

[In Confidence]

Office of the Minister of Agriculture
Chair, Cabinet Legislation Committee

Applications for five separate levy orders from the vegetables and fruit sector under the Commodity Levies Act 1990

Proposal

1. This paper recommends that the Cabinet Legislation Committee (the Committee) authorise the submission of the following commodity levy orders to the Executive Council:
 - a. Commodity Levies (Vegetables and Fruit) Order 2019;
 - b. Commodity Levies (Process Vegetables) Order 2019;
 - c. Commodity Levies (Fresh Vegetables) Order 2019;
 - d. Commodity Levies (Fresh Tomatoes) Order 2019; and
 - e. Commodity Levies (Onions) Order 2019.
2. Commodity levy orders made under the Commodity Levies Act 1990 (the Act) are submitted directly to the Cabinet Legislation Committee without receiving prior Cabinet policy approval, for Cabinet to authorise submission to the Executive Council. This is because the Act specifies all of the policy criteria that need to be met for the making of an order.

Background

The Commodity Levies Act 1990

3. The Act enables primary industries to collectively fund non-commercial, 'industry-good' activities such as research and development through their national representative bodies. The Act provides for the responsible Minister to impose a mandatory levy on a commodity at the request of an industry organisation, provided that there is sufficient support from potential levy payers in that industry. Commercial growers are primarily responsible for paying the levy.
4. Commodity levy orders, the instruments responsible for imposing a levy, are initiated and developed by industry organisations and last a maximum of six years. Levy orders set the maximum levy rates payable and specify the purposes for which levy funds may be spent. Industry organisations determine how the levies are spent and at what rate they are collected through annual consultation with levy payers.
5. The Act sets out a number of requirements that I, as responsible Minister, must be satisfied have been met before recommending the making of an order. These include:
 - a. that a support referendum for the proposed levy was held, in which over half of those who participated in the referendum supported the proposed levy;

- b. that the referendum was adequately publicised, including meaningful consultation with potential levy payers to ensure that they were aware of the referendum's implications and were able to participate;
 - c. that the referendum was competently devised; and
 - d. that the uses of the levy funds relate closely to the interests of potential levy payers.
6. The Ministry for Primary Industries (MPI) currently administers 29 commodity levy orders that together collect around \$130 million per year. Industries included span the agriculture, horticulture, viticulture, fisheries and forestry sectors.

Policy

The proposed levy orders

7. In September 2018, I received five applications for new commodity levy orders under the Commodity Levies Act 1990, detailed in Table 1 below:

Table 1: Commodities to be levied and applicant organisations

Commodity	Applicant organisation
Vegetables and fruit	Horticulture New Zealand Incorporated (HortNZ)
Process vegetables	Process Vegetables New Zealand (Process Veg NZ)
Fresh vegetables	Vegetables New Zealand Incorporated (Vegetables NZ)
Fresh tomatoes	Tomatoes New Zealand Incorporated (Tomatoes NZ)
Onions	Onions New Zealand Incorporated (Onions NZ)

8. The Commodity Levies (Vegetables and Fruit) Order 2013 currently imposes a mandatory levy on all vegetables and fruit commercially grown in New Zealand, as well as additional levies on process vegetables (vegetables grown for processing), fresh vegetables and fresh tomatoes. The order will expire on 12 May 2019.
9. The proposed levy orders will divide the current Commodity Levies (Vegetables and Fruit) Order 2013 into four separate orders: one for the base levy on vegetables and fruit; and three new orders on process vegetables, fresh vegetables, and fresh tomatoes respectively. This separation provides greater transparency to growers and provides more autonomy to levy organisations.
10. The proposed changes are mechanistic in nature and involve no change to the responsibilities or funding of levy organisations.
11. The Commodity Levies (Onions) Order 2013 currently imposes a mandatory levy on all onions commercially grown in New Zealand. The order will expire on 12 May 2019. The proposed levy order on onions will replace this order.

12. Commodity levy orders set the maximum levy rate an organisation may collect, however annual rates beneath this are set by industry organisations in consultation with levy payers. The maximum levy rates are to remain unchanged for all commodities except process vegetables and fresh tomatoes, which have proposed a maximum levy rate of 0.80 percent (from 0.50 percent) and 0.50 percent (from 0.35 percent) of sales value respectively. The proposed levy rates for 2019/20 will also remain unchanged for all commodities except vegetables and fruit, where the proposed rate is 0.14 percent of sales value (from 0.15 percent).
13. Table 2 below shows the number of growers, proposed initial levy rate, and estimated levy income of each applicant organisation, including levy income as a percentage of total income.

Table 2: Contribution of the commodity levy to the total income of applicant organisations

Applicant organisation	Number of growers	Proposed levy rate 2019/20	Estimated levy income	Percentage of total income
HortNZ	5,000	0.14%	\$4,800,000	72%
Process Veg NZ	365	0.50%	\$490,000	99%
Vegetables NZ	721	0.20% (export) 0.30% (domestic)	\$1,220,000	100%
Tomatoes NZ	120	0.35%	\$437,500	98%
Onions NZ	89	\$2.50 per tonne	\$727,270	95%

Compliance with the requirements of the Act

14. The above organisations each held a support referendum for their respective commodity levy proposals over July - August 2018. A key requirement of the Act, is that the proposed levy orders have the majority support of those who participated in the levy referendum. Table 3 below shows that the majority of growers who voted in the referenda supported the proposed levies.

Table 3: Summarised levy referenda results

Commodity	Yes vote - by percentage of growers	Yes vote – by percentage of total production value
Vegetables and fruit	90%	92%
Process vegetables	81%	97%
Fresh vegetables	87%	89%
Fresh tomatoes	88%	87%
Onions	92%	92%

15. Participation rates in the five referenda ranged between 12 and 53 percent. The average participation rate for all commodity levy referenda over the past six years is 39 percent. Based on analysis by MPI, I consider that each industry organisation made considerable efforts to consult with potential levy payers about the levy proposal and publicise the holding of the support referendum. This included communication through a variety of channels, including postal, email, website, text, phone, magazine and newsletters.
16. I therefore consider that the low participation rates in the referenda are unlikely to be a consequence of potential levy payers being uninformed about the referenda. The vegetables and fruit, process vegetables and fresh vegetables industries, which exhibited low levels of participation in their referenda, include a large number of small and part-time growers mostly growing multiple commodities. These growers appear to be relatively indifferent towards paying the levy and therefore do not vote. This would suggest that these growers are at the very least, not actively opposed to the collection and expenditure of the levy.
17. MPI has examined the structure of the ballot material and results from the independent returning officer, and has advised me that the support referendum was competently devised, sufficiently publicised and distributed, and that all potential levy payers had been given a reasonable opportunity to vote.
18. Based on MPI's advice, I am satisfied that the five applications for new levy orders meet all the requirements of the Act. I therefore recommend that the Committee authorise the submission of these orders to the Executive Council.
19. HortNZ has signalled that it would appreciate the new levy orders on vegetables and fruit, process vegetables, fresh vegetables and fresh tomatoes to commence on 1 April 2019, to align with its financial year. Onions NZ has asked for the levy order on onions to commence on 13 May 2019.
20. More detailed analysis of each commodity levy order application is provided in the attached appendices:
 - a. Appendix One: Commodity Levies (Vegetables and Fruit) Order 2019;
 - b. Appendix Two: Commodity Levies (Process Vegetables) Order 2019;
 - c. Appendix Three: Commodity Levies (Fresh Vegetables) Order 2019;
 - d. Appendix Four: Commodity Levies (Fresh Tomatoes) Order 2019; and
 - e. Appendix Five: Commodity Levies (Onions) Order 2019.

Impact Analysis

21. The Regulatory Quality Team at the Treasury have determined the regulatory decisions sought in this paper to be exempt from the requirement to provide a Regulatory Impact Assessment, due to the minor impact of the proposed levies on individuals, businesses and not-for-profit entities.

Consultation

22. The Ministry of Business, Innovation and Employment, the Treasury, and Te Puni Kōkiri were consulted on this paper and their feedback has been incorporated. A draft of the paper was also forwarded to the Department of the Prime Minister and Cabinet for its information. Industry organisations were also consulted during the drafting of the levy order.

Proactive Release

23. The Minister is considering the release of this paper, and will make a decision following Cabinet consideration.

Legislative Implications

24. The commodity levy orders detailed above have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Publicity

25. MPI will notify the respective organisations when the orders are made, who will then publicise the making of these orders to their levy payers.

Recommendations

The Minister of Agriculture recommends that the Committee:

1. **Note** that Horticulture New Zealand Incorporated has applied for a new levy order on vegetables and fruit under the Commodity Levies Act 1990, to replace the Commodity Levies (Vegetables and Fruit) Order 2013 from 1 April 2019;
2. **Note** that Onions New Zealand Incorporated has applied for a new levy order on onions under the Commodity Levies Act 1990, to replace the Commodity Levies (Onions) Order 2013 from 13 May 2019;
3. **Note** that the following industry organisations have applied for new levy orders under the Commodity Levies Act 1990, for the orders to come into effect from 1 April 2019:

Commodity	Applicant organisation
Process vegetables	Process Vegetables New Zealand
Fresh vegetables	Vegetables New Zealand Incorporated
Fresh tomatoes	Tomatoes New Zealand Incorporated

4. **Note** that based on advice from the Ministry for Primary Industries, I have determined that all five applications fully meet the requirements of the Commodity Levies Act 1990; and
5. **Authorise** the submission of the following commodity levy orders to the Executive Council:
 - Commodity Levies (Vegetables and Fruit) Order 2019;
 - Commodity Levies (Process Vegetables) Order 2019;
 - Commodity Levies (Fresh Vegetables) Order 2019;
 - Commodity Levies (Fresh Tomatoes) Order 2019; and
 - Commodity Levies (Onions) Order 2019.

Authorised for Lodgement

Hon Damien O'Connor
Minister of Agriculture

Appendix One: Commodity Levies (Vegetables and Fruit) Order 2019

Industry background

1. The New Zealand horticulture industry comprises approximately 5,000 commercial growers who collectively employ around 60,000 workers across the country. In 2018, the industry recorded total sales of nearly \$5.7 billion including \$3.4 billion in export receipts. New Zealand's main horticultural products, not including wine, are kiwifruit, apples and pears, avocados, and onions.

The proposed levy order

2. The current Commodity Levies (Vegetables and Fruit) Order 2013 imposes a mandatory levy on all vegetables and fruit commercially grown in New Zealand, as well as additional levies on process vegetables, fresh vegetables and tomatoes. The proposed levy order will replace only the base levy on all vegetables and fruit, with the additional levies under the current order to be separated into their own individual levy orders. The maximum levy rate will remain at 0.15 percent of sales value, with the initial rate proposed for the 2019-2020 levy year to fall from 0.15 percent to 0.14 percent.
3. The only other material change to the order relates to the inclusion of two further purposes for levy expenditure: the protection and improvement of plant health; and industry promotion.
4. The proposed levy will be imposed on commercial growers of vegetables and fruit in New Zealand, to be paid to HortNZ who will spend levy funds on behalf of growers and in line with the purposes outlined in the levy order. These include:
 - a. research and development;
 - b. market and trade research, development and promotion;
 - c. industry promotion;
 - d. protection and improvement of plant health, including biosecurity activities;
 - e. development and implementation of quality assurance systems;
 - f. education and training, including attracting, developing and retaining people;
 - g. information and communication, including advocating for and representing growers; and
 - h. day-to-day administration of HortNZ, including central grower registration, and systems and website development and maintenance.
5. Under the proposed order, HortNZ has budgeted to collect approximately \$4.8 million in levy revenue in the 2019-2020 levy year.

Support for the levy proposal

6. HortNZ held a support referendum for the proposed levy over July-August 2018 through online and postal voting. Ballot papers were posted on the week commencing 2 July 2018, with voting closing on 13 August 2018. This allowed six weeks for voting.
7. The Act requires that the proposed order has the majority support of those who voted in the levy referendum, in terms of both number of voters and value of total production. Table 1 below shows that of those growers who participated in the referendum, 90 percent supported the proposed levy order (92 percent by production value).

Table 1: Results of the HortNZ levy referendum

Vote	Number of growers		Value of production	
	Number	Percentage	Value (\$)	Percentage
Yes	644	90%	\$914,778,135	92%
No	74	10%	\$79,480,000	8%
Total	718	100%	\$994,258,135	100%

8. The participation rate for the referendum was 18.5 percent, which is significantly lower than the average participation rate of 39 percent for levy referenda over the past six years. The Act does not specify a minimum participation rate, but requires the referendum to be publicised in a manner that allows potential levy payers a reasonable opportunity to participate in the referendum.
9. HortNZ made considerable efforts to inform potential levy payers about the levy proposal and the holding of the support referendum, through a variety of channels including post, email, website, text, phone, magazines and newsletters. I therefore consider that the low participation rate in the referendum is unlikely to be a consequence of potential levy payers being uninformed about the referendum. The horticultural sector includes a large number of very small and part-time growers, who appear to be relatively indifferent towards paying the levy and therefore do not vote.
10. MPI has examined the structure of the ballot material and results from the independent returning officer, and has advised me that the support referendum was competently devised, sufficiently publicised and distributed, and that all potential levy payers had been given a reasonable opportunity to vote.
11. Based on MPI's advice, I am satisfied that the levy application complies with the Act, with respect to both the support referendum and all other matters I am required to consider.

Cost and benefits of the levy

12. The proposed levy will allow HortNZ to continue to deliver its industry-good activities, which notably include:
 - a. advocating for growers' interests and engaging with local and central government;
 - b. building skills and people capability through a number of apprenticeship programmes and the Young Grower of the Year competition;
 - c. input into the Recognised Seasonal Employer scheme and labour governance groups;
 - d. sector leadership on biosecurity issues including Brown Marmorated Stink Bug and the import of the Samurai Wasp;
 - e. co-publishing the biennial Trade Barriers Report;
 - f. disseminating information to growers through its website, newsletters and the NZ Grower and Orchardist magazines; and
 - g. organising product group and grower meetings as well as the annual HortNZ conference.
13. Given the proposed maximum levy rate of 0.15 percent of sales value, I consider that the proposed order will provide benefits that significantly outweigh the costs imposed by the levy. This sentiment is endorsed by strong support from those who voted in the levy referendum, which indicates that the majority of those who voted believe there will be a net benefit from the continuation of a compulsory levy. Levy payers themselves are able to vote for the levy rate each year at the HortNZ annual general meeting or special general meeting.

Appendix Two: Commodity Levies (Process Vegetables) Order 2019

Industry background

1. The New Zealand process vegetables industry comprises approximately 360 commercial growers, predominantly based in the Gisborne, the Hawke's Bay, Marlborough and Canterbury regions. Total farm gate sales for the industry in 2017, excluding potatoes which have their own commodity levy order, was around \$270 million. The main crops for the industry are carrots, sweet corn, peas, beans and beetroot.

The proposed levy order

2. The current Commodity Levies (Vegetables and Fruit) Order 2013 imposes a mandatory levy on all vegetables and fruit commercially grown in New Zealand. The order also imposes an additional levy on process vegetables, for spending on activities specific to that industry. The proposed levy order will replace only the additional levy on process vegetables.
3. The proposed order increases the maximum levy rate on process vegetables from 0.5 percent of gross sales value to 0.8 percent. The initial levy rate for the 2019-2020 levy year will remain at 0.5 percent. The proposed order also includes biosecurity as a further purpose for levy expenditure.
4. HortNZ will collect the levy on behalf of Process Veg NZ, as is the case under the existing order. Process Veg NZ will spend levy funds on behalf of growers and in line with the purposes outlined in the levy order. These include:
 - a. research and development;
 - b. biosecurity;
 - c. grower representation;
 - d. market development and promotion;
 - e. education and training;
 - f. grower information, communication and support; and
 - g. day-to-day management and administration of Process Veg NZ.
5. Under the proposed order, Process Veg NZ has budgeted to collect approximately \$480,000 in levy revenue in the 2019-2020 levy year.

Support for the levy proposal

6. Process Veg NZ held a support referendum for the proposed levy over July-August 2018 through online and postal voting. Ballot papers were posted on the week commencing 2 July 2018, with voting closing on 13 August 2018. This allowed six weeks for voting.

7. The Act requires that the proposed order has the majority support of those who voted in the levy referendum, in terms of both number of voters and value of total production. Table 1 below shows that of those growers who participated in the referendum, 81 percent supported the proposed levy order (97 percent by production value).

Table 1: Results of the Process Veg NZ levy referendum

Vote	Number of growers		Value of production	
	Number	Percentage	Value (\$)	Percentage
Yes	35	81%	\$32,050,000	97%
No	8	19%	\$1,150,000	3%
Total	43	100%	\$33,200,000	100%

8. The participation rate for the referendum was 12 percent, which is significantly lower than the average participation rate of 39 percent for levy referenda over the past six years. The Act does not specify a minimum participation rate, but requires the referendum to be publicised in a manner that allows potential levy payers a reasonable opportunity to participate in the referendum.
9. Process Veg NZ made considerable efforts to inform potential levy payers about the levy proposal and the holding of the support referendum, through a variety of channels including in-person meetings, email, website, and magazines articles. I therefore consider that the low participation rate in the referendum is unlikely to be a consequence of potential levy payers being uninformed about the referendum. The horticultural sector includes a large number of very small and part-time growers, who appear to be relatively indifferent towards paying the levy and therefore do not vote.
10. MPI has examined the structure of the ballot material and results from the independent returning officer, and has advised me that the support referendum was competently devised, sufficiently publicised and distributed, and that all potential levy payers had been given a reasonable opportunity to vote.
11. Based on MPI's advice, I am satisfied that the levy application complies with the Act, with respect to both the support referendum and all other matters I am required to consider.

Cost and benefits of the levy

12. The proposed levy will allow Process Veg NZ to continue to deliver its industry-good activities, which notably include:
- providing growers with a united voice;
 - funding and management of research projects for crop protection and yield improvements;
 - leadership of industry biosecurity efforts; and
 - growing industry knowledge and disseminating information to growers.

13. Given the proposed maximum levy rate of 0.8 percent of sales value, I consider that the proposed order will provide benefits that significantly outweigh the costs imposed by the levy. This sentiment is endorsed by strong support from those who voted in the levy referendum, which indicates that the majority of those who voted believe there will be a net benefit from the continuation of a compulsory levy.

PROACTIVE RELEASE

Appendix Three: Commodity Levies (Fresh Vegetables) Order 2019

Industry background

1. There are approximately 760 commercial growers of fresh vegetables in New Zealand, a large portion of which are located around Pukekohe and the Horowhenua. Total farm gate sales for the industry in 2017 was around \$400 million.

The proposed levy order

2. The current Commodity Levies (Vegetables and Fruit) Order 2013 imposes a mandatory levy on all vegetables and fruit commercially grown in New Zealand. The order also imposes an additional levy on fresh vegetables, for spending on activities specific to that industry. The proposed levy order will replace only the additional levy on fresh vegetables.
3. Under the proposed order, the maximum levy rate will remain at 0.3 percent of sales value for domestic sales and 0.2 percent for export sales. Vegetables NZ wish to keep the levy rate for the 2019-2020 levy year at the maximum rate.
4. Vegetables NZ will collect and spend levy funds on behalf of growers and in line with the purposes outlined in the levy order. These include:
 - a. research and development;
 - b. biosecurity activities;
 - c. export and domestic market development;
 - d. fresh vegetable promotional activity;
 - e. development of quality assurance;
 - f. education and training;
 - g. grower information, communication and support;
 - h. grower representation; and
 - i. day-to-day administration of Vegetables NZ.
5. Under the proposed order, Vegetables NZ has budgeted to collect approximately \$1.2 million in levy funds in the 2019-2020 levy year.

Support for the levy proposal

6. Vegetables NZ held a support referendum for the proposed levy over July-August 2018 through online and postal voting. Ballot papers were posted on the week commencing 2 July 2018, with voting closing on 13 August 2018. This allowed six weeks for voting.
7. The Act requires that the proposed order has the majority support of those who voted in the levy referendum, in terms of both number of voters and value of total production. Table 1 below shows that of those growers who participated in the referendum, 86.5 percent supported the proposed levy order (89 percent by production value).

Table 1: Results of the Vegetables NZ levy referendum

Vote	Growers		Value	
	Number of growers	Percentage	Value (\$)	Percentage
Yes	103	86.5%	\$146,320,000	89%
No	16	13.5%	\$18,000,000	11%
Total	119	100%	\$164,320,000	100%

8. The participation rate for the referendum was 17 percent, which is significantly lower than the average participation rate of 39 percent for levy referenda over the past six years. The Act does not specify a minimum participation rate, but requires the referendum to be publicised in a manner that allows potential levy payers a reasonable opportunity to participate in the referendum.
9. Vegetables NZ made considerable efforts to inform potential levy payers about the levy proposal and the holding of the support referendum, through a variety of channels including in-person meetings, email, website, and magazines articles. I therefore consider that the low participation rate in the referendum is unlikely to be a consequence of potential levy payers being uninformed about the referendum. The horticultural sector includes a large number of very small and part-time growers, who appear to be relatively indifferent towards paying the levy and therefore do not vote.
10. MPI has examined the structure of the ballot material and results from the independent returning officer, and has advised me that the support referendum was competently devised, sufficiently publicised and distributed, and that all potential levy payers had been given a reasonable opportunity to vote.
11. Based on MPI's advice, I am satisfied that the levy application complies with the Act, with respect to both the support referendum and all other matters I am required to consider.

Cost and benefits of the levy

12. The proposed levy will allow Vegetables NZ to continue to deliver its industry-good activities, which notably include:
 - a. contributing to biosecurity efforts in response and readiness, as well as signing the Government Industry Agreement on behalf of the industry; and
 - b. supporting research to provide support data and information for submissions to Government and negotiations on behalf of fresh vegetable growers, with particular focus on the Resource Management Act 1991.
13. Given the proposed maximum levy rate of 0.3 percent of sales value for domestic sales and 0.2 percent for export sales, I consider that the proposed order will provide benefits that significantly outweigh the costs imposed by the levy. This sentiment is endorsed by strong support from those who voted in the levy referendum, which indicates that the majority of those who voted believe there will be a net benefit from the continuation of a compulsory levy.

Appendix Four: Commodity Levies (Fresh Tomatoes) Order 2019

Industry background

1. There are approximately 120 commercial growers of fresh tomatoes in New Zealand. Tomatoes are primarily grown in the Auckland and Waikato regions, with around 70 percent of total production coming from these areas. Total farm gate sales for the industry in 2018 was over \$130 million.

The proposed levy order

2. The current Commodity Levies (Vegetables and Fruit) Order 2013 imposes a mandatory levy on all vegetables and fruit commercially grown in New Zealand. The order also imposes an additional levy on fresh tomatoes, for spending on activities specific to that industry. The proposed levy order will replace only the additional levy on fresh tomatoes.
3. Under the proposed order, the maximum levy rate will remain at 0.5 percent of gross sales value. Tomatoes NZ has proposed to keep the levy rate for the 2019-2020 levy year at 0.35 percent.
4. Tomatoes NZ will collect and spend levy funds on behalf of growers and in line with the purposes outlined in the levy order. These include:
 1. research and development;
 2. market development and promotion;
 3. development of quality assurance;
 4. education and training;
 5. information and communications;
 6. grower representation;
 7. biosecurity; and
 8. day-to-day administration of Tomatoes NZ.
5. Under the proposed order, Tomatoes NZ has budgeted to collect approximately \$448,500 in levy funds in the 2019-2020 levy year.

Support for the levy proposal

6. Tomatoes NZ held a support referendum for the proposed levy over July-August 2018 through online and postal voting. Ballot papers were posted on the week commencing 2 July 2018, with voting closing on 13 August 2018. This allowed six weeks for voting.
7. The Act requires that the proposed order has the majority support of those who voted in the levy referendum, in terms of both number of voters and value of total production. Table 1 below shows that of those growers who participated in the referendum, 87.5 percent supported the proposed levy order (86.5 percent by production value).

Table 1: Results of the Tomatoes NZ levy referendum

Vote	Growers		Value	
	Number of growers	Percentage	Value (\$)	Percentage
Yes	35	87.5%	\$107,000,000	86.5%
No	4	12.5%	\$16,000,000	13.5%
Total	40	100%	\$123,700,000	100%

8. The participation rate for the referendum was 33 percent, which is slightly lower than the average participation rate of 39 percent for levy referenda over the past six years. The Act does not specify a minimum participation rate, but requires the referendum to be publicised in a manner that allows potential levy payers a reasonable opportunity to participate in the referendum.
9. MPI has examined the structure of the ballot material and results from the independent returning officer, and has advised me that the support referendum was competently devised, sufficiently publicised and distributed, and that all potential levy payers had been given a reasonable opportunity to vote.
10. Based on MPI's advice, I am satisfied that the levy application complies with the Act, with respect to both the support referendum and all other matters I am required to consider.

Cost and benefits of the levy

11. The proposed levy will allow Tomatoes NZ to continue to deliver its industry-good activities, which notably include:
 - a. funding for the new Potato Psyllid biological control agent, which the Environmental Protection Agency approved for release in June 2016;
 - b. updating resources to assist greenhouse growers to manage wastewater discharge, and assisting where resource consent is required;
 - c. submitting on the Emissions Trading Scheme review on behalf of the industry; and
 - d. consulting and advocating for growers on other matters that affect the industry.
12. Given the proposed maximum levy rate of 0.5 percent of gross sales value, I consider that the proposed order will provide benefits that significantly outweigh the costs imposed by the levy. This sentiment is endorsed by strong support from those who voted in the levy referendum, which indicates that the majority of those who voted believe there will be a net benefit from the continuation of a compulsory levy.

Appendix Five: Commodity Levies (Onions) Order 2019

Industry background

1. There are approximately 90 commercial onion growers in New Zealand. The main areas for onion growing are Waikato and the Hawke's Bay. Industry farm gate sales in 2017 totalled around \$142 million, of which exports comprised \$112 million. Export receipts for the industry have nearly doubled since 2012.

The proposed levy order

2. The current Commodity Levies (Onions) Order 2013 imposes a mandatory levy on all onions commercially grown in New Zealand. The order will expire on 12 May 2019. The proposed levy order replaces this order.
3. Under the proposed order, the maximum levy rate will remain at \$4.00 per metric tonne sold. Onions NZ has proposed to keep the levy rate for the 2019-2020 levy year at \$2.50.
4. Onions NZ will collect and spend levy funds on behalf of growers and in line with the purposes outlined in the levy order. These include
 - a. grower representation;
 - b. market access and intelligence;
 - c. research and development;
 - d. communication;
 - e. domestic production;
 - f. biosecurity activities; and
 - g. day-to-day administration of Onions NZ.
5. Under the proposed order, Onions NZ has budgeted to collect \$727,270 in levy funds in the 2019-2020 levy year.

Support for the levy proposal

6. Onions NZ held a support referendum for the proposed levy over July-August 2018 through online and postal voting. Ballot papers were posted on the week commencing 2 July 2018, with voting closing on 13 August 2018. This allowed six weeks for voting.
7. The Act requires that the proposed order has the majority support of those who voted in the levy referendum, in terms of both number of voters and value of total production. Table 1 below shows that of those growers who participated in the referendum, 92 percent supported the proposed levy order (92 percent by production value).

Table 1: Results of the Onions NZ levy referendum

Vote	Growers		Volume	
	Number of growers	Percentage	Volume (t)	Percentage
Yes	43	92%	171,000	92%
No	4	8%	15,000	8%
Total	47	100%	186,000	100%

8. The participation rate for the referendum was 53 percent, which is higher than the average participation rate of 39 percent for levy referenda over the past six years. The Act does not specify a minimum participation rate, but requires the referendum to be publicised in a manner that allows potential levy payers a reasonable opportunity to participate in the referendum.
9. MPI has examined the structure of the ballot material and results from the independent returning officer, and has advised me that the support referendum was competently devised, sufficiently publicised and distributed, and that all potential levy payers had been given a reasonable opportunity to vote.
10. Based on MPI's advice, I am satisfied that the levy application complies with the Act, with respect to both the support referendum and all other matters I am required to consider.

Cost and benefits of the levy

11. The proposed levy will allow Onions NZ to continue to deliver its industry-good activities, which notably include:
 - a) negotiations to gain access into the Chinese market, estimated to increase exports by \$30 million within 5-10 years after access is achieved;
 - b) removing unnecessary trade barriers in key export markets which cost the industry a minimum of \$7.5 million each year;
 - c) funding projects on soil borne diseases, nutrient losses, and research into increasing the yield of class one onions; and
 - d) developing a strategy to set a clear direction for the industry.
12. Given the proposed maximum levy rate of \$4.00 per metric tonne sold, I consider that the proposed order will provide benefits that significantly outweigh the costs imposed by the levy. This sentiment is endorsed by strong support from those who voted in the levy referendum, which indicates that the majority of those who voted believe there will be a net benefit from the continuation of a compulsory levy.