

AGRECOVERY

Rural Recycling Programme



Annual Report 2009/2010

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Agrecovery Foundation
c/o The New Zealand Agrichemical
Education Trust
PO Box 10232, Wellington
Tel: 04 472 3795



Welcome to Agrecovery's third Annual Report!

Agrecovery was established in 2005 to address persistent “on farm” waste issues and since our inception we’ve come a long way. Today Agrecovery provides New Zealand farmers and growers with nationwide agrichemical container, silage wrap and crop protection net recycling as well as a programme for the collection of unwanted chemicals.

Agrecovery is a model product stewardship programme supported by a growing number of brand owners and primary industry stakeholders. The Foundation that governs Agrecovery has trustees who represent Federated Farmers, Horticulture New Zealand, Fonterra, Agcarm and Environment Waikato for local government.

We hope you will take the time to read this report which outlines the growth and development of the Agrecovery programmes during the 2009/2010 financial year. Most importantly, we hope you will lend us your support to help grow the programme into the future.

Thank you.

Lew Metcalfe *representing Fonterra
Agrecovery Foundation Chairman*

Graeme Peters *representing Agcarm (Agriculture Chemical and
Animal Remedies Manufacturer's Association)*

Phil York *representing Federated Farmers*

John Allen *representing Horticulture New Zealand*

Mary-Anne Baker *representing Environment Waikato on behalf
of local government*

Chairman's Report



On Agrecovery's third anniversary I would like to thank the many people and organisations who support and use the Agrecovery programmes. Your commitment to improving our environmental footprint is to be applauded.

Agrecovery continues to grow with the addition of two new programmes, silage wrap recycling and

the stewardship and safe disposal of chemicals.

It has been a challenging year as the global recession impacted on profitability. Despite this Agrecovery welcomed 13 new brand owners and continued to grow participation across all areas. This is a clear endorsement of the primary sector's commitment to environmental best practice and the soundness of the Agrecovery programme itself.

During the year I was delighted to announce a 1 cent drop in the levy rate to 12 cents from 1st April 2010. This equated to a 7.7% decrease and is especially impressive given we added the Chemicals programme and continue to grow Agrecovery in many ways.

Participation in our programmes is poised to increase significantly as Councils review their plans and regulations and quality assurance programmes ramp up. Growers across all product groups have already embraced the Agrecovery programmes and we have been delighted with increased demand from our pastoral farming sector and dairy farmers.

Agrecovery is fortunate to have 3R Group managing our programme. We acknowledge the professional expertise of the team at 3R and are especially proud of their ISO 14001 accreditation status, that our programme complies with internationally accepted protocols and that the product we collect is safely recycled, in New Zealand, into a certified end use. These standards and values are vitally important to the management of potentially hazardous material and the integrity of Agrecovery.

It is with regret that we say goodbye to one of Agrecovery's real champions. Peter Ensor, the Agrecovery Foundation's administrator, departed in April 2010 to pursue an exciting career in Abu Dhabi, United Arab Emirates.

Peter has been a wonderful supporter of Agrecovery since its inception and we will miss his extensive industry knowledge and enthusiasm. Other trustees departing were Darren Patterson (representative for Environment Waikato) and Hugh Ritchie (Federated Farmers). I'd like to thank Darren and Hugh for their contributions and welcome their replacements Mary-Anne Baker of Tasman District Council (on behalf of Environment Waikato) and Phil York of Federated Farmers.

As we grow the programme I would like to especially encourage our brand owners to celebrate their involvement in Agrecovery and work with us to raise participation. There have been some wonderful examples of brand owner promotion but still many have yet to add the Agrecovery logo to their products or promote the programme in other ways. By celebrating your association with Agrecovery you will help us grow brand recognition across all sectors, promote recovery as normal agricultural practice and lift recovery rates.

A handwritten signature in black ink, which appears to read 'Lew Metcalfe'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Lew Metcalfe
Chairman, Agrecovery Foundation

Programme Manager's Report



2009/10 has been a busy year for 3R Group with Agrecovery expanding to now cover silage wrap recycling and chemical disposal. At the same time we have been working hard to increase participation in the Container recycling programme.

The introduction of the Chemical stewardship programme and a user

pays model for silage wrap recycling were major undertakings. The Chemicals programme is a comprehensive commitment from Agrecovery brand owners to carry on the job of encouraging all farmers and growers to clean out their sheds of unwanted chemicals.

This programme is vitally important to New Zealand's primary sector and to the New Zealand government in particular as it allows us to honour commitments made at the Stockholm Convention where agreement was given to rid our country of persistent organic pollutants and other unwanted chemical products. Agrecovery Chemicals is a great programme which provides a consistent nationwide solution for all New Zealand farmers and growers.

The establishment of the silage wrap recycling programme was also a major undertaking. Leading silage wrap suppliers Donaghys and Integrated Packaging came on board to endorse the programme and we obtained outstanding support for our retail bag offering from leading rural retailers, vet clinics and rural contractors. We've got the makings of a

strong user pays recycling programme and the initial uptake from farmers reinforces this.

Agrecovery's container recycling programme had a number of highlights throughout the year. Reaching 50 supporting brand owners and establishing over 20 new collection sites (to bring the network to 70) were rewarding results.

We are seeing the growing importance of quality assurance and market access requirements having an impact on farmer and grower behaviour. A good example of this is the recent changes to New Zealand GAP standards where use of the Agrecovery programme is now a mandatory requirement for all growers for products belonging to participating brand owners. Whilst growers as a group are already one of the highest users of the programme, we expect that these sorts of quality and environmental assurance programmes will continue to play a major role in changing behaviour.

Year 3 of the programme also saw a shift in the marketing strategy for Agrecovery from a print media focused approach, which was important to firmly establish the brand, to spending more time on the ground building relationships with various sectors of the industry. The first of two Sales and Relationship Coordinators were appointed in early 2010 and the second will follow midyear. The primary role of the relationship coordinators is to build understanding and participation in the Agrecovery programmes across New Zealand.

Agrecovery attended many events throughout the year with the highlight being an impressive showing at Mystery Creek National Agricultural Fieldays where we were part of the feature "My Farm, Our Environment". It was a perfect fit for Agrecovery and great exposure was achieved.

Recognising the growing level of support from animal health brand owners, we spent time during the year building relationships and understanding among the animal health sector, vets in particular. The response has been outstanding and this sector has been very quick to embrace the benefits of the Agrecovery programmes. Work has also been undertaken to actively engage the meat supply chain sector, looking for ways to make Agrecovery an integral part of their quality assurance programmes. Close relationships have been established with Silver Fern Farms, Bernard Matthews and AsureQuality and discussions are ongoing with other companies and organisations.

3R Group was delighted to attain the environmental management standard ISO 14001 during 2009. This covers all aspects of our business including the Agrecovery programme. ISO 14001 accreditation gives us very important third party endorsement and recognises that we operate to the highest standards and adopt best practise for our systems and work practices.

This best practice will become increasingly important as competition emerges for agrichemical container recycling within New Zealand. Agrecovery will not cut corners to obtain commercial gain and our quality and safety standards will not be compromised. Other entrants in this market may choose to operate to different standards and as a result could potentially undermine some of the good work achieved to date. One accident where a worker is exposed to chemical contamination is one accident too many and this may have a knock on effect for the entire industry.

We will see the emergence of a user pay recycling programme during the next year and it will be a time for all brand owners and programme stakeholders to hold firm and celebrate

their involvement in a true industry supported programme, and not take flight to a model which is not universally adopted elsewhere in the world.

Safe effective stewardship of chemical containers and chemicals themselves is the only way to deal with these types of on farm waste issues. The 50 brand owners who support Agrecovery have adopted the right approach and the levy funded model is international best practice.

2010/11 will be another busy year for 3R Group and Agrecovery. We are on the way to obtaining accreditation for Agrecovery through the Ministry for the Environment Product Stewardship scheme; we'll launch the new crop protection net recycling programme; bring the large drum recovery programme to market; launch a new and vastly improved website; and ramp up the participation and recovery rates across all programmes.

Thanks to all of Agrecovery's many supporters.



Bruce Emerson
Director
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During its third year of operation the Container programme reached several key milestones.

The first was the establishment of 20 new container collection sites bringing the total nationwide to 70. By the end of March 2010 there were 40 sites in the North Island and 30 in the South Island. The increase in sites gives farmers and growers better access to the programme and this will lead to better recovery rates.

This past year also saw the ongoing relocation of underutilised sites to rural retailers, vet clinics and rural contractor sites. The aim of the relocation programme was to move the collection sites to locations which naturally engage more effectively with the farming and growing communities. These sites also generally offer longer opening hours making the programme more accessible. A further 25 sites have also now been identified as underutilised. During 2010/11 work will be done to improve participation at the current sites or they will be relocated within the region.

Another significant programme milestone was the signing of our 50th brand owner. Adding 12 new brand owners during the year further reinforces that Agrecovery is the only fully supported industry programme in New Zealand.

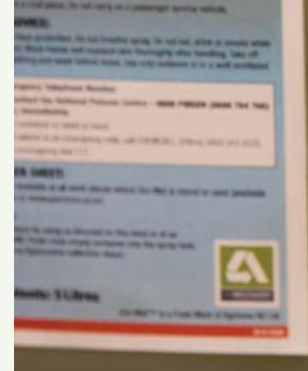
Safety and compliance continue to be a high priority for the programme managers at 3R Group, with the company achieving ISO 14001 accreditation for Agrecovery during the year. For the Container programme this includes a fully compliant and robust inspection process at collection sites, safe handling of plastic throughout the recycling process, and a safe and appropriate end use for recovered plastics.

A recent Agrecovery survey showed that 45% of Agrecovery programme users say their purchasing decisions are influenced by a brand owner's participation in Agrecovery. With this in mind we ask brand owners to clearly label their products with the Agrecovery logo to make identification of eligible containers easier.

The volume of container plastic recovered during 2009/10 was 91,064kg, an increase of 21% from 75,081kg in 2008/09. This volume also represents a recovery rate of 21% of the total volume committed by brand owners at the beginning of the financial year.

While there is still some way to go to reach our ambitious recovery target of 60% by 2012, the growth in volume is very encouraging and shows that burning and dumping of plastic containers is decreasing.

We will continue to work hard to increase participation with all sectors and ask brand owners to help us by celebrating their participation in Agrecovery.





The Chemicals programme was launched in July 2009 following years of work with industry stakeholders to develop a nationwide programme for the disposal of unwanted agrichemicals.

The programme takes over or complements the retraction and recovery programmes for the rural sector undertaken by local and regional councils in recent years.

In July 2009 agreements for the aggregation, collection and disposal of collected chemicals were signed following a formal process seeking expressions of interest from suitably qualified contractors. Following this, a Chemicals Programme Coordinator, with a strong background in chemicals manufacturing and veterinary diagnostics, was employed to manage the programme.

Funding for the programme is drawn from a mixture of local, regional and central government subsidies, user pays charges, and a portion of the Container levy. The central government subsidies specifically relate to persistent organic pollutants, meeting New Zealand's obligations under the Stockholm convention, and in line with this an agreement with the Ministry for the Environment was signed in early 2010.

Promotion of the programme has developed along two lines: one with agrichemical users and resellers to inform them how to access the programme, and secondly with local and regional government to educate them about the programme and seek promotional and in-kind support as well as further funding to expedite the removal of legacy chemicals.

A key milestone was the agreement reached with the Auckland Regional Council which provides funding support to allow free collection and disposal for agrichemicals within their region. The agreement specifically excludes chemicals from non-supporting brand owners. Other less formal arrangements were reached with a variety of other councils, along with valuable in-kind support to promote future collections.

The first collection for the Chemicals programme took place in the Auckland region in March 2010 with a good response. Further collections were also planned for early in the next financial year in the Waikato, Otago, Southland, Greater Wellington, Manawatu, Canterbury and Nelson regions. The intention is to have yearly collections in most regions with some six monthly collections where demand is stronger.

With over 50 tonnes of intractable chemicals still believed to be on farms and other rural properties across New Zealand, along with other less toxic chemicals, demand and need for the programme is high.

Thanks to these brand owners who support Agrecovery:



As at 31st March 2010

You Beauty!...

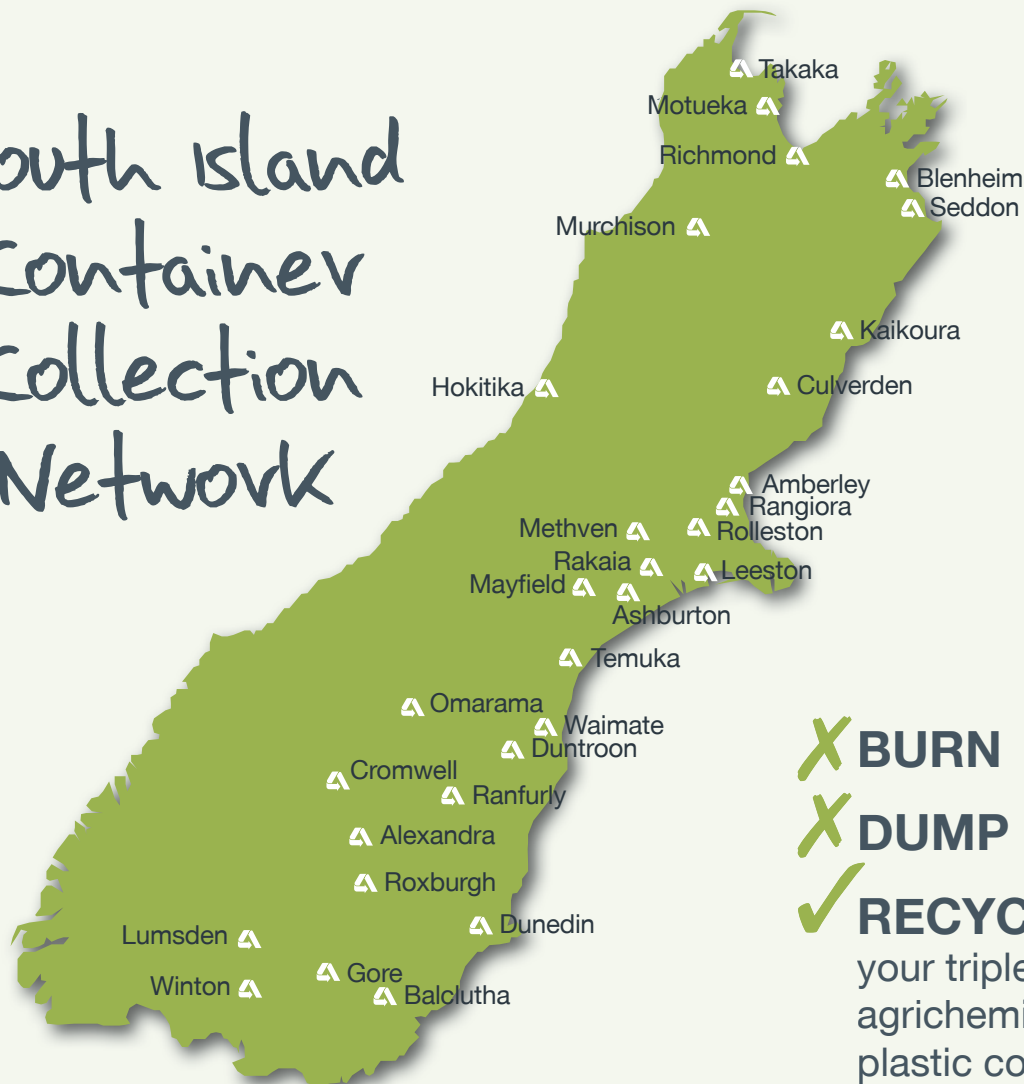


North Island Container Collection Network



As at 30th June 2010

South Island Container Collection Network



-  **BURN**
-  **DUMP**
-  **RECYCLE**

your triple-rinsed
agricultural
plastic containers
with Agrecovery.

As at 30th June 2010

Agrecovery introduced its silage wrap recycling programme in March 2009. Given the wide spread use of silage wrap, the cost to farmers to participate, and the high levels of contamination in the recovered product, it's been a challenging programme to implement and get to scale.

Agrecovery Wrap is a user pays model which relies on farmers to make a conscious buying decision to do something more environmentally friendly with their wrap. The common practice of burning or dumping on farm is now considered to be bad practice but is still wide spread behaviour. The main route to market for the programme has been via rural retailers, vet clinics, rural contractors and sales directly through Agrecovery. A total of 11,815 silage wrap recycling bags were distributed into the market in the first year.

The programme was launched to market before brand owner support was secured. We were delighted to announce that support agreements were signed with two of New Zealand's leading silage wrap suppliers, Donaghys and Integrated Packaging. Right now we are developing an integrated distribution model with the brand owners where recycling bags go to market with rolls of silage wrap sold to contractors. We will continue developing the relationship with these brand owners in order to improve understanding and uptake of the programme.

Support from balage contractors to help promote wrap recycling and in many cases absorb bag cost is improving all the time. This is seen as an integral part of our strategy to establish the Wrap programme as standard practice on farm.

During the year we established a number of permanent collection sites and reached agreement with our existing collection network to allow full bags of wrap to be dropped off. This has greatly assisted with the logistics of collecting bags nationwide.

The introduction of a 90 Day Service Guarantee for collection, clearer instructions around collection and preparing wrap for recycling, as well as improvements in internal processes, has greatly improved the programme. We have collected thousands of bags to date and bookings are increasing all the time.

Further work is required to finalise the end use options for processing the wrap collected in New Zealand and this will be resolved during the coming year.

During the next year we will focus on working with the brand owners and contractors, as well as introduce a large bag and bin option to complement the existing small recycling bags.



Agrecovery Wrap proudly supported by:

DONAGHYS



In association with these stockists:



As at 31st March 2010



Persistent problem solved

Second-generation vegetable and animal feed grower Emma McCracken says four years ago when she took over the property from her parents disposing of used agrichemical plastic was a persistent problem.

"Before Agrecovery, it was really tricky, and we were waiting for someone to do something about it," says Emma.

As an approved New Zealand GAP supplier, Emma says it's important to focus on environmental sustainability and demonstrate that in practical ways such as using the Agrecovery programme.

"It's good that there's now a place to dispose of these products. We also like the fact that it gets reused and made into other products right here in New Zealand."

Grower Emma McCracken, Rangiora



Wrap programme adds value

Hawke's Bay hay and balage contractor Mike Kettle is killing two birds with one stone with his decision to supply Agrecovery Wrap recycling bags for free to his farming clients.

Mike says he decided to pay for and supply Wrap bags to his clients to complement the existing services he provides.

"We wanted to add value for our loyal clients and it benefits us too in that we are making life easier for them, which they appreciate."

"So far, there's been a really positive and enthusiastic response."

Hay and balage contractor Mike Kettle, Hawke's Bay



Vets focus on sustainability

CEO Gavin Shepherd says linking up with Agrecovery demonstrates a visible commitment by The Veterinary Centre to deal with sustainability issues.

“Our board of farmer directors are very interested in sustainability and the issues surrounding the Emissions Trading Scheme and how it will affect farmers.”

“It’s likely farmers will be identified as major contributors to greenhouse gases and this will also affect our business, so we wanted to be ahead of the game in providing solutions.”

“The Agrecovery programme is a headline activity that shows we are genuine in our belief that it’s important to look after the environment.”

The Veterinary Centre CEO Gavin Shepherd, Waikato



Clearing chemical stockpile

Gavin Malcolm, a former farmer from Wakefield near Nelson, had a stockpile of chemicals from his farming days that he wanted to get rid of.

“It was good timing that Agrecovery were in the region when I was doing a big clean-out as I didn’t really have another option for getting rid of them.”

“It was a pretty simple process, I let Agrecovery know the details of what chemicals and weights I had then they worked out the charges and came out to my place to collect them.”

“Throughout the process they were really good at keeping me informed about what was happening, and after having had those chemicals around for a long time, it was great to see the back of them.”

Former farmer Gavin Malcolm, Nelson

AGRECOVERY FOUNDATION

INCOME & EXPENDITURE STATEMENT

YEAR ENDED 31 MARCH 2010

INCOME	2010	2009
Grants	\$73,330	\$103,000
Levies	1,154,657	1,004,347
Wrap Bag Sales	257,775	-
Wrap Brand Owner Fees	20,000	-
Sale of Recovered Container Plastic	36,567	34,034
Sale of Labels	900	870
Interest	265	306
Other	-	-
Total Income	\$1,543,494	\$1,142,557
EXPENDITURE		
CONTAINERS		
Administration	176,930	165,000
Operations	590,761	489,933
Compliance	58,075	43,257
Training	36,750	24,274
Marketing & Communications	131,146	135,699
Commission	17,245	2,307
Total Containers	1,010,907	860,470
CHEMICALS		
Administration	41,846	-
Operations	184,150	155,000
Marketing & Communications	39,505	-
Training	4,920	-
Total Chemicals	270,421	155,000
WRAP		
Administration	83,241	-
Operations	124,845	-
Training	18,560	-
Marketing & Communications	29,024	-
Total Wrap	255,670	Nil

FOUNDATION ADMINISTRATION

Audit Fee	2,500	2,800
Secretarial	19,825	18,145
Legal	190	-
Intellectual Property	966	1,643
Travel	434	1,926
Other	881	1,135
Total Foundation Administration	24,796	25,649
Total Expenditure	1,561,794	1,041,119
NET SURPLUS (DEFICIT) FOR YEAR	(\$18,300)	\$101,438

AGRECOVERY FOUNDATION FINANCIAL POSITION AS AT 31 MARCH 2010

Current Assets	2010	2009
Cash at Bank	114,573	69,676
Accounts Receivable (Note 2)	307,856	300,540
Grants Receivable	-	10,000
Loan to Agrecovery Wrap	43,342	6,387
Total Current Assets	465,771	386,603
Less Current Liabilities		
GST Payable	20,606	38,623
Accounts Payable (Note 3)	121,508	6,023
Total Current Liabilities	142,114	44,646
NET ASSETS	\$323,657	\$341,957
REPRESENTED BY:		
Equity as at 1 April 2009	341,957	240,519
Plus (Less) Net Surplus (Deficit) for Year	(18,300)	101,438
TOTAL EQUITY	\$323,657	\$341,957

AGRECOVERY FOUNDATION EQUITY STATEMENT AS AT 31 MARCH 2010

Opening Balance at 1 April 2009	341,957	240,519
Plus (Less) Net Surplus (Deficit) for Year	(18,300)	101,438
BALANCE AT 31 MARCH 2010	\$323,657	\$341,957



Lew Metcalfe (Chair)
15 June 2010

AGRECOVERY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2010

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Agrecovery Foundation is a not for profit entity incorporated on 1 May 2006 under the Charitable Trusts Act 1957 and since re-registered under the Charities Act 2005. 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 agricultural containers, chemicals and wraps.

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.

Income Recognition

Income is recognised on an invoice basis.

Taxation

Agrecovery Foundation has full charitable status under sections CW 41 and CW 42 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

Accounts Receivable at 31 March 2010 consists of the following:

	2010	2009
Levy Payers	\$293,678	\$264,623
Other Debtors	14,178	35,917
Total	\$307,856	\$300,540

3 ACCOUNTS PAYABLE

Accounts Payable at 31 March 2010 consists of the following:

	2010	2009
3R Group Limited	\$117,133	\$Nil
Other Suppliers	4,375	6,023
Total	\$121,508	\$6,023

4 CAPITAL COMMITMENTS

There are no commitments as at 31 March 2010 (2009 Nil).

5 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2010 (2009 Nil).

6 RELATED PARTIES

Agrecovery Foundation is managed 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 statements on pages 15 to 17. The financial statements provide information about the past financial performance of Agrecovery Foundation and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on page 17.

Trustees' Responsibilities

The Trustees are responsible for the preparation of the financial statements that fairly reflects the financial position of Agrecovery Foundation as at 31 March 2010 and the results of operations for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Trustees.

Basis of Opinion

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

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Agrecovery Foundation circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with 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 statements 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 statements.

Other than in our capacity as auditor we have no 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 statements on pages 15 to 17 fairly reflects the financial position of Agrecovery Foundation as at 31 March 2010 and the results of its operations for the year ended on that date.

Our audit was completed on 15 June 2010 and our unqualified opinion is expressed as at that date.

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
28 June 2010



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