

Grower Profile.

Continuous improvement delivers top performing business model.

Trevelyan's Pack and Cool Ltd

James Trevelyan attributes the status of his business as one of the most efficient and productive packhouse-coolstore operations in the Bay of Plenty, to a deliberate programme of continuous improvement.

As managing director of Trevelyan's Pack and Cool (TPC), James has overseen expansion on the Te Puke site to four packhouses and 25 coolstores servicing 200 kiwifruit, 100 avocado and 12 feijoa growers in the upper North Island.

Last season the facility packed 8.1 million trays of kiwifruit and 500,000 for avocado, employing a huge number of seasonal workers alongside permanent staff.

While recovering from the destructive PSA virus, TPC has not only increased market share by 16% in the past year but is also building three new coolstores to meet demand from existing and new growers.

It plans to lift throughput by no less than 25% this year to an estimated 10.5 million trays and to ultimately attain 10% of total kiwifruit exports by volume.

These are impressive statistics and ambitious targets, but James is the first to point out that none of them have happened by chance - in fact quite the opposite.

"Our results are built on continuous improvement

across all facets of the business, from grower services and staff training to environmental practices and commercial partnering," he says.

"Nothing we do escapes attention or scrutiny, even if the same question has to be asked five times before getting the right answer."

The process began six years ago when TPC undertook a pilot study with Zespri and Trade and Enterprise on how to improve operating efficiency and reduce costs.

"Called LEAN manufacturing, it is now the management philosophy driving all our decisions and adding value to every aspect of our commercial operations."

In essence it relies on a teamwork approach, in which every employee is empowered to learn on the job and share information on ways of improving efficiency and lifting performance.

"It enables staff to understand problems and solve them in a structured way, creating a loop of continuous improvement and encouraging non-stop innovation," he says.

"We don't see ourselves as just packing or storage operators, but as contributing partners to suppliers, agents and customers across the entire supply chain."

Results of the programme have been remarkable and include sizeable cost savings in energy use, storage, transport and waste disposal, as well as lifting gate returns to growers consistently above industry averages.

James refers to the overall process as "a sustainable framework," in which the business is balanced across economic, environmental and social imperatives.

Critical to its success is the ability to handle a ten-fold increase in staff numbers with around 60% of this year's 1,200 seasonal workers representing no less than 49 different nationalities.

"We have developed a buddy system in which experienced staff lead small teams and each individual in a team learns quickly from the person alongside them.

Managers at various levels within the group are in charge of supply, packhouse and coolstore operations, technical, grower services, finance, human resources and engineering.

While exports are by far the biggest component of the business, TPC provides a substantial quantity of kiwifruit, avocados and feijoas to the domestic market through MG Marketing.

The MG link began 20 years ago when local growers Ron Bailey and Alister Hawkey, then TPC's chief executive, arranged to supply avocados and subsequently kiwifruit to the domestic market.

"We have one packhouse dedicated to domestic sales of Class 3 fruit and we enjoy a good business relationship with MG as a distributor of this produce," James says.

"We don't see ourselves as just packing or storage operators, but as contributing partners to suppliers, agents and customers across the entire supply chain."

"The ability to bring workers up to speed on production and engage them positively on a social level on a single big site is absolutely critical to our success."

James says he learnt the importance of teamwork when helping his parents establish a horticultural farm, planting some of the earliest kiwifruit vines over 40 years ago.

He still maintains an active interest in production through ownership of a five-hectare Gold kiwifruit orchard and a smaller Biogrow certified Hayward Green orchard.

The TPC team today includes family members as company directors, plus an extensive management group headed by executive director Alister Hawkey and general manager Stephen Butler.

"What we strive to achieve, as with all our commercial partners, is a shared vision where core values of teamwork, productivity and sustainability are paramount.

"Our goal is to keep improving with everything we do and to optimise the flow-on benefits for all parts of the distribution chain."

Judging by its exceptional progress to date, TPC is surely on track to achieve just that.



Daniel Birnie (TPC), Ron Bailey - Grower/Director (TPC), Tim North (MG), Ian Reisima (MG).

Grower Profile.

T & A Young

Tommy Young gets boost from marketplace guidance.

Lacking the economies of scale available to high volume suppliers, smaller-sized vegetable growers can find it increasingly tough to compete profitably in today's changing retail sector.

It's an ongoing concern with a serious downside for Horowhenua grower Tommy Young, trading as T & A Young, but one he is managing to overcome with support and advice from MG Marketing.

The business works off 48 hectares south of Levin on four blocks, with two-thirds of the land being leased. It has its own packhouse, six full-time employees, and all management is undertaken by Tommy and his wife Andrea.

Tommy says his late father Kee, who started the family business in the 1950s, would hardly recognise today's highly centralised distribution and sales channels for fresh produce sales to consumers.

"We are still growing the same range of staple crops as in the early years, such as potatoes, onions, pumpkin, cabbage, broccoli, cauliflower and lettuce," he says.

"Past attempts to diversify into carrots, tomatoes and spring onions, for example, did not succeed commercially and were discontinued.

"In recent years adequate returns on our basic lines have also become harder to achieve consistently, despite the excellent quality we achieve overall."

With mounting pressure on long-term earnings viability, Tommy decided to take the proverbial bull by the horns and made the decision to supply exclusively into MG's distribution network.

The move included an arrangement with MG to take not only his existing produce but also specific leafy green varieties showing market potential.

"As a result we were among the first to grow sizeable volumes of kale and we continue to do so with good results," he says.

"This was followed by other Asian vegetable lines such pak choi and shanghai cabbage, for which there is rising consumer demand and improved returns.

"We are also working on a range of fancy lettuce varieties grown outdoors and able to be prepared for presentation in bags."

A vital part of this diversification has been MG Wellington's support in providing pre-sale branding and packaging expertise for Tommy's new vegetable lines.

Nature's Pick, a well-established produce brand under its network, is one being used to help promote buyer recognition and acceptance on retail shelves.

Tommy says the sole supply arrangement has helped lift his sale volumes and net earnings, despite incurring extra costs for preparation and packaging.

"It has meant adapting to what retailers and buyers are prepared to pay for and the practical advice given to us by MG has certainly been worthwhile.

"I keep in touch on weekly visits to the Wellington branch to discuss market feedback and sales results with their manager and staff."

Jade Reeves, the branch manager, says T & A Young is a good example of a smaller-volume grower adopting a range of niche products to consolidate its revenue prospects.

"In this case, we are working with an enthusiastic and capable grower prepared to try new product lines and who is committed to a long-term sales relationship," he says.

"He is determined to succeed by taking on fresh ideas to a traditional business, and we endorse that attitude by providing as much support as we can."

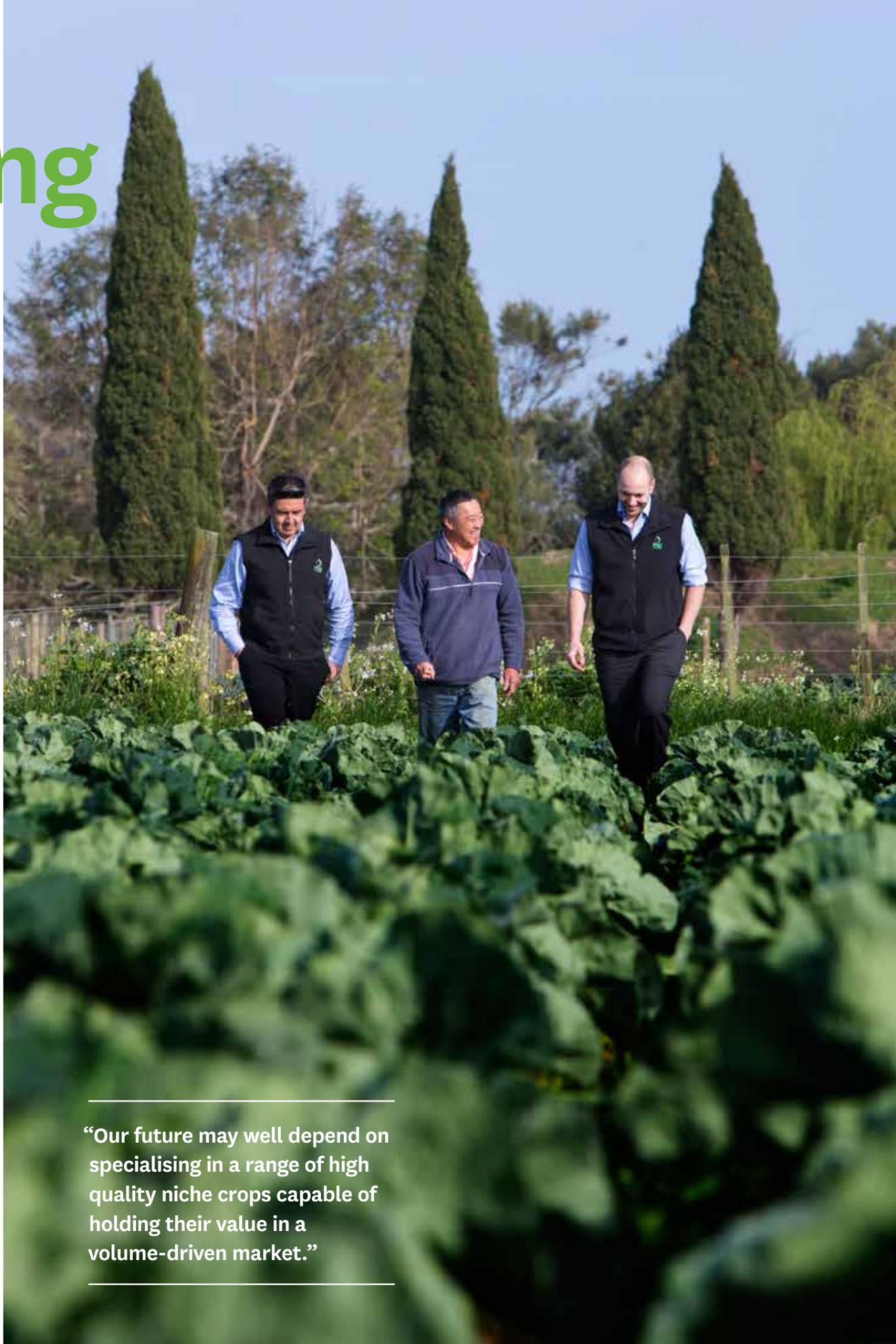
Tommy, who has grown vegetables for as long as he can remember, says his great satisfaction comes from supplying fresh and healthy food for the buying public.

"I do love the business, but admit it has become so much more challenging to make a living as the industry has changed.

"Our future may well depend on specialising in a range of high quality niche crops capable of holding their value in a volume-driven market."

On the prospect of eventually retiring from growing vegetables, Tommy says he is too busy to have given it much thought.

"Then again, seeing more of the world and also finding time to restore some old cars is not such a bad idea!"



"Our future may well depend on specialising in a range of high quality niche crops capable of holding their value in a volume-driven market."

Andrew Rody (MG), Tommy Young, Jade Reeves (MG).



Jade Reeves, Tommy Young.





Branch Profile.

Auckland

Services fine-tuned to meet rise in independent buyers.

MG team Graeme Hirst, Dominic Gargiulo, Kerry Baird.



Placing order with Dominic and Kevin.



The MG Marketing distribution centre in Auckland has never been busier as the company's largest facility handles demand from a growing number of independent produce buyers.

Such is the recent pace of change that new branch manager, Kerry Baird, and his senior team have substantially refined key sales and logistics and warehousing processing and systems at the Penrose premises.

Kerry, appointed six months ago from managing the Wellington branch, says fine-tuning the daily warehousing routines has helped improve customer service delivery and lift overall operating efficiency.

"While improvement is always desirable, we needed to specifically respond to the changing make-up of our biggest

customer base comprising independent buyers of all sizes and types," he says.

"Our market is unique in having to cater for a very wide range of independent customers with diverse requirements for fresh produce quantities and varieties on any given day.

"That means we have to be able to respond quickly, flexibly and efficiently on all fronts, not only to meet immediate customers' needs but also satisfy their ongoing expectations."

By way of example, as many as 100 individual buyers representing over 400 customers can converge on the branch each day to inspect produce, place orders and uplift purchases.

Organising staff resources and processing systems to efficiently

handle this influx is critical to the operating success of the branch as a whole, Kerry says.

"To do this we now have teams of staff dedicated to looking after customers' specific needs in distinct customer categories.

"These include wholesalers supplying restaurants, caterers and institutions, major retail outlets like Fruitworld with 45 outlets, and other independent retailers from collective groups to individual buyers.

"Plus, of course, we have a team of specialists responsible for handling the large-scale and distinctive needs of our national supermarket clients."

To manage the logistical effort required, inventory and stock control have been streamlined to better co-ordinate the flow of produce from arrival and

ordering to sales and despatch.

"In practice this has resulted in revising our floor and chiller layout, as well as using picking systems tailored to each customer group.

"These steps have greatly improved the speed at which we can compile and clear daily orders, whether large or small volumes."

For the 90 staff employed full-time at the branch, the operational changes have been progressively adopted with considerable success, Kerry says.

Many have attended upskilling and training courses in recent months, both in-house and externally, to equip them for new or changed roles in the organisation.

This process has been led by the

management team consisting of assistant manager Dominic Gargiulo, Kevin Munroe in sales, Brian Jarman and Ramero Toailoa in warehousing and Sharon Reid in administration.

"Under their influence we have made excellent progress in a relatively short time and results are showing in terms of volume throughput at improved performance levels.

"Importantly, we are also developing stronger relationships with a wider range of independent customers wanting to do repeat business with us.

"This is a direct reflection on the success of our sales, warehousing, floor and office personnel who have risen to the challenge and delivered positive outcomes."

As operational changes have bedded in, the branch is also looking to diversify its activities into new areas such as pre-packed and re-packed fresh produce lines.

Recently several sub-tropical pre-packed fruit lines were tested for retail chains and these value-added initiatives will be extended if further summer sales are successful, Kerry says.

"What really matters, however, is that we keep delivering the highest possible levels of service and produce quality for our customers.

"By achieving this, we can maintain a business reputation that is second to none."

You talked – we listened

As a result of grower feedback, MG Marketing has been working hard behind the scenes to improve accuracy of information relating to our grower consignments.

We will be visiting growers over the next three to four months to talk through how we can work together to achieve a more accurate receipt of consignments.

We understand our growers are different so we'll be working with you on three different ways of advising consignments.

1. EDI

Some growers will have software that is compatible with the MG system and allow for the exchange of data electronically. MG staff will be in contact to talk through the options in January/February.

2. Online Grower Delivery Advice System

Most growers have access to an internet based system where each grower/supplier has their own unique login and password. This allows each grower to create and print their own GROWER DELIVERY ADVICE FORM for individual consignments heading to each MG branch. This system will be customised for each grower, including a full range of products they normally supply MG. Once a consignment advice has been created and confirmed,

an office copy can be printed along with a copy to be despatched with the produce. This will also be automatically sent to MG Marketing, awaiting the arrival of the growers consignment. This system also includes each growers BCTI's (tax invoices) and Daily Sales Reports which can be viewed on screen or printed out. Members of the MG Marketing team will be in touch shortly to arrange a time to walk you through this in detail.

3. Improved Grower Delivery Advice Book

For smaller growers or those who don't have broadband access, MG has updated their Grower Delivery Advice book (GDA). The improved system includes several new areas for growers to complete. MG have sent out these new

books already along with a sample Grower Delivery Advice form (GDA) as well as MG product codes for growers to use when completing these forms.

Standpoint. Together. Stronger.



It's hard to believe that Christmas is almost here and another year is nearly over.

I really enjoy this time of year and it is such a positive period for our industry with fresh fruit and vegetables synonymous with the festive season.

I would like to thank the grower shareholders who made it along to the recent Annual General Meeting in Napier. From my perspective, it was great to have constructive discussions about challenges and opportunities that are important to our growers. You will have received a letter outlining the outcomes and I would like to reinforce some of messages I delivered at the event.

As I look back over the year, I am extremely proud of what we have achieved, and even more excited about our outlook for an equally promising future.

In 2014, against a backdrop of some tough market trading conditions, MG Marketing has remained strong with a real focus on grower success and the prosperity of our industry.

Our recent Annual Review shows that we delivered an increased

profit before tax of \$8.837 million. While our financial results are certainly encouraging, we know there is more work to be done to achieve our vision of supporting our growers to operate sustainable and profitable businesses.

our growers and customers so that we can be at the forefront of change and continue to deliver value.

We look ahead to 2015 in anticipation of continued success. Each new day offers the chance to work together,

deep-rooted professionalism, unwavering commitment and the value of their extensive knowledge base.

Our strong team is one of the reasons I am so confident in our ability to succeed in the next chapter of the company's story.

I know our staff share my commitment to support our growers with the pivotal aspects of their business to operate more efficiently and economically – Together. Stronger.

I would like to wish you all a safe and happy Christmas. It is always a busy time for both our growers and customers and I hope you can not only be successful in all of your business endeavours but also take some time to relax, recover and spend quality time with your friends and family.

Best wishes and I look forward to working together in 2015.

Peter Hendry
CEO

Each new day offers the chance to work together, explore new opportunities and improve on the past. We will continue to build meaningful relationships with our growers and customers by understanding their environments, challenges and goals, and offer real solutions.

It is clear our growers around the country partner with MG because we drive positive outcomes and value for their business. Customer satisfaction is a key way to measure performance and we hold ourselves to the highest standards of service.

The business has successfully navigated through a number of challenges and we continue to adapt to the evolving needs of

explore new opportunities and improve on the past. We will continue to build meaningful relationships with our growers and customers by understanding their environments, challenges and goals, and offer real solutions.

May I take this opportunity to acknowledge our staff. They are our most important asset and again this year they have shown

Export opportunity

Part of MG's strategy moving forward is to become a more significant produce exporter by developing commercially viable and sustainable offshore markets for New Zealand growers and suppliers.

It is clear that if we rely too heavily on the domestic market we risk oversupply of produce, lower returns and reduces our potential to grow the industry.

MG and our export partner, Te Mata, are carefully assessing opportunities abroad with selected products. Our role is to build an understanding of targeted off shore markets, identify the opportunities and build the capability to develop the markets for our growers and suppliers.

Asia is a key target due to increased urbanisation,

...with world demand for quality fresh fruit and vegetables continuing to increase over coming decades and some trade barriers relaxing, our industry will be presented with new opportunities.

Horticulture New Zealand has set an ambitious industry growth goal of \$20 billion sales by 2020 – a figure that is not achievable through New Zealanders consuming more produce.

However, with world demand for quality fresh fruit and vegetables continuing to increase over coming decades and some trade barriers relaxing, our industry will be presented with new opportunities.

increased consumption, rising incomes and our proximity compared to other producers.

There are challenges to overcome and the landscape can be complex. There is competition from other exporting countries, the volatile New Zealand dollar and our location means higher transports and logistics costs. Establishing export markets is not quick and easy but requires a measured approach to those opportunities which exist.

Francie Di Leva 'Highly Respected' MG Board member for 22 years.



MG Marketing chairman Brian Gargiulo has paid tribute to the positive role of Francie Di Leva, who retired from the Board of Directors in September this year after 22 years of continuous service.

"Throughout his tenure Francie made a major contribution to

the growth and direction of our Cooperative and was highly respected for his opinions and vision," Brian said.

"During some challenging periods as MG expanded, his strong company loyalty and staunch determination were instrumental in ensuring that shareholders' interests were well looked after.

"Given these qualities, he succeeded in serving very competently as MG's deputy chairman since 1997, as well as being chairman of the staff superannuation fund and a member of the audit committee."

Since joining the board in 1992, Francie helped to oversee a substantial growth curve for MG in terms of rising

shareholder earnings, productive assets and profit generation from business ventures.

As a long-time MG shareholder and supplier he understood the importance of collective responsibility and made a point of fairly representing all produce growers within the Cooperative, Brian said.

"By the same token he was not afraid to tackle some of the big and at times contentious decisions facing MG, and seeing them through to positive outcomes."

Brian said he first met Francie at a VegFed conference back in the 1980's and was impressed by the "likeable Italian" with a fondness for red wine and singing.

Francie, who trained as a carpenter in Italy as a young man, joined his family's Nelson tomato growing business in 1961 and remains on the same property to this day.

He still grows acid-free tomatoes in a small glasshouse as a way of keeping busy in "semi-retirement" and plans to continue doing so for as long as he can.

"After well over half a century in the produce business supplying to MG and more latterly as a director, I guess you can say it's well and truly in my blood," he said.

"But I do find it increasingly attractive spending time in Cairns, Queensland with my daughter's family, especially during the winter months!"

MG Marketing HR Support

Free service to support our growers.

As a grower you will inevitably have to deal with human resource matters and issues in your business including:

- Employment Agreement
- Position description
- Employee Relations
- Health and Safety
- Recruitment
- Food Safety

We are happy to share HR knowledge and provide practical tools to help you in your business operations. Just pick up the phone or send us an email and you will receive friendly, down to earth and practical advice.

For further information contact:
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