

9 December 2016

Dear Grower,

In late February 2017, you will be asked to participate in a referendum concerning the Commodity Levy that funds NZKGI. We are required to undertake a referendum every 6 years to establish continued support for our funding mechanism. **The purpose of this letter is to explain to you what the levy proposal is about so that you can provide us with any feedback you may have.** We also highly recommend that you discuss your opinion on this referendum with other growers and NZKGI Forum members.

On the following pages, you will also see what NZKGI has achieved for growers over the last five years. This includes:

- The successful roll-out of the Kiwifruit Industry Strategy Project (KISP).
- Monitoring and representing growers on supply and commercial issues.
- Communications to provide growers with an unbiased view of key issues.
- Attracting and retaining great people into roles at every level of the industry through labour and education mechanisms.
- Advocating for growers on local and national government levels as well as on the international stage as required.

But there are many challenges ahead. With our new portfolio based work programme (see page two), we plan to make some changes in the way we work which will create sharper and more efficient results for growers. In particular, next year you will notice an increased focus in the monitoring and reporting of industry performance as well as how we communicate with you. Full details on our budget and our work programme are available on the NZKGI website or through the NZKGI office.

As we have seen with Psa, primary industries such as horticulture can have a lot of surprises, and if it wasn't for some quick thinking and everyone pulling together, such as with the creation of KVH, the results could have been a lot more devastating. Only with your support can NZKGI continue to exist.

The NZKGI Forum and Executive welcome your feedback on the proposal with comments due by 20 January 2017. Voting papers will be sent out in February.

Yours sincerely,



Doug Brown  
Chairperson



Nikki Johnson  
Chief Executive Officer



**NZKGI**

NEW ZEALAND KIWIFRUIT GROWERS

# LEVY PROPOSAL

## SUMMARY OF THE LEVY PROPOSAL

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- Basis for levy collection is by **volume** (per kilogram)
- Starting levy rate: **1c/tray** (\$0.0028/kg)
- Maximum levy rate: **1.5c/tray** (\$0.0042/kg)
- Collected from all Class 1 export fruit **including Australia**
- **No collection fee** allowed
- **Payment due 30 days** following export



# NZKGI

NEW ZEALAND KIWIFRUIT GROWERS

• MISSION • STATEMENT •

**To advocate, protect and enhance the commercial and political interests of New Zealand kiwifruit growers.**

• OBJECTIVES •

To develop an active and engaged membership base of growers across New Zealand.

LABOUR & EDUCATION

To facilitate effective communication between NZKGI and the wider industry and community.

EXTERNAL RELATIONS

To be the voice and credible advocate of New Zealand kiwifruit growers.

COMMUNICATIONS

To actively support and protect the single point of entry.

INDUSTRY STABILITY

To act responsibly and ethically on all economic, environmental, social, and regulatory issues to the benefit of NZKGI and the wider community.

ORGANISATIONAL MANAGEMENT

To be accountable for increasing transparency, robust KPI's, and reporting on Zespri and postharvest performance.

PERFORMANCE

• VISION •

**A strong grower advocacy organisation that leads growers and engages with industry partners.**



# NZKGI LEVY PROPOSAL

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**NEW ZEALAND KIWIFRUIT GROWERS**

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**COMMODITY LEVY**

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**LEVY PROPOSAL**

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**BENEFITS OF A COMMODITY LEVY**

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**NZKGI: THE NEXT FIVE YEARS**

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**CONSULTATION**

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**FREQUENTLY ASKED QUESTIONS**

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# NEW ZEALAND KIWIFRUIT GROWERS INCORPORATED

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**New Zealand Kiwifruit Growers Inc. (NZKGI)** was founded in 1994. NZKGI strives to enhance the commercial and political interests of New Zealand kiwifruit growers and works on the industry's behalf to lobby change in policy, whilst retaining and building government relationships. In 2012, a Commodity Levy was established to fund NZKGI's activities.

#### **NZKGI's Mission:**

To advocate, protect and enhance the commercial and political interests of New Zealand kiwifruit growers.

#### **NZKGI's Vision:**

A strong grower advocacy organisation that leads growers and engages with industry partners.

#### **NZKGI's Structure:**

NZKGI Forum – 16 regional representatives elected by growers, 10 Supply Entity grower representatives and 1 representative of the Maori Forum. The Forum provides NZKGI with a mechanism for gathering and representing grower views.

NZKGI Executive Committee – Chairperson, Vice-Chairperson and four Committee members selected and voted on by the Forum.

#### **NZKGI Staff:**

CEO – Nikki Johnson  
Business Analyst – Kate Longman  
Projects Coordinator – Renee Fritchley  
Supply and Performance Manager – position to be filled

#### **NZKGI's activities are organised into six portfolios:**

**Industry Stability** – to maintain a focus on the stability of the marketing structure and to retain and build upon government relationships.

**Performance** – to increase independent monitoring of Zespri, supply chain performance, equity between growers and ongoing research and development whilst maintaining relationships with industry related bodies.

**Communications** – to proactively and regularly communicate core business news within the kiwifruit grower community ensuring key information and decisions are made available in a way that is easily understood, accurate and timely.

**Labour & Education** – to attract and retain young people who are highly skilled and enthusiastic and develop them to become our industry's future leaders, and to meet the seasonal labour requirements of the industry advocating for best practice and supporting employers' compliance with New Zealand Law and industry standards.

**External Relations** – to build on community and local government relationships whilst being the advocate for kiwifruit growers on wider issues such as health and safety and resource management.

**Organisational Management** – to ensure NZKGI is professional and well run, with maximum benefit for the levy investment received.

# COMMODITY LEVY

*In 2011, growers voted to establish a kiwifruit commodity levy to fund the operation of NZKGI.*

This levy was set at 0.9c/tray (\$0.0025/kg) and came into force for the 2012 season.

At the 2016 AGM, growers voted to increase the levy to 1c/tray (\$0.0028/kg) to fund expanded activities of NZKGI resulting from the Kiwifruit Industry Strategy Project (KISP).

These activities include significant activity in monitoring the performance of the industry structure, including Zespri. The levy is collected at the time kiwifruit grown in New Zealand is exported to any place other than Australia.

The levy is paid to NZKGI by Zespri and is deducted from the grower pools. The current levy expires in February 2018 and NZKGI needs to renew the levy before expiry.

To establish support for a renewal of the levy, a referendum of all growers will be held in February 2017.

# LEVY PROPOSAL

*NZKGI intends to renew the levy largely on the same basis as it was established in 2012, with three exceptions as outlined in the following section. Feedback on these changes is welcomed.*

## **Levy from exports of all Class 1 kiwifruit**

Under the current levy, fruit exported to Australia is excluded from levy collection. It is more equitable to levy all export markets because NZKGI's service to growers is provided on all exported kiwifruit on an equal basis. Therefore it is proposed that a levy is collected from exports of all Class 1 kiwifruit. This includes the export of Class 1 fruit to Australia.

## **Due date for payment of the levy**

NZKGI intends to reduce the payment time frame from 90 days after export to 30 days after export. This reflects normal commercial payment terms.

## **Maximum levy rate**

All levy orders are required to set a maximum levy rate. The current maximum levy rate is 1c/kg (\$0.0028/kg). The proposal is to set the maximum levy rate at 1.5c/tray (\$0.0042/kg) for the next levy order. The levy rate can only be changed if a majority of growers vote for a levy change at an AGM (or SGM). Under no circumstances can the levy rate be increased above the maximum.

Because the levy rate is directly related to the exported kiwifruit volume, anything that impacts on kiwifruit volume will also impact on NZKGI's levy income.

The maximum levy rate of 1.5c/tray provides sufficient flexibility to increase the services that NZKGI provides, or, if approved by growers, to fund the current services through a period of decreased volumes.

If growers wanted to expand the activities of NZKGI or take on additional projects that required an increased levy rate, this would only be possible up to the maximum rate, even if the activities had full grower support. In setting the maximum levy rate, growers need to consider what activities might be required over the next five years and make a provision for unforeseen circumstances to ensure there is sufficient levy income.

The current funding is only sufficient to meet current projects, there is no surplus. More information on the work plan and the budget can be found on the NZKGI website or requested from the NZKGI office.

The key is that growers have total control over where the levy rate is set (within the maximum) through the voting process.

### **Summary of the levy proposal**

- Basis for levy collection is by **volume** (per kilogram)
- Starting levy rate: **1c/tray** (\$0.0028/kg)
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- Collected from all Class 1 export fruit **including Australia**
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Feedback from growers on the levy proposal is welcome (refer to Section 6: Consultation).

# BENEFITS OF A COMMODITY LEVY

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*NZKGI has been funded through a Commodity Levy since 2012. In that time, it has achieved a series of significant outcomes for kiwifruit growers. The key outcomes are described below.*

## **Psa**

Without a doubt, the biggest challenge the industry has faced in recent years is Psa. Psa was detected in late 2010, before NZKGI's first levy round, but the impacts on most growers were felt in subsequent years.

NZKGI's Psa roles included:

- Formation of KVH: NZKGI was instrumental to the formation of KVH and provided administration support, governance and early resourcing for the organisation. KVH is now a wider biosecurity agency protecting growers' interests, but still works closely with NZKGI.
- Pastoral support for growers alongside KVH: grower support is often a private matter and 'flies under the radar'. However, it is widely acknowledged that pastoral support in the kiwifruit industry is unparalleled in comparison to the New Zealand primary industry. The kiwifruit industry response led by NZKGI to the crisis is being used as a best practice model in other industries.
- Advocating at a national level for growers which included securing the government's \$25m contribution.
- Grower advocacy with banks and financial institutions to assist with financial modelling and to reassure client viability.
- IRD support: gaining concessions on treatment and removal costs as well as an income equalisation scheme.

## **SPE Marketing Structure**

The largest investors and risk takers in the industry are growers. Although Zespri, suppliers and other service providers benefit from the unified industry structure, the Single Point of Entry (SPE) is a grower tool for maximising value. Growers still recognise the SPE as a crucial value creator with 98% indicating support for it in the 2015 KISP referendum. NZKGI has continued to advocate at a government level and indirectly on the international trade stage for the retention of the model.

Government Ministers including the Prime Minister have stated government support for the industry's marketing structure – for as long as growers support the model. It's fair to say that they regularly require reassurance regarding grower support for the model as international competitors can be very critical.

The SPE is intended to maximise the grower community wealth and provide equal opportunity for all growers, even though individual grower outcomes will differ as in any industry. NZKGI provides a counterbalance to the privileged position that growers have granted to the marketer by providing grower representation on industry bodies such as: The Industry Advisory Council (IAC), the Industry Supply Group (ISG) and subcommittees dealing with all supply issues.

While many industry participants such as supply entities and suppliers can legitimately represent groups of growers, none of these groups represent all growers. The SPE model requires a strong voice to represent all growers – NZKGI provides this.



## **KISP**

The Kiwifruit Industry Strategy Project (KISP) was a key revision of the industry structures. The purpose of the revision was to jointly develop a strategy to maximise Zespri's ability to achieve the New Zealand kiwifruit industry's long-term market, strategic and financial performance. This had the aim of ensuring financial benefit for New Zealand kiwifruit growers with the wide support of key industry stakeholders in a changing global market. Grower turnout and support for the referendum were extremely high.

KISP was a NZKGI-run process and was a significant programme of work for NZKGI's staff, Executive Committee and Forum members. NZKGI played the key role in the KISP process engaging with growers, establishing working groups, negotiating consensus positions, conducting the grower referendum, seeking grower feedback and presenting the results to government.

The results of KISP are far reaching and include:

- Renewed mandate from growers for the SPE model.
- NZKGI's Forum reduced by 10 members.
- NZKGI's role enhanced to measure and report on the performance of the SPE.
- Zespri ownership: Shareholding alignment issues are improved.
- Zespri funding: New margin model better aligned with grower wishes.
- Industry Governance: Improvements proposed to the composition of Zespri's and Kiwifruit New Zealand's (KNZ) Board.
- Contracting between Zespri and growers improved.

## **Performance**

NZKGI has a key role in monitoring and representing growers on supply and commercial issues.

One example is Supplier Accountability which has been introduced progressively from 2012. This initiative was advocated and supported by NZKGI and has been successful at extending supplier responsibility for kiwifruit quality into the market. This has reduced the exposure of the grower pools to quality issues by returning some of the cost to suppliers and their specific group of growers.

Over the years NZKGI has represented growers when decisions regarding incentive programmes for attributes such as taste, long storage, and KiwiStart models and rates are discussed. NZKGI ensures the overall grower pool is being enhanced when these incentives are designed or updated. NZKGI has also represented growers when Zespri's margin has been reviewed, and on all significant supply issues.

There is a key role for NZKGI representing growers in a truly independent manner.

## **Communications**

The NZKGI communications platform includes the website and the weekly email update, covering key issues that are relevant to growers. The aim of all NZKGI communications is to provide growers with an unbiased view of key issues. No other party in the industry is in a position to communicate on such an unbiased level as NZKGI who puts growers as a first priority.

Recently, NZKGI has consulted with growers and presented its position on the following issues:

- Gold3 licence release: Consultation with growers and communication to the Zespri Board.
- Taste programme: NZKGI-led committee to ensure that commercial signals to growers reflect market realities. This in turn ensures best results for the grower pools and empowers growers' decision-making and growing practice.
- Kiwifruit regulations review: Consultation with growers and communication to the Ministry of Primary Industries.

## **Labour & Education**

It is critical for our industry that we attract and retain great people into roles at every level of the industry, from labour on the orchard through to governance.

NZKGI chairs the Bay of Plenty Labour Governance Group and is a member of the National Labour Governance Group. One of the key activities is to represent growers' interests in the Recognised Seasonal Employer (RSE) scheme which supplements the industry's seasonal labour requirements. NZKGI was a co-funder of the Seasonal Labour Supply and Demand model issued in

2016 which resulted in a 10% increase in the number of RSE workers available in 2017.

Through the Future Leaders Group, NZKGI is encouraging young people to see horticulture as an attractive career option and is encouraging young talent already in the industry to step up and become tomorrow's industry leaders.

NZKGI has a very active education portfolio working in both secondary and tertiary education to ensure that skilled and enthusiastic people are joining the kiwifruit industry. The secondary school programme focusses on exposing young people to the wide range of professional opportunities available and encouraging them to consider the industry as a career. The tertiary education activity focusses on ensuring the right training systems are in place to provide the industry with the skilled people it needs.

In terms of industry governance, the NZKGI Forum in its own way serves as a training pathway. Two grower directors on the Zespri Board are previous NZKGI Forum members. Furthermore, the Horticulture New Zealand Board contains three current or former NZKGI Forum members.

The highly successful BOP Young Fruit Grower competition is led by NZKGI staff members and provides an opportunity for young people in the industry to develop their skills and networks in a fun but competitive environment.

**Advocacy**

NZKGI is the growers' voice to local and national government as well as on the international stage as required.

Some examples of NZKGI representation are:

- Representing the kiwifruit industry as a Horticulture New Zealand (HortNZ) product group, so that kiwifruit industry views are heard when HortNZ represents the horticulture sector on national issues.
- Regular engagement with government ministers, members of parliament and government officials on key issues such as water and air quality, urban encroachment, biosecurity, border control and right to farm issues.
- Representing the New Zealand industry at the International Kiwifruit Organisation to maintain productive relationships with other growing nations.
- Working with the New Zealand Government to brief and ensure that grower interests are protected on the international stages such as WTO and TPPA negotiations.



# NZKGI: THE NEXT FIVE YEARS

*NZKGI has a new strategic focus.*

*In terms of activity, NZKGI intends to continue to operate as it has for the past five years with activities in each of our six portfolios.*

Specific activities are outlined in our Annual Work Plan (the 2017 work plan is available on the NZKGI website). However, we are planning on significant progress in two key portfolios:

## **Performance**

The appointment of a Performance and Supply Specialist to NZKGI in 2017 will allow significant activity in:

- a. Independent monitoring and analysis of Zespri including implementation of the KISP Funding group recommendations.
- b. Increased focus on supply chain performance.
- c. Assisting growers to have access to consistent, accurate, and easy to understand data from suppliers and Zespri to make informed decisions.

## **Communications**

Significant improvements in communications with growers are expected in 2017 starting with the launch of the new NZKGI website. The website will be an information hub for growers and will provide a key outlet for the outcomes of the Performance portfolio to be distributed. Growers will also see improvements in the way they can provide feedback to NZKGI.

# CONSULTATION

*NZKGI is seeking feedback on the levy proposal until the 20<sup>th</sup> of January.*

**Anyone wanting to provide feedback can do so by:**

- Submitting written comments to NZKGI at PO Box 4246, Mt Maunganui or by email to [info@nzkgi.org.nz](mailto:info@nzkgi.org.nz)
- Providing verbal comments to NZKGI by phoning 0800 232 505
- Requesting a meeting with NZKGI by phoning 0800 232 505
- Giving comments directly to the Minister for Primary Industries, Parliament Buildings, Wellington

Once feedback has been incorporated, the levy ballot papers will be finalised and approved by the Ministry for Primary Industries.

Voting papers will be sent to all eligible voters in February 2017 and voting will be open for 3 weeks. Voting will be arranged through Electionz, an independent specialist voting agency that NZKGI also uses for AGMs.

Voting will be available both electronically and by post.



# FREQUENTLY ASKED QUESTIONS

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## **What will the Commodity Levy be collected on?**

The levy will be payable on all Class 1 kiwifruit exported from New Zealand. Kiwifruit is defined as any fruit of a plant of the genus *Actinidia* other than the species *Actinidia arguta*.

## **How much will the levy be and how will it be calculated?**

The initial rate of the levy will be as it is now: 1c/tray (\$0.0028/kg). It will be calculated at the point of export.

## **How will the actual levy rate be set?**

The levy rate will be set at the NZKGI annual general meeting, except in the first year when the initial rate will be set as outlined above. Voting rights at the AGM will be in accordance with the rules of NZKGI, which is one vote for every tray equivalent per landowner and one vote for every tray equivalent of kiwifruit exported. Where no rate is set at the AGM, the rate of levy from the previous year will be applicable.

## **How will the levy be paid?**

The levy will be collected at the first point of sale which generally means it is paid by Zespri from the grower pools.

## **How will the levies be used?**

Levies may be used for research and development, export market development, generic promotion, quality assurance, education and information, grower representation, and administration. The levy will not be spent on any trading or commercial activity.

## **How will growers be consulted on how the levy is spent?**

Growers will be consulted on how the levy is spent through discussions at the NZKGI Forum and in communication to all growers prior to the NZKGI annual general meeting.

## **How many votes are needed to renew a Commodity Levy?**

Before the Commodity Levy can be renewed, the majority of growers must approve the levy proposal. Approval will be sought through a grower referendum in February 2017. The levy can only proceed if both of the following occur:

1. The "YES" votes equal more than half of all votes cast, and
2. The total tonnage of kiwifruit declared by growers voting "YES" equals more than half of the tonnage of kiwifruit declared by all growers who voted.

## **What should you do now?**

NZKGI encourages you to think about the issues raised in this paper, and to talk to other growers.

Growers are welcome to contact the NZKGI office or any NZKGI Forum member. Contact details are on the front of this discussion paper. Growers are also entitled to write to the Minister of Primary Industries to express views in support of, or against, this proposal.

## **Opportunities to Comment**

As a levy payer, you can make submissions or comments on the proposal by:

- Submitting written comments to NZKGI at PO Box 4246, Mt Maunganui or by email to [info@nzkgi.org.nz](mailto:info@nzkgi.org.nz)
- Providing verbal comments to NZKGI by phoning 0800 232 505
- Requesting a meeting with NZKGI by phoning 0800 232 505
- Giving comments directly to the Minister for Primary Industries, Parliament Buildings, Wellington

## **How long does a Commodity Levy last?**

A Commodity Levy Order lasts for six years. It expires automatically unless renewed through a new referendum.