

# The New Zealand Pipfruit Industry Structure—Political and Marketing



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Political and marketing structures have always been a hallmark of the New Zealand pipfruit (apple and pear) industry. By world standards we are small growers in a small industry remote from the rest of the world, especially our major markets. In many ways we are an industry that never should have survived. However, kiwi determination, initiative and our united structure have been major reasons why we have survived. The structure of this industry has enabled small growers throughout the country to be an effective force both in the political and marketing arenas.

During the last few months we have seen significant far-reaching changes to both the political and marketing structures of our industry. Some of these changes are extremely new with the practicalities still being formulated.

### PIPFruit POLITICAL STRUCTURE New Zealand Fruit Growers Federation

This national organization is the umbrella structure of the total fruit industry. Six directors represent each of the major regions. There is a strong linkage back into the regional fruit growing associations in each area.

The objective of the Federation is to look after the interest of all New Zealand fruit growers (all products) on a national basis, considering issues like quarantine and border control, taxation, land use, legislation, environmental issues, etc.

### Pipfruit Growers of New Zealand Inc. (PGNZI)

This national forum comprises 27 elected members from the various pipfruit

growing regions. A national executive of 5 people is selected by the forum.

The objectives of the PGNZI are to look after the political interests of the New Zealand pipfruit growers interfacing with government on new structures, managing "industry good issues" and facilitating industry research and development.

The above two organizations are funded by a compulsory levy collected under the Commodity Levy's Act.

### MARKETING STRUCTURES

#### The Domestic Market

Prior to 1994 the domestic market was controlled by the New Zealand Apple and Pear Marketing Board. On January 1, 1994, the market was deregulated and is now supplied by large export packers, specialist local marketers and ad hoc operators. With a population of 3.6 million people the yearly sales estimate is approximately 4 million tray cartons.

There are three main supermarket chains in New Zealand with the rest of the market being serviced by large independent fruit barns, small retailers and farm stall sales. The supply chain is usually through independent wholesalers, supermarket category managers or direct sales to retailers.

The key issue of supply relates to the large nonexport volume of the total crop that is available for the domestic market. In recent years the availability of CA volumes late in the season has grown significantly with the consumers now being serviced late in the year with quality produce. In summary, this is a small market with potentially a large supply of fruit available.

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(ENZA Limited)  
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#### International Marketing

The equation—New Zealand produces approximately 30 million tray cartons of apples and, with a population of 3.6 million, growers are therefore "in the business of exporting pipfruit."

There are a few large growers but most growers are small in size. With the export market being in the Northern Hemisphere, a well-structured, cohesive marketing organization representing all growers has been essential.

The New Zealand Apple and Pear Marketing Board (NZAPMB) was formed in 1948 with its operating guidelines enshrined in an Act of parliament. During a 50-year period to the end of the century, this marketing organization has evolved and changed dramatically, moving from a true grower cooperative to a more commercially driven organization. While constituted under an Act of parliament, the NZAPMB was definitely a grower-controlled business run by professionals.

During the last 50 years key changes have seen the development of a more commercial relationship with growers and postharvest operators, the establishment of marketing companies in the Northern Hemisphere markets working closely with major customers, and the worldwide development of the ENZA branding strategy.

This has been a united industry with a common purpose.

#### The Debate

During the last few years there has been significant debate between the board and government and indeed amongst growers as to how the industry should be structured in the future.

Major influences for change have been an increasing number of growers wanting to do their own thing, the poor financial position of the growing sector prepared to give other marketing options a try, vested interest not supporting single desk selling and, importantly, government with a political desire to withdraw its statutory support for single desk selling.

In early 1999, government set up a "producer board review team" to review all producer boards. After much debate and lobbying a new structure has now been agreed to. The original Act of parliament setting up the NZAPMB has been replaced by an Apple and Pear Restructuring Act together with regulations determining how the industry should operate.

#### NEW STRUCTURE Regulatory Board

A new regulatory board of elected grower members and nongrower appointed members now holds the export marketing monopoly powers. These are, as of right, vested in the industry marketing company, ENZA Limited. Members of the board will monitor ENZA Limited's performance. They also appoint the members of a new independent Permits Committee.

#### ENZA Limited

This company is the main industry marketing arm with growers becoming shareholders. ENZA Limited specifies acceptable variety grade standard and packaging requirements and takes possession of the fruit at the point of export shipping. ENZA runs a global strategy with overseas offices in Asia, North America, U.K. and continental Europe. Effectively ENZA exports to itself.

This is a massive worldwide distribution exercise controlling the product, pricing and promotional strategies right through to the retail customers.

#### ENZA Cool Limited

This logistics company is a wholly owned subsidiary of ENZA Cool Limited. However, under government regulations its relationship with the parent company is at "arm's length."

This company provides logistic services between growers and/or packhouses, receiving fruit on behalf of ENZA, cool storing the product and shipping it to the point of export as specified by ENZA Limited.

This is a contestable service with growers able to use other logistic operators where they are available.

#### The Permits Committee

This is an independent body whose members are initially appointed by the statutory board. However this committee is not accountable to the statutory board.

It has the power to grant export permits to independent exporters on the grounds that their marketing activities are complementary to ENZA Limited's strategies. In the regulations complementary is defined as "not to undermine."

Effectively this process gives a "safety valve" export mechanism to the industry. Where independent exporters feel they can compliment or supplement ENZA's activities through ideas, innovation or opportunity there is a process to allow this exporting to happen.

#### SUMMARY

The New Zealand Pipfruit Industry starts the new millennium with a new marketing structure. This structure is very new and very different with much apprehension in the industry as to how it will work.

Questions to be asked are:

- Is this new structure a good idea?
- Is it workable?
- Is single desk selling effectively finished?
- Are we in no man's land, being neither single desk nor deregulated?

During this year the marketing history of our industry will be rewritten. Its success is yet to be determined.