



Horticulture New Zealand Commodity Levy Proposal Discussion Document



●●● Our Growth Industry

Horticulture New Zealand

Horticulture New Zealand was established in 2005 by the New Zealand Fruitgrowers Federation (NZFF) and the New Zealand Vegetable and Potato Growers' Federation (Vegfed) after two years of extensive industry consultation. The rationale was that by combining the resources and expertise of over 7,000 commercial fruit, vegetable, berryfruit and olive growers we would deliver an empowered, more visible and influential organisation to provide benefits for growers by advocating on national industry-wide issues.

Horticulture NZ is now a reality. It has created a stronger voice for the horticulture industry and has begun to deliver on key industry issues. However, we need to secure ongoing industry funding to do this work.

Horticulture NZ is currently funded by levies collected by NZFF and Vegfed, and also receives agreed contributions from product groups representing berryfruit and olive growers.

With the NZFF and Vegfed levies due to expire in 2007 Horticulture NZ is looking to establish its own commodity levy and will be seeking the support of growers during a referendum in November 2006. This is not an additional levy, the Horticulture NZ levy will replace the existing NZFF and Vegfed levies.

Critical Issues

Horticulture New Zealand focuses on providing industry leadership, building industry profile, protecting the right to grow and farm and creating a positive business environment. Listed below are some of the critical issues Horticulture NZ is handling for the industry and examples of some of our successes and the benefits that have already been delivered to growers.

INDUSTRY PROFILE AND LEADERSHIP

- Raising government and public perception of the horticulture industry and its importance to the New Zealand economy.
- Creating an industry network involving Horticulture New Zealand, Product Groups and regional and local grower associations.

Benefits to Growers – A more positive business environment and greater support for the horticulture industry.

BORDER SECURITY

- Advocating for improved biosecurity leading to 100% screening of all luggage and improvements in inspection of containers.
- Appointment of Horticulture New Zealand Chief Executive Peter Silcock to the Biosecurity Ministerial Advisory Committee.
- We are commencing discussions with Biosecurity NZ officials about readiness and incursion responses.

Benefits to Growers – Improved biosecurity results in better market access and reduced pest management costs.

TRADE POLICY

- Publication of information on trade issues facing the horticulture industry.
- Improved understanding by New Zealand's trade representatives on the trade issues facing horticulture.
- A very positive outcome with the Closer Economic Partnership with Thailand. Most tariffs on both fresh and processed vegetables and fruit – some of them up to 40% – have been eliminated.

Benefits to Growers – Improved market access and returns. Greater opportunities to export.

ENVIRONMENTAL ISSUES

- Successfully opposed the introduction of carbon tax.
- Key advocate for the establishment of AgRecovery, a system to deal with farm plastics as opposed to simply regulating with no practical options available to growers.
- Strong participation in the Water Programme of Action.
- Appointment of Horticulture New Zealand Director Peter Scott to the Water Programme of Action Leadership Group.
- Represented industry over historic horticulture soil residue issues.

Benefits to Growers – Reduced compliance costs. Compliance through practical and workable industry based programmes instead of impractical regulations.

RESOURCE MANAGEMENT PLANS

- Favourable changes to numerous regional and district plans as a result of submissions and appeals on behalf of the industry.
- Effective representation of grower interests by working with Product Groups, District Associations and individual growers.
- Scrapping of impractical and costly proposals that do not allow growers to use best growing practice in critical areas, such as pest and disease management, fertiliser use, irrigation, cultivation and land use.

Benefits to Growers – Reduced compliance costs. Ability to use best practice. Compliance through practical and workable industry based programmes instead of impractical regulations.

SEASONAL LABOUR

- Establishment of a joint industry/government strategy to address seasonal labour shortages.
- Establishment of www.picknz.co.nz to provide local and international job seekers with information on how and where they can work in the industry.
- Introduction of Seasonal Work Permits and expansion of the Working Holiday Scheme to allow international visitors to work in the industry when critical shortages occur.
- Development of mechanisms that allow individual employers to recruit seasonal labour offshore.
- Working with regions and Product Groups to establish a network of Seasonal Labour Co-ordinators and the position of National Co-ordinator.
- Active role in the Seasonal Work Permit review and the Immigration Act Review.
- Changes to the way that the new contractor withholding tax regime was introduced.

Benefits to Growers – Increased the supply and quality of seasonal labour which reduces crop losses. Reduced withholding tax compliance costs.

EMPLOYMENT AND LABOUR

- Addition of Crop Production and Orchard Managers, Greenhouse Managers and Crop Production and Orchard Foremen to the New Zealand Immigration Occupational Shortages List, allowing growers to more easily recruit for these positions from overseas.
- Providing advice to growers on employment issues and interpretation of legal responsibilities.
- Presenting submissions on issues such as minimum wages, Holidays Act.

Benefits to Growers – Improved access to offshore talent, representation of growers views when legislation being put in place.

EDUCATION, TRAINING, CAREERS PROMOTION AND LEADERSHIP

- Publication of the Pick of the Crop video and information package promoting horticulture careers.
- Participation in Careers promotion events.
- Working with the Horticulture Industry Training Organisation (HITO) to ensure training meets the needs of industry.
- Providing scholarships for students studying horticulture and supporting training institutes such as the HITO and Lincoln and Massey Universities. In 2005 the value of these scholarships was \$36,000.
- Programme to encourage and develop the future leaders of the horticulture industry, with 50 graduates to date.
- Supported establishment of Young Horticulturalist of the Year Competition.

Benefits to Growers – Improved the supply and quality of people wanting to work and already working within the industry. Increased industry profile among potential employees.

FOOD SAFETY

- Established and ran the “NZ Fresh Produce Approved Supplier Programme” recently renamed “NZ GAP” (Good Agricultural Practice) as a cost effective means of growers meeting customer requirements.
- Successfully sought international recognition of the “NZ GAP” programme.

Benefits to Growers – Cost effective grower managed compliance with customer requirements. Reinforcing the safety of New Zealand produce.

COMPLIANCE COSTS

- Changes to the tax treatment of replacement trees.
- Changes to transport regulations.
- Recognition of the need to alter and clarify transport rules affecting the industry particularly in relation to over dimension vehicles.
- Issuing over dimension vehicle permits to members under a contract with Federated Farmers.
- Selected as one of the first focus industries for the Governments Quality Regulation project aimed at reducing compliance costs.

Benefits to Growers – Reduced compliance costs, paperwork and impractical requirements.

ADVERSE EVENTS

- February 2004 Manawatu floods relief package.
- Working with government to establish guidelines for responses to adverse events.

Benefits to Growers – Millions of Dollars of financial assistance for the growers affected by the 2004 floods.

COMMUNICATION

- Publishing the Orchardist and Grower Magazines, distributed to 7,000 New Zealand fruit and vegetable growers and industry stakeholders 11 times a year.

- Weekly email newsletter to industry groups and growers

Benefits to Growers – Better informed about industry, market and technical issues.

For more information on Horticulture NZ structure and activities, phone our toll free line 0508 HORTNZ (467 869).

The Levy Proposal

How much will I pay?

Horticulture NZ is aiming to move towards a fair and equitable levy across the industry with all growers contributing at the same rate on a percentage of value basis. Horticulture NZ has looked at all issues surrounding this including the current and likely future industry value, levy collection efficiencies and costs, the current industry issues and the resource required to deliver benefits to growers in these areas.

Horticulture NZ is proposing to move towards a levy rate of 0.15% or \$15 per \$10,000 of value for all growers by 2013. This compares to the previous rates of 0.07% (\$7.00 per \$10,000) for fruit growers that funded NZFF and 0.15% (\$15 per \$10,000) for vegetable growers that funded Vegfed Council.

While representing only a very small portion of value, for fruit growers the move is a significant increase on what they were paying. Therefore Horticulture NZ has reached agreement with the New Zealand Fruitgrowers Charitable Trust (NZFCT) to top up fruit grower levy rates of less than 0.15% with grants from the NZFCT on a reducing basis during the six year life (2007 to 2013) of the Horticulture NZ levy order.

The Board has also been in discussion with various Product Groups about the possibility of integrating their Product Group levy with the Horticulture NZ levy order, and the following Product Groups have agreed to this: Fresh Vegetable, Potato, Process Vegetable and Fresh Tomato. Members of these four vegetable groups will pay additional levies to Horticulture NZ that will fund Product Group activity.

In other words, fruit and vegetable growers will contribute equitable amounts to Horticulture NZ (including fruit grower contributions via the NZFCT), even though the levy rates will differ from product to product.

FRUIT GROWERS

All fruit growers will pay the same rate, but the rate will change during the six-year term of the levy order, as shown in Table One. To ensure funding of Horticulture NZ is equitable the difference between what fruitgrowers pay and the 0.15% rate paid by the rest of the industry will be made up by grants that meet the aims of the NZFCT and are approved by the trustees.

The proposed levy will only fund Horticulture NZ activity, and not product group activity. Fruit product groups have separate levy orders or funding (i.e. New Zealand Kiwifruit Growers Inc, Pipfruit New Zealand Inc, Avocado Growers Assoc, Summerfruit New Zealand, etc).

TABLE ONE – PROPOSED LEVY RATES FOR FRUIT GROWERS

Year	Levy Per \$10,000 of Value	% of Value
2007/08	\$10.00	0.10%
2008/09	\$11.00	0.11%
2009/10	\$12.00	0.12%
2010/11	\$13.00	0.13%
2011/12	\$14.00	0.14%
2012/13	\$15.00	0.15%

The existing NZFF levy order has a maximum rate of 0.10% or \$10 per \$10,000 of value. However the actual levy rate has been set at 0.07% or \$7.00 per \$10,000 of value for the last six years.

VEGETABLE GROWERS

All vegetable growers will pay 0.15% or \$15 per \$10,000 of value to fund Horticulture NZ plus any levies their Product Groups wish to collect via an integrated levy. The proposed vegetable levies are unchanged from the old Vegfed levies which include the 0.15% component to fund Horticulture NZ. They are shown in Table Two.

TABLE TWO – VEGETABLE LEVY RATES

Product	Levy to Product Group		Levy to Horticulture New Zealand		Total Levy	
	Per \$10,000 of Value	Percentage of Value	Per \$10,000 of Value	Percentage of Value	Per \$10,000 of Value	Percentage of Value
Fresh vegetables	\$30.00	0.30%	\$15.00	0.15%	\$45.00	0.45%
Potato	\$60.00	0.60%	\$15.00	0.15%	\$75.00	0.75%
Fresh tomato	\$52.50	0.525%	\$15.00	0.15%	\$67.50	0.675%
Process vegetables	\$41.25	0.4125%	\$15.00	0.15%	\$56.25	0.5625%
Process tomato	\$0	0%	\$15.00	0.15%	\$15.00	0.15%*
Asparagus	\$0	0%	\$15.00	0.15%	\$15.00	0.15%*
Kabocha	\$0	0%	\$15.00	0.15%	\$15.00	0.15%*

* This levy is for Horticulture New Zealand activity only and does not fund Product Group activity. These groups have separate levy orders or funding for Product Group activity.

BERRYFRUIT AND OLIVE GROWERS

Berryfruit and olive growers will provide funding to Horticulture NZ under a formal agreement with those Product Groups, which provides certainty of funding for Horticulture NZ. This funding will match the 0.15% or \$15 per \$10,000 of value paid by other growers. Growers of these crops will therefore not be included in the levy referendum.

How much money will be collected?

The Horticulture NZ industry wide levy of 0.15% or \$15 per \$10,000 of value is expected to raise about \$2.2 Million. This excludes the money that will fund the vegetable Product Groups. More detailed information for those vegetable growers who are also voting on a Product Group levy in this referendum will be sent directly to the growers concerned.

How the money will be collected

Most growers will pay the levy via wholesalers, packhouses, processors and exporters who will deduct the levy from grower payments and forward it to Horticulture New Zealand on a monthly basis. Growers who sell produce direct to the public or export in their own right will be required to pay the levy directly to Horticulture New Zealand on an annual basis.

How the money will be spent

The Horticulture NZ levy will be spent on those areas specified under clause 10 of the Commodity Levies Act. Horticulture NZ's principal responsibilities are to deal with industry wide issues such as those described earlier. These include

- Border Security
- Seasonal Labour
- Leadership Development
- Industry Promotion
- Trade Issues
- Environment Issues
- Compliance Costs
- Education & Training
- Careers Promotion
- Food Safety
- Resource Management
- Adverse Events

Horticulture NZ works closely with Product Groups to ensure that there is no duplication and that the industry is working co-operatively and cohesively. By having a single body (Horticulture NZ) to deal with these industry-wide issues we effectively avoid duplication.

The Levy Referendum

Horticulture New Zealand will hold a series of ballots to determine support for each of the proposed levies. Growers will be eligible to vote for each levy they will have to pay. The referendum ballots will be held in accordance with the Commodity Levies Act. For each proposed levy, at least 50% of the votes must support the compulsory levy, and those that support the levy must account for at least 50% of the value of votes received, for that levy to be accepted.

HOW YOU CAN HAVE YOUR SAY ABOUT THE LEVY PROPOSAL

HortNZ is seeking comments on the levy proposal. We would welcome your comments.

Phone	0508 HORTNZ (467869)
Email	peter.s@hortnz.co.nz
Mail	PO Box 10232 Wellington
Meetings	Attend one of our regional meetings in Aug/Sep, see enclosed leaflet

The Process from Here

Month	Activity
August	Announce Proposal at Conference Send Information to growers, collection agents & interested parties Commence Road shows Database update
September	Continue Road Shows Information in Magazines Continue Database update
October	Review proposal Further meetings and visits as required Information in magazines Continue Database update
November	Further meetings and visits as required Information in magazines Dispatch Referendum papers
December	Referendum closes Application made to Minister
July 2007	New Levy Orders in place

Questions and Answers

WHY IS A REFERENDUM BEING HELD?

Under the Commodity Levies Act (1990) an application must be made to the Minister of Agriculture to collect compulsory levies from growers. At least 50 percent of growers who vote both in number and value of their production must support the application.

HOW WILL THE REFERENDUM BE CONDUCTED?

Registered growers will receive ballot papers in the post during mid-November 2006. These will need to be completed and posted in the reply prepaid envelope by mid-December 2006. Each grower will be asked to tick either a "yes" or "no" box. A second tick will be needed to register information on individual growers' gross sales. Voting is by secret ballot, and your voting papers will only be seen by independent auditors Grant Thornton, the "returning officer". They will only release the overall results in order to preserve grower confidentiality.

HOW DO I REGISTER?

If you have received correspondence about the referendum in the mail, you will have been automatically registered. If your details are incorrect, you are no longer a grower or you know anyone who has not received this brochure in the mail by the end of August 2006, please contact the Horticulture New Zealand Office by phoning 0508 HORTNZ (0508 467 869), or by emailing

info@hortnz.co.nz or writing to PO Box 10232, Wellington with your details.

WHO CAN VOTE?

All those who have grown fruit or vegetables commercially over the past year are entitled to vote, except olive and berryfruit growers who are not included in the levy order but will still be members of Horticulture New Zealand through the NZ Olives Growers Association and berry Product Groups.

HOW MUCH WILL I HAVE TO PAY?

The amount you will pay will depend on what you grow and the value of your sales. See tables one and two in this brochure for the amounts you will pay.

WHAT VALUE IS THE LEVY COLLECTED ON?

For domestic sales the value at the first point of sale, for exports the FOB value.

WHY DOES HORTICULTURE NEW ZEALAND NEED MORE FUNDING?

Growers are facing increased challenges. Horticulture NZ needs resources to lift the profile of the industry and deliver benefits for growers on key industry-wide issues like biosecurity, labour shortages, resource management,

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water, compliance costs and trade policy. We need a strong, united presence to face these challenges.

HOW IS HORTICULTURE NEW ZEALAND CURRENTLY FUNDED?

NZFF and Vegfed collect levies under the Commodity Levies (Orchard Fruit) Order 2001 and the Commodity Levies (Vegetables) Order 2001 and use these to contract Horticulture New Zealand to fund its activities.

WILL I STILL HAVE TO PAY VEGFED OR NEW ZEALAND FRUITGROWERS FEDERATION LEVIES?

No. The proposed HortNZ levy will replace the NZFF and Vegfed levies.

HOW MANY VOTES WILL I GET?

Each grower will get one vote for each levy they pay. Members of the four vegetable product groups seeking an integrated levy will receive a separate voting paper for each of the Product Groups they produce in, and fruit growers will receive a separate voting paper.

WHAT WOULD HAPPEN IF THE LEVY/IES WERE REJECTED BY A "NO" VOTE?

The ultimate outcome of a majority of growers voting "no" would see the end of Horticulture New Zealand. The objective of the referendum is that agreement on the levy is reached, allowing Horticulture New Zealand to continue to work on behalf of the industry. If no agreement is reached by June 2007, Horticulture New Zealand will have no funding, and thus cease to exist.

WILL ALL FRUIT AND VEGETABLES BE LEVIED?

The levy will be on all fruit and vegetables grown in New Zealand for fresh export, processing and fresh domestic sales, excluding olives and berries. The levy will be compulsory.

WILL I STILL HAVE TO PAY FRUIT AND VEGETABLE PRODUCT GROUP LEVIES?

Yes. Fruit product groups have separate levy orders and will continue to collect a separate levy as they have in the past.

Vegetable product group levies (except for asparagus, process tomatoes and squash) will be collected along with the new levy, just as they were previously collected with the Vegfed levy.

DOESN'T MY PRODUCT GROUP DO THIS WORK?

No. Horticulture NZ has developed signed agreements with most product groups to ensure there is not duplication and that we work together to deliver benefits to growers.

WHAT SHOULD YOU DO NOW?

Think about the issues raised in this brochure; attend the regional meetings and talk to other growers and Horticulture New Zealand directors and staff. Potential levy payers are also entitled to write to the Minister of Agriculture with their views.



Our Growth Industry