



ANNUAL REPORT 2019





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CHAIRMAN'S REPORT

It is with pleasure that I report on the year ended 30 June 2019.

After a disappointing 2017/18 year it has been great for the industry to have had such a positive 2018/19 season. A season where the 'stars aligned' from a production and market perspective. Good planting, growing and harvesting conditions resulted in a crop of high quality onions. This effort was rewarded with very buoyant market conditions particularly in Europe. It can only be hoped that the current season will produce a similar outcome.

As an organisation Onions New Zealand has continued to focus on the objectives outlined in the Strategic Plan with emphasis on Market Access, Research and Development, Biosecurity and Communications.

With the changing world economic environment, the need to maintain opportunities in existing markets and to open new markets is a priority. We continue to pursue access to the Chinese market. During the year we submitted our Pest Risk Assessment to the Chinese Government as required under the negotiating protocol, but we have not as yet had a formal response from China. The Chief Executive and I visited Beijing in November and took the opportunity to push our case with key officials and Embassy staff. Onions New Zealand organised a visit for Exporters to visit the Chinese market based on Shanghai and Beijing which provided the opportunity for these companies to make

an on the ground assessment of the market. Since returning these exporters have held discussions to prepare a pathway to market.

We also visited Indonesia on the same trip. Indonesia is an important market which provides challenges largely politically driven. We were able to meet with key officials and Embassy staff stressing the importance of the market and the need for certainty.

We believe that visits to these two markets are important to maintain contact with the key players and to help develop greater levels of trust between the two countries.

Management has continued to monitor the changes happening in Europe to assess the implications for the industry in terms of market access and certification requirements. This is our major market and we will continue to do all we can to maintain and enhance our position.



Investment in research and development continues to be very important with a strong focus on long term sustainability.

We are currently investing in three major programmes in this space; Agrichemical Benchmarking, Onions Pathways - Sustainable Onion Production Systems and A lighter touch; Agroecological crop protection to meet future consumer demands. These are all significant investments and we are confident they will enable the industry to get ahead of the growing international pressures for safe sustainably produced food.

The incursion of unwanted pests is a major risk but we have positioned the industry well to manage any problem. The support for the biosecurity levy will ensure adequate funding will be available should the need arise. We are developing an operational plan for response activities and management in conjunction with Ministry for Primary Industries (MPI), which will provide a structure to manage any biosecurity response required.

Communication with stakeholders is a major activity of any industry good organisation. During the year the Management Team has continued to focus on the 'Wellington Scene' and has developed very trusted relationships with key partners. Management has also reviewed how it communicates with members and introduced the 'Onion Insider' which has received a very positive response. As well the team has made itself very available to talk to members about issues of the day.

The organisation has ended the year (30 June 2019) in a strong financial position with a surplus of \$133,328. This will be transferred to reserves. This situation is the result of increased levy income and tight control on expenditure. There were also a number of projects in the biosecurity and Research and Innovation areas that for various reasons were delayed.

Given the circumstances the Board is satisfied with the outcome and will continue to monitor financial performance on behalf of the members.

On behalf of the Board I wish to thank James and his team for their energy, enthusiasm and loyalty to the industry. It is now twelve months since James stepped into the role of Chief Executive, and he has quickly established himself as a strong advocate for the industry and a respected Chief Executive.

Finally, I wish to thank the Board members for their continued support and contribution to the industry. I would also like to thank retiring Board member Ray Ellis for his contribution over a number of years. His detailed knowledge of many markets was a real asset to the industry. On behalf of the Board I would like to wish Ray well for the future.



Owen Symmans
Independent Chairman



CEO'S REPORT



What a much-needed year. Exports have increased from \$89 million (FOB, year-end 30 June 2018) to \$170 million (FOB, year-end 30 June 2019).

Across the entire sector a job was well done; an excellent crop was grown, marketed and exported to 47 international markets plus a further \$32million (approx.) sold on the domestic market. This range of markets is essential for the sector's long-term sustainability and is something that Onions New Zealand has remained focussed on in 2018/19.

A core function of Onions New Zealand is opening and retaining markets. Market access is evolving and is no longer just phytosanitary access or tariff reductions through free trade agreements, but also removal of non-tariff barriers and food safety compliance. The latter two areas of market access are increasing in complexity and becoming more difficult to foresee and respond to. An example of a non-tariff barrier is the non-issuance of import permits, whereas in the food safety space more markets are asking for food safety certification/ assurances where no uniform assurance can be given.

The ability for Onions New Zealand to discuss sector issues and opportunities with the right officials when required is one of the fundamental functions we provide to our members.

This function is extremely difficult to quantify or recognise, but ultimately is what resolves our market access issues. In the coming year, we will focus on the renegotiation of the food safety agreement/ country recognition agreement (CRA) with Indonesia which looks at agrichemical residues, heavy metals and microbial risks.

At an industry level, it has been extremely pleasing and rewarding to have had great buy-in to the aggregation of both spray diaries and residue results, with this information voluntarily being submitted to Onions New Zealand. We are currently working through how this could be more easily captured so it is not an administrative burden for growers. The industry is now also 99% GAP (good agricultural practice) compliant (by production), with only a couple of growers now sitting outside of NZGAP or Global GAP. These two factors combined greatly strengthens the credibility of the sector and the assurances we can provide trading partners and MPI.



This year I have also consciously tried to reduce duplication and unnecessary expenditure between vegetable product groups where possible. In some areas such as market access we will always directly represent the interests of the sector, however I recognise that growers pay a levy to us and Horticulture New Zealand. In most cases a levy is also paid to other vegetable/ fruit product groups.

Collaborating with other groups on items such as the commodity levy referendum, on-farm biosecurity guidance (to be released soon) and particular research projects have reduced costs for members.

Again, we have published our audited accounts and budget by line item. It is not required that we report to this level, but reflects the level of confidence both management and the Board have in the activities Onions New Zealand is undertaking.

On a personal note, it has been a great privilege to continue the work where Ahern left off with Onions New Zealand. I wish to acknowledge the support of the Board and recognise that the directors have the right to claim for board attendance, but once again have not. I would also like to acknowledge the unpaid time that the representatives on both the onions Market Access Committee chaired by Kelvin Bezuidenhout and the Research and Innovation Committee chaired by Grant Ryan have put into the sector.

Lastly, I would like to recognise the staff and contractors that enable Onions New Zealand to represent the sector competently. I truly believe the New Zealand onion sector has a long-term future and that we can collectively grow the value of the industry.



James Kuperus
Chief Executive Officer



WHAT WE ACH

Quick look: growing



5,271 ha
The area of onions planted in 2018



20%
the percentage Red Onions ha have increased by since 2014 (from 554 to 663 ha)



4
Government growers tours including approximately 50+ officials



\$182.8 million
Approximate farm gate value Jul 18 - Jun 2019



>99%
of total planted ha in 2018 was grown by GAP accredited Growers



ACHIEVED: 2019

Quick look: exporting



177,000 MT

the amount of NZ Onions that were exported between July 2018 and June 2019



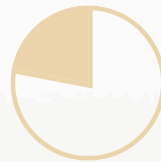
47 countries

imported NZ onions between July 2018 and June 2019



\$170 million FOB

in the 2018/19 financial year



22%

the percentage South East Asia now accounts for of exports by both volume and value



Indonesia 2nd

largest individual market for the 2018/19 season.

Accounting for 16% of all export by value and 15% by volume 2019 Jan-July

MARKET ACCESS REPORT

495%

increase of New Zealand onion exports to countries which make up the ASEAN, Australian, NZ FTA since it came into force in 2009.

29

Market access projects currently underway

Market access is and will remain the core activity of Onions New Zealand.

New Zealand onions were exported to 47 international markets in 2018/19. The value of these export markets for 1 July 2018 – 30 June 2019 was \$170,306,433 free onboard (FOB). Tariffs made up 6% of exports costing the sector \$12,580,186 of a total cost, insurance and freight (CIF) value of \$206,283,667. For Onions New Zealand market access was once again dominated by protectionist practices being implemented by Indonesia. This year the costs to the industry from the sizing regulation, pre-shipment inspections and other barriers were compounded by the delays of issuing of import permits by Indonesia. Sixteen percent of exports go to Indonesia now, which means disturbances like these in the market have huge ramifications.

The market access and information portfolio includes some tasks which often go under the radar including: market information reports, stock on hand surveys, phytosanitary chart, trade booklets, work to understand segregation distances and supporting exporters with new markets. 2018/19 was a challenging year for maintaining access, some of the key market access milestones this year are as follows.



MILESTONES THIS YEAR

SEPTEMBER
2018

Import permits are issued for New Zealand onions to Indonesia. The non-issuance of import permits for the second half of 2018 was extremely frustrating. Onions New Zealand worked with the New Zealand Embassy, MPI, MFAT, Exporters and Importers to apply pressure on the relevant Indonesian officials to issue import permits for New Zealand onions.

NOVEMBER
2018

Onions New Zealand attends China Fruit and Vegetables Fair. Onions New Zealand with other product groups (Apples and Pears NZ, Avocados NZ) attended the China Fruit and Vegetable Fair. This enabled direct access to relevant Chinese officials.

Onion exporters immersion trip to China.

Onions New Zealand visits Jakarta. Chairman and Chief Executive of Onions New Zealand visited Jakarta with engagements with the New Zealand Embassy, Ministry of Agriculture, Ministry of Trade and the importers association.

DECEMBER
2018

Access to Myanmar is achieved. New Zealand onions gain access to Myanmar with a bundle of other fruit and vegetables.

Comprehensive Progressive Trans Pacific Partnership (CPTPP) enters into force. CPTPP came into force on 30 December 2018 giving the New Zealand onion industry better access to Japan in particular.

MAR/APR
2019

Import permits are issued by Indonesian authorities. After months of delays, substantial volumes of import permits are finally issued for New Zealand onions.

APR/JUN
2019

Access to Papua New Guinea and Kiribati reinstated. Onions grown in and around Auckland were temporarily unable to be exported to Papua New Guinea due to the fruit fly finds in Auckland. Onions New Zealand worked alongside MPI to re-establish trade with these partners based on the information that onions are not a host of fruit fly.



TOP PRIORITIES & LOOKING AHEAD

■ Indonesia

Onions New Zealand is working with New Zealand and Indonesian Government officials to retain access to this lucrative market, including fostering direct relationships with influential Indonesian officials. 2018/19 was an incredibly difficult year given the posturing of Ministers in Indonesia leading up to their election in April 2019. During this time the Minister for Trade in particular was focussed on retaining their seat in the Indonesian Government. The impasse of import permits not being issued by the Ministry for Trade was resolved a week after the New Zealand Ambassador met with officials from the Ministry of Trade. The New Zealand onion sector is heavily reliant on our officials posted overseas to assist us with resolving trade disputes.

■ China

Gain meaningful phytosanitary access to China. Last year saw the inclusion of New Zealand onions on the official market access workplan of MPI for negotiating market access to China. MPI lodged the Pest Risk Analysis for onions with the Chinese authorities in June 2018. MPI and Onions New Zealand have been following up with Chinese authorities to seek updates on the progression of the request. To date, Chinese officials have reported they have received the application and they're working through the technical information.

Philippines

Work with MPI, MFAT and Exporters to remove unnecessary barriers to export to the Philippines.

Currently the Filipino Government will not issue import permits for onions during our peak export season, February - July. Onions New Zealand is working with New Zealand government officials to apply pressure to issue permits for New Zealand onions during this period. MPI has formally written to the Philippines Government raising this issue, but to date has not received a formal response. The Philippines Government has made no secret of its desire to protect local onion producers from the threat of imported product. In the meantime, Onions New Zealand will be leading an exporters market exploration trip to Manila in October 2019 to engage with the market.

Thailand

1 January 2020 the tariff rate quota on New Zealand onions will be removed and onions will be able to be exported to Thailand with no prohibitive tariff. In advance of this access, Onions New Zealand has done some pre-emptive analysis of the quarantine pests. This work shows that Thailand has many quarantine pests but none that require additional declarations. Inspectors should familiarise themselves with these quarantine pests in advance of 2020. They are listed on the Onions New Zealand Phytosanitary Requirements Chart. Onions New Zealand has organised an exporter in market exploration visit to Bangkok for October 2019. The purpose of this visit will be to collect relevant market intelligence about the domestic product, sizing profiles, quality and retail markets which will assist with the positioning of New Zealand onions.

India

Onions New Zealand and MPI continue to follow up with India to remove the fumigation requirement for New Zealand onions so that it is a more attractive market for future exports.

Onions New Zealand engages with government on Free Trade Agreement negotiations to get the best outcome for New Zealand onion growers and exporters.

This year we have engaged on the following FTA's:

- CPTPP
- RCEP
- EU - NZ FTA
- PACER Plus
- UK - NZ FTA
- AANZFTA upgrade
- China - NZ Upgrade

Regulation

Continue to engage with Government to direct policy on phytosanitary and food safety assurances that are practical and feasible for the New Zealand onion sector. With the EU requiring phytosanitary certificates from December 2019 onwards, Onions New Zealand has been working with MPI officials to develop some pragmatic ways of assuring our onions are free of quarantine pest and diseases. Onions New Zealand is also working with MPI and other horticulture sectors to provide food safety assurances to markets requiring these.





RESEARCH AND INNOVATION REPORT

RESEARCH STRATEGY

The key objective of the Onions New Zealand research strategy is to increase the profitability of onions.

The research strategy has two themes:

Theme 1

Enable market growth; this includes projects to support market access, market demands, local and international requirements, and biosecurity.

Theme 2

Improve the profitability and sustainability of onion production and exports.



Onions New Zealand Research & Innovation committee is an enabler of the industry, and this is the focus for use of levy funds. Research projects focused on onion specific research are managed through Onions New Zealand Research and Innovation subcommittee, while the Vegetable Research & Innovation Board supports research projects on topics common to vegetable crops.



ONZ Research & Innovation Subcommittee

The subcommittee is managed by Dr Sally Anderson and chaired by Grant Ryan. Committee members are Paul Munro, Brent Wilcox, Rob Cox, Eamon Balle and the Onions New Zealand Chief Executive.

Last financial year saw Onions New Zealand plan and initiate a work programme to enable New Zealand onion growers to become the world's preferred supplier of low residue, sustainably produced onions.

Agrichemical benchmarking.

The first stage of producing sustainable onions was to understand what the industry currently looks like. Onions New Zealand secured MPI funding (SFF Tere) to collect residue results and spray diary information from growers to assist with benchmarking and better understanding the agrichemical usage in onion production across regions and industry. The information from this 3-month research project has been fed into SFF Onion Pathways: Sustainable Onion Production Systems.

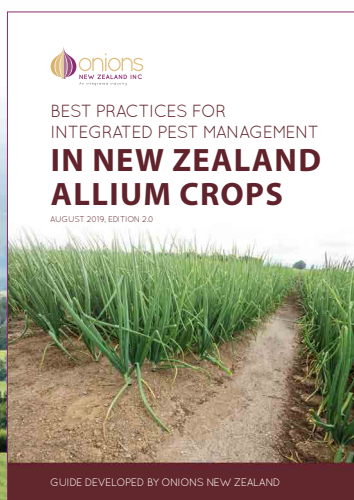


Image: The 2019 revised and updated Onions IPM manual.

Other key achievements of the Onions New Zealand Research & Innovation subcommittee in 2018/19 financial year:

- » Revised and updated the Onions IPM Manual.
- » Funded Plant & Food Research to sequence *Stemphylium* isolates to understand the genetic diversity and disease-causing potential of strains.
- » Co-funded with Vegetables New Zealand a project led by AgResearch to investigate whether silicon fertiliser applied to soil can reduce Cadmium uptake in spinach and onions.
- » Updated the guides to MRLs and withholding periods for export onions for 2019-20 season.
- » Developed a phytosanitary chart for the top ten export markets to assist inspectors making quarantine decisions based on pest presence.
- » Commissioned a review of new possible control options for onion smut.
- » Carried out laboratory and field trials testing for Downy mildew resistance, with further field trials planned for the 2019-20 season.
- » Managed the award of onion Industry Postgraduate Scholarships, two scholarships were awarded for 2019. The first was awarded to Matthew House at the University of Waikato, to continue his research on soil carbon and nitrogen stocks in allophanic soils under long-term cropping in the Waikato (Matthew was a 2018 scholarship recipient). The second scholarship was awarded to Moej Marediya at the University of Otago. Moej will look to identify the genes underlying adaptive traits of onion bulbing and bolting. 2018 scholarship recipient Olivia Prouse recently submitted her MSc thesis at Lincoln University. Olivia investigated the application of commercial endophytes in onion production.

LOOKING FORWARD

THE 2019/20 FINANCIAL YEAR HAS TWO SIGNIFICANT RESEARCH PROJECTS:

PROJECT 1

ONION PATHWAYS: SUSTAINABLE ONION PRODUCTION SYSTEMS.

Successfully secured funding from MPI's Sustainable Farming Fund for the Onion Pathways research programme.

THE PROGRAMME AT A GLANCE:

Start: 1st July 2019 to 30th June 2022

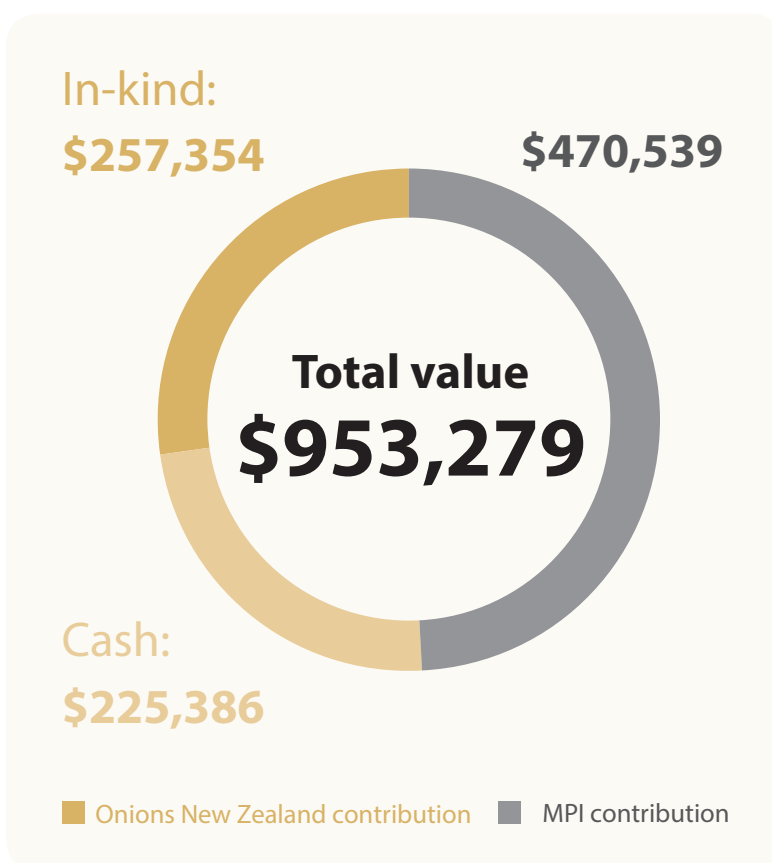
Length: 3-year research programme

This project will focus on achieving sustainable onion production while reaching production targets and maintaining New Zealand onion industry's position as a world-leading onion producer and premium exporter.

The vision of this project is that New Zealand onions will be proven sustainably produced, having a minimal agrichemical residue profile, with authentic and verifiable sustainability credentials.

Key objectives:

- To achieve a programme of sustainable onion production. In particular New Zealand onions will have a minimal agrichemical residue profile using a low residue production system.
- Agrichemical benchmarking will be used to identify opportunities for new management approaches and to measure the success of the changes implemented.



PROJECT 2

A LIGHTER TOUCH: AGROECOLOGICAL CROP PROTECTION TO MEET FUTURE CONSUMER DEMANDS.

Onions New Zealand are joining in this horticulture - wide research project alongside MPI. The **vision** of this programme is that New Zealand will become one of the most desirable sources of food in the world.

THE PROGRAMME AT A GLANCE:

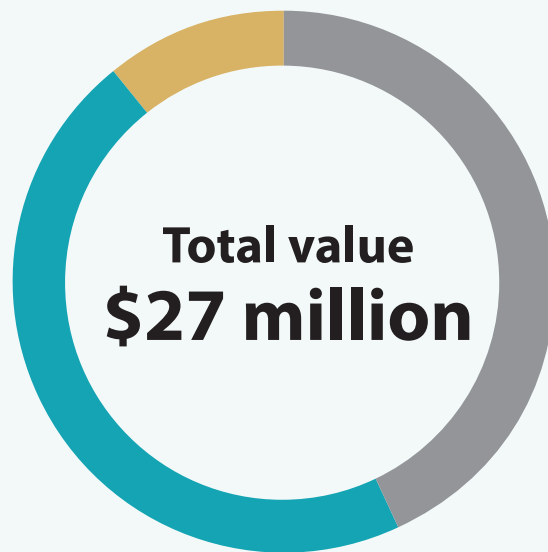
Start: 1st October 2019

Length: 7-year programme

The goal of this programme is to pursue agroecological crop production practices to make New Zealand one of the most desirable sources of food in the world. Based on the agroecological crop protection practices that will be adopted by the horticulture, arable and wine sectors.

There will be greater focus on overall plant health and the plant at the centre of the agroecosystem, and crop protection programmes will be built around that. There will be a reduction in agrichemical use over time, and overall crop protection will have a lighter touch on the environment and be more sustainable.

\$500,000 **\$10 million**



\$10.6 million

- Onions New Zealand contribution
- MPI contribution
- Industry contribution

Industry's contribution = \$10.6 million + in-kind (time)
(Onions New Zealand's contribution \$500,000, including in-kind contributions)

VR&I Board

This Board is chaired by David Hadfield (Process Vegetables New Zealand Inc). James Kuperus leads the Onions New Zealand representation at these meetings and Paul Munro attends as an independent co-opted member on the VR&I Board.



Activities supported by Onions New Zealand through the VR&I Board in 2018-19 include:

- > Funded a project to maintain an ongoing agrichemical strategy for the vegetable industry. Onions New Zealand continues to support the agrichemical review process by providing economic evidence to defend the use of agrichemicals in New Zealand.
- > In collaboration with FAR, the VR&I Board commissioned a review of neonicotinoids to guide the development of Good Management Practices for New Zealand growers. These key points have been highlighted in a brochure "General Principles for Good Management Practices: Neonicotinoids".
- > Funded project called 'Managing Biosecurity Risks'. Managed by Market Access Solutionz Ltd this provides on-going monitoring of biosecurity performance at the border.
- > Developed in collaboration with the Fertilizer Association of New Zealand and Plant & Food Research guidelines for the nutrient management of vegetable crops. These guidelines detail the principles of fertiliser management for 12 individual vegetable crops.
- > Contributed to MBIE project 'Maximising the value of irrigation'. This involves on farm research to assess how irrigation can affect financial and environmental performance.
- > Contributed to the 'Protecting our Groundwater' programme. This network of fluxmeters on arable and vegetable farms is measuring drainage and nutrient losses under cropping rotations. Managed by FAR with research services provided by Plant and Food Research this project is co-funded for 3-years by the Ministry for the Environment.
- > Contributed to the final year of SFF project 'Don't Muddy the Water'. Lead by AgriLink, this project developed monitoring methods for sediment control. Workshops are now being held around the country by NZGAP and Horticulture New Zealand.
- > Contributed to SFF project 'Nitrogen Quick Test'. Lead by Plant and Food Research and managed by FAR, this project developed a simple test for growers to quickly measure soil nitrate levels. A guidebook and a simple calculator that will convert N quick test strip results into an estimate of the crop's demand for nitrogen are now available.



Image: Cover of the new Nutrient management guidelines.

Dr Sally Anderson
Research, Innovation and Extension Manager
Onions New Zealand Inc.

BIOSECURITY REPORT

This year Onions New Zealand has reduced administration costs of biosecurity and commenced readiness projects, in an effort to gain a better understanding of threats to our industry and how to prepare for them.

Overall, 2018/19 has been a difficult year for the New Zealand’s biosecurity system with many high-profile responses underway.

Overall there are over 20 responses underway around the country from *Bonamia ostreae* (oyster parasite) to Mycoplasma Bovis Virus. With the exception of being caught up with market access issues with Fruit Fly to Papa New Guinea and Kiribati, the New Zealand onion sector has been fortunate not to be involved in any responses.

Biosecurity Levy:

In 2017 Onions New Zealand consulted with growers on the introduction of a biosecurity levy for responses only and submitted the application to MPI in December 2017. This application has worked through the MPI system over the past 18 months and will come into force on 1 November 2019. The Board and Management’s intentions are to keep the levy at \$0/ha and only ‘activate it’ from \$0/ha if it is agreed that we should respond to a significant incursion.

Operational Agreement:

Onions New Zealand has now entered into an operational agreement for readiness activities only with MPI as of October 2018. This means, MPI and Onions New Zealand will proactively engage with one another to work on projects to better prepare for unwanted pests and diseases which would have significant costs to the sector if they established in New Zealand. This agreement also stipulates the cost sharing for these activities, with MPI picking up over

50% of the cost of agreed projects. The first project being worked on under this agreement is a literature review of *Delia antiqua* (onion fly) including modelling of likely spread and establishment in New Zealand. Once this is completed, we will commence work on a response plan for *Delia antiqua* if it were to establish in New Zealand (including possible control options and movement control zones).

At the border and post-border interceptions:

Trade goes both ways; with garlic, shallots and onions being imported into New Zealand, the risk of introducing an exotic pest or disease continues to threaten the industry. MPI have released data on at the border and post border interceptions of *delia antiqua* and *Pantoea ananatis* to Onions New Zealand. This data is released to us in good faith so that we can better understand our priorities for readiness work. It highlights that commercial trade is very much a risk for the New Zealand onion sector and we need to be aware that the majority of interceptions occur post border (by consumers, or packers etc).

Interceptions of key exotic pests 2003-2019

	Interceptions at the border	Interceptions post border
Delia Antiqua (onion fly)	12	58
Pantoea ananatis (center rot)	2	3



Delia antiqua (onion fly) literature review

Delia antiqua, commonly known as onion fly, is a highly host-specific pest of onions and other closely related crops (*Allium* spp.) such as leeks, shallots, garlic and chives.

This pest has a global presence across North and South America, Europe, Northern Africa, the Middle East, and Asia causing significant crop losses where present.

Adult flies are approximately 7mm long and are similar in appearance to the housefly (see Figure 1). The lifecycle of the fly begins in soil and then moves into the bulb. The first sign of onion fly damage is often wilted onion plants.

Other visual signs of stress seen in plants infested with onion fly are yellowing of leaves, severed or blackened roots, and unexpected death. Light infestations may not kill plants but can increase susceptibility to other infection, such as bacterial rot.

While onion fly mainly affects the bulb, it can cause death in young seedlings, and lead to serious harvest losses. More than 20 seedlings may be killed by a single fly. If onion seedlings are not protected with an insecticide applied at planting, larvae can reduce plant stands by 55-90% and grouped plant deaths can result in a 'patchy' crop. Countries invaded by this pest have experienced up to 90% crop loss leading to economic losses, increased monitoring and control expenses, and flow-on implications for planting and trade restrictions. All previous detections of onion fly in New Zealand have been found on garlic imported from China.



Figure 1: *Delia antiqua* (onion fly)

The initial findings of the literature review found that:

- Fecundity: 150 to 200 eggs, laid in clusters (15 -20) or individual eggs
- Larvae develop inside the host (bulb), but pupate in the soil
- Development lasts 2-7 days and 1-4 generations can be produced annually
- There is no specific lure for onion flies
- Onion fly attacks onion and related *Allium* crops (e.g., garlic and spring onion, leek, chives)
- It is considered one of the most destructive insect pests of onions and related plants
- It can cause losses of 20-90% in temperate regions
- Larvae feed on onions, garlic, and other bulbous crops
- Targeting adult insects with foliar insecticide applications is ineffective
- Seed treatments with insecticides can provide cost effective control for the first and sometimes second-generation larvae

PRIORITIES GOING FORWARD:

Response plan for *Delia antiqua*:

Developed in advance of an incursion of onion fly so that we know which insecticides to use for control of adult flies and controls for larva. This will better prepare the sector for responding to this unwanted pest and potentially save the industry a lot of money.

Response plan for *Pantoea ananatis*:

Pantoea ananatis is another organism that could cause significant losses to the onion sector. Onions New Zealand and MPI are looking to develop a response plan for this bacterium to mitigate losses.

Biosecurity Act Review:

The biosecurity act is being reviewed in 2019/20. This review will include cost shares between industry and MPI as well as many other important details which lay the foundations for industries such as ours to sign up to GIA. Onions New Zealand will continue to engage with MPI on the review and ensure that what we signed up to in good faith remains intact.

Biosecurity on-farm best practices manual:

Onions New Zealand is working with other vegetable product groups to produce two biosecurity on-farm best practice manuals for indoor and outdoor vegetable crops. These are intended to be practical guides, using case studies to encompass the costs of response and crop loss due to significant vegetable incursions (Iris Yellow Spot Virus, Fruit Flies, poinsettia thrips etc).

KEY STATISTICS

AREA PLANTED: HECTARES

REGION	2014		2015		2016		2017		2018	
	Brown	Red	Brown	Red	Brown	Red	Brown	Red	Brown	Red
Northland/Auckland	2	0.7	1.7	0.8	1.4	0.7	1.5	0.8	1.8	0.7
Pukekohe	2,141.7	418.6	1,688.5	272.5	1,896.2	411.5	1,762.5	465.7	1,744.4	477.7
Waikato/Bay of Plenty	588.5	32	971.7	123.6	927.8	89	904.8	49	1,007.2	80
Gisborne	0	0	0	0	0	0	0	0	0	0
Hawkes Bay	667	37.5	710	49	762	51	819.5	42.7	636.8	47
Wanganui	0	0	0	0	0	0	0	0	0	0
Taranaki to Manawatu	201.5	3.5	144.5	4.5	169.5	3	92.5	0.5	72.5	1.5
Horowhenua	77.1	19.9	72.5	17	74	15.4	69.2	10.6	72.4	10.6
Marlborough/Nelson	19.2	12.5	21	14	23.5	16.5	17.5	12.5	17.5	13
Canterbury	682.9	29.1	779.9	23.7	751.4	32.1	933.7	22.2	1,030.5	32.5
Total by Colour	4,379.9	553.8	4,389.8	505.1	4,605.8	619.2	4,601.2	604	4,608.1	663
Total HA	4,933.7		4,894.9		5,225		5,205.2		5,721.1	

ONIONS NEW ZEALAND TOP EXPORT MARKETS BY TONNES

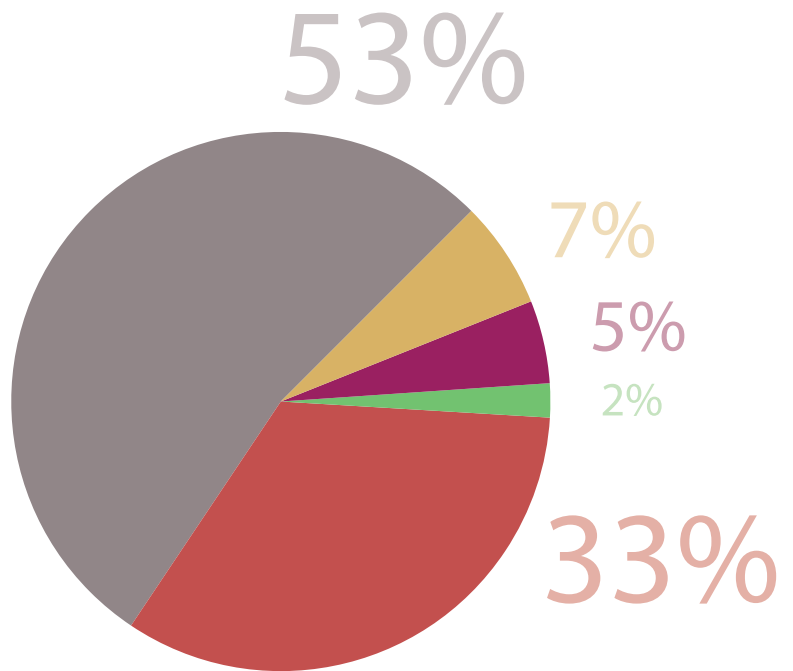
*Destination	2010	2011	2012	2013	2014	2015	2016	2017	2018	June 30 2019
Belgium			13,978	12,983	15,596	14,392	24,585	14,636	4,206	7,129
France			3,891	6,757	10,038	9,846	8,327	7,413	5,977	7,540
Netherlands			25,110	35,397	29,977	31,505	18,522	26,704	29,390	37,372
Germany			10,938	14,127	11,919	15,790	19,824	11,808	20,632	20,845
Europe / Other			5,260	4,836	5,221	4,320	5,896	7,193	6,061	11,500
Europe Total	69,153	57,796	59,177	74,099	72,749	75,853	77,154	67,754	66,264	84,385
United Kingdom	27,138	19,532	10,868	14,217	13,849	8,228	8,596	3,492	2,112	17,668
USA			1,164	3,723	5,859	564	531	732	335	958
Japan	23,018	12,778	25,179	8,377	19,348	18,373	16,885	24,177	8,014	6,246
Taiwan	3,110	507	7,168	5,018	3,230	6,993	7,866	15,125	591	6,751
Hong Kong	1,862	1,444	3,609	3,643	3,545	3,181	3,667	2,966	1,405	1,221
Indonesia	12,845	14,345	15,819	12,292	24,274	21,598	32,594	37,826	29,023	22,072
Malaysia	13,314	7,990	17,356	29,713	15,935	13,082	10,239	11,916	8,225	9,871
Singapore	2,882	1,408	3,413	3,429	2,994	2,488	2,955	1,506	1,873	1,228
Pacific Islands	15,574	15,112	16,482	16,563	18,272	18,771	18,177	20,709	17,741	10,434
Australia	4,412	443	434	352	787	6	26	389	19	12
Other	5,325	439	2,266	3,259	1,432	1,830	2,669	823	1,119	1,667
Total Tonnes	178,631	131,794	162,935	174,686	182,275	170,967	181,359	187,415	136,722	162,515

EXPORT REGION BY VALUE

■ Europe ■ North Asia ■ Southeast Asia ■ Pacific Islands ■ Other

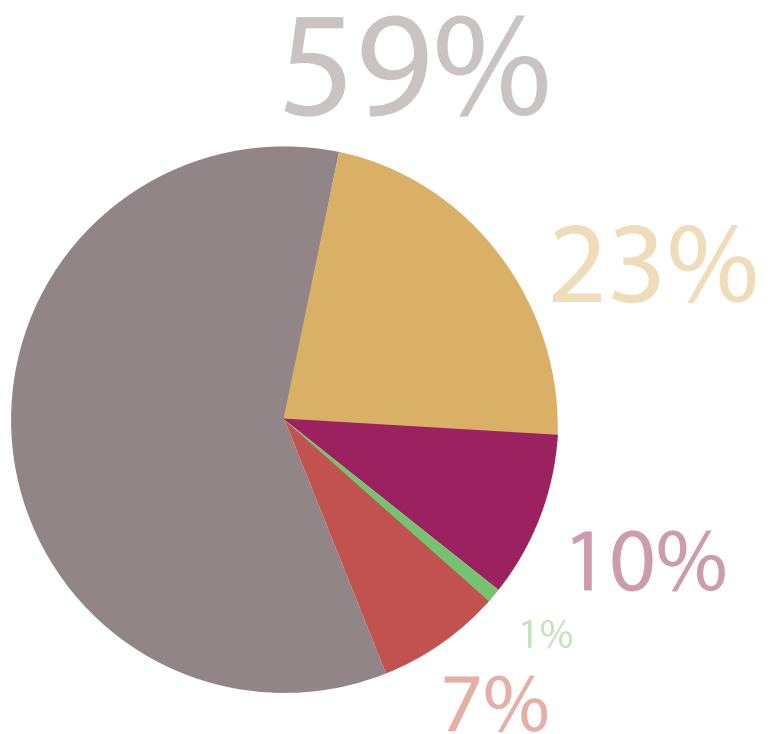
Our export market distribution looked like this in 2000....

JUL 1999 - JUN 2000

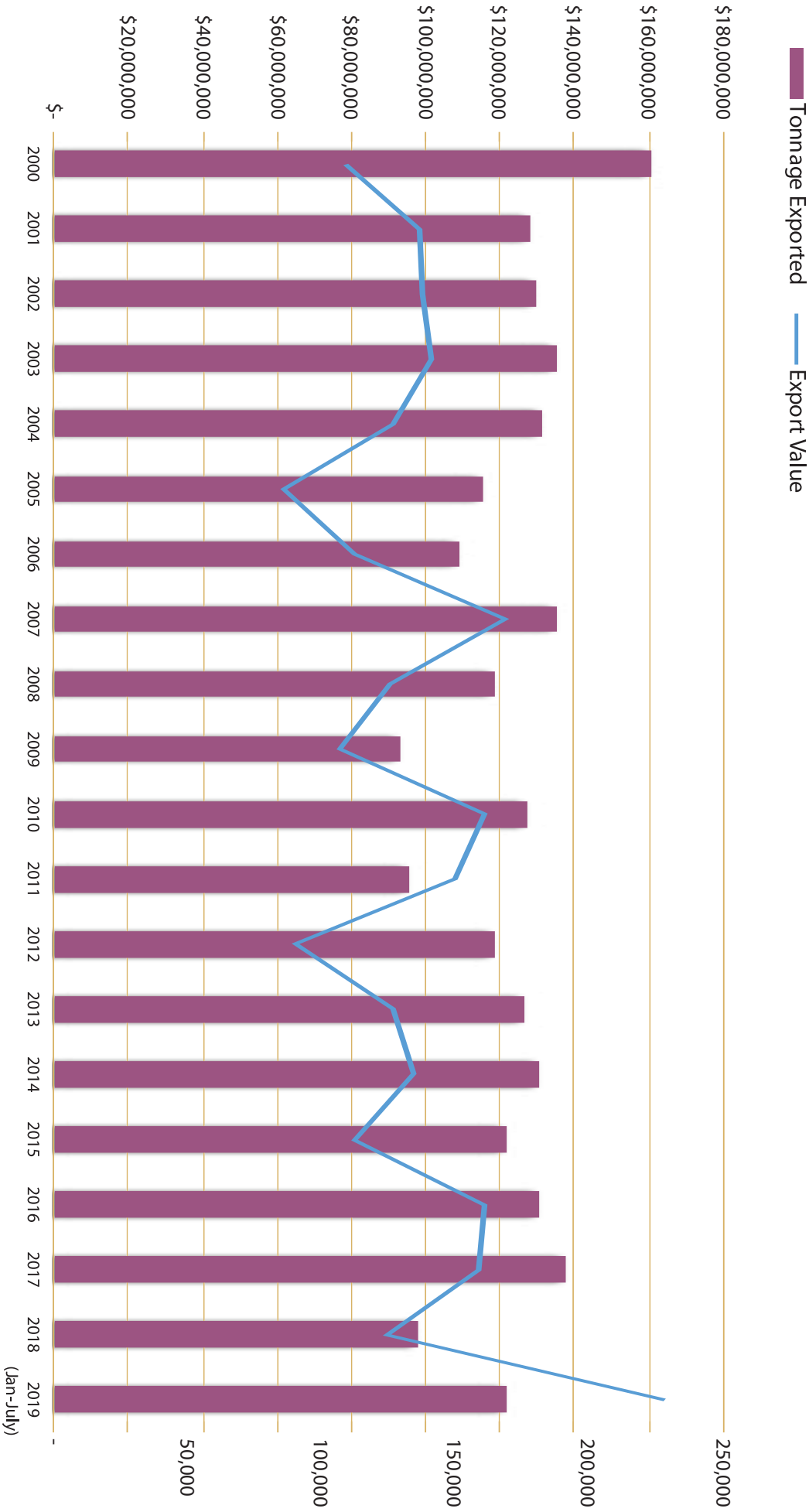


Now it looks like this...

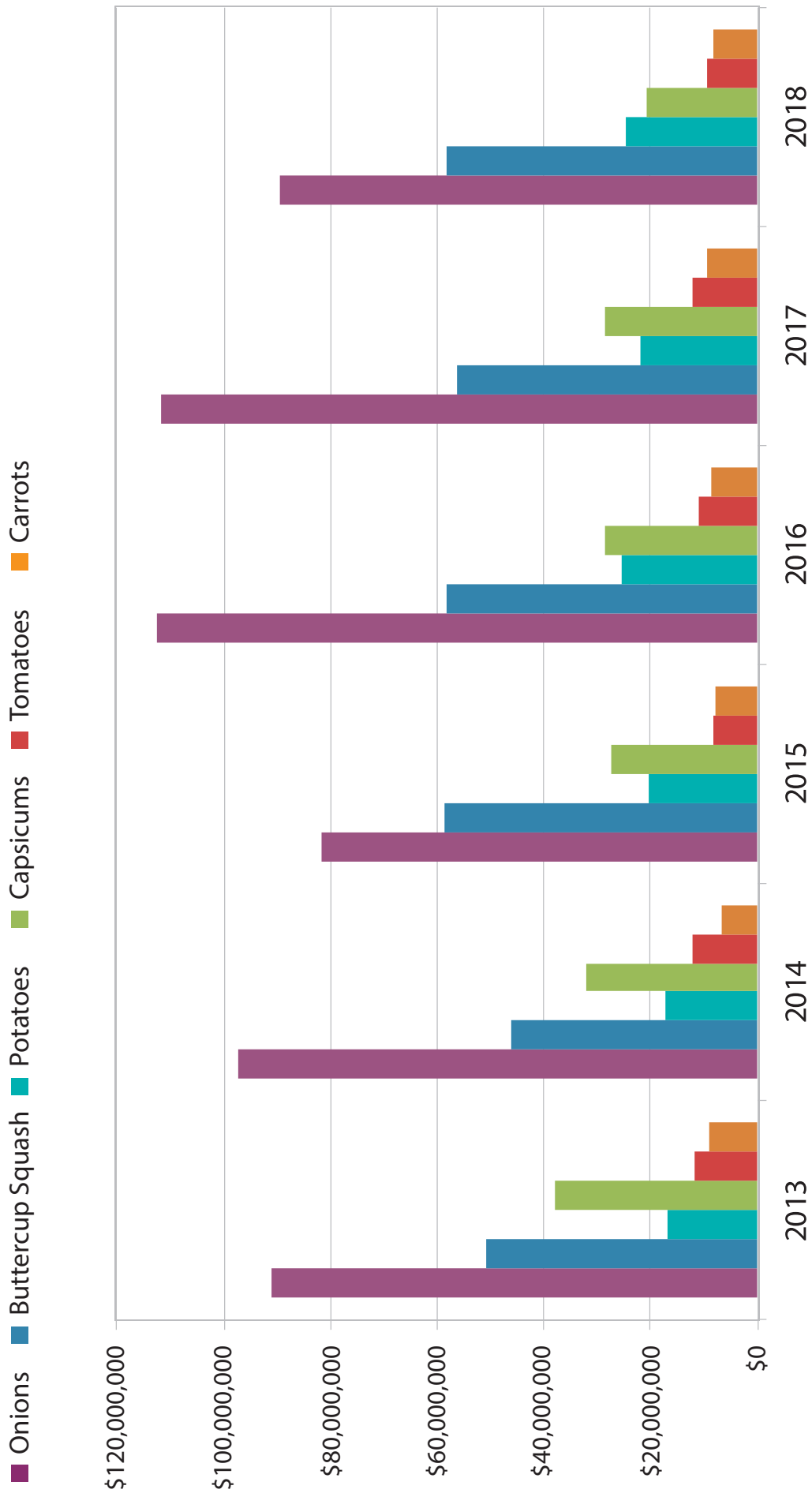
JUL 2018 - JUN 2019



NZ ONION EXPORTS



NZ FRESH VEGETABLE EXPORTS (VALUE)



Onions New Zealand Incorporated

Special Purpose Financial Reports

for the Year Ended
30/06/2019

Onions New Zealand Incorporated

Performance Report

For the year ended
30 June 2019

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Onions New Zealand Incorporated

Entity Information

For the year ended
30 June 2019

Legal Name of Entity:	Onions New Zealand Incorporated
Type of Entity and Legal Basis:	Incorporated Society
Registration Number:	1570409
Date of Incorporation:	26 October 2004

Contact details

Physical Address:	Level 4 Co-Operative Bank House 20 Ballance Street Wellington 6011
Postal Address:	PO Box 10232 The Terrace Wellington 6143
Phone/Fax:	Ph +64 508 664 667
Email/Website:	www.onionsnz.com
Main Sources of Entity's Cash and Resources	Onions New Zealand Incorporated's primary sources of funding are from grower levies and research grants. Additional funding is received through subscriptions and interest.

Onions New Zealand Incorporated

Statement of Financial Performance

For the year ended
30 June 2019

	Note	Actual 2019 \$	Actual 2018 \$
REVENUE			
Levies	1	691,750	592,399
Subscriptions		6,950	7,200
Grants	2	23,500	157,478
Sponsorship & Sundry Income	13	35,827	10,747
Interest		32,741	26,879
Total Revenue		790,768	794,703
EXPENSES			
Industry Leadership	13	241,711	279,222
Administration		75,910	82,151
Market Access		103,338	134,736
Biosecurity		15,909	37,330
Industry Research, Innovation & Extension		211,879	376,149
Total Expenses	3	648,747	909,588
Operating Surplus/(Deficit) for the Year before Tax		142,021	(114,885)
Taxation Expense	4	8,693	7,055
Net Surplus/(Deficit) after Tax		133,328	(121,940)

Onions New Zealand Incorporated

Statement of Financial Position

As at
30 June 2019

	Note	Actual 2019 \$	Actual 2018 \$
<u>ASSETS</u>			
Current Assets			
Bank accounts and cash	6	366,222	365,437
Investments	7	803,601	800,000
Debtors and prepayments	8	259,760	127,879
Income Tax Receivable	5	-	1,848
Total Current Assets		1,429,583	1,295,164
<u>LIABILITIES</u>			
Current Liabilities			
Creditors and accrued expenses		88,127	119,884
Income Tax Payable	5	769	-
GST Payable		52,926	20,847
Total Current Liabilities		141,821	140,731
Total Assets less Total Liabilities (Net Assets)		1,287,761	1,154,433
<u>EQUITY</u>			
Capital Reserve		150,000	150,000
Retained Earnings	9	1,137,761	1,004,433
Total Equity		1,287,761	1,154,433



OWEN SYMMANS
ONZ Inc. Chair & Director
Dated 16 September 2019



KEVIN WILCOX
ONZ Inc. Vice Chair & Director
Dated 16 September 2019

Onions New Zealand Incorporated

Statement of Accounting Policies

For the year ended

30 June 2019

Basis of Preparation

Onions New Zealand Incorporated is an Incorporated Society and as such has no statutory requirement to prepare GAAP compliant financial statements. The Society has elected to prepare Special Purpose Financial Statements applying PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2,000,000 with the exception of preparation of a Statement of Service Performance and Statement of Cashflows. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

Goods and Services Tax (GST)

Onions New Zealand Inc is registered for GST. All amounts are recorded exclusive of GST, except for Debtors and Creditors which are stated inclusive of GST.

Income Tax

Income tax is accounted for using the taxes payable method. The income tax expense in profit or loss represents the estimated current obligation payable to Inland Revenue. Taxation expense is accrued in the period to which the obligation arose. Tax is calculated in accordance with IRD rates.

Bank Accounts and Cash

Bank accounts and cash comprise cash balances and bank balances (including short term deposits) with original maturities of 90 days or less.

Levy Revenue

Levy fees are recognised in the period to which they relate to.

Interest Revenue

Interest income is recognised as it is earned and accrued using the effective interest method.

Research and Development Grant Revenue

Research and development grants are recognised in accordance with the funding agreement. Where the funding is provided with conditions then income is only recognised when the conditions attached have been fulfilled with the unspent portion being recognised as income in advance. Funding is recognised as income when received if there are no refundable conditions attached.

Debtors

Debtors are stated at estimated realisable value. Bad debts are written off during the period in which they are identified.

Expenses

Expenses have been classified on their business function. Expenses are recognised in the period in which they relate to.

Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

Onions New Zealand Incorporated
Notes to the Performance Report
For the year ended
30 June 2019

Note 1 : Levy Income

	\$ This Year	\$ Last Year
Direct Sales Levies	2,426	2,401
Domestic Levy	88,354	83,322
Export Levy	441,953	370,601
Marketer Levy	168,187	136,274
Process Levy	12,536	18,702
Less Collection Fee	(21,706)	(18,899)
	691,750	592,399

Note 2 : Research and Development Grants

	\$ This Year	\$ Last Year
MPI SFF Grant	23,500	157,478
	23,500	157,478

Research and Development Grants were received from Ministry of Primary Industries. As at balance date all milestones associated with the grants had been met.

Note 3 : Analysis of Expenses

	\$ This Year	\$ Last Year
<u>Industry Leadership</u>		
AGM/Grower Seminars	25,645	33,701
CEO, BM & Admin Fees	140,190	167,721
Chief Executive Officer Expenses	6,776	11,008
Directors Expenses	11,353	10,750
Government Relations	4,446	6,245
HortNZ PG Meetings & Vegetable Forums	4,803	5,329
Independent Chair	34,333	30,004
Independent Chair Expenses	1,995	2,917
Travel Expenses	12,169	11,547
Total Industry Leadership Expenses	241,711	279,222
<u>Administration Expenses</u>		
Accountancy Fees	11,463	10,402
Audit & Tax Fees	3,060	2,599
Bank Fees & Charges	193	182
Commodity Levy Referendum	873	-
District Association Grants	9,142	3,506
General Expenses	7,961	1,694
Grower Magazine Contribution	7,008	7,008
Hort NZ Overheads	6,945	6,675
Legal Fees - Deductible	1,040	2,690
ONZ Newsletters (The Skin)	115	644
ONZ Photography	3,061	-
Printing/Postage/Stationery	10,194	12,142
Recruitment	-	20,172
Telephone & Tolls	2,986	2,230
Vegetables.co.nz	10,000	10,000
Website	1,869	2,207
Total Administration Expenses	75,910	82,151

Onions New Zealand Incorporated

Notes to the Performance Report

For the year ended
30 June 2019

	\$ This Year	\$ Last Year
<u>Market Access</u>		
AMI Weekly News & World Report	5,424	3,737
Asia and Pacific Plant Protection	-	6,587
Asia Market Mapping & Travel (incl Vietnam)	-	5,283
Australia (Consultancy & Govt Cost Recovery Fees)	1,250	4,587
China Market Access	-	13,051
China Market Intelligence	1,306	55,865
China Trade Visit	50,195	19,549
Exporter Meetings	-	182
Food Safety Project	4,200	45
General Market Access Travel	1,894	3,582
Indonesia Market Retention Project	7,587	-
National Technical Working Group (Global GAP)	969	3,172
Other Market (Consultancy & Govt Cost Recovery Fees)	2,701	13,950
Phytosanitary Chart & QC Training	6,859	-
Plants Market Access Council Membership	2,385	2,498
Reporting & Scanning	7,200	-
Segregation Work to Understand Distance	6,800	-
Surveys	2,028	2,193
Trade Access Booklet	2,540	455
Total Market Access	103,338	134,736
<u>Biosecurity</u>		
Biosecurity Extension	300	2,267
Biosecurity Readiness Projects	3,000	-
Biosecurity Levy Preparation MAS	-	9,661
Development of Allium Sector OA MAS	-	4,800
Freshpac Core Group MAS - Shared Cost	1,125	1,200
Maintaining Technical Expertise	7,835	-
ONZ Biosecurity Management Plan MAS	-	10,950
Onion Pest List	2,640	-
Travel & Meetings - Biosecurity	1,009	8,452
Total Biosecurity Expenses	15,909	37,330
<u>Industry Research & Innovation</u>		
Export Onion MRL (MPI) and PHI (P&FR) Updates	2,224	1,576
IPM Manual Update	968	-
MPI SFF	30,000	223,365
ONZ R & I Sub Committee	659	516
ONZ Research Manager	72,000	55,612
ONZ Research Manager Expenses	3,044	5,542
ONZ Smut Field Trials	1,800	-
Research Education Trust	11,750	7,500
Soil Borne Diseases & Plant Establishment	10,466	5,115
Sustainable Production Project	22,078	2,565
VR & I Board Admin	16,274	15,402
VR & I Board Leveraged Research	40,617	58,957
Total Industry Research & Innovation	211,879	376,149

Onions New Zealand Incorporated

Notes to the Performance Report

For the year ended
30 June 2019

Note 4 : Taxation Reconciliation

	\$ This Year	\$ Last Year
Surplus/(Deficit) before Income Tax		
Current Year Earnings	142,021	(114,885)
Total Surplus/(Deficit) before Income Tax	142,021	(114,885)
Permanent Differences		
Non-Member Income Exemption	(1,000)	(1,000)
Non-Taxable Profit Relating to Members	(109,974)	-
Non-Taxable Loss Relating to Members	-	141,082
Total Permanent Differences	(110,974)	140,082
Taxable Profit (Loss)	31,048	25,197
Tax Payable at 28%	8,693	7,055

Note 5 : Taxation

	\$ This Year	\$ Last Year
Taxation		
Opening Balance Payable/(Receivable)	(1,848)	(2,149)
Increases		
Provision for Taxation	8,693	7,055
Refunds	1,848	1,309
Total Increases	10,542	8,364
Decreases		
RWT Paid	7,924	8,063
Total Decreases	7,924	8,063
Total Taxation Payable/(Receivable)	769	(1,848)

Note 6 : Bank Accounts and Cash

	\$ This Year	\$ Last Year
BNZ Current Account	303,707	302,927
BNZ Call Account	62,515	62,509
	366,222	365,437

Interest is earned at 0.10% in the call account. As at balance date there were no overdraft facilities or any other banking arrangements in place with BNZ.

Note 7 : Investments

	\$ This Year	\$ Last Year
BNZ Term Deposit - 01	303,601	300,000
BNZ Term Deposit - 02	300,000	300,000
BNZ Term Deposit - 03	200,000	200,000
Total	803,601	800,000

Onions New Zealand Incorporated

Notes to the Performance Report

For the year ended
30 June 2019

Note 8 : Debtors and Prepayments

	\$ This Year	\$ Last Year
Trade Debtors	247,250	126,063
Interest Accrued at Y/E	6,323	-
Prepayments	6,187	1,816
	259,760	127,879

Note 9 : Retained Earnings

	\$ This Year	\$ Last Year
Opening Balance	1,004,433	1,126,373
Current Year Earnings	133,328	(121,940)
Total Retained Earnings	1,137,761	1,004,433

Note 10 : Commitments and Contingencies

Commitments

There are no commitments as at balance date. (Last Year - NIL.)

Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at balance date. (Last Year - NIL.)

Note 11 : Related Party Transactions

Southern Fresh Limited - Exporter
Balle Bros Group Limited - Exporter
Harvest Fresh Limited - Exporter
Ellis Agrichemical Services Limited - Exporter
Produce Agencies Limited - Exporter
Master Produce - Grower
Pye Limited - Grower
AS Wilcox & Sons Ltd - Grower
Apatu Farms Limited - Grower

The above exporter/grower businesses have been identified as related parties due to directors on the board of those entities also being directors of Onions NZ Incorporated.

The transactions that have occurred between those entities and Onions NZ Incorporated are payment of levies. These transactions have occurred on terms and conditions no different to other levy payers.

Note 12 : Events after Balance Date

There were no events that have occurred after the balance date that would have a material impact on the Performance Report. (Last Year - NIL.)

Note 13 : Comparative Adjustments

A prior year restatement has been made for Sponsorship & Sundry Income and Industry Leadership expenses as in the previous year the AGM/Conference Sponsorship was incorrectly netted. The change is as follows:

	2018	Adjustment	2018 Restated
Sponsorship & Sundry Income	-	10,747	10,747
Industry Leadership	262,230	10,747	272,977

Some prior year comparatives have also been restated to be consistent with current year groupings. This has increased Industry Leadership by 6,245, and Industry Research & Innovation by 2,565, and decreased Market Access by 8,810.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONIONS NEW ZEALAND INCORPORATED

Opinion

We have audited the financial statements of Onions New Zealand Incorporated (“the Society”), which comprise the statement of financial position as at 30 June 2019, and the statement of financial performance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Society for the year ended 30 June 2019 are prepared, in all material respects, in accordance with the accounting policies specified in the statement of accounting policies in the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (“ISAs (NZ)”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Society.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor’s report is information contained in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors’ Responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with the accounting policies specified in the statement of accounting policies in the financial statements and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Wellington Audit Limited

BDO Wellington Audit Limited
Wellington
New Zealand
16 September 2019



ONIONS NEW ZEALAND ANNUAL REPORT 2019

Onions New Zealand Inc.

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