

# Grower Payments

A GROWER'S GUIDE TO UNDERSTANDING:

- ZESPRI KIWIFLIER OGR FORECAST
- ZESPRI PAYMENT SUMMARY
- GROWER'S FACILITY/SUPPLY ENTITY FORECAST STATEMENT



*This document may be updated from time to time*

DECEMBER 2017



An example of the Full Year August Forecast Return and Orchard Gate Return (OGR) from the 31 August issue of Kiwiflier will be used for this guide

## Full Year August Forecast Return and Orchard Gate Return (OGR) - Industry Average Only

Full Year Return	2017/18 - August Forecast							2016/17 Actual						
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools
<b>Total forecast:</b>														
Total trays supplied (m)	64.6	2.7	52.2	0.3	51.9	1.2	123.4	90.8	3.9	48.5	1.7	46.8	1.5	145.9
Kilograms supplied (m)	226.0	9.5	181.5	0.9	180.6	4.2	426.2	319.0	13.7	169.0	5.4	163.7	5.3	510.8
Average size per tray	29.3	33.3	26.7	29.0	26.7	34.1		32.5	35.0	29.9	31.8	29.9	36.1	
Fruit payments (\$m)	308.2	19.4	223.6	1.8	321.8	6.7	675.5	381.0	23.5	291.0	10.0	280.9	10.2	711.9
Fruit Incentives (\$m)	186.0	7.6	301.8	1.5	300.3	3.2	498.6	167.0	10.0	241.6	7.7	233.9	3.2	421.8
Service costs (\$m)	99.3	2.2	65.2	(0.8)	65.2	0.3	167.2	137.9	4.2	67.5	1.3	66.2	0.7	210.3
Fruit and service payments excl. loyalty premium (\$m)	584.9	24.2	464.2	2.5	687.3	10.2	1,341.2	685.8	37.7	600.1	19.0	581.0	14.1	1,344.0
<b>Total forecast per tray (\$):</b>														
Submit payment	2.25	2.25	2.80	2.80	2.80	2.80		2.25	2.25	2.80	2.80	2.80	2.80	
Progress payments (including GOLD ORGANIC Premium)	2.52	4.85	3.40	3.21	3.40	2.72		1.95	3.72	3.20	2.95	3.21	3.88	
Total fruit payments per net submit trays	4.77	7.10	6.20	6.01	6.20	5.52		4.20	5.97	6.00	5.75	6.01	6.68	
KiwiStart *	0.42	0.43	0.41	0.15	0.42	0.71		0.35	0.67	0.51	0.98	0.49	0.31	
Taste Zespri	2.37	2.37	5.28	4.74	5.28	2.05		1.40	1.87	4.40	3.40	4.44	1.85	
Supplier Accountability	0.09	0.00	0.08	0.00	0.08	-0.12		0.08	0.00	0.07	0.04	0.07	-0.05	
Fruit Incentives	2.88	2.80	5.78	4.89	5.78	2.64		1.84	2.54	4.98	4.42	5.00	2.11	
Pack Type	0.58	0.15	0.69	-0.01	0.69	0.22		0.41	0.18	0.63	0.55	0.63	0.46	
Time Payment	0.96	0.66	0.56	0.00	0.57	0.00		1.10	0.88	0.76	0.20	0.78	0.00	
Service costs	1.54	0.81	1.25	-0.91	1.26	0.22		1.52	1.67	1.39	0.75	1.42	0.46	
<b>Class 1 forecast fruit and service payments per net submit trays</b>	<b>9.19</b>	<b>10.71</b>	<b>13.22</b>	<b>10.89</b>	<b>13.24</b>	<b>8.38</b>		<b>7.55</b>	<b>9.57</b>	<b>12.37</b>	<b>10.92</b>	<b>12.40</b>	<b>9.25</b>	
Loyalty Premium	0.25	0.25	0.25	0.25	0.25	0.25		0.25	0.25	0.25	0.25	0.25	0.25	
<b>Class 1 fruit and service payments with loyalty per net submit trays</b>	<b>9.44</b>	<b>10.96</b>	<b>13.47</b>	<b>11.14</b>	<b>13.49</b>	<b>8.63</b>		<b>7.80</b>	<b>9.82</b>	<b>12.62</b>	<b>11.17</b>	<b>12.67</b>	<b>9.50</b>	
Less: onshore fruit loss	-0.18	-0.16	-0.12	-0.02	-0.12	-0.05		-0.22	-0.11	-0.11	-0.04	-0.11	-0.13	
Fruit loss percentage *	1.90%	1.50%	0.90%	0.20%	0.90%	0.60%		2.70%	1.16%	0.87%	0.34%	0.89%	1.36%	
<b>Class 1 fruit and service payments per gross submit trays</b>	<b>9.26</b>	<b>10.80</b>	<b>13.35</b>	<b>11.11</b>	<b>13.37</b>	<b>8.58</b>		<b>7.59</b>	<b>9.70</b>	<b>12.51</b>	<b>11.13</b>	<b>12.56</b>	<b>9.38</b>	
Plus Class 2 Return	0.08	0.12	0.09	0.12	0.09	0.05		0.08	0.18	0.06	0.11	0.05	0.04	
Plus Non-Standard Supply (NSS) *	0.01	0.02	0.00	0.05	0.00	0.03		0.00	0.02	0.00	0.08	0.00	0.02	
Plus Other Income (Non dividend) *	0.00	0.00	0.01	0.00	0.01	0.00		0.01	0.00	0.00	0.00	0.00	0.00	
<b>Average revenue per gross submit trays</b>	<b>9.36</b>	<b>10.94</b>	<b>13.45</b>	<b>11.28</b>	<b>13.47</b>	<b>8.66</b>		<b>7.69</b>	<b>9.91</b>	<b>12.57</b>	<b>11.32</b>	<b>12.62</b>	<b>9.43</b>	
<b>LESS: Post-harvest costs deducted</b>														
Base packing and packaging	-1.49	-1.57	-2.17	-2.28	-2.17	-2.23		-1.45	-1.52	-2.07	-2.33	-2.06	-2.17	
Pack differential	-0.57	-0.14	-0.68	0.01	-0.68	-0.22		-0.40	-0.18	-0.62	-0.54	-0.63	-0.45	
Base cool storage	-0.80	-0.81	-0.81	-0.95	-0.81	-0.81		-0.77	-0.79	-0.79	-0.71	-0.79	-0.80	
Logistics	-0.14	-0.14	-0.14	-0.24	-0.14	-0.14		-0.13	-0.14	-0.14	-0.23	-0.14	-0.14	
Time and CO/RK charges	-0.52	-0.35	-0.37	0.00	-0.38	-0.01		-0.56	-0.42	-0.30	-0.05	-0.31	-0.08	
<b>Total post-harvest costs per gross submit trays</b>	<b>-3.52</b>	<b>-3.02</b>	<b>-4.17</b>	<b>-3.17</b>	<b>-4.18</b>	<b>-3.41</b>		<b>-3.33</b>	<b>-3.05</b>	<b>-3.93</b>	<b>-3.86</b>	<b>-3.94</b>	<b>-3.64</b>	
<b>OGR per gross submit trays</b>	<b>5.84</b>	<b>7.92</b>	<b>9.28</b>	<b>8.12</b>	<b>9.29</b>	<b>5.25</b>		<b>4.36</b>	<b>6.86</b>	<b>8.64</b>	<b>7.46</b>	<b>8.68</b>	<b>5.79</b>	
Average industry yield per productive hectare *	8,915	5,815	11,308	9,698	11,319	6,930		12,281	7,933	11,442	10,853	11,466	7,921	
Number of productive hectares	7,382	476	4,680	30	4,629	176		7,004	502	4,277	161	4,116	195	
<b>OGR per hectare</b>	<b>\$2,038</b>	<b>\$46,958</b>	<b>\$104,956</b>	<b>\$78,707</b>	<b>\$105,140</b>	<b>\$26,408</b>		<b>\$53,555</b>	<b>\$24,427</b>	<b>\$28,838</b>	<b>\$82,968</b>	<b>\$99,547</b>	<b>\$45,853</b>	
Average kilogram per tray *	3.50	3.50	3.48	3.13	3.48	3.49		3.51	3.49	3.48	3.12	3.50	3.46	
<b>OGR per kilogram</b>	<b>1.67</b>	<b>2.26</b>	<b>2.67</b>	<b>2.59</b>	<b>2.67</b>	<b>1.50</b>		<b>1.54</b>	<b>1.97</b>	<b>2.48</b>	<b>2.39</b>	<b>2.48</b>	<b>1.67</b>	

The August forecast reflects final Taste payments and final Time and KiwiStart rates.

Notes:

- KiwiStart includes Priority Premium payments. These are period one - to week 18 related payments that apply to fruit shipped in the applicable weeks and vessels. For Gold this row includes the Hort16A Equalisation Payment.
- Fruit loss percentage includes Ungraded Fruit Inventory losses.
- Zespri does not procure NSS in all categories, returns are as reported in the Ingham Moss post-harvest survey.
- Other Income may include any Service Level Agreement payments, Class 3 Income and interest returns are as reported in the Ingham Moss post-harvest survey.
- The average industry yield per hectare equals Class 1 volumes submitted divided by productive hectares. Productive hectares includes all hectares described by growers as producing vines. The OGR may be distorted by the inclusion of orchards in the first years of production in the calculation.
- Average kilograms per tray are derived using the individual size conversions published in the specific season's Pack Conversion Guide. The finalised Time and KiwiStart Rates are established at the August Forecast - this results in an amendment to KiwiStart and Time, and a corresponding amendment to Fruit Payments.

### Purpose of this Guide

The purpose of this guide is to assist growers in understanding how to:

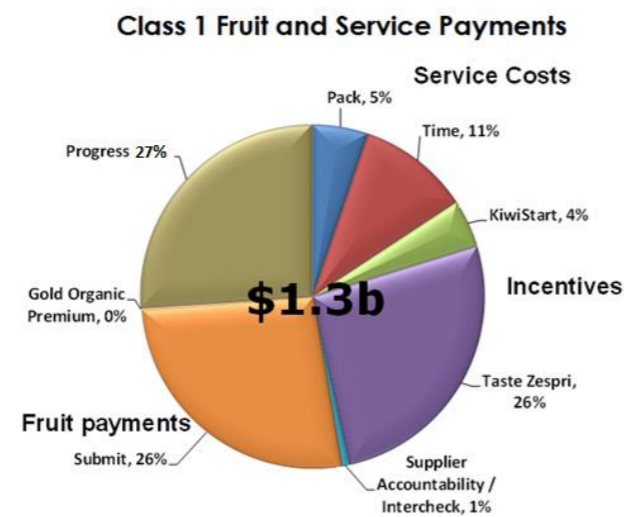
- Read the Zespri Kiwiflier OGR Forecast, including how the numbers are derived;
- Understand the Zespri Payment Summary; and
- Understand the Facility/Supply Entity Forecast Statement.

Over the next few pages growers will be guided through:

- Zespri's Full Year August Forecast Return and Orchard Gate Return (OGR);
- An explanation about what the figures on the OGR mean, referenced by OGR line numbers from 1 - 39; and
- An example of a Zespri Payment Summary and indicative Facility/Supply Entity Forecast Statement, with associated OGR line number references (where applicable).

### Zespri Kiwiflier OGR Forecast

In general, kiwifruit growers are paid on the number of trays they supply to Zespri. However, with increasing consumer demands and customers who are prepared to pay more for better quality fruit, the sole focus on production has been challenged by an additional focus on quality attributes. This means that as well as a base fruit payment, there are also several premiums that act as commercial incentives to encourage the supply of fruit demonstrating a range of product specifications demanded by Zespri's customers. The adjacent graph illustrates components which make up the Total Fruit and Service Payments, based on the August 2017 forecast results for Class 1 Pools - 2017 season. It is illustrative only but demonstrates the approximate allocation of money paid out for the various premiums available.



Based on August 2017 forecast results for Class 1 pools - 2017 season

Class 1 Fruit and Service payments are made up of Service Costs (16%), Incentives (31%), and Fruit Payments (53%).

### How are Fruit and Service Payments calculated?

Class 1 Fruit and Service Payments are calculated for each of the following pools:

- Zespri Green
- Zespri Green Organic
- Zespri Gold and Gold 3 (incl. Organic)
- Zespri Green 14

Fruit and Service Payments are calculated as follows:

- Sales Revenue
- Less: Direct costs (freight, duty & customers, other)
- Less: Promotion costs
- Less: Onshore costs (insurance, labels, port charges, royalty)
- Less: Zespri commission

### Fruit and service payments

### How do I convert that to OGR?

To convert Fruit and Service Payments to OGR (Orchard Gate Return) for cashflow purposes, the calculation is:

- Fruit and Service Payments
- Plus: Loyalty Premium
- Less: Onshore fruit loss
- Plus: Class 2 returns, Non-Standard Supply (NSS) returns and Other Income
- Less: Post-harvest costs

### OGR (Orchard Gate Return)

Full Year August Forecast Return and Orchard Gate Return (OGR)

- extract from Zespri Kiwiflier

Note: All numbers are rounded to two decimal points only

Overall summary

Full Year Return	2017/18 - August Forecast							
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools	
<b>Total forecast:</b>								
Total trays supplied (m)	1	64.6	2.7	52.2	0.3	51.9	1.2	123.4
Kilograms supplied (m)	2	226.0	9.5	181.5	0.9	180.6	4.2	426.2
Average size per tray	3	29.3	33.3	26.7	29.0	26.7	34.1	
Fruit payments (\$m)	4	308.2	19.4	323.6	1.8	321.8	6.7	675.5
Fruit incentives (\$m)	5	186.0	7.6	301.8	1.5	300.3	3.2	498.6
Service costs (\$m)	6	99.3	2.2	65.2	(0.0)	65.2	0.3	167.2
<b>Fruit and service payments excl. loyalty premium (\$m)</b>	<b>7</b>	<b>593.4</b>	<b>29.2</b>	<b>690.6</b>	<b>3.2</b>	<b>687.3</b>	<b>10.2</b>	<b>1,341.2</b>

What does it all mean?

OGR Line No.	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
<b>Total forecast:</b>			
1	Total trays supplied (m)		Total trays shipped (FOBS - Free On-Board Shipping).
2	Kilograms supplied (m)	Line 1 x Line 38 (i.e. Total trays supplied (m) x Average kilogram per tray)	Total kilograms shipped (FOBS).
3	Average size per tray	-	Average size per tray shipped (FOBS), based on a volume/weight/size calculation.
4	Fruit payments (\$m)	Line 1 x Line 10 (i.e. Total trays supplied (m) x Total fruit payment per net submit trays)	Refer Line 10.
5	Fruit Incentives (\$m)	Line 1 x Line 14 (i.e. Total trays supplied (m) x Fruit incentives)	Refer Line 14.
6	Service costs (\$m)	Line 1 x Line 17 (i.e. Total trays supplied (m) x Service costs)	Refer Line 17.
7	Fruit and service payments excl. loyalty premium (\$m)	Line 4 + Line 5 + Line 6 (i.e. Fruit payments (\$m) + Fruit Incentives (\$m) + Service costs (\$m));  OR  Line 1 x Line 18 (i.e. Total trays supplied (m) x Class 1 forecast fruit and service payments with loyalty per net submit trays)	Refer Line 18.

Full Year Return	2017/18 - August Forecast						
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools
Total forecast per tray (\$):							
Submit payment <b>8</b>	2.25	2.25	2.80	2.80	2.80	2.80	
Progress payments (including GOLD ORGANIC Premium) <b>9</b>	2.52	4.85	3.40	3.21	3.40	2.72	
<b>Total fruit payments per net submit trays 10</b>	<b>4.77</b>	<b>7.10</b>	<b>6.20</b>	<b>6.01</b>	<b>6.20</b>	<b>5.52</b>	

 Fruit Payments

OGR Line No.	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
Total forecast per tray (\$):			
<b>8</b>	Submit payment	Currently: <ul style="list-style-type: none"> <li>\$2.25 per tray for Class 1 Hayward and Organic Hayward; and</li> <li>\$2.80 per tray for Class 1 Gold, Organic Gold and Green 14.</li> </ul> Typically paid in the months of April - June at the beginning of the season.	An advance payment paid (funded by Zespri's borrowing facility) when fruit is submitted into post-harvest inventory (with a portion reversed to adjust for any fruit loss).  <u>Note:</u> The value of fruit loss reversal is not included in this line but in Onshore fruit loss at line 21.
<b>9</b>	Progress payments (including GOLD ORGANIC Premium)	<u>Progress Payments</u> <ul style="list-style-type: none"> <li>Discretionary monthly payments (based on market returns) are made from July until May of the following year. No progress payments are paid in January.</li> <li>The final Progress payment is calculated and paid by 31 May after finalising the season return.</li> </ul> <u>Organic Gold Premium</u> <ul style="list-style-type: none"> <li>Currently \$2.00 per tray is paid on fruit submitted into inventory (and reversed on fruit loss).</li> <li>Typically, 70% is paid in August, 20% in November and 10% in March.</li> </ul>	<u>Progress Payments</u> Based on a calculation of all trays submitted into post-harvest inventory and reversed for any fruit loss as recorded by the packhouse/coolstore.  <u>Organic Gold Premium</u> In general, Gold Organic kiwifruit receives greater returns from the markets than Gold conventional. However, unlike Organic Green there is not a separate sales pool. For this reason, Gold Organic fruit receive a Premium, which is paid on all Class 1 Organic Gold3 and is in addition to Submit and Progress payments.  <u>Note:</u> The value of fruit loss reversal is not included in this line but in Onshore fruit loss at line 21.
<b>10</b>	<b>Total fruit payments per net submit trays</b>	Line 8 + Line 9 (i.e. Submit payments + Progress payments (including Organic Gold Premium));  <u>OR</u> Line 18 - Line 17 - Line 14 (i.e. Class 1 forecast fruit and service payments per net submit trays - Service costs - Fruit incentives)	Fruit Payments include Submit payments, Progress payments and Organic Gold Premium payments. These payments make up around half of all Grower Payments.  <u>Note:</u> Fruit loss reversals occur when the fruit loss record is processed by the post-harvest facility. Submit, Progress and Organic Gold Premium Payments are subject to reversals for fruit loss and are included in line 21.



Incentive Payments

Full Year Return	2017/18 - August Forecast							
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools	
KiwiStart <sup>1</sup>	11	0.42	0.43	0.41	0.15	0.42	0.71	
Taste Zespri	12	2.37	2.37	5.28	4.74	5.28	2.05	
Supplier Accountability	13	0.09	0.00	0.08	0.00	0.08	-0.12	
<b>Fruit incentives</b>	<b>14</b>	<b>2.88</b>	<b>2.80</b>	<b>5.78</b>	<b>4.89</b>	<b>5.78</b>	<b>2.64</b>	

OGR Line No.	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
11	KiwiStart	Includes priority premium/early supply payments in period 1.  KiwiStart rates are calculated based on fruit submitted into inventory (i.e. all volumes) but are paid on load out i.e. shipped fruit within the KiwiStart ISO weeks.  Typically paid in August (50%) and October (50%).	Getting fruit into the markets early is critical to ensure an even and consistent supply and help reduce storage and fruit loss costs late in the season.  Growers can earn a KiwiStart Premium for supplying fruit early as there are significant advantages to be gained through securing early shelf space ahead of competitors.  The KiwiStart payment is made to compensate for loss of fruit size and dry matter through harvesting earlier than at optimal fruit condition and includes a premium to incentivise for early fruit harvesting.
12	Taste Zespri	Typically paid in the months of July to December.  The Taste Zespri Payments calculation was included in Zespri's 31 August 2017 Kiwiflier. Information can also be obtained from the <a href="#">Grower Payments Booklet</a> on Canopy.	Ensures that Zespri kiwifruit consistently tastes great to encourage repeat purchase by consumers. Kiwifruit needs to meet a minimum taste level before it is accepted into inventory.  Taste Zespri payments are paid at FOBS (i.e. once fruit is loaded on board a ship). For Gold3, Taste Zespri payments are calculated and paid on a by-size basis.
13	Supplier Accountability	Some of the Supplier Accountability payments are subject to SLA (Service Level Agreement) terms.	An in-market fruit inspection system put in place to support the supply of good quality fruit to the markets. Essentially, <ul style="list-style-type: none"> <li>Suppliers are incentivised for the supply of good quality fruit.</li> <li>Suppliers are penalised when fruit of a lesser standard has been supplied.</li> </ul> <p>The overall aim is to incentivise the supply of top-quality fruit and reduce offshore quality costs.</p>
14	Fruit incentives	Line 11 + Line 12 + Line 13 (i.e. KiwiStart + Taste Zespri + Supplier Accountability)	Incentive payments promote the supply and delivery of kiwifruit with the characteristics desired by Zespri's markets. This is to ensure that Zespri and the NZ kiwifruit industry remain the globally-preferred brand and supplier of kiwifruit.

 Service Payments

Full Year Return	2017/18 - August Forecast						
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools
Pack Type <b>15</b>	0.58	0.15	0.69	-0.01	0.69	0.22	
Time Payment <b>16</b>	0.96	0.66	0.56	0.00	0.57	0.00	
<b>Service costs 17</b>	<b>1.54</b>	<b>0.81</b>	<b>1.25</b>	<b>-0.01</b>	<b>1.26</b>	<b>0.22</b>	
<b>Class 1 forecast fruit and service payments per net submit trays 18</b>	<b>9.19</b>	<b>10.71</b>	<b>13.22</b>	<b>10.89</b>	<b>13.24</b>	<b>8.38</b>	

	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
<b>15</b>	Pack Type	Typically paid to the supply entity in the months of April to December (made weekly until the end of June, and then monthly).	<p>The intention of the pack payment (also known as the pack differential) is to fairly compensate for the differential cost of packing services carried out.</p> <p>It compensates for the differential cost between the base pack of each variety packed, cooled, delivered to wharf and stowed FOBS and an alternative pack. For example, for Hayward Conventional and Organic the base pack is an ENMB, for Green 14 it is an ENMT and for Gold 3 it's an ENML.</p> <p>The pack differential ensures that there is no commercial advantage or disadvantage obtained from packing different pack types.</p>
<b>16</b>	Time Payment	Typically paid to the supply entity in the months of April to December (made weekly until the end of June, and then monthly).	<p>As kiwifruit is stored longer, it requires additional coolstorage and because it is deteriorating over time, condition checking, repacking, fruit loss and taste compensation levels increase. When trays are loaded out, Zespri pays time rates to suppliers that compensate for the cost of supplying fruit over time. The payment also includes a compensation for fruit loss and the taste payment foregone on this fruit loss. In addition, a premium (usually referred to as storage incentive), is also paid on top of the fruit loss compensation.</p> <p><i>Growers should talk to their packhouses to ensure they are familiar with their Supply Entity policies on Storage Risk and Time Costs as many are subject to pooling.</i></p>
<b>17</b>	Service costs	Line 15 + Line 16 (i.e. Pack type + Time payment)	<p>Service Costs include payments for packing into particular pack types and time payments (storing fruit later in the season). These are paid at FOBS i.e. when fruit is shipped.</p> <p><i>The proportion of these costs a grower will receive should be discussed with their particular packhouse or supplier.</i></p>
<b>18</b>	Class 1 forecast fruit and service payments per net submit trays	Line 10 + Line 14 + Line 17 (i.e. Total fruit payments per net submit trays + Fruit incentives + Service costs)	Total return on Class 1 trays shipped; a net figure i.e. fruit loss has been taken out.

Full Year Return	2017/18 - August Forecast						
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools
Loyalty Premium <b>19</b>	0.25	0.25	0.25	0.25	0.25	0.25	
<b>Class 1 fruit and service payments with loyalty per net submit trays</b> <b>20</b>	<b>9.44</b>	<b>10.96</b>	<b>13.47</b>	<b>11.14</b>	<b>13.49</b>	<b>8.63</b>	
Less: onshore fruit loss <b>21</b>	-0.18	-0.16	-0.12	-0.02	-0.12	-0.05	
Fruit loss percentage <sup>2</sup> <b>22</b>	1.90%	1.50%	0.90%	0.20%	0.90%	0.60%	
<b>Class 1 fruit and service payments per gross submit trays</b> <b>23</b>	<b>9.26</b>	<b>10.80</b>	<b>13.35</b>	<b>11.11</b>	<b>13.37</b>	<b>8.58</b>	

	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
<b>19</b>	Loyalty premium	Currently \$0.25c per tray, paid on trays supplied. Note: The Zespri margin negotiations are being finalised that may result in the method of calculation for the Zespri margin and loyalty changing for the 2018 season.  Typically paid in January (50%) and June (50%).	A mechanism that allows growers who have entered into a three-year rolling loyalty contract with Zespri to share in a portion of Zespri's corporate profit.  To be eligible for the loyalty payment, a grower must supply to Zespri all of their Class 1 kiwifruit from all properties they own and contract services for their Class 1 kiwifruit with post-harvest operators that are registered as Zespri exclusive suppliers.
<b>20</b>	Class 1 fruit and service payments with loyalty per net submit trays	Line 18 + Line 19 (i.e. Class 1 forecast fruit and service payments with loyalty per net submit trays + Loyalty premium)	Total return on Class 1 trays shipped, with the loyalty payment included.
<b>21</b>	Less: Onshore fruit loss		The value of the difference between the amount of fruit that is submitted, compared to the amount of fruit that is shipped.  Fruit loss reversals occur when the fruit loss record is processed by the post-harvest facility. Submit, Progress and Organic Gold Premium payments are subject to reversals for fruit loss.
<b>22</b>	Fruit loss percentage	Line 21 ÷ Line 20 x 100 (i.e. Onshore fruit loss ÷ Class 1 fruit and service payments with loyalty per net submit trays x 100)	Onshore fruit loss expressed as a percentage of Class 1 fruit and service payments with loyalty per net submit trays. Includes ungraded fruit inventory losses.
<b>23</b>	Class 1 fruit and service payments per gross submit trays	Line 20 - Line 21 (i.e. Class 1 fruit and service payments with loyalty per net submit trays - Onshore fruit loss)	Total return on Class 1 trays submitted; a gross figure i.e. before fruit loss.



May include Service Level Agreements

Full Year Return	2017/18 - August Forecast						
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools
Plus Class 2 Return <b>24</b>	0.08	0.12	0.09	0.12	0.09	0.05	
Plus Non-Standard Supply (NSS) <sup>3</sup> <b>25</b>	0.01	0.02	0.00	0.05	0.00	0.03	
Plus Other Income (Non dividend) <sup>4</sup> <b>26</b>	0.00	0.00	0.01	0.00	0.01	0.00	
<b>Average revenue per gross submit trays</b> <b>27</b>	<b>9.36</b>	<b>10.94</b>	<b>13.45</b>	<b>11.28</b>	<b>13.47</b>	<b>8.66</b>	

	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
<b>24</b>	Plus Class 2 return	Returns are reported in the Ingham Mora post-harvest survey. Generally managed by the Supplier on behalf of the grower pool.	Class 2 kiwifruit is fruit that does not qualify for inclusion in Class 1 as it does not satisfy all characteristics of that variety e.g. defects in shape, colouring, skin and so on.
<b>25</b>	Plus Non-Standard Supply (NSS)	Zespri does not procure NSS in all categories. Returns are reported in the Ingham Mora post-harvest survey. Generally managed by the Supplier on behalf of the grower pool.	Non-Standard Supply (NSS) is fruit outside the Zespri Class 1 standard supply specification because of size and/or taste. Zespri purchases NSS fruit by way of a Service Level Agreement (SLA) depending on market demand and the ability to provide commercially viable returns to growers e.g. size 46 Class 1 Hayward Organic Kiwifruit.  SLA's are contracted agreements between Zespri and suppliers for services during the season which help deliver a product with specific attributes in an acceptable timeframe to the market.
<b>26</b>	Plus other income (non-dividend)	Reported in the Ingham Mora post-harvest survey.	May include SLA payments, grower rebates and interest returns.
<b>27</b>	<b>Average revenue per gross submit trays</b>	Line 23 + Line 24 + Line 25 + Line 26 (i.e. Class 1 fruit and service payments per gross submit trays + Class 2 returns + Non-Standard Supply (NSS) + Other income (non-dividend))	Total return on Class 1 trays submitted together with other revenue streams; a gross figure.





Post-harvest costs

Full Year Return	2017/18 - August Forecast						
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools
Base packing and packaging	28	-1.49	-1.57	-2.17	-2.28	-2.17	-2.23
Pack differential	29	-0.57	-0.14	-0.68	0.01	-0.68	-0.22
Base cool storage	30	-0.80	-0.81	-0.81	-0.66	-0.81	-0.81
Logistics							
Time and CC/RK charges	32	-0.52	-0.35	-0.37	0.00	-0.38	-0.01
<b>Total post-harvest costs per gross submit trays</b>	<b>33</b>	<b>-3.52</b>	<b>-3.02</b>	<b>-4.17</b>	<b>-3.17</b>	<b>-4.18</b>	<b>-3.41</b>

	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
	<b>Less: Post-harvest costs deducted</b>		
28	Base packing and packaging		Pricing for packing is set on the charge for a base pack per variety.
29	Pack differential		The differential cost between the base pack of each variety packed, cooled, delivered to wharf and stowed FOBS and an alternative pack i.e. equalises the costs of packing different pack types.
30	Base cool storage	Provided by post-harvest in response to an annual survey conducted by Ingham Mora.	Coolstores utilising refrigerated air are used to reduce the temperature of kiwifruit so that it stores for longer.  Controlled atmosphere (CA) storage is also used where oxygen, carbon dioxide, and nitrogen concentrations, as well as temperature and humidity, are regulated to enable kiwifruit to store longer.
31	Logistics		The management, control and performance of all functions and movements required to move kiwifruit from coolstore to FOBS, including all administrative functions and in particular includes cartage, stevedoring, wharfage and buffer storage.
32	Time and CC/RK charges		Condition checking is paid on every tray shipped from week 25 (week 22 for Gold3).
33	Total post-harvest costs per gross submit trays	Line 28 + Line 29 + Line 30 + Line 31 + Line 32 (i.e. Base packing and packaging + Pack differential + Base cool storage + Logistics + Time and CC/RK charges)	Total post-harvest costs associated with Class 1 gross submit trays, Class 2 returns, NSS and Other Income.

Full Year Return	2017/18 - August Forecast						
	Zespri Green	Zespri Organic Green	Zespri TOTAL Gold & Organic Gold	Zespri Gold & Organic Gold	Zespri Gold3 & Organic Gold3	Zespri Green14	All Pools
OGR per gross submit trays <b>34</b>	5.84	7.92	9.28	8.12	9.29	5.25	
Average industry yield per productive hectare <sup>5</sup> <b>35</b>	8,915	5,815	11,308	9,698	11,319	6,930	
Number of productive hectares <b>36</b>	7,382	476	4,660	30	4,629	176	
OGR per hectare <b>37</b>	\$52,038	\$46,058	\$104,956	\$78,707	\$105,140	\$36,408	
Average kilogram per tray <sup>6</sup> <b>38</b>	3.50	3.50	3.48	3.13	3.48	3.49	
OGR per kilogram <b>39</b>	1.67	2.26	2.67	2.59	2.67	1.50	

The August forecast reflects final Taste payments and final Time and KiwiStart rates.

**Notes:**

1. KiwiStart includes Priority Premium payments. These are period one - to week 18 related payments that apply to fruit shipped in the applicable weeks and vessels. For Gold this row includes the Hort16A Equalisation Payment.
2. Fruit loss percentage includes Ungraded Fruit Inventory losses.
3. Zespri does not procure NSS in all categories, returns are as reported in the Ingham Mora post-harvest survey.
4. Other Income may include any Service Level Agreement payments, Class 3 income and interest returns are as reported in the Ingham Mora post-harvest survey.

	OGR Item	Calculated as (x = times, ÷ = divided by, + = plus, - = minus)	Further explanation
<b>34</b>	OGR per <u>gross</u> submit trays	Line 27 - Line 33 (i.e. <u>Average</u> revenue per gross submit trays - Total post-harvest costs per gross submit trays) <u>OR</u> Line 18 (i.e. Class 1 forecast fruit and service payments per net submit trays) <u>Plus</u> Line 19 (i.e. Loyalty Premium) <u>Less</u> Line 21 (i.e. Onshore fruit loss) <u>Plus</u> Line 24 + Line 25 + Line 26 (i.e. Class 2 Returns, Non Standard Supply (NSS) returns and Other Income) <u>Less</u> Line 33 (i.e. Post-harvest Costs) Equals OGR	The total average amount of money that flows through the orchard gate prior to paying on-orchard costs, reported on submitted trays i.e. OGR is calculated after deducting onshore fruit loss and post-harvest costs from the fruit and service returns paid by Zespri.
<b>35</b>	Average industry yield per productive hectare	Line 1 ÷ Line 36 (i.e. Total trays supplied (m) ÷ Number of productive hectares)	Class 1 volumes submitted divided by productive hectares.
<b>36</b>	Number of productive hectares		Productive hectares include all hectares described by growers as producing vines. The OGR may be distorted by the inclusion of orchards in the first year of production.
<b>37</b>	OGR per hectare	Line 34 x Line 35 (i.e. OGR per gross submit trays x <u>Average</u> industry yield per productive hectare)	
<b>38</b>	Average kilogram per tray		Average kilograms per tray are derived using the individual size conversions published in the specific season's Pack Conversion Guide.
<b>39</b>	OGR per kilogram	Line 34 ÷ Line 38 (i.e. OGR per gross submit trays ÷ Average kilogram per tray)	OGR per kg sold by Zespri.

5. The average industry yield per hectare equals Class 1 volumes submitted divided by productive hectares. Productive hectares includes all hectares described by growers as producing vines. The OGR may be distorted by the inclusion of orchards in the first years of production in the calculation.
6. Average kilograms per tray are derived using the individual size conversions published in the specific season's Pack Conversion Guide. The finalised Time and KiwiStart Rates are established at the August Forecast - this results in an amendment to KiwiStart and Time, and a corresponding amendment to Fruit Payments.



### Zespri Payment Summary and Facility/Supply Entity Forecast Statement

Zespri generally does not pay growers directly, and instead make fruit and service payments to the appropriate Facility/Supply Entity growers are individually contracted to. Many of these payments are often pooled at an entity level so the money that Zespri pays for your fruit is pooled with other growers in your entity. Pooling usually occurs for two reasons:

1. Enables growers to share their risk. For example, fruit loss generally increases over time. Therefore, growers will often opt to pool this risk so they are not exposed if their fruit is loaded out later than other growers in their facility. Pooling also allows facilities to manage loadouts based on the quality attributes of the fruit without equity issues around disproportionately exposing a grower to risk. Quality checks offshore is another good example of where pooling is effective to share risk as a minimum of 5% of grower lines are checked. Therefore, if a grower does not pool they could be exposed to a large amount of cost (or reward) if they are one of the 5% checked offshore. Individual risk will be very dependent on the reason for the intercheck loss and the contract between the grower and supply entity.
2. Pooling often occurs on incentives that are paid on the number of trays delivered to a certain market or submitted/loaded out at a certain time. If more eligible trays are available than are paid the incentive, entities may pool the payment across all eligible trays.

When Zespri forecasts what you can expect to receive for your fruit per tray, they:

- Update the growers Payment Summary on the Canopy each month which you can access anytime. This represents actual YTD payments with a component of forecasting for fruit value only; and
- Send this information to your Facility/Supply Entity who recalculate the information based on their “Entity and Payments” cost structure (i.e. the Facility/Supply Entity Grower Pools) and notifies you of what you will be paid for your fruit.

### Zespri Payment Summary

A Grower’s Zespri Payment Summary is included overleaf. It shows what the grower’s KPIN(s) attracted throughout the year. All data shown is sourced from Zespri’s records. The Zespri Payment Summary for each Grower can be located on:

[Canopy > Zespri & The Kiwifruit Industry > Tools & Calculators > Tool & Systems > Payment & Inventory Reports.](#)

Note that the Zespri OGR Line No. has been given in the example to demonstrate how you can equate your Zespri Payment Summary to the Zespri OGR return.



# ZESPRI Payment Summary

KPIN: 1  
 Titleholder Name:  
 Variety: Growing Method:

Year to Date: [Date/Year]

(Figures relate to the August Issue of the Kiwiflier)

2017 Kiwifruit Season

**Class 1 GA Conventional**

Volume (Trays) – Updated on the last Sunday of each month

	Size								
	Total	18	22	25	27	30	33	36	39
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">2</span> Gross Submit									
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">3</span> Fruit Loss Deducted (Chargeable)									
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">4</span> Net Submit (YTD)									
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">5</span> Shipped (FOBS)									
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">6</span> % Shipped of Net Submit (YTD)									

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**Fruit Payments (\$ Paid per Tray Supplied to ZESPRI FOBS) – as per Kiwiflier**

Zespri OGR Line		Industry	16/22	25/27	30/33	36/39	42
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">8</span>	Standard Advance Payment						
	Progress Payments						
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>	Paid Jul	<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>					
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>	Paid Aug	<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>					
	YTD Payments Made						
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>	Approved Payment Dec	<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>					
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>	Fruit Payments Remaining to Forecast	<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">9</span>					
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">10</span>	Forecast Total Fruit Payments (Kiwiflier)						

**Fruit Payments (\$ Paid)**

	Prior Months	This Month	Total
Standard Advance Payment – (Gross)	\$	\$	\$
Reversals			
Standard Advance Payment – (Net Submit)			
Progress Payments			
Reversals			
<b>Total Fruit Payments Made</b>			

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**ZESPRI Fruit and Service Payments – Year to Date**

Net Submit (YTD) % Shipped of Net Submit (YTD)	Your KPIN(s)		Comparative Industry Data	
	Net Submit \$ Per Tray	Total \$	Average \$ Per Tray	Top 25% \$ Per Tray
<span style="border: 1px solid red; border-radius: 50%; padding: 2px;">11</span>				
Fruit Payments – from table 'Fruit Payments (\$ Paid)' above				
Fruit Incentives				
KiwiStart				
Taste Zespri				
Total Fruit Incentives				
Service Costs				
Pack Type				
Time Costs				
Total Service Costs				
ZESPRI Loyalty Premium				
Class 1 Fruit and Service Payments made to date				

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- 1 **KPIN:** Four-digit KPIN number
- Titleholder Name:** Will usually be the grower and must be the owner of the fruit immediately prior to delivery of title to Zespri at FOBS.
- Variety:** The fruit type the payment summary relates to e.g. Hayward, Green 14, Gold, and so on.
- Facility:** The Facility/Supply Entity that the grower belongs to.
- Growing Method:** Conventional, Organic.
- 2 **Gross Submit:** The volume of fruit submitted to post-harvest.
- 3 **Fruit Loss Deducted (Chargeable):** Trays reversed from inventory prior to FOBS where that cost is not worn by the Zespri pool. Please be aware that some Facilities/Supply Entities may have arrangements in place to recover value from fruit loss trays. Please discuss this with your entity.
- 4 **Net Submit (YTD):** Gross submit less chargeable fruit loss incurred prior to delivery to Zespri at FOBS. At the end of the season is equal to trays supplied to Zespri and trays shipped (plus non-chargeable fruit loss).
- 5 **Shipped (FOBS):** Free on Board Stowed which is the current point of purchase where title passes to Zespri.
- 6 **% Shipped of Net Submit (YTD):** Shipped (FOBS) divided by Net Submit (YTD) expressed as a percentage.
- 7 Fruit submitted into post-harvest inventory based on size profile.
- 8 This information is per the Kiwiflier OGR.
- 9 This information is per the Kiwiflier OGR. The sum of 9 equates to Line 9 of the Kiwiflier OGR.
- 10 The \$ amount of fruit payments Zespri have made to the Facility/Supply Entity on behalf of the grower.  
  
Reversals are the adjustments made on account of fruit loss or adjustment made to Ungraded Fruit Inventory (UFI) estimate.
- 11 Comes from the volume (trays) table in this statement.
- 12 The \$ amount of fruit and service payments Zespri have made to the Facility/Supply Entity on behalf of the grower.  
  
The Loyalty Payment is payable to growers who are party to and have met their contractual obligations under the Three-Year Rolling Grower Contract.

## Facility/Supply Entity Forecast Statement

While the data shown in the Zespri Payment Summary is sourced from Zespri's records, it may differ from that received from your Facility/Supply Entity on account of, but not limited to Supply Entity pooling, individual entity rules, recovery of value from Fruit Loss trays and so on.

Each Facility/Supply Entity Forecast Statement is different, however most will display the forecasted data at a Zespri, Supplier, Pool and Grower level, showing what incentives, premiums and deductions are made for your fruit. The Zespri column of this statement should equate to the Zespri Payment Summary that Zespri supply to the Facility/Supply Entity (as per Kiwiflier).

An indicative grower statement may look something like the table below. Note that the Zespri OGR Line No. has been given in this example to demonstrate how you can equate your grower statement to the Zespri OGR return.

Zespri OGR Line	Supplier Name 2017 Green (HW) Pool	Zespri	Supplier (Mainpack)	KiwiStart	Pool	Grower
1	Packed trays					
3	Average size					
36	Hectares					
	Trays per Hectare					
	TZG					
10	Submit and Progress Payments					
	Fruit Incentives					
11	KiwiStart					
12	Taste Zespri					
13	Supplier Accountability					
14	Subtotal Fruit Incentives					
	Service Payments					
15	Pack Type Differential					
16	Time Payment					
16	Storage incentives					
17	Subtotal Service Payments					
18	Subtotal Incentives & Service Payments					
	Class 1 Return on Trays Supplied					
19	Loyalty Premium					
20	Class 1 Return on Trays Supplied incl. Loyalty					
21	Less Fruit Loss					
23	Class 1 Return on Trays Packed					
24	Average Class 2 Income per Class 1 Tray					
25	Non-Standard Supply					
26	Other Income					
27	Forecast Total Return					
	Post-Harvest Costs Deducted					
28	Base Packing and Packaging					
29	Pack Type Differential					
30	Base Coolstorage					
31	Logistics					
32	Time and CC/RK charges					
33	Total Post-Harvest & Service Costs					
34	Net Orchard Gate Return, Per Tray					
37	Net Orchard Gate Return, Per Hectare					

- ① The Supplier pool you are being paid from e.g. Hayward, Organic Hayward, Green 14, Gold 3 and Organic Gold 3.
- ② How many trays you have packed, the average fruit size, the number of hectares you have, and the number of trays per hectare of fruit supplied.  
Your TZG and the pool average TZG may be shown.
- ③ How much you have been paid in submit and progress payments.
- ④ The fruit incentives paid for your fruit.
- ⑤ Facilities/Supply Entities generally differentiate between Time Payments and Storage Incentives.
- ⑥ The average pool service payments paid for your fruit.
- ⑦ Submit and Progress Payments + Fruit Incentives + Service Payments
- ⑧ Total return on Class 1 trays **supplied**.
- ⑨ The Loyalty Premium paid for the supply of your fruit.
- ⑩ Total return on Class 1 trays supplied, including Loyalty Premium.
- ⑪ Fruit Loss is deducted from your Class 1 trays supplied.
- ⑫ Total return on Class 1 trays **packed**.
- ⑬ Any income you may have received for Class 2, Non-Standard Supply or other income (e.g. Class 3 fruit).
- ⑭ Your Total Forecast prior to post-harvest costs
- ⑮ Charges for packing, condition checking, repacking, cooling and transporting your fruit to the wharf.
- ⑯ Your Net OGR.

**Other helpful notes:**

Some Facilities/Supply Entities group Time Payment (Zespri OGR Line 16), Storage Incentives (Zespri OGR Line 16), Fruit Loss (Zespri OGR Line 21) and Time Charges (Zespri OGR Line 32) into a “Net Storage Return”. This is an indication of how well the Facility/Supply Entity has done in storing the Grower’s fruit.

Some Facilities/Supply Entities do not show Fruit Loss (Zespri OGR Line 21) as a separate line item but offset it against Submit and Progress payments.

Some Facilities/Supply Entities exclude both the Pack Differential Income and Pack Differential Expense (Zespri OGR Line 15 & 29) from the Grower return as they set off to zero.

Facilities/Supply Entities typically report to Growers at a Maturity Area (MA) level and each MA will generally be either KiwiStart or Mainpack. This is why some Facilities/Supply Entities provide a breakdown of the Facility/Supply Entity average between KiwiStart and Mainpack, for the Grower to compare their individual MA/orchard against.

Zespri OGR Lines 11 through 20 are represented as a “per FOBS tray” rate on the Zespri Industry Forecast (per Kiwiflier), but are represented as a “per Submit tray” rate on the Facility/Supply Entity Forecast. This means that the Industry and Facility/Supply Entity figures for each line item are not directly comparable. The balancing line is Fruit Loss, whereby the Zespri Industry Forecast then converts from a “Per FOBS tray” rate to a “Per Submit tray” rate.

**Summary**

Growers are encouraged to talk to their Facility/Supply Entity to ensure they understand their Facility/Supply Entity Forecast Statement and how it works with the Zespri Payment Summary and Kiwiflier.

Payment terms are defined in the Pricing and Payment Manual which is Schedule 3 of the Annual Supply Agreement on the Canopy, available [here](#).

Additionally, any questions on Zespri’s Kiwiflier or Payment Summary can be directed to your Grower Liaison Manager or the Zespri Grower Support Services on 0800 155 355 or email [contactcanopy@zespri.com](mailto:contactcanopy@zespri.com) to discuss any queries.

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**Disclaimer:**

*NZKGI has taken care and prepared this information in good faith. This guide is not intended to be relied on and growers should seek appropriate advice from their Facilities/Supply Entities. NZKGI does not make any representation as to the accuracy of this information and disclaims any liability in respect of loss or damage arising from its use.*