

31 October 2017

Dear KVH Member,



We need your input to an important discussion KVH is undertaking regarding the future funding of biosecurity activities. Biosecurity is our biggest risk and KVH has been working hard across the industry to mitigate numerous threats such as the damaging Brown Marmorated Stink Bug, fruit flies, and Brazilian Wilt – in fact the list of unwanted pests and pathogens that could seriously impact on our industry if they arrive in New Zealand reaches over 90.

As the industry continues to grow and equity values increase, the impact of a significant biosecurity event could be catastrophic, as we saw with Psa.

The funding mechanisms of KVH are now out of date based on the serious nature and scope of the biosecurity risks we face. The funding mechanisms were originally established for Psa, but we now need them to be able to respond to future biosecurity events, which could involve a major eradication effort and its associated costs. Background information is attached to this email explaining why we need to have this discussion with you now.

The KVH Board's proposal to address this situation is to increase the ceiling of the levy for biosecurity from its current 1 cent per tray to a new maximum of 5 cents per tray. This is something the Board has given very careful consideration to, and only after detailed assessment and review did we accept that this is the best way to future proof the ability of the kiwifruit industry to respond to future biosecurity risks. This change, if agreed, will not increase the existing amount that growers currently pay to KVH. The current 1.6 cents per tray growers pay to KVH is, we believe, sufficient to cover our operating costs but the internal apportionment between biosecurity and Psa may change. Making any change to the annual operating levy rate will always be the responsibility of KVH grower members at our AGM, based on the budget that is presented at that time. This proposal is not asking growers to agree to any increase to our operating levy rate, only the ceiling level of the levy.

However, an increase in the ceiling of the levy will provide the ability for the industry to fund and manage a major incursion should one occur. In the unfortunate event of a large biosecurity incursion, the KVH Board after taking advice from the industry, will activate an increase to the levy to pay for the industry's agreed cost share. This increased levy amount could be up to and not beyond the 5-cent maximum cap and only in the event that the incursion costs are beyond the ability of KVH biosecurity reserves to fund those costs.

Based on the feedback we receive about the proposed levy change from our grower members, we would make a decision then as to whether we formally propose an increase to the Minister for Biosecurity, or not. We welcome your feedback, and look forward to discussing it further with you at the grower roadshow meetings in November where we will be explaining the situation in more depth. In the meantime, please don't hesitate to contact me, or our Chief Executive Barry O'Neil, to clarify any aspect of the proposal.

Kind regards,

Adrian Gault

KVH Board Chairman

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