

NEW ZEALAND
blackcurrant
CO-OPERATIVE



A taste of what's good for you

www.nzblackcurrants.com



NZ Blackcurrant Co-op

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Overview of presentation

- Why work together
- Why work as a Cooperative
- How the NZ Cooperative works
- Summary

Key business characteristics of Blackcurrants

- Very perishable
 - 3 to 7 day harvest period
 - 24 hours after harvest before spoils
- Process crop
 - Low margin
 - Few large factories
 - Loss of control from change of form

Why work together ?

- Scale
 - Few buyers and many sellers is recipe for poverty
 - Better access to higher margin options
 - Markets
 - Processing
 - Finance
- Take costs out of supply chain
- Better risk profile

- Trade off
 - Less flexibility
 - Slower to respond
 - Potential risk from other peoples actions
 - Poor quality
 - Product recalls

Why use a Cooperative?

- Focused on maximising grower returns (input price) rather than shareholder return
- Better visibility of sales process
- Often looser legislative rules around issuing and redeeming equity
- Often more lenient tax treatment of returning profits to suppliers

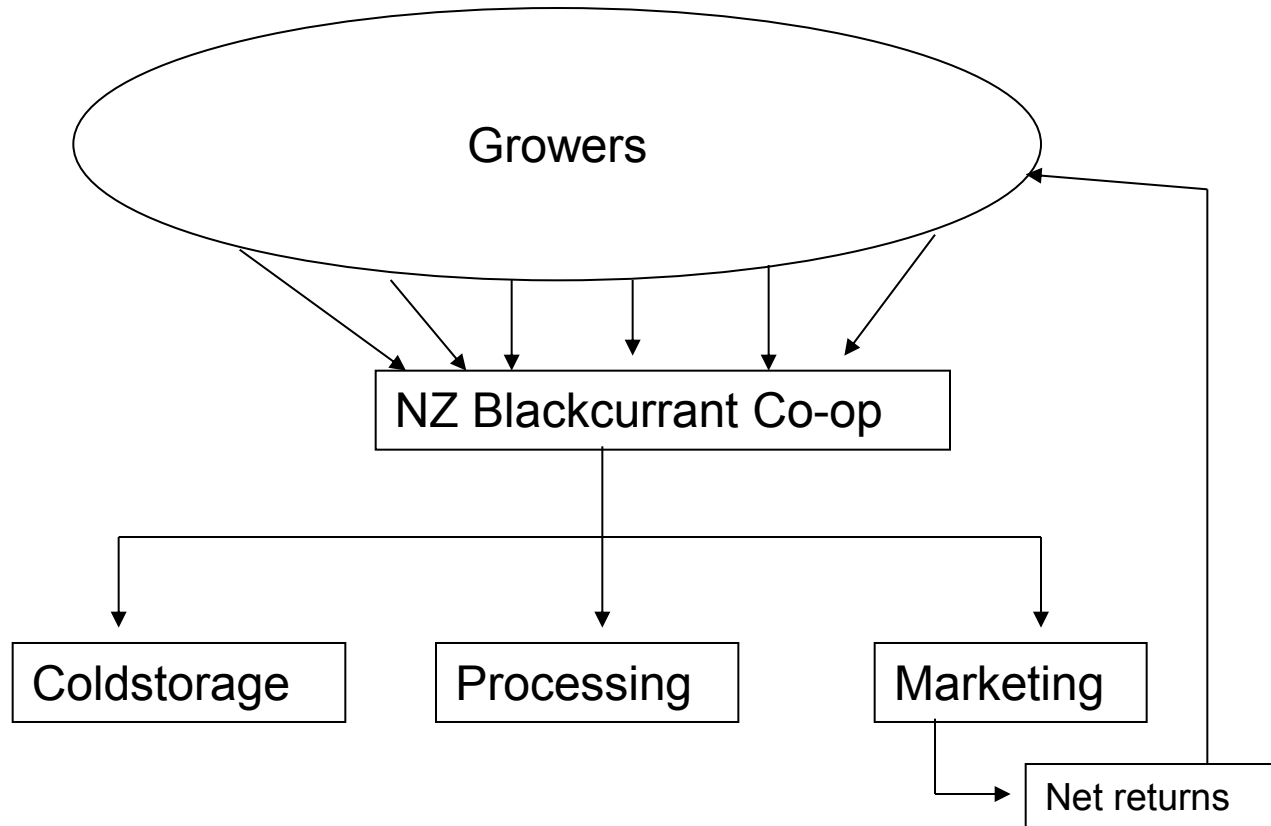
NZ Growers

- 35 growers all shareholders of the Coop
- Average size is 50ha
- Farm sizes range from 3 to 130 ha
- Nearly all blackcurrant growers have other farming enterprises, so can farm through good and bad times
- Nearly all growers are family owned and operated businesses

NZ Blackcurrant Co-operative

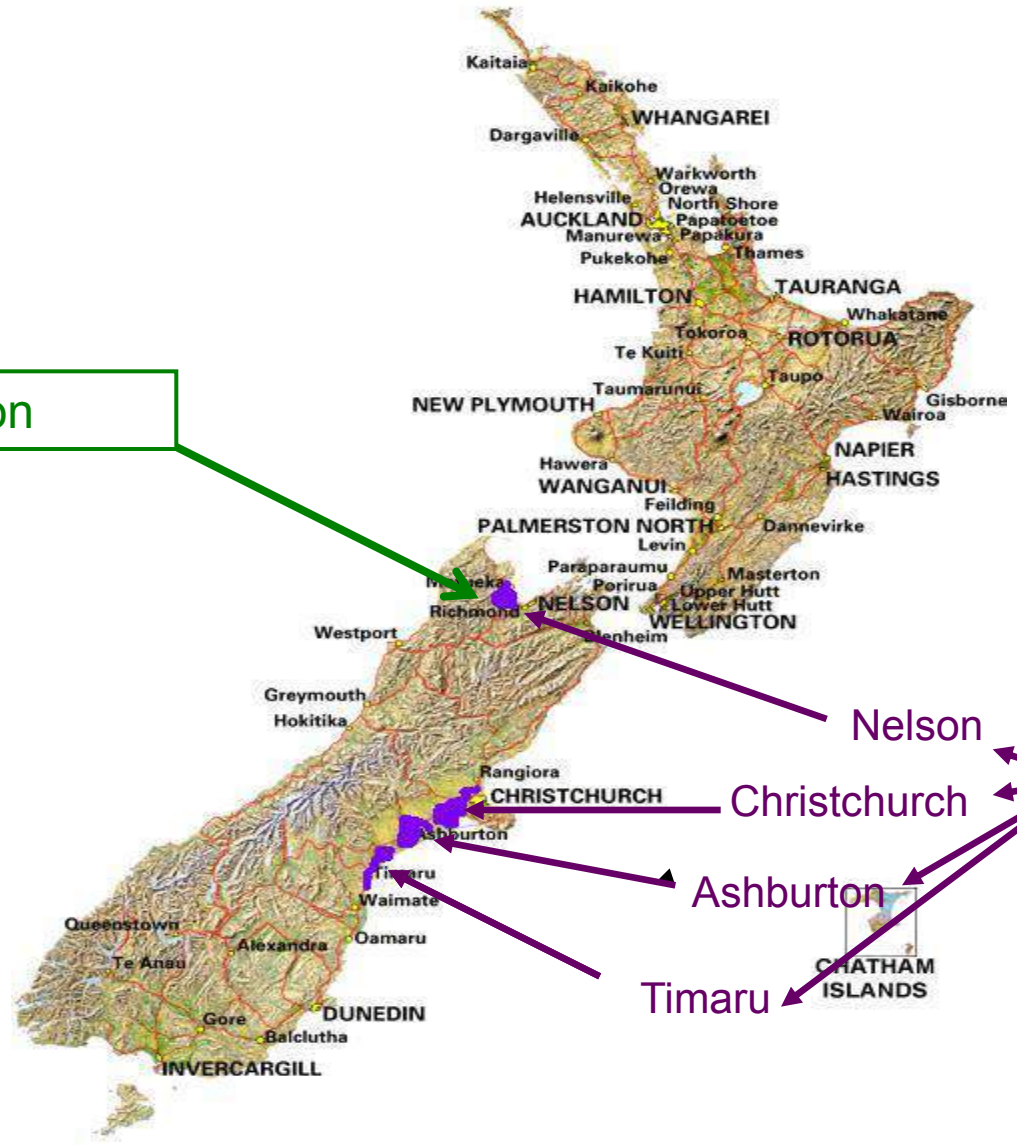
- The Co-op is a company owned only by NZ growers, that markets only blackcurrants
- Its task is to store fruit, process, sell and return net proceeds to grower suppliers
- The company was started in 1996. Nearly all NZ growers are shareholders. It has a turnover of between NZD 6 to 10m and processes between 2,500 and 4,000t of fruit per year
- It processes most of its products using contract processors, but has a share of assets in one plant.

NZ Blackcurrant Coop Structure



NZ Blackcurrant Cooperative

Office in Nelson



35 growers, in 4 main production areas



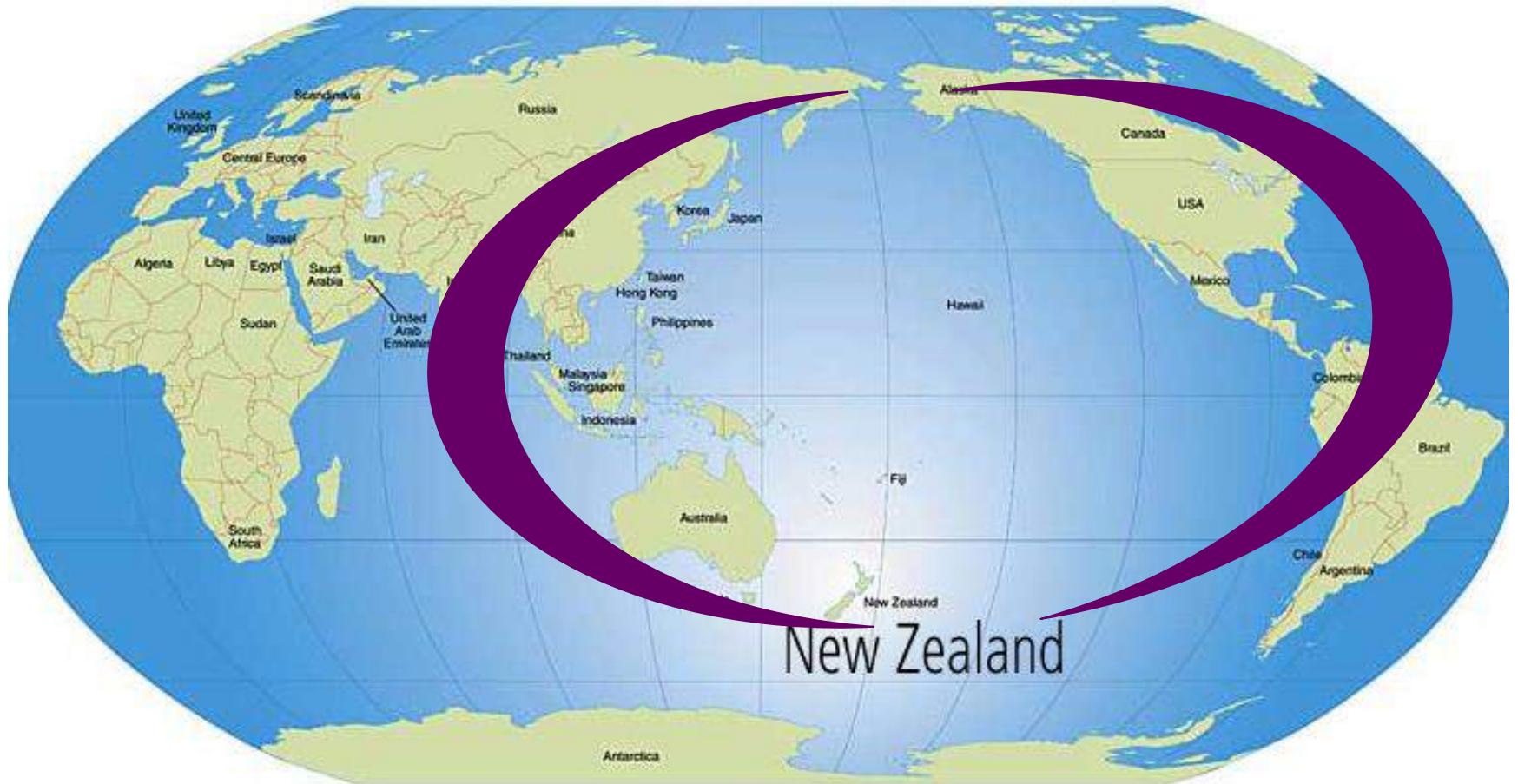
Markets

Focus is Pacific Rim countries

Cant get access to Europe due to tariffs

- in spite of Europe being largest and lowest cost produce

NZ Coop markets are Pacific Rim countries



Products

We operate in the B2B sector supplying food ingredients to processors and brand owners

- 65 Brix juice concentrate
- IQF (Freeflow) fruit
- Puree
- Block Frozen fruit

Characteristics of NZ Coop

- Operate one pool for each harvest
 - Coop structure gives better visibility to suppliers
 - Aim to close pool within 12 months but can take up to 24 months if difficult market conditions
- Capital is related to supply
 - Capital required for processing and sales costs plus advance grower payments
 - Mix of :
 - Fixed capital – shares issued on basis of 1 share/tonne for average supply
 - Revolving credit – capital deducted based on volume supplied and repaid automatically after 5 years
- Ownership
 - Growers only
 - No requirement to repay shares on demand (Redemption risk)

NZ Characteristics cont.

- Voting
 - Some Coops are one person, one vote (Democracy)
 - NZ Coop voting rights are based on volume supplied (Might is right)
 - Pros and cons for either option
 - Big growers are needed to get scale quickly
 - The big growers need the small growers as more scale is better and a sale by a small grower can set the price for big growers
 - Big growers do not get different supply arrangements or fruit prices than small growers

Summary

- There is a place in the NZ industry for an organisation like the Coop in order to give individual growers access to scale advantages
- Supply arrangements need to be flexible as we do not want to stop innovation
- We often ask ourselves whether being a processor is the best option, but our general conclusion is that it is best to get as close to the customer as we can
- We often ask ourselves whether a Coop is the right structure. So far the flexibility and visibility that a Coop can offer outweighs the disadvantages