



AGRECOVERY
Rural Recycling Programme



Annual Report 2008/2009

Message from the Chairman



As we end our second year I wish to congratulate and acknowledge all those involved in ensuring the on-going success of the Agrecovery Rural Recycling programme.

I especially wish to thank the brand owners who have voluntarily taken up the waste minimisation challenge and are committed to

keeping Agrecovery viable and strong. This has provided a solid base that will guarantee our ability to provide rural recycling services into the future.

The farmers, growers and contractors are the ones who make Agrecovery successful on the ground. Bringing their containers to an Agrecovery collection site requires a change in behaviour and a conscious effort on their behalf, and for that we say thanks.

We also extend a warm welcome to the brand owners who have joined the container recovery programme during our second year. As I write this we now have 39 committed brand owners and will continue to actively encourage others to join the programme. More brand owners mean farmers, growers and contractors can recover more of their containers through our collection sites. Higher committed volumes from more brand owners will also help when we come to review our levy charges before March 2010.

I am acutely aware that brand owners selling sanitisers, detergents and other products in plastic containers to New

Zealand dairy farmers are not yet participating in Agrecovery. The high volumes in this sector will have an impact on the amount of plastic recovered and the levy we charge. Engaging the dairy sector in rural recycling is vital to the growth aspirations of Agrecovery and dairy farm sustainability.

The primary sector and central and local government have been seeking better stewardship for our chemicals in agriculture and silage wrap for some years. Agrecovery will now provide the solutions to meet these demands for the benefit of New Zealand's environment and its reputation as a tourist destination and global exporter of fresh, primary products.

Thank you to 3R – without their expertise, professionalism, dedication and innovation these rural recycling programmes wouldn't be as successful as they are. Agrecovery Foundation gives their full support to guiding 3R in their management of Agrecovery Containers and this year, of Agrecovery Wrap and Agrecovery Chemicals.

While we are able to enjoy early success and good support there is still much to be done in order to grow brand recognition across all sectors, for recovery to be accepted as normal agricultural practice, to increase brand owner participation and to lift recovery rates.

A handwritten signature in black ink, which appears to read 'Lew Metcalfe'. The signature is stylized with a large, looped 'L' and a cursive 'Metcalfe'.

Lew Metcalfe
Chairman, Agrecovery Foundation

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Programme Manager's Report



The second year efforts of the Agrecovery Rural Recycling programme have continued to lay the foundations for a world class product stewardship programme. 3R Group is very focused on ensuring that Agrecovery continuously improves and the year has seen many significant improvements.

Our primary goals for 2008/09 were to improve participation, increase the number of containers recovered, and to sign more brand owners. With

nine new brand owners signed and an estimated 100,000 containers recovered (2.5 times that recovered during Year One), we could say that the goals for the programme were met. However, despite these pleasing results, the recovery rate was significantly below our own target of 200,000 containers and not as many brand owners signed as were targeted.

During the year we increased marketing efforts and as a direct result saw the numbers of enquiries lift substantially. Feedback made it clear that the location of some collection sites needed addressing. A review of the collection network was undertaken and during the second half of the year many site changes were made. The review also highlighted gaps in the network resulting in Agrecovery signing off on the addition of 20 new sites to be put in place during 2009. Increased recovery rates are expected as a result of the improved collection network.

It was a busy year promotionally for Agrecovery with attendance at many industry events, including Mystery Creek, Southern and Northern Field Days, ICE Expo, NGIA Conference, HortNZ Conference and FAR Grower events along with many other grower/ farmer field days. Brand and programme recognition continues to improve and the expectation is that this will result in increased programme activity.

Three new areas of programme development were explored during the year: silage wrap recycling, large container recovery and a chemical stewardship programme. The business model for silage wrap was completed and signed off in late 2008 and released to the market on 1st March 2009. Agrecovery Wrap is a standalone business model with no cross subsidisation from the Agrecovery Container programme.

Silage wrap plastic is difficult to recycle and capacity to do this in New Zealand is very limited, almost non-existent. Shipping offshore for processing is considered to be unacceptable given the heavy organic matter contamination of the wrap. 3R Group, in association with Astron Plastics, undertook an assessment of processing technology that has emerged in Europe. The report was finished at the end of April 2009 with the expectation that investment will follow to bring this processing capability into New Zealand. Funding for this assessment was generously provided by the Government's TechNZ Capability Fund.

A model for large drum recovery continues to be explored with the expectation that this will be added to the Container programme during 2009/10.

Agrecovery Chemicals is set to launch on 1st July 2009 following a comprehensive engagement process with stakeholders and we are working through a phased implementation plan. Further details can be found on page 8 of this report.

In September the Labour government passed the new Waste Minimisation Act. The Act provides a range of tools to regulate for product stewardship schemes for priority wastes.

Agrichemicals have since been targeted as a priority product. This means that brand owners will be given a period of time to commit their product to a product stewardship scheme or face being fully regulated by Government. This will ensure that those taking responsibility for the environmental impacts of their product won't be undercut by free riders who don't (like those brand owners who don't support Agrecovery).

2009/10 will be a busy time for 3R Group as it implements Agrecovery Chemicals, expands Agrecovery Containers and brings Agrecovery Wrap to commercial scale.

Our wish list for 2009/10 includes exceeding 200,000 collected containers, signing new brand owners, including those from the dairy hygiene sector, gaining industry support from silage wrap brand owners and seeing more brand owners celebrate their involvement in Agrecovery through promotional activity and use of the Agrecovery logo on their containers.



Bruce Emerson
Director: 3R Group Ltd



The Agrecovery Container programme has made significant progress in 2008/09.

Participation in the programme continues to grow with farmers, growers and contractors returning a total of 75,081kgs, more than double the number of containers recovered in the programme's first year.

Further supporting the growth of the programme was the addition of 9 agrichemical and animal health company brand owners, including Momentum, OmniaPrimaxa, Henry Manufacturing, Pacific Biofert, Pacific Ag, Bell Booth, Maxicrop, Terranova Seeds and Pfizer Animal Health. This brought the total number of brand owners committed to Agrecovery as at 31st March 2009 to 38. In addition Schering Plough added the Intervet range to the programme.

The number of calls from prospective brand owners has been high throughout the year. 27 further brand owners, including those from the diary sector, have been identified as prospects and we will continue to work with them to bring them on board during 2009/10. The first new brand owner to come on board for the new year was Merial Ancare who joined on 1st April 2009.

During the year Agrecovery committed to a programme of site relocations and extension of opening hours to improve

container collection services. The aim of the relocations was to move from sites which had proved disappointing to sites that would be more engaged, such as at contractors and rural retailers. The success of this has been immediately proved by significantly increased container volumes. Feedback from programme users has also been positive.

One new collection sites were opened, six sites extended their opening hours and a further nine were moved, often extending opening hours in the process.

We are currently progressing the take back of large drums including 200 litre drums and IBC's. The trials undertaken in Gisborne and Hastings had limited success but gave valuable feedback which will enable us to progress this part of the recovery programme during 2009.

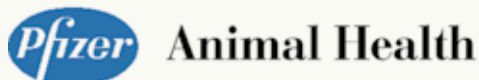
Plans to extend the hours at all collection sites continue this year, and the creation of 20 new sites in 2009 is well underway. This, in addition to the expected signing of further brand owners and a comprehensive marketing programme for 2009/10, should see participation in the Container programme greatly increase and with it the volume of plastic recovered.



You beauty! ...



thanks for your support



On 1st March this year, Agrecovery launched the Wrap Recycling programme to provide a simple, cost effective solution for disposal of the estimated 4,000 tonnes of baled silage wrap used each year in New Zealand.

Recent advances in processing heavily contaminated plastics means that the recycling industry now sees agricultural films as a useful and viable raw material and as such, it should no longer be viewed simply as farm waste to be burned and buried.

Despite the existence of an alternative scheme, Agrecovery has continued to see increasing demand from farmers to provide a service that is user friendly, cost efficient and accessible nationwide.

The Agrecovery Wrap Recycling programme is a user pays model with low entry costs using robust yet lightweight bags sold through rural retailers or direct from Agrecovery.

Support from rural retailers has been strong with Farmlands and ATS agreeing to stock the bags from 1st March. They were quickly joined by CRT and Allied Farmers. These four retailers have ensured that the programme has excellent coverage across the country. This coverage will further improve with a firm commitment to stock wrap bags already received from PGG Wrightson.

The retailers' support has been critical to getting the programme out to the market. Their support is gratefully received, particularly as they make no margin on bag sales.

Progress is also being made with wrap suppliers through whom Agrecovery hopes to provide a more direct route to market. The aim is for wrap suppliers to supply bags with the sale of silage wrap to contractors. The contractors will then offer bags direct to the farmer, creating a strong bond between the provision of baleage services and the recycling programme.

Initial feedback about the Wrap programme has been very positive. Farmers who have made contact with Agrecovery are enthusiastic about the opportunity to manage this problematic plastic responsibly.

2009 will be an exciting year for this programme as participation grows and collection events take place around the country.



Industry stakeholders have been working in a structured process for over 12 months to develop a nationwide product stewardship programme for the collection and safe disposal of unwanted chemicals in agriculture.

The Agrecovery Chemicals programme, set to be launched in the middle of 2009, is designed to take over from the regional and local council delivered and government supported programmes of retraction and recovery which have been undertaken in recent years.

The programme will be supported by funds contributed by participating brand owners under the existing Agrecovery Container levy and through a contribution from the Government and user charges.

Users will register their unwanted chemicals, providing information about the type and quantity of chemical they wish to dispose of, via the Agrecovery website or by phoning Agrecovery directly. The programme manager will then determine whether the chemicals are suitable for a collection event or will require on-farm pick up.

Collections will be arranged via a series of collection events at appropriate and safe sites, rather than at fixed sites as with the Container programme. A suitable mobile facility will

be required to sort, contain and store the chemicals at time of collection. The recovered and aggregated chemicals will then be delivered to the disposal contractor and disposed of appropriately.

The Chemicals programme will meet New Zealand's international obligations under the Stockholm Convention (for disposal of persistent organic pollutants), and will give the primary sector an effective and accessible means to deal with unwanted chemicals, and thus protect New Zealand's environment.

Agrecovery programme managers have recently completed an "expressions of interest" process for contractors interested in providing collection, aggregation and disposal services. This process is expected to be completed by the end of June 2009.





Agrecovery proves a win-win scenario

When long-time apple grower Gary Wellwood heard about Agrecovery the knowledge left him with no choice but to get on board.

"If I was to burn used containers now, as two or three years ago I would have done, I would not feel comfortable with it."

"The fact there is an environmentally-friendly way to dispose of them, and that something useful can be created out of them makes being part of the Agrecovery programme a win-win scenario."

"It's a matter of when you become aware of something, you are morally obliged to do something about it."

Hawke's Bay Apple Grower Gary Wellwood

Putting sustainability at the heart of the business

Family vegetable growing business A S Wilcox & Sons has a long tradition of promoting and facilitating environmental sustainability in its farming practices.

A S Wilcox & Sons, in association with the Pukekohe Vegetable Growers Association, actively worked with Agrecovery to ensure there was a site in the region as they saw this as another practical way primary producers could play their part in being sustainable.

"In order for us to be in business long-term we need to be looking after our environment, and we would like to think other growers in the region feel the same."

A S Wilcox & Sons Matamata Assistant Manager Mark Juett





Sending a message about sustainability

An important aspect of Cape Kidnappers Golf Course environmental management is the Agrecovery Rural Recycling programme.

“Agrecovery really hits the mark with our chemical container management. It is the ideal solution to help Cape Kidnappers minimise its impact on the environment and it’s so easy to use.”

“I would absolutely recommend other golf courses take part in the Agrecovery programme – if they are not using it they need to be asking themselves why not.”

Cape Kidnappers Golf Course Manager Steve Marsden

Agrecovery offers silage wrap solution

Jim Spall has been farming in Hawke’s Bay for over 20 years and says that in the last decade, with baleage use becoming more widespread, the disposal of silage wrap has proved to be a persistent and increasingly pressing issue.

“It creates a mass of plastic, and it’s been hard to figure out what to do with it. In the early days we used to burn it, but looking back now that is such a no-no. Burying it is not smart either as it just won’t break down.”

“With Agrecovery providing such a simple, cost effective system for wrap, farmers have no excuses for burning or dumping it on farm.”

Hawke’s Bay Sheep and Beef Farmer Jim Spall



AGRECOVERY FOUNDATION

STATEMENT OF FINANCIAL POSITION

As at 31 March 2009

	2009	2008
Current Assets		
Cash at Bank	69,676	111,781
Accounts Receivable (Note 2)	300,540	242,140
Grants Receivable	10,000	-
Loan to Agrecovery Wrap	6,387	-
Total Current Assets	386,603	353,921
Less Current Liabilities		
GST Payable	38,623	29,499
Accounts Payable (Note 3)	6,023	83,903
Total Current Liabilities	44,646	113,402
NET ASSETS	\$341,957	\$240,519

REPRESENTED BY:

Equity as at 1 April 2008	240,519	73,598
Plus Net Surplus for Year	101,438	166,921
TOTAL EQUITY	\$341,957	\$240,519

AGRECOVERY FOUNDATION STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

Opening Balance at 1 April 2008	\$240,519	73,598
Plus Net Surplus for Year	101,438	166,921
BALANCE AT 31 MARCH 2009	\$341,957	\$240,519



Lew Metcalfe (Chair)
14 May 2009

AGRECOVERY FOUNDATION

INCOME & EXPENDITURE STATEMENT

For the Year Ended 31 March 2009

INCOME	2009	2008
Grants	\$103,000	\$26,533
Levies	1,004,347	978,202
Sale of Recovered Container Plastic	34,034	3,900
Sale of Labels	870	1,102
Interest	306	127
Other	-	512
Total Income	\$1,142,557	\$1,010,376
EXPENDITURE		
Programme Management & Delivery Containers		
Administration	165,000	152,500
Operations	489,933	459,917
Compliance	43,257	51,244
Training	24,274	48,733
Auditing	-	6,000
Marketing & Communications	135,699	99,111
Commission	2,307	-
Chemicals Operations	155,000	-
Total Programme Management & Delivery	1,015,470	817,505
Foundation Administration		
Audit Fee	2,800	2,000
Secretarial	18,145	15,303
Consulting	-	767
Legal	-	894
Intellectual Property	1,643	3,517
Travel	1,926	1,160
Interest on Loan	-	1,574
Other	1,135	735
Total Foundation Administration	25,649	25,950
Total Expenditure	1,041,119	843,455
NET SURPLUS FOR YEAR	\$101,438	\$166,921

AGRECOVERY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2009

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Agrecovery Foundation is a not for profit entity incorporated on 1 May 2006 and registered with the Charities Commission under the Charities Act 2005 (Registration number CC29641). The Foundation has been developed by a coalition of major grower groups, industry parties and local and central government to provide a solution to the problem of waste agrichemical containers.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Foundation.

Differential Reporting

The Agrecovery Foundation is a qualifying entity within the Chartered Accountants of New Zealand's Differential Reporting Framework. The Foundation qualifies for differential reporting as it is not publicly accountable and is not large. The Foundation has taken advantage of all differential reporting concessions available to it.

Special Accounting Policies

The following are stated at expected realisable value.

Accounts Receivable

Accounts Receivable are stated at expected realisable value.

Income Recognition

Income is recognised on an invoice basis.

Taxation

Agrecovery Foundation has full charitable status under section CB41 and CB42 of the Income Tax Act 2007 and accordingly is not liable for income tax.

Goods & Services Tax

The financial statements have been prepared on an exclusive basis except for Accounts Payable and Accounts Receivable which are inclusive of GST.

Changes in Accounting Policies

There have been no changes in accounting policy during the year.

2 ACCOUNTS RECEIVABLE

	2009	2008
Levy Payers	\$264,623	\$231,119
Other Debtors	35,917	11,021
Total	\$300,540	\$242,140

3 ACCOUNTS PAYABLE

	2009	2008
3R Group Limited	\$Nil	\$77,879
Other Suppliers	6,023	6,024
Total	\$6,023	\$83,903

4 CAPITAL COMMITMENTS

There are no commitments as at 31 March 2009 (2008 Nil).

5 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2009 (2008 Nil).

6 RELATED PARTIES

Agrecovery Foundation is managed under a contract between the Agrecovery Foundation and the NZ Agrichemical Education Trust by an employee of Horticulture New Zealand. Administration costs incurred by the Foundation are reimbursed to Horticulture New Zealand. There were no other related party transactions during the period under review.



Audit Report

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TO THE MEMBERS OF AGRECOVERY FOUNDATION

We have audited the financial report on pages 11 to 13. The financial report provides information about the past financial performance of the AgRecovery Foundation and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 11 to 13.

Management's Responsibilities

Management is responsible for the preparation of a financial report, which fairly reflects the financial position of the AgRecovery Foundation as at 31 March 2009, and the results of operations for the period ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial report presented by the Management.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by Management in the preparation of the financial report, and
- whether the accounting policies are appropriate to AgRecovery Foundation circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditor we have no other relationship with, or interests in, AgRecovery Foundation.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial report on pages 11 to 13 fairly reflects the financial position of AgRecovery Foundation as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 14 May 2009 and our unqualified opinion is expressed as at that date.

A handwritten signature in blue ink that reads "Grant Thornton".

Grant Thornton
Wellington
14 May 2009

Agrecovery Container Collection Sites

20 new sites opening in 2009

Check www.agrecovery.co.nz
for more details, including new
site locations.

Site information correct as of May 2009

