

**Kiwifruit and avocado co-op serves members' needs**

by Murray Goodhue

Chairman, Birchwood Packhouse Ltd

To the uninitiated, the complexities of producing kiwifruit for the export market are not evident. Our largest horticultural export, it is forecast to exceed \$1 billion in the near future. The



market demands a high quality, high taste product which when combined with the right size profile, can still offer good returns despite the exchange rates woes afflicting New Zealand exporters.

Birchwood Packhouse Ltd. is a niche post-harvest operator which provides orchard management services, packing and coolstorage facilities to the kiwifruit and avocado industry. Located in Katikati, it was incorporated in 1987 by four foundation shareholders.

In 1992, due to a downturn in the kiwifruit industry, and in response to client requests, the company took over some orchards on a share cropping basis. The company reviewed its structure in 1994 due to the fact that three of the four



original shareholders had sold their orchards.

To ensure continuity of market share and production levels, Birchwood was purchased by its grower client directors and the company was registered as a cooperative in 2000. It now packs well in excess of one million trays of export kiwifruit.

Zespri too is owned and controlled by growers and, apart from the Australian market, holds the sole exporting rights for New Zealand kiwifruit. Whilst post-harvest operators like Birchwood provide an essential service within the industry, they have high capital costs and little opportunity to add value to the services they perform while

being required to meet standards that are established with minimal consulting process.

Increased supply is also an issue in the industry with new plantings still coming into full production and existing orchards achieving ever-increasing yields to offset lower returns and higher production costs per hectare. Coolstorage capacity comes under pressure. This was especially evident during the 2007 harvest when shipping issues caused a massive shortage of coolstorage. Many post-harvest operators were forced to seek short-term storage far afield – costing the industry both in terms of fruit quality and financially.

When Birchwood completed its first strategic plan in 2004, the directors recognised the cooperative had reached a watershed in its development. In response to this, and to developments in the industry, it sought out and found a cornerstone investor shareholder – DMS Progrowers Ltd, a successful industry leader.

Shareholder members approved DMS taking a 25% investor shareholding in their cooperative in October 2007 and the injection of capital has assisted with extensions and upgrades to the existing facility, and the construction of a new state-of-the-art 400,000 tray coolstore.

The Board now consists of two DMS members and three Birchwood cooperative members with myself as independent chairman. This has brought a high level of expertise and knowledge to the business and confidence for the future.

Strong partnerships between Birchwood and growers are essential to maximise the returns which are often affected by climatic conditions as well as Zespri's marketing strategies. Our focus has been on developing a total service from skilled orchard management through to communication, modern systems and coolstore facilities.

As a cooperative, we provide the best opportunity for our growers into the future, together with transparency in an industry which is becoming increasingly complex. Orchard gate returns currently achieved demand the post-harvest business offers the best possible price for the services it provides. Grower shareholding members stand to add to their returns by way of rebates on packing as well as dividends achieved by a lean and efficient management team.

Mergers and changes within the primary sector to maintain global market position and improve returns are common. If our industry were to review the opportunity for rationalization I consider Birchwood well positioned to meet any changes that may arise in the future.●

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The new Birchwood  
Packhouse coolstorage  
facilities in Katikati.  
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