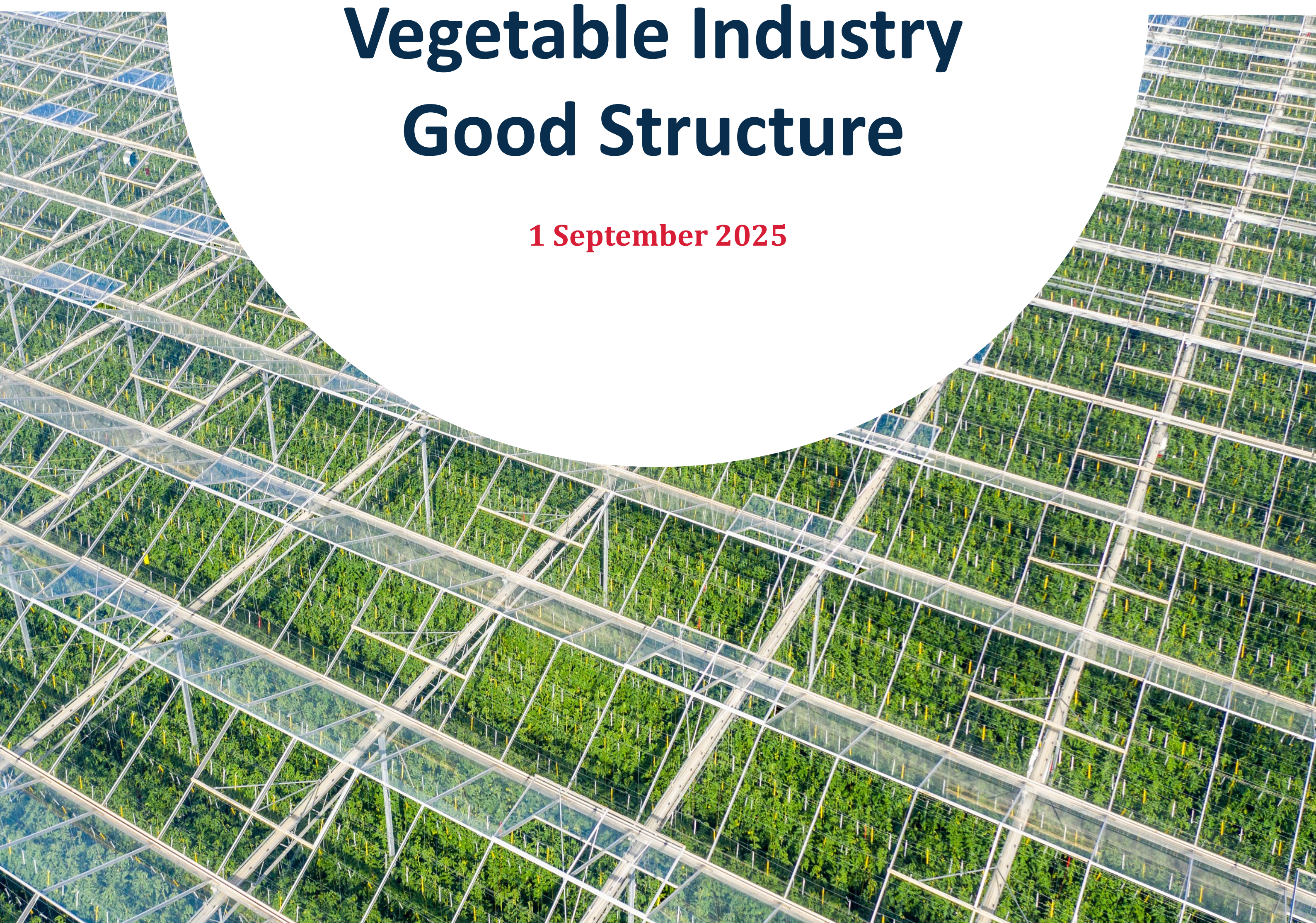
VEGETABLE PRODUCT GROUP
Collaboration

Business Case – Vegetable Industry Good Structure

1 September 2025



Forward

In the New Zealand food and fibre sector, there are 150+ ‘industry good’ organisations, representing their members and advocating for their respective positions on a myriad of issues. This segmented structure has historically benefited the primary sector as it has resulted in clear focus on specific priorities.

Over time, priorities have changed with the inclusion of more multi-crop issues such as biosecurity, energy efficiency, environmental research and ‘the right to farm’. Given the noise and size of some of the other players in the primary sector, the vegetable sector as a subset is not always getting the desired cut through in Wellington on vegetable sector priorities, putting at risk grower profitability and ‘the right to farm’.

This business case investigates a possible consolidated structure for the vegetable sector vs status quo, with the primary objective being how to best leverage the use of cumulative levy investment. This project is not looking at reducing levies, replacing Horticulture New Zealand (HortNZ) or trying to force any decisions on product groups.

There remains strong support for the vegetable industry good organisations, however, there are growing calls to consider what a future enduring model might look like to support industry growth and deal with emerging issues. Some of the factors which have led to evaluating the industry good structure are the continued increase in operational costs, changing priorities towards more multi crop initiatives and increased Government interference in farming.

What is clear from discussions with the various product group boards is the consideration around an alternative structure is not being brought about due to staff underperformance, but rather because of a structure which is making it difficult for staff to deliver what is expected of them. Another element is around the succession of staff, particularly for those organisations which are heavily reliant on one or two individuals, if they move on, then the product groups start from zero again. The boards have also been clear that they want to maintain what is currently working well, while strengthening expertise in emerging areas of priority for the sector.

This business case has been funded by five of the vegetable product groups; Onions New Zealand, Potatoes New Zealand, Process Vegetables New Zealand, Tomatoes New Zealand, and Vegetables New Zealand.

This proposal is in line with the HortNZ review of the horticulture sector. That is, it is complementary and will support HortNZ ’s thinking around the entire horticulture sector.

The term VegeCo used throughout this document is a placeholder name for a proposed new entity. It is not the final name.

Executive Summary

Members currently invest $5.5m in levies across the five vegetable product groups included in this business case. Members also pay levies to HortNZ, pay membership fees to United Fresh and support their respective district associations. Total product group income is approximately $7.7m, once government grants, membership fees and other sundry income are included. In total there are 15 staff employed across the five vegetable product groups, reporting to 35 directors.

This review has been initiated by members and the Boards, who have queried the status quo and whether the sector is setup appropriately for the future. There is no one critical problem or issue but rather a package of problems and opportunities that when bundled together, presents a compelling case to consider change and the future sustainability of the industry good structure.

The issues with the current structure have been categorised into two areas of focus: strategic and operational issues.

Strategic issues are:

1) **Industry leadership and advocacy**: Having a clear united sector position, actively conveyed to HortNZ and Government.
2) **Development of technical skills/ specialists in priority areas of work:** The product groups historically look to develop generalists who know the growing system and then try cover all areas of concern for members (trade, biosecurity, promotions, research etc).
3) **Succession of directors and staff:** With a number of small entities comes a reliance on a high number of directors, and pressure on key staff within each product group.
4) **Delay in project initiation and the ability to commission large projects**: Generally speaking, the risk of project initiation and delivery sits with relatively small product groups. As such it makes it difficult to shift the dial due to a fragmented sector
5) **Gaps beginning to emerge in the list of priorities:** As more items are added to the to do list, gaps start to emerge. Recent additions have been around biosecurity, export assurances, and advocating for the right to farm.

Operational issues are:

1) **Duplication of efforts:** Multiple staff and directors attending the same meetings/ events.
2) **Delivery of corporate services:** Multiple audits, accounting, levy collection, databases, systems etc.
3) **Clear points of contact for members:** Difficulty in identifying who to contact for pan sector/ multi crop issues. E.g. port charges, biosecurity threats, trade agreements, environmental research etc.
4) **Increasing operational costs:** Costs such as audit, travel and insurance continue to increase.
5) **High delivery costs**: Smaller entities have a reliance on contractors, due to less in house capacity.

To address these issues, an alternative structure is being considered by the five product groups to consolidate into one entity over two phases:

- **Phase one**: Establishment of a new vegetable industry good entity with consolidation of staff and a new board across the vegetable sector. In this initial phase, it is proposed to maintain the current commodity, biosecurity and exporter levies, and the membership fees being paid into the current product groups, with a portion of funds being paid through to the new entity for pan sector activities. Separate financial reporting will be maintained in phase one.

- **Phase two**: With confidence that the structure can deliver tangible benefits for members, proceed with the disestablishment of the current entities, and seek a new commodity levy order(s). The end objective being a streamlined entity able to represent all members of the vegetable industry, whilst managing crop specific issues.

How we got here

The proposed consolidation has been brought about after a series of workshops with growers, surveys, and interviews in 2023/24. Following this, a project governance group comprising product group representatives was established and worked to refine the proposal, with the appointment of a project manager.

In preparing this business case, the benefits of both options (status quo, and industry consolidation) have been highlighted, however, the focus is on what a new entity might look like and the benefits, as the current structure is relatively well understood.

Summary of Pros and Cons

	Status Quo (separate entities)	**Amalgamation of Product Groups**
Pros	• Clear crop accountability • High agility and prioritisation • Streamlined delivery • Prevents overload of competing priorities • Really know their members • Robust outcomes from more people in the room debating issues	• Reduced duplication • Reduced operational costs • Clear points of contact for Government and greater cut through • Clear contacts for members on pan sector issues • Clear industry position • Improved technical skills (i.e. greater scale) • Reduced succession risk for key staff and directors • Ability to deliver larger projects
Cons/ Risks	• Duplication of efforts, • High delivery costs, • Gaps emerging in to do list • Unclear position of vegetable sector issues • Limited succession for staff and directors • Delay in big project initiation • Inability to develop technical skills • Unclear contact points on pan vegetable sector issues both for members and Government	• Risk of crop specific issues not being addressed • Levies being used for other crops • Could become slow at responding to crop needs • Competing priorities • Possibly cumbersome decision making • Possibly larger staff headcount to deliver the same results

Greater Effectiveness

If the consolidation does proceed, the return on investment will come from greater effectiveness and productivity of the industry good structure through industry leadership and task specialisation.

The operational savings from reduced audits, accounting, insurance, use of consultants, travel and meetings can be reprioritised towards projects and enhanced skillsets that directly benefit members. This excludes savings in staff time by reduced duplication and back-office requirements. Although hard to calculate, the benefits are going to come from addressing the strategic/ structural issues with the current model rather than potential operational savings.

a) **Unified Voice and Advocacy**: A consolidated entity will have the mandate and scale to present a clear, consistent position to HortNZ and Government, increasing influence over policy, regulation, and investment decisions. In an environment where political and regulatory decisions significantly affect grower profitability, not leaving this to chance is very important for the sector.

b) **Access to Specialist Capability**: Consolidation enables the recruitment and retention of technical specialists (e.g., biosecurity, trade, government relations) that small standalone entities cannot attract or afford. This increases the industry's ability to respond to complex challenges and pursue strategic opportunities.

c) **Improved Project Initiation**: Larger, multi-crop or sector-wide initiatives can be launched more easily when project initiation and funding is simplified under one structure—allowing for more ambitious R&D, export market development, or sustainability programmes.

d) **Futureproofing Through Scale:** A larger organisation can adapt more effectively to evolving grower needs, policy landscapes, and technological advancements. It reduces succession vulnerabilities to key personnel moving on and enables smoother succession planning.

e) **Improved Member Services and Communication**: With one point of contact and one set of tools, growers will have a simpler and more professional experience. Providing a one stop shop for engagement no matter the issue or crop.

Exploring the Current Structure

In the current structure we have five product groups each with their respective boards and mandates. This structure has evolved over time to drive greater focus on the core areas of concern for members including market access, and research. Members have benefitted from this targeted approach with clear accountability to deliver.

The current structure built around key managers/ staff is efficient in terms of engagement with members and delivery of small projects. For example, tomato growers can talk to the General Manager, and a project can be initiated in response to members concerns. It can be a highly agile and streamlined operating model providing things are working well. If there are changes in staff, typically product groups need to rebuild capability before being able to initiate projects again.

For larger multi sector projects, currently the structure requires collaboration across product groups. This requires somebody within the product groups to spend the time to align across the product groups and respective boards. It's not impossible, but certainly difficult to say the least.

The greatest benefit from the current structure is that the product group managers generally speaking really know their members with a high engagement model. i.e. we have five product group managers actively engaging with members. If the strucutre does change, this is something that the industry should maintain in some shape or form.

Exploring a Possible Alternative Structure

The Boards of the vegetable industry are considering change to the industry good structure to better future proof and prioritise what's most important to members. There needs to be a way to accommodate pan-vegetable sector issues, crop specific priorities, multi crop/ growing systems as well as addressing regional issues. The current arrangement serves crop specific needs and accountability well, but makes it challenging to address pan-vegetable sector issues and multi-crop issues. The Project Governance Group has considered the possible structures, from stand-alone entities to consolidation of staff only, through to full consolidation of staff and governance. It was determined that if we are going to proceed with change to maximise benefits it should be both staff and governance amalgamated supported by advisory groups.

If it does proceed, getting to the final structure is proposed to occur in two phases:

- **Phase one**: The establishment of the new incorporated society, Board and CEO appointed. The new Board would be focussed on providing pan vegetable sector leadership and direction. A new structure would be developed and consulted with staff from the various vegetable sector groups. The new structure would be determined including technical specialists in areas of priority for members, whilst maintaining crop specific managers to ensure crop specific needs are addressed. At this stage, staff would transition across into the new entity. A constitution will be developed which protects the interests of the specific crops and interest groups, such as representation, membership type and activities etc. Levies, reserves and the current vegetable boards stay in place in the short term to allow time to give confidence. Levies will be passed through to the new entity to employ staff and work on pan-sector priorities.

- **Phase two**: Phase two will occur after the new entity is established and members have confidence in the structure. This phase will see the current vegetable boards disestablished as legal entities becoming advisory groups. The levies (commodity, biosecurity, marketing levies) will be transferred to the new entity with a new levy order. Reserves in the current vegetable product groups would be drawn down as the levies in the new entity are established and accumulate.

To ensure crop specific accountability is maintained, it is proposed that advisory groups are established, managers are maintained, and crop specific levies are tracked. The following table summarises how the different priorities will be addressed.

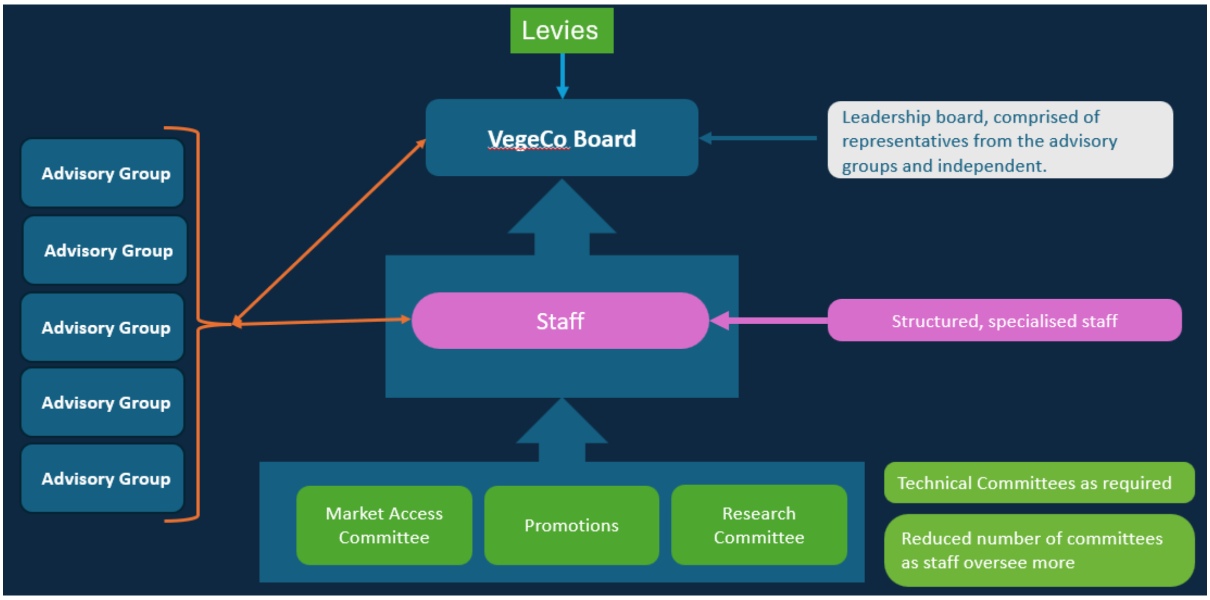
Consolidating Priorities	Examples	How they will be managed
Pan sector initiatives	Government relations, domestic promotions, back-end office support	Board and management will oversee pan sector initiatives. It will be consolidated with clear leadership.
Multi sector/ crops	Nitrate leaching, biosecurity projects, energy efficiency	Technical committees established where required. Overseen by technical specialists (research manager etc.)
Crop specific	Potato seed certification, export assurances, research for specific pests of concern	Crop advisory groups support with identifying key priorities. Crop business managers and levies maintained to respond.

The two phased approach will allow the sector to move forward with the substantive changes in the short term, whilst giving time to tidy up some of the residual processes in place such as the commodity levy orders. It will also reduce project risk if the sector is not getting the benefits envisaged, there is less to unpick.

In the short term there will be operational gains from less staff attending the same meetings, less consultants managing what should be internal projects and streamlined corporate services (databases, levy collection etc.). At a strategic level, there will be benefits in having a clear voice to Government, scale to employ technical specialists and the ability to commission larger projects and management of crisis.

Business Structure

A consolidated entity would see staff in one entity, with one CEO. There are currently 15 staff across five vegetable entities. Bringing these staff into one entity will reduce the duplication in efforts and allow employment in areas of concern for members. i.e. Government Relations/ Advocacy, Research & Development, Biosecurity, Promotions and Market Access. An appropriate structure will be determined by the CEO and Board of the entity once they're appointed. By consolidating staff, it will reduce succession risks and provide broader career opportunities internally for staff.



Under phase two, the levies will be directly collected by VegeCo. VegeCo will have a board comprised of representatives from the advisory groups as well as independents as required. The advisory groups will also have direct linkages in with staff. As required, there will be technical committees comprised of people who are subject experts, rather than necessarily representing their product group.

Role of Crop Advisory Groups

In phase two, there will be Crop Advisory Groups. These groups will support VegeCo as follows:

1. Identifying sector priorities,
2. Support with the execution and delivery of projects,
3. Give members a voice to raise issues and concerns,
4. Review annual work plan and delivery. i.e. hold management to account for delivery of priorities.

These advisory group's primary objective is to ensure that members have a formal structure to engage with management and raise issues. They won't be bogged down in compliance requirements such as health and safety, incorporated society requirements, running AGMs etc. They'll be focused on delivering value to members.

Project Timeline/ Process:

1. Currently the product groups are seeking feedback from members on the business case.
2. Following this initial consultation phase, the product groups will meet to discuss and determine if they support amalgamating taking into account member's feedback. At this stage, the business case will also be updated to reflect members views.
3. If the product groups do decide there is enough interest in having a formal vote, then this will take place, possibly by the end of 2025. This vote will be by product group. This means if members support four groups amalgamating, these four will come together and the fifth will stay independent.
4. If the vote supports amalgamation, a transitional Board will be appointed with one representative from each of the product groups. This transitional board will also appoint an independent chair. These initial board appointments will be made by the current product group boards.
5. The new transitional board will oversee the appointment of the CEO for the new entity.
6. The CEO in consultation with the Board, will develop an organisation structure and strategy. Staff would be consulted on the proposed changes and what it means for them.
7. A budget will be prepared and communicated with the current product groups. This would form the foundation of what's required to be passed through from each of the entities.
8. Levies would continue to be paid into the current vegetable product groups, with a portion passed through to the new entity for common activities.
9. As members confidence grows that an amalgamated entity is more effective at delivering for the sector, there will be a second vote to transition to the final structure. This second vote will include the disestablishment of the current product groups, a new commodity levy, GIA mandate being reconfirmed and the establishment of advisory groups.

Benefits

The following summarises the benefits of status quo vs the proposed consolidation.

Issue/ Priority	Status Quo	Proposed Consolidated Entity
Crop specific accountability	Very clear priorities set by the product groups to managers for specific crops.	Maintain crop specific boards as advisory committees for feedback and direction with staff.
Industry leadership and advocacy	Each product group engages on issues putting forward their perspective.	One board with clear vegetable sector positions.

Issue/ Priority	Status Quo	Proposed Consolidated Entity
Development of technical skills/ specialists	Staff spread across multiple entities. Resulting in 'generalists' employed.	Proposed to maintain crop specialists, but supplement with specialists in areas of priority for members.
Succession of directors/ governance and staff	Currently 35 directors across the product groups. For staffing, some product groups rely on one person.	Number of directors/ committee members will be maintained. Staff in one entity, adding more robustness to the entity and sector.
Project initiation and ability to commission large projects to shift the dial	Somebody needs to initiate projects, and then convince the other groups to co-fund. Puts risk on the signing entity, so typically only small projects are initiated.	One larger entity able to take on the risk of larger projects.
Gaps emerging in the list of priorities	Priorities determined by the various boards. Supports when there is limited capacity.	Clear position from the vegetable sector around what it's doing, and what it expects from HortNZ.
Duplication of efforts	Multiple staff and directors attending the same meetings. Typically to represent their product group.	Reduced duplication by having one entity. Frees up staff time to focus on areas of importance for members.
Corporate services delivery	Duplication in databases, levy collection, accounting and audit requirements.	One database, levy collection process, audit etc. Significantly reduced costs.
Clear points of contact for members	Clear when it's a specific crop issue. Less clear when it is a generic issue (trade, environmental, energy,	One stop shop for members with clear roles and contact points. Particularly for multi-crop issues such as market access and environmental research.
Operational costs increasing	Insurance, audit, accounting, office overheads, etc. are all increasing. This leads to a greater portion of levies going towards maintaining the entities, rather than projects.	Reduced duplication leading to reduced operational costs.
High delivery costs	Overly reliant on consultants to support what should be internal functions.	Can bring more functions in house using staff and developing internal capability.
Smaller grower voice	Currently 35-40 spaces on Boards providing ample positions for smaller members to directly engage.	Advisory Groups will be maintained providing spaces for smaller growers to be represented, as well as the overall VegeCo Board.

Frequently Asked Questions:

Q. What's in it for me, the member?

A.

- More effective representation
- Use current staff more effectively, create more productivity
- Staff specialisation, especially on biosecurity, market access and research.
- Reduced duplication
- Leverage synergies
- More effective interface with politicians/officials
- Leverage greater outside funding
- More effective and timely lobbying of all political spectrums
- Export market access and customer sharing
- Better delivery of Corporate services, Accounts, Audit and Payroll (Backend)

Q. What are Crop Advisory Groups for, why will these be necessary?

A. Crop Advisory Groups are there to ensure individual product group specific issues are dealt with and to ensure that small growers still have a voice and an opportunity to contribute. They will also have a function in reviewing what is being done for them/ their sector to ensure there is greater return on investment.

Q. Is this VegeFed 2.0? / what's the difference?

A. We have better systems now to accurately track levies and ensure accountability. The other key difference is maintaining General Managers for crops, ensuring there is accountability and delivery. VegeCo will carry out specific functions that the product Groups currently perform including Biosecurity, Accounting, Payroll, Grower engagement , Levy collection / management, Grower communication / engagement.

Q. Can product groups exit?

A. Yes. Product Groups can decide not to have a vote on consolidation. They can also exit in phase one when it is just an amalgamation of staff, it will be far simpler, than later when the boards and legal entities are disestablished.

Q. Will this consolidation result in less levies paid? As a Grower, will this cost me any more money?

A. The proposed consolidation will likely not lead to reduced levies paid by members, however it will assist in limiting any future increases in levies. There should be more services and better-quality services for the same levy.

Q. How will biosecurity responses be managed for specific crops?

A. There will be specific pools of levies maintained for crops. As such, these levies in the first instance will go towards the response. The board of VegeCo however will maintain the right to determine how levies can be spent and may wish to support the response with levies earmarked for pan-sector activities as well.

Q. What does the Government think of the current vegetable sector structure?

A. Initial discussions with the Ministry for Primary Industries (MPI) staff have reported that it is confusing with multiple priorities, which at times are conflicting. They have reported at times, they must make the decision and determine what the priorities are for the vegetable sector instead. A larger more united group will clearly have much more influence when engaging with government and Government agencies. Government agencies don't want to converse with multiple product groups and are much more interested, and more likely to take notice of, a larger organisation.

Q. What is the proposed change with District Associations

A. Active District Associations are very important in the system as they provide an important interface between growers on the ground and Wellington, providing direct and timely feedback for those in Wellington. The support for the active district associations would be as follows:

- Support grants,
- Secretarial support,
- Access to a centralise database of contacts,

Once VegeCo is established the relationship with District Associations can be reviewed and further options considered.

Q. What is the role with HortNZ going forward?

A. VegeCo will maintain a positive and supportive position with HortNZ. It is recognised that HortNZ has a core responsibility to advocate for the horticulture sector and its members. VegeCo's role will be about advocating where required on specific vegetable issues.

VegeCo will also support HortNZ with providing a vegetable sector lens to HortNZ on activities such as education, and advocacy. i.e. VegeCo staff should be knowledgeable about the sector and provide HortNZ with practical support and information.

The final aspect to the relationship between VegeCo and HortNZ will be around powering up certain functions of critical importance for the vegetable sector. In particular around Government Relations and advocacy, this will be similar to how the kiwifruit sector interacts and engages with HortNZ and the regulator. This would see VegeCo in the room on certain issues of importance and maintain direct relationships with key ministers, officials and senior leaders.

Q. Will levies be tracked by crop?

A. Yes, it will be possible to track levies as they are now and report activities back against those crops to ensure the benefits flow back to members.

Q. What will happen to levies and where will they be paid?

A. Under phase one, they continue to be paid into the respective product groups, with a portion passed onto VegeCo to fund pan vegetable sector initiatives, including staff. In phase two, they will be paid directly to VegeCo, with levies tracked by crop so they can be appropriately apportioned.

For more information or to provide feedback on this business case or the associated business plan, please contact James Kuperus.

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