell into six activity areas.

Activity	Expenditure
General oversight and strategy	\$10,086.43
Visit by Kim Hoelmer, <i>Drosophila suzukii</i> specialist	\$347.39
Samurai wasp contribution and meetings	\$7,358.26
Fruit Fly minimum commitments	\$1,020.87
GIA activities	\$2,683.94
GIA vote including the grower meetings and development of the application	\$9,195.37
<b>Total</b>	<b>\$30,692.26</b>



The 2017 year was largely dominated by the GIA vote and the costs associated with that. Development of GIA itself and our involvement in biosecurity was still under development in 2017 and is not indicative of the costs being incurred in 2018 and in the future.

### Ongoing issues

The new Minister of Biosecurity, Damien O'Connor, has indicated that he wants to make changes to GIA. What this means is not yet clear.

The first discussions around the development of the next Operational Agreement are underway. The OAs for both *Xylella fastidiosa* and *Drosophila suzukii* are on the cards for development. Both pests affect summerfruit so we will participate in the development of these OAs and are likely to recommend that the industry signs them.

### Final comments

In recent months as we build up towards the conference whilst also preparing the *Sensational Summerfruit* business case and setting up the Apricot Co Interim Board, it has at times felt like my wheels were spinning on the spot. I owe my thanks to those, including Directors, who have stepped in and helped. And my thanks to my hard-working staff who have done more than their share or have tolerated late delivery or extended deadlines.

Small organisations often rely on the goodwill and commitment of those who work for us or with us. We rely on people giving us their time for free or delivering far more than their contract states so once again our thanks to all those who continue to contribute to Summerfruit NZ. This includes those with whom we have contracts for services and growers who make their orchards available for visiting inspectors, research activities and/or our visits. Also my thanks to our chairman Tim Jones for his support and strategic vision this year.



**MARIE DAWKINS** | Chief Executive



## INDEPENDENT AUDITOR'S REPORT To the Members of Summerfruit NZ

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Summerfruit NZ ("the Society") on pages 19 to 29, which comprise the statement of profit & loss as at 31 August 2017, balance sheet and statement of movements in equity for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 31 August 2017, and its financial performance for the year then ended in accordance with the reporting requirements specified in the Tax Administration (Financial Statements) Order 2014.

Our report is made solely to the Members of Summerfruit NZ. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Summerfruit NZ and the Members of Summerfruit NZ, for our audit work, for this report or for the opinions we have formed.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Summerfruit NZ.

#### Responsibilities of the Board for the Financial Statements

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

In preparing the financial statements, the Board is responsible on behalf of the Society for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>



#### STAPLES RODWAY AUDIT LIMITED

Wellington, New Zealand | 13 April 2018

## Profit and loss

For the year ended 31 August 2017

	2017	2016
<b>Income</b>		
<b>Administration &amp; finance</b>		
Commodity levy	1,335,777	1,270,253
Conference/AGM	139,415	145,691
<b>Total admin &amp; finance</b>	<b>1,475,193</b>	<b>1,415,944</b>
<b>Export &amp; compliance</b>		
Exemptions	3,164	-
Japan programme	13,996	15,561
Korean programme	11,820	10,100
OPI - Australia	90,621	75,750
Registration - exporters	47,035	38,093
Registration - growers	21,689	14,976
Registration - packers	5,773	4,840
Tape	(287)	4,435
WA registrations	6,532	4,400
<b>Total export &amp; compliance</b>	<b>200,343</b>	<b>168,155</b>
<b>Other income</b>		
AgMardt Harvest Decision Tools	5,217	28,658
Magazine advertising	8,270	6,111
NZ market resources	1,469	3,667
Publications	1,717	209
Wallchart advertising	2,500	2,500
<b>Total other income</b>	<b>19,174</b>	<b>41,145</b>
<b>R&amp;D income/grants</b>		
Bee +	(1,500)	26,500
Pathogen resistance	183,045	-
Grants received	-	47,500
R&D income	(7,043)	52,524
<b>Total R&amp;D income/grants</b>	<b>174,501</b>	<b>126,524</b>
<b>Sundry income</b>		
Interest received	38,915	40,105
<b>Total sundry income</b>	<b>38,915</b>	<b>40,105</b>
<b>Total income</b>	<b>1,908,126</b>	<b>1,791,873</b>
<b>Gross profit</b>	<b>1,908,126</b>	<b>1,791,873</b>

The Notes to the Financial Statements form part of and are to be read in conjunction with the above statements.

## Profit and loss (cont)

For the year ended 31 August 2017

	2017	2016
<b>Less operating expenses</b>		
<b>Administration &amp; finance</b>		
Accommodation	4,446	7,895
Accounting	14,630	13,194
Admin portfolio budget	396	1,431
Annual report	2,104	5,584
Bank charges	534	559
Board expenses	8,239	10,401
Chairmans honorarium	15,000	15,000
Commodity levy expenses - audit & renewal	11,612	8,276
Computer and internet	101	-
Conference/AGM	129,897	145,613
Depreciation	8,988	7,259
Health & safety	(4,348)	5,000
Insurance	1,985	4,863
Meeting fees	30,448	27,724
Office expenses	5,187	2,873
Other conferences	2,228	5,456
Phone/IT	2,803	2,272
Postage & courier	2,854	2,375
Printing/stationery/document store	8,492	7,045
Rent	19,229	16,209
Small asset write off	10,839	-
Summerfruit NZ audit costs	9,200	9,609
Sundry	7,900	13,310
Travel	24,113	22,526
Strategic planning/ business plan	4,875	65,000
Subscriptions	2,053	3,285
<b>Total administration &amp; finance</b>	<b>323,805</b>	<b>402,759</b>
<b>Biosecurity</b>		
Biosecurity	11,175	11,181
GIA	19,517	2,115
<b>Total biosecurity</b>	<b>30,692</b>	<b>13,296</b>
<b>Communication &amp; education</b>		
5+ A Day	5,000	5,000
Young growers sponsorship & Hort NZ leadership course	2,000	2,209
Summerfruit magazine	25,966	26,907
IT - website, database, backups, etc	13,617	13,887
IT strategy/rebuild	19,012	29,635
Communications portfolio expenses	198	3,152
<b>Total communication &amp; education</b>	<b>65,793</b>	<b>80,790</b>

## Profit and loss (cont)

For the year ended 31 August 2017

	2017	2016
<b>Export &amp; compliance</b>		
Export programme coordinator	19,600	19,600
Export registration expenses	5,633	4,905
Export team budget	6,978	4,412
H.E.A.	47,322	38,283
Market access - China	2,602	3,103
Market access - Korea	-	688
Market access - General	30,417	4,160
Market access - Japan	750	1,281
Market access manager	46,491	56,880
OPI Australia	87,481	76,944
Spray programme	19,198	6,866
Tape (Japan/Korea)	2,505	4,725
Korea programme	13,380	94
Japan inspector	9,199	8,474
<b>Total export &amp; compliance</b>	<b>291,557</b>	<b>230,414</b>
<b>NZ market</b>		
NZ market co-ordinator	37,418	27,814
NZ market projects	3,847	1,779
NZM resources	13,700	1,701
Data collection NZ market	525	3,564
NZM portfolio expenses	2,613	3,900
Nielsen reports	3,481	-
Industry survey	18,966	12,899
Strategy	18,396	-
NZM newsletter	18,447	22,690
Harvest Assurance Tools (AgMardt)	10,567	58,021
<b>Total NZ market</b>	<b>127,961</b>	<b>132,368</b>
<b>Research &amp; development</b>		
Agrichemicals - research	-	3,700
Agrichemicals - market access	13,673	6,370
Future Orchard Systems	85,000	85,000
New variety evaluation breeding programme	51,225	50,357
PGP	12,735	4,806
Research manager	44,575	45,537
Research portfolio budget	8,076	9,706
Scholarship	5,750	5,500
Scientific research	41,128	107,996
SummerGreen facilitators	9,293	9,290
Pathogen resistance expenditure	222,850	807
Bee +	15,000	15,000
Tech transfer	-	3,150
R&D report	-	10,065
<b>Total research &amp; development</b>	<b>509,304</b>	<b>357,284</b>

The Notes to the Financial Statements form part of and are to be read in conjunction with the above statements.

## Profit and loss (cont)

For the year ended 31 August 2017

	2017	2016
<b>Staff</b>		
ACC	509	560
Professional development/training	-	214
Salaries & payroll	279,587	222,177
Staff expenses	3,371	814
New staff & recruitment	8,597	-
Salary expenses	375	26
<b>Total staff</b>	<b>292,438</b>	<b>223,791</b>
FreshLearn/tech transfer	3,000	-
<b>Total less operating expenses</b>	<b>1,644,550</b>	<b>1,440,702</b>
<b>Net profit (loss) before taxation</b>	<b>263,576</b>	<b>351,171</b>
<b>Non-operating expenses</b>		
Provision for tax	10,616	10,949
<b>Total non-operating expenses</b>	<b>10,616</b>	<b>10,949</b>
<b>Net profit (loss) for the year</b>	<b>252,960</b>	<b>340,222</b>

## Movements in equity

For the year ended 31 August 2017

	2017	2016
<b>Equity</b>		
<b>Opening balance</b>	<b>1,388,075</b>	<b>1,047,853</b>
<b>Surplus and revaluations</b>		
Net surplus after tax	252,960	340,222
<b>Total surplus and revaluations</b>	<b>252,960</b>	<b>340,222</b>
<b>Other movements</b>		
Industry reserve fund	133,915	(109,895)
Operational reserves	(133,915)	109,895
<b>Total other movements</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,641,035</b>	<b>1,388,075</b>



## Balance sheet

As at 31 August 2017

	Notes	2017	2016
<b>Assets</b>			
<b>Bank</b>			
ANZ - current acc		229,851	70,735
ANZ - on-call acc		423	704
ANZ Bank - conference account		47,053	45,844
<b>Total bank</b>		<b>277,327</b>	<b>117,284</b>
<b>Current assets</b>			
Accounts receivable		36,710	34,664
Investments	16	1,041,953	1,136,963
Accrued income		172,531	99,768
Accrued interest		13,551	12,261
GST		46,851	47,063
Prepayments		8,975	9,193
<b>Total current assets</b>		<b>1,320,570</b>	<b>1,339,912</b>
<b>Fixed assets</b>			
Fixed assets as per schedule		188,427	11,794
<b>Total fixed assets</b>		<b>188,427</b>	<b>11,794</b>
<b>Total assets</b>		<b>1,786,324</b>	<b>1,468,989</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		116,270	41,604
Accrued expenses		29,244	39,262
Taxation	18	(225)	47
<b>Total current liabilities</b>		<b>145,289</b>	<b>80,914</b>
<b>Total liabilities</b>		<b>145,289</b>	<b>80,914</b>
<b>Net assets</b>		<b>1,641,035</b>	<b>1,388,075</b>
<b>Equity</b>			
Industry reserve fund		570,860	436,945
Operational reserves		1,070,175	951,130
<b>Total equity</b>		<b>1,641,035</b>	<b>1,388,075</b>

Signed by

Chairman:



Chief Executive:



Date: 28 April 2018

The Notes to the Financial Statements form part of and are to be read in conjunction with the above statements.

## Schedule of movements in members' funds

For the year ended 31 August 2017

	2017	2016
<b>Members' funds</b>		
<b>Operational reserves</b>		
Opening balance	608,907	308,848
Net interest income transferred to industry reserves	(38,915)	(40,105)
Transfer from/(to) operational reserves	(95,000)	150,000
Surplus/Deficit	342,222	190,164
<b>Total operational reserves</b>	<b>817,214</b>	<b>608,907</b>
<b>Industry reserves</b>		
Opening balance	436,946	546,841
Net interest income transferred from operational reserves	38,915	40,105
Transfer from/(to) operational reserves	95,000	(150,000)
Transfer from/(to) general fund	-	-
<b>Total industry reserves</b>	<b>570,861</b>	<b>436,946</b>
<b>Total recognised revenue &amp; expenses for the year</b>	<b>252,960</b>	<b>342,222</b>
<b>Total members' funds</b>	<b>1,641,035</b>	<b>1,388,075</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. Operations Reserves are made available for expenditure in the following year.

## Notes to the financial statements

*For the year ended 31 August 2017*

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### **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.

### **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 secure portal

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 secure portal 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.

## Notes to the financial statements (cont)

For the year ended 31 August 2017

### 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 (2016: \$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 \$20,000.

13. Operating commitments	2017	2016
<b>Research &amp; development projects</b>		
Current commitments	311,030	358,737
Term commitments	648,727	497,782
<b>Total research &amp; development projects</b>	<b>959,757</b>	<b>856,519</b>

### Pathogen resistance commitment

Summerfruit NZ has committed to paying the full sum of the Pathogen Resistance contract with Plant & Food Research. Summerfruit NZ will be reimbursed for a portion of this expenditure by MPI and Heinz. As a result, only Summerfruit NZ's portion is included in the Operating Commitments totals above.

Summerfruit NZ's Commitment in regard to this is as per the following table:

Financial year	2017-18	2018-19
Full sum committed	208,274	201,344
Less contribution from MPI/Heinz	-159,194	-135,892
Summerfruit NZ's commitment	49,080	65,452

### 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 (2016: Nil).

## Notes to the financial statements (cont)

For the year ended 31 August 2017

<b>16. Investments</b>	2017	2016
ANZ Term Deposit 1035 maturing on 20 March 2018	69,398	67,811
ANZ Term Deposit 1037 maturing on 9 January 2018	58,254	56,452
ANZ Term Deposit 1038 maturing on 9 January 2017	-	56,226
ANZ Term Deposit 1060 maturing on 18 September 2017	84,060	82,855
ANZ Term Deposit 1062 maturing on 23 January 2018	84,728	83,350
ANZ Term Deposit 1067 maturing on 29 January 2018	80,000	80,000
ANZ Term Deposit 1068 maturing on 18 June 2018	80,000	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 7 September 2017	50,895	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 26 September 2017	51,117	50,000
ANZ Term Deposit 1083 maturing on 5 September 2017	81,226	80,000
ANZ Term Deposit 1084 maturing on 16 December 2016	-	50,000
ANZ Term Deposit 1085 maturing on 14 December 2017	81,238	-
ANZ Term Deposit 1086 maturing on 10 December 2017	81,037	-
ANZ Term Deposit 1090 maturing on 16 October 2017	80,000	-
ANZ Term Deposit 1091 maturing on 18 December 2017	80,000	-
ANZ Term Deposit 1092 maturing on 17 January 2018	80,000	-
<b>Total Investments</b>	<b>1,041,953</b>	<b>1,136,963</b>

## Notes to the financial statements (cont)

For the year ended 31 August 2017

17. Fixed and intangible assets	2017	2016
<b>Fixed assets</b>		
<b>Computer equipment</b>		
At cost	7,275	9,975
Plus additions	2,604	-
Less disposals	-	-
Less accumulated depreciation	(7,938)	(9,180)
<b>Total computer equipment</b>	<b>1,941</b>	<b>795</b>
<b>Office equipment</b>		
At cost	7,500	10,230
Plus additions	1,796	-
Less disposals	(6,665)	-
Less accumulated depreciation	(888)	(5,595)
<b>Total office equipment</b>	<b>1,743</b>	<b>4,635</b>
<b>New office</b>		
At cost	-	-
Plus additions	35,076	-
Less accumulated depreciation	(754)	-
<b>Total new office</b>	<b>34,322</b>	<b>-</b>
<b>Total fixed assets</b>	<b>38,006</b>	<b>5,430</b>
<b>Intangible assets</b>		
At cost	93,374	93,374
Plus additions	156,689	-
Less disposals	(93,374)	-
Less accumulated depreciation	(6,268)	(87,010)
<b>Total intangible assets</b>	<b>150,421</b>	<b>6,364</b>
<b>Total fixed and intangible assets</b>	<b>188,427</b>	<b>11,794</b>

## Notes to the financial statements (cont)

For the year ended 31 August 2017

18. Taxation	2017	2016
<b>Current year taxable income</b>		
Assessable interest income for the year	38,915	40,105
Less exemption	(1,000)	(1,000)
<b>Total current year taxable income</b>	<b>37,915</b>	<b>39,105</b>
<b>Current year tax provision</b>		
Taxation provision applied thereon at 28%	10,616	10,949
<b>Total current year tax provision</b>	<b>10,616</b>	<b>10,949</b>
RWT paid	10,534	12,299
<b>Total</b>	<b>82</b>	<b>(1,350)</b>
Income tax paid/(refunded)	(354)	-
Prior years tax balance brought forward	47	1,396
Income tax payable/(refund) per Balance sheet	(225)	47

### 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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