



Advance Movement is when Zespri ships fruit earlier than planned to reduce the cool storage peak requirement in New Zealand. It increases the fruit inventory in-market. In the 2016, 2018 and 2019 seasons Zespri and suppliers utilised advance movement. This typically occurred in May/early-June (ISO weeks 19 to 23). NZKGI have received enquiries from Growers about advance movement and this factsheet endeavours to address those queries.

WHAT IS ADVANCE MOVEMENT?

Advance Movement is a programme to alleviate cool storage capacity constraints in New Zealand by shipping fruit earlier than planned and increasing in-market inventories.

WHY IS IT USED?

Advance Movement is used to ship fruit earlier in order to utilise offshore (in-market) cool storage when onshore storage could potentially be faced with a shortage of capacity due to fruit volume and flow.

It has also been noted that the cost of building infrastructure in New Zealand is significant for cool stores which are generally only required for a short period of time. The assertion is that when there is excess capacity available in-market it makes commercial sense to utilise this capacity before building infrastructure in New Zealand with poor asset utilisation. The concept is to take advantage of this opportunity for the industry and save overall industry cost.

Alternatively advance movement could be utilised when there is unplanned cool storage demand e.g. a greater volume than expected or a later season start.

WHAT MARKETS ARE TYPICALLY USED FOR ADVANCE MOVEMENT?

Advance Movement is limited to markets with Zespri “hub”/inventory management capability, which to date has been China, Europe and Japan. Korea was also available in 2019 but did not need to be utilised.

This market group could extend as Zespri continue to develop their capability in key markets (e.g. North America).

IS ADVANCE MOVEMENT A SHORT-TERM INITIATIVE ONLY?

Given the forecast in production volume growth, Zespri, together with suppliers, supports development of a more long-term framework to run across several seasons with key components such as volume agreed and advised well in advance of season start.

While post-harvest facilities are gearing up to manage this volume growth through significant investment in infrastructure, it is also considered prudent to utilise some level of existing static capacity infrastructure in-market if:

- There is sufficient Zespri operational capability and well-developed processes for inventory management, and
- From a financial perspective, it is advantageous for the industry to do so.

It is for this reason that market facilities utilised to date have been “Zespri controlled” storage hubs as opposed to Zespri customer or distributor facilities.

Analysis undertaken of likely static capacity requirements at early/mid-June (ISO week 24 - considered the peak time for cool storage) for the next five seasons (based on harvest and shipping phasing for the 2018 season) demonstrates a significant increase from current levels, assuming that the current harvest window for Gold3 is largely maintained.

WHAT ARE THE RISKS ASSOCIATED WITH ADVANCE MOVEMENT?

There are two identified risks. The first is the maturity profile of the fruit being shipped. In order to make the vessels it is foreseeable that fruit may need to be harvested at less than optimal maturity or that the best storing fruit is shipped early. The second risk is that potentially the rigour of monitoring the condition of the fruit and cool store temperature variability during the advance movement period may not be as robust in-market as they are onshore, where New Zealand post-harvest facility personnel can observe it. The question has been raised as to whether this may contribute to high in-market fruit loss.

Zespri have responded that the same degree of monitoring and sampling take place in the in-market cool store facilities. Further, Zespri has performed fruit loss analysis on fruit loss for advance moved volumes vs non-advance moved volumes and the results evidence similar levels of fruit loss.

DOES ADVANCE MOVEMENT CONTRIBUTE TO MORE COST FOR THE GROWER?

There are a set of agreed key principles around advance movement, as follows:

- Commercially the pool should be neutral from the inclusion of advance movement. It is imperative that the pool does not cross-subsidise any of the associated costs of this programme.
- Non-participants are neither advantaged nor disadvantaged from not participating in the programme. This applies from both a commercial and inventory drawdown perspective.
- There needs to be a firm commitment to the programme and if suppliers withdraw after an agreed commitment date the costs incurred will be picked up by the applicable supplier(s).
- The solution needs to be enduring and needs to be offered to all suppliers.

Ultimately the intention of advance movement is to reduce overall cost to Growers from better asset utilisation i.e. utilising offshore cool storage and avoiding significant building costs onshore, or having an unexpected issue with insufficient cool storage because of seasonal variation in crop volume, fruit maturity and market demand.

WHO APPROVES THE USE OF ADVANCE MOVEMENT?

The advance movement programme is discussed each season with the Industry Supply Group (ISG) who approve the programme. It is also discussed with and endorsed by the NZKGI Forum.

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