

2018 Loyalty Contract (Green form): An independent guide

This document provides an independent guide to the Zespri Loyalty Contract process.

A new Loyalty Contract is required to be signed:

- with the issuance of a new grower number due to:
 - changing facility for the 2018 season
 - changing the ownership or lease arrangements of your orchard for the 2018 season.
- if payment arrangements change

What is the Zespri Loyalty Contract?

In return for:

- Growers agreeing to supply Zespri with all their Class 1 kiwifruit
- Growers using a Registered Supplier to provide post-harvest and supplier services

Zespri will:

- Pay a Loyalty Premium per Class 1 tray supplied at FOBS
- Pay an additional loyalty payment where the New Zealand kiwifruit EBIT (Earnings Before Interest and Tax) is more than one percent of net sales. Half the “excess” EBIT (the portion over 1% of net sales) is shared with growers across all trays supplied FOBS.
- Provide full information about each Grower’s fruit
- Accept all of the Grower’s Class 1 fruit

There are two ways to have a Loyalty Contract with Zespri:

1. Directly with Zespri; OR
2. Through your facility by an agency arrangement. If your Facility has an agency agreement in place they should contact you.

Do I need to update my current Zespri Loyalty Contract?

1. Are the details provided by Zespri, listing your grower number(s) and how your loyalty payment is made, correct?
2. Do you want this payment arrangement to continue?

If you have answered **NO** to either question - sign a new 2018 Loyalty Contract.

Note: If your payment arrangements have changed (if you have your Loyalty paid direct and not assigned to your post-harvest facility), a copy of your bank deposit slip should accompany your Loyalty Contract.

If you have answered YES to both questions - you do **NOT** need a new Loyalty Contract with Zespri.

3. Have you changed facility for the 2018 season?
4. Has the ownership or lease arrangements of your orchard for the 2018 season changed?
5. Have you have been issued with a new grower number(s)

If you have answered YES to any of these questions - sign a new 2018 Zespri Loyalty Contract.

Where can I find the Zespri Loyalty Contract?

The Zespri Loyalty Contract can be obtained from the Zespri Canopy website at <https://Loyalty-Contract.pdf>

What do I do if my Facility has an agency agreement in place for my Zespri Loyalty Contract?

If your Facility has an agency agreement in place for your Zespri Loyalty Contract, contact your Facility. Discussions may include:

1. What your supply entity pooling rules are
2. Whether there is a choice - do you have to pool your loyalty payments?
3. How is fruit loss accounted for?
4. Are there any KiwiStart adjustments made?
5. What will you get paid? This will likely not be the full amount of Zespri loyalty payment due to the adjustments made by your pool rules

It's important to know what effect your entity rules will have on how much of your Zespri loyalty payment you will receive.

How can I terminate my Zespri Loyalty Contract?

Any grower who is a party to the Zespri Loyalty Contract may give notice that the Loyalty Contract is not to be automatically extended for a further season by completing the [Option to Terminate.pdf](#) form and returning it to the Zespri Grower Contact Centre (PO Box 4043, Mt Maunganui, 3149).

How will the enduring funding mechanism affect the Loyalty Contract?

Late last year, NZKGI, Zespri Group Ltd and Suppliers reached agreement on an Enduring Funding mechanism which determines how Zespri is financed from the sale of New Zealand kiwifruit for future seasons. The agreement amended how loyalty payments are calculated from the 2018 season.

Zespri receives a margin for buying, marketing and selling the kiwifruit. The gross percentage margin Zespri earns, by agreement with the industry, is being reduced over time to try and achieve a targeted New Zealand supply EBIT (Earnings Before Interest and Tax) of approximately one percent (1%) of net sales. In addition, from the 2017/18 year there is a mechanism to equally share with growers any EBIT from NZ Supply over one percent of net NZ kiwifruit sales (if applicable). Where the New Zealand kiwifruit EBIT is more than one percent of net sales, half the “excess” EBIT (the portion over 1% of net sales) is shared with growers across all trays supplied FOBS (Free On Board Stowed) as an additional loyalty payment.

How is this paid?

The Loyalty Premium is currently \$0.25 per tray of Class 1 kiwifruit supplied FOBS:

- The first instalment of \$0.10 per tray is paid by the end of January of that season
- The second instalment is paid within 30 days of 7 June of the following season and includes
 - the balance of \$0.15 per tray (\$0.25 minus \$0.10)
 - plus the additional amount per tray equal to half the excess EBIT, divided by total trays supplied to Zespri at FOBS

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