

STANDPOINT *by Peter Hendry*

Heading in the right direction

Welcome to the latest issue of Supplyline, MG Marketing's newsletter intended to keep you up to date with people, issues and events in our domestic produce supply sector.

This is my first Standpoint column as MG's chief executive and it is fitting that I pay a tribute to my predecessor, Tom Treacy, who recently retired from the role. Tom's leadership and commitment to the Co-operative over many years has been outstanding in all respects. It is largely due to his influence that MG has grown to become the dynamic and capable business that it is today. Under his tenure our operating size, diversity and market presence has grown steadily and profitably, year on year.

Notably, MG has established one of the most efficient distribution networks in the country and developed a very sizeable and diverse customer base. At the same time we have lifted grower production to record annual levels, a performance that has continued to the current year. As well, we maintain a position as the biggest distributor of imported bananas and other tropical fruit lines for New Zealand consumers. Our progress is the result of making good business decisions. To ensure we keep heading in the right direction, it is my full intention to keep this progress going. Speaking of growth, one of the key achievements has been to expand our base of grower-shareholders under MG's

Co-operative umbrella. We are, in fact, the only grower-owned fruit and vegetable wholesale, marketing, sales and distribution operator with national coverage. As our supplier base has grown, so have our resources in terms of people, equity and assets. By any standard MG is a substantial business that belongs to its grower-shareholders. From this it logically follows that MG's success relies on the continuing support of its grower-shareholders to protect and enhance their investment in the Co-operative. Furthermore, managing growth for MG is an important factor in today's trading environment. Expansion, properly managed, gives MG's shareholders a stronger commercial footing and better prospects for annual distributions to its owners. A sound growth strategy, coupled with grower support, are fundamental elements for our future success. It is for these reasons that a top priority for MG is to continue investing in programmes that assist growers to produce more of what the market wants and add value to fruit and vegetables at source. Such support efforts have already achieved major revenue increases in MG's domestic sales, up by 65% in the past six years. Behind this growth

we are helping develop new produce categories, better packaging systems, smarter procurement initiatives and more responsive account management.

These are all pro-active examples of our investment programmes in action, aimed at every part of MG's grower-shareholder community.

I hope you enjoy reading the stories in this edition, which cover topical operational areas and provide some useful insights into what is happening across our broad range of produce sector activities. Thank you for your interest and we look forward to keeping in touch with you. 🍌



BRANCH PROFILE

Positive growth for MG Marketing in Palmerston North

The branch manager, William Little, said the conversion to a fully insulated cool store facility and additional storage space have resulted in improvements in efficiency and to the produce quality, especially in the summer months.

William, appointed as manager seven years ago, said the ability to keep the integrity of the cool chain was a key factor in retaining customer loyalty and developing new business sales. "We have always taken pride in customer service for everyone from small independents to large retail operators," he said.

"This is one of the biggest factors in our year-on-year growth. Having the ability to provide an unbroken link in MG's cool chain network is a crucial part of being able to deliver the best produce and provide top service to all our clients."

"Our central location and modern premises enable us to operate very effectively within



The MG Palmerston North Team at their premises at Mihaere Drive

MG's distribution network for local, national and internationally-sourced produce."

"Plus we have a very experienced 25-strong team in sales, stores and administration with a huge range of skill-sets and special knowledge." In addition to William, who has worked in several MG locations around the country, branch staff have acquired

extensive industry expertise in wholesale and retail over long time-frames.

One of them is sales representative Mahes Naran, who has 45 years' experience in the produce sector, over half of this with MG in the Manawatu. As a child Mahes attended market sales with his father, a well-known local greengrocer.

Another staff member based at the branch is Shane Ormsby, MG's national administration manager, who moved south from Auckland at the same time as William was appointed branch manager. Shane brought a strong background in accounting and administration, which gave William the opportunity to concentrate on the sales and warehouse side of the business. "We have formed a good partnership, which has contributed greatly to the branch performance in recent years."

William said his five-strong sales team has an average of 21 years' experience per Marketing Rep – a tribute to their commitment and allegiance to the produce industry. "For us there must be some truth in the old saying: 'If you survive 12 months in business, you're in it for life'," he quipped.

For all the staff, as well as involvement in local rugby, netball, soccer and hockey sports, one social highlight is the annual customer Christmas barbecue. Pretty much every buyer and a good sprinkling of local growers attend to celebrate the occasion and to cement their relationship with a successful branch. 🍌

Did you know?

Broccoli was the ninth most consumed fresh vegetable by value in New Zealand last year, but it wasn't always so.

Practically off the radar 40 years ago, its sales overtook cauliflower and cabbage in the 1990s and at over \$30 million a year are twice the value of its brassica cousins combined. Its popularity is world-wide with consumption increasing 940 per cent in the past 25 years.

Perhaps the Etruscans of Italy, who engineered broccoli from a cabbage relative 2,000 years ago, knew they were onto a good thing.

The vegetable is packed with carotenoids and antioxidants. Research shows regular broccoli eaters can reduce the risk of cancers of the colon, breast, cervix, lungs and prostate.

The chemical sulforaphane in broccoli can also kill a bacterium that causes stomach ulcers.

Broccoli is popular in salads as well as cooked meals. To eliminate the smell of broccoli when steaming it, add a piece of bread to the pot.



GROWER PROFILE

Kapiti growers mark a decade of 'co-operation'

It is nearly ten years since three grower-shareholders in the MG Marketing Co-operative agreed to pool their resources and form Kapiti Green, specialising in large-scale broccoli production.



John Clarke



Andrew Yung



David Young

That joint venture in 2002 between John Clarke, Andrew Yung and David Young has succeeded in becoming one of the largest broccoli suppliers in the country, but some valuable lessons were learned along the way.

The concept of grower 'co-opetition' – combining co-operation and competition in business – was originally mooted by MG's previous CEO Tom Treacy and put to a group of Horowhenua-Kapiti producers.

Eventually it came down to just three original investors who are still involved today while continuing to run their own separate vegetable growing operations in the same region.

All three still supply to MG Marketing as shareholder-growers, as indeed is the entire broccoli output of Kapiti Green along with courgettes and more recently cauliflower.

Director Andrew Yung says the joint venture had its teething troubles at first, but has proved over time that grower collaboration in specialised crop production can and does work.

"Once land ownership and management issues were sorted out, we could benefit from an

economy of scale and build a reputation for continuous, high quality supply of a popular item of produce," he says.

"Despite the directors' diverse personalities and people telling us it wouldn't work, we have shown a co-opetition model can be commercially viable."

There are some fundamental rules, however, which the joint venture partners implicitly understand and practice.

Chief among these is that the partners cannot undermine Kapiti Green produce sales on retail or wholesale markets by their separate and independently run farms.

But this proviso does not prevent an element of competition between the parties, and that is a healthy thing, Andrew says. "Some of us grew broccoli before 2002 in small quantities and this experience helped us when expanding to a much bigger, more intensive operation."

"Likewise we continue to grow broccoli and courgette on our own properties, not to compete but in effect to trial different varieties, cultivation and harvesting methods."

"While we benefit from volume and efficiency advantages of a big crop in one location, there are advantages in off-site propagation for special purposes."

The essential point to this is the need to plan for contingencies and share the research results obtained between all the partners, he says.

To this end, the directors meet each week with Kapiti Green's farm manager Brian Allan and administration manager Bryan Heathcote to discuss crop management, marketing plans and review financial performance.

The joint venture has invested substantially in equipment and machinery, and five years ago built its own state-of-the-art cool store facilities along with a unique post harvest process for courgettes, all of which lead to better control the quality of daily harvests.

Each director contributes differing sets of skills to the venture in the most productive way – Andrew as a plant science agronomist, John as a proven produce generalist and David as a land cultivation expert.

It's a formula that enables Kapiti Green to "capture value and create profit", the theme promoted at this year's Horticulture NZ conference.

Plus it comes close to the best of both worlds for each participant, the onus of individual responsibility alongside the sharing of risk and reward.



Psylla Pest Pheromone Identified



A United States researcher's discovery of the sex pheromone in pear psylla may offer a breakthrough in controlling one of horticulture's most damaging pests. It is the first time a pheromone has been found in any psyllid insect, surprising research experts who doubted a psylla sex attractant existed. Psyllids, or jumping plant lice, are tiny plant-feeding insects with the potential to devastate host-specific crops such as potatoes, tomatoes and eggplants, as well as citrus crops.

Horticulture New Zealand funds Plant and Food Research to monitor the insects' activity and study control methods, which to date have required chemical rather than biological controls.

Potato growers in particular are finding the amount of damage caused by psylla increasingly widespread and expensive to combat, with no certainty that the situation will improve.

However, that may change following the pear psylla pheromone discovery at the

US Department of Agriculture's laboratory in Washington and synthesis of its chemical compound, methyl heptacosane.

The researchers established that males were attracted to the compound but females were not, and that it was as attractive to males as a live female insect. Field testing is underway on trap designs, dosages and the effects of the chemical on summer and winter forms of the pear psylla. The aim is to disrupt male insects returning to crops after winter to

mate, thus reducing the threat of population explosions and the need for chemical sprays.

Scientists hope more psyllid pheromones can be found, possibly leading to control methods for other commercial fruit and vegetable crops. But first the US researchers have to prove the pear psylla compound is volatile enough to do the job.

The potato psyllid, a serious threat to commercial growers.

GROWER PROFILE

From small beginnings, a packhouse success story

Te Puke based Kiwi Produce has come a long way since Geoff and Nicky Oliver raised their family of four daughters in a small pack house on their orchard 25 years ago. After a further 14 extensions, today their pack house operation is one the country's most innovative and successful, packing over two million trays equivalent of locally grown fruit a year and employing 60 staff at the peak of the season.

Part of Geoff and Nicky's success is the way in which they manage their very committed and dedicated team, many of whom are very long serving. Both treat all of their staff as part of the family.

Proof of its reputation in the billion-dollar kiwifruit industry is Kiwi Produce's performance in the highly competitive Zespri Industry Challenge – an annual event similar to the "Top Town" format. Kiwi Produce has won first place four times in eight years and are currently reigning champions again in 2011.

"Our philosophy is based on working closely with our regular customers and investing in new pack house equipment and technology. It always comes back to relationships and maximizing grower returns," Geoff says.

Geoff, full of ideas and concepts for packing systems, has pioneered many of the advances himself and is justifiably proud of what has been achieved.

"A big part of our growth has been our ability to handle a diverse range of produce," he says.

"We currently work with all types of kiwifruit, as well as kiwi berries, avocados, citrus crops, tamarillos, passionfruit and other subtropicals. We are currently working with Zespri with their two new gold varieties and a new sweet green variety.

"All told we provide about 70 different pack types with varying crate and tray sizes and weights," Geoff said. Some of the throughput is from the nine orchards owned or part owned and operated by the Oliver Family Trust.

Around two-thirds of the produce handled through the Packhouse is for export, with strict quality control and compliance regulations in place to meet international and domestic requirements. Daily domestic contract work and daily sales, along with grower liaison is coordinated by Tracey Jamieson.

The battle to control the invasive PSA disease is presently the kiwifruit industry's biggest challenge to be overcome, with pack houses playing an integral role in the process.



Nicky and Geoff Oliver

Kiwi Produce are MG Marketing's largest Kiwifruit and specialist grower/packer. Loose and punnetted kiwifruit products from the pack house are supplied to MG's subsidiary company in Australia, the LaManna Group.

The strong business relationship between Kiwi Produce and MG Marketing is based on mutual operating flexibility, says MG's national procurement manager, Brett Reid.

"Geoff Oliver, Tracey Jamieson and their team are excellent to deal with and adapt readily to changing market conditions and demands," he says. "For example, they supply us with green and gold kiwifruit for longer than any other grower-packer, which is a credit to their capability."

Geoff is a member of Kiwifruit Growers Incorporated and keeps a keen eye on developments across all aspects of fruit growing, processing and distribution. With members of his family he is also actively involved in community affairs and enjoys nothing more on his occasional day off than to go fishing.

All in all, Kiwi Produce is an undoubted success story that says much about the Olivers' passion for the industry and desire to make it work for everyone involved. 🍏



Left: The Kiwi Produce Team
Right: Tracey Jamieson



Grant Harford and Jerry Prendergast

MG appoints new national managers

MG Marketing has appointed Grant Harford and Jerry Prendergast to national management positions under a streamlined senior executive team co-ordinating MG's business activities.

Grant is the new national operations manager responsible for supporting MG's nine branch and distribution operations.

The role encompasses all operational functions of MG's branches, from budgeting and financial results to equipment use and logistical performance.

"Pretty much everything transacted through the branches comes under my jurisdiction to one degree or another," Grant says.

"It may involve leasing forklifts, extending the logistics technology platform, or changing the way we physically handle and store produce in a warehouse.

"The purpose is to give direction and targets for operating performance, backed up by motivation and support so each branch achieves the goals that have been set for it."

He says the need to be performance driven is essential for MG's ability to deliver the range and quality of services growers and customers require.

"This is a dynamic business with many supply and demand variables and we

need to operate at our peak to consistently meet them."

Until his recent appointment, Grant was the commercial general manager with Toll NZ and prior to that the chief executive of Cold Storage Nelson.

What has impressed him most about MG is the quality of its people and their desire to achieve success at their work.

Jerry is the national key account manager in charge of supervising MG account managers dealing with major clients and retail chains.

His role is to oversee the effectiveness of their sales, marketing and promotional plans for major retail groups that are critical to MG's commercial success.

"It covers a wide range of activities such as product categories and shares, promotion initiatives, branch networking and co-ordination, customer profiling, brand development and business reviews," Jerry says.

"To build productive long-term client relationships we need a strong team approach with all our skills and experience being applied in a well-co-ordinated programme.

"In today's highly competitive market place, it is imperative our account managers liaise closely with all MG managers at national and branch levels to provide consistency and continuity of customer service."

Jerry's background with MG as brand development manager, a role he continues to hold, has given him a sound appreciation of what key customers expect from a national produce supplier and distributor.

"We are constantly striving to deliver excellence in category management, as I believe this is where we can build stronger trading relationships with retailers," he says.

"Every element of produce categories we supply has to be supported, managed and driven by our account management team to the advantage of our retail partners.

"By achieving this goal we will be in a position to secure stronger supply contracts and optimise returns for growers."

OBITUARY

Steve Whipp

MG Marketing staff, suppliers and customers were greatly saddened by the passing away on 15 July of Steve Whipp, a long-serving and highly-respected marketing representative at MG's Invercargill branch.

Branch manager Lynzy Francis, who worked with Steve for 28 years in the local business, said Steve's life-long dedication and enthusiasm for the fresh produce industry will be sorely missed.

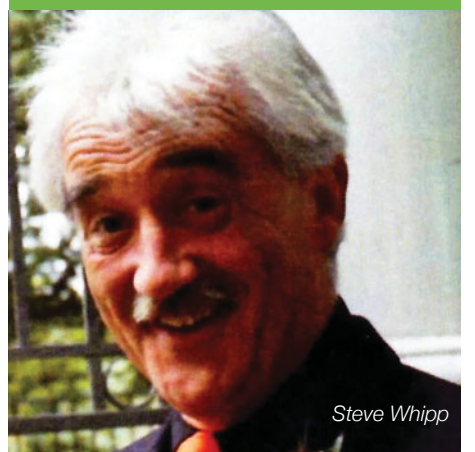
"We both started out from school as storemen for Bray Frampton, Steve being some way ahead of me, and he proved to be a big success at many different roles throughout his career," Lynzy said.

"He was at first a salesman for bananas and was also the sole flower auctioneer for many years. Over the years he virtually sold everything and enjoyed huge support from growers plus a wide network of customers.

"Steve went out of his way to look after people and they respected him enormously for that. He was very well organised too, and one of the most conscientious staff members I have known."

"In fact he often arrived at work an hour before the normal 4.30am start time and would just as frequently be one of the last to leave, six days a week."

Outside of work, Steve's passion was with his Collegiate rugby club, where he played competitively until the age of 46. He is survived by his partner Wendy Stuart and his dog Jess.



Steve Whipp

Holiday entitlements clarified

As Christmas Day and New Year's Day are both on a Sunday this year, the statutory holiday dates will be observed on the following Tuesdays.

Employees are entitled to only one of these days as a holiday, not both the Sunday and the Tuesday.

But which day applies? That depends on whether the employee would normally work on the Sunday.

If so, that day is observed as the public holiday. For those who do not normally work on a Sunday, the holidays are transferred to the following Tuesday.

Once the day to be observed as the public holiday is established, any entitlements can be determined such as holiday pay or payment for work performed on the day, as well as alternative holidays.

For clarity, any employee who would not normally work on Sunday and Tuesday

has no entitlement to payment for either of the two holidays.

See the Department of Labour website www.dol.govt.nz for more information.