



NZKGI
NEW ZEALAND KIWIFRUIT GROWERS

NZKGI Levy Proposal

SUMMARY OF THE LEVY PROPOSAL

STARTING LEVY RATE

to remain at **1.1c/tray**
equivalent (**\$0.0031/kg**)

MAXIMUM LEVY RATE

to remain at **1.5c/tray**
equivalent (**\$0.0042/kg**)

The levy continues to be collected from kiwifruit grown in New Zealand that is exported to any place other than Australia

In addition, a levy on Class 1 kiwifruit grown in New Zealand which is exported to Australia with the same starting (1.1c/TE) and maximum (1.5c/TE) levy rate

NZKGI Levy Proposal

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Mission Statement

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



Vision

Innovative leadership succeeding through change



Values

Integrity / Respect / Accountable / Independent

NZKGI
Levy
At a glance

2012-2017

NZKGI has been funded
through a Commodity
Levy since 2012 with
the last levy renewal
referendum taking
place in February 2017.

2018-2023

The Commodity Levies
(Kiwifruit) Order 2017 which
allows NZKGI to collect a
levy from New Zealand
kiwifruit Growers expires
in February 2024.

About New Zealand Kiwifruit Growers Inc.

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 Structure

NZKGI Forum

16 regional representatives elected by Growers, 9 Supply Entity Grower representatives and 1 representative from New Zealand Māori Kiwifruit Growers Inc. The Forum provides NZKGI with a mechanism for gathering and representing Grower views.

NZKGI Executive Committee

Chairperson, Vice-Chairperson and 4 Committee members selected and voted on by the Forum.

NZKGI Staff

CEO supported by 6 full-time and 4 part-time employees.

2022-2023

Consultation to take place with Growers in Q4 2022 to determine the resolution of the referendum in February 2023.

2023

A referendum will be held on the levy in late February 2023.

2024-2029

A renewed levy would stay in place for six more years.



NZKGI's activities are organised into six portfolios:

1. Industry Stability

NZKGI supports the marketing structure of the Single Point of Entry (SPE) as requested by 97 percent of New Zealand kiwifruit Growers in a 2015 KISP referendum. The portfolio does this by developing strong relationships with Government, industry and international counterparts, while identifying and mitigating threats.

2. Performance & Supply

Monitoring Zespri and industry performance to ensure the industry works in the best interests of all kiwifruit Growers. NZKGI works with all industry players to understand operational platforms and economic dynamics to establish and maintain important industry relationships thereby positioning NZKGI as a credible voice for effective representation of Growers.

3. Communications

The voice to and for New Zealand's kiwifruit Growers. NZKGI gathers Grower views and presents them externally to give NZKGI a strong, collective representative voice. We also communicate important information to kiwifruit Growers to support the growth of a profitable and sustainable business.



4. Labour & Education

To identify future seasonal labour requirements and represent the industry within working groups and to a broad range of stakeholders, including Government. This includes coordination of the Recognised Seasonal Employer (RSE) scheme, advocating worker welfare and focusing on areas such as transportation and accommodation.

NZKGI's Education Portfolio works to attract, retain and develop new and existing members of the industry by working with schools, training providers and industry organisations. The portfolio promotes careers in the kiwifruit industry through events and resource materials. The Young Grower competition and Future Leaders provide further career development opportunities.

5. Environmental & Policy

To support the retention of highly productive horticulture land and maintain the right to grow. The portfolio tries to deliver the best policy outcomes for all Growers including the protection of the environment while enabling orchard growth. The portfolio works proactively and constructively with stakeholders.

6. Organisational Management

To ensure the organisation is professional and well run, with maximum benefit for the levy investment received. Communication of member responsibilities, review of rules and management of NZKGI's finances all ensure seamless advocacy and the enhancement of New Zealand kiwifruit Growers' interests.



About the Commodity Levy

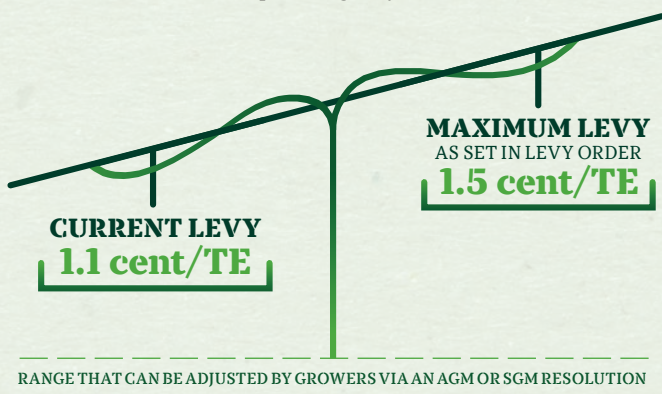
NZKGI's current levy is collected on kiwifruit grown in New Zealand that is exported to any place other than Australia. The levy is paid to NZKGI by Zespri and is deducted from the Grower pools.

In 2011, Growers voted to establish a kiwifruit commodity levy to fund the operation of NZKGI and this was renewed in 2017.

The initial levy was set at 0.9c/tray (\$0.0025/kg) with the ability to be set to a maximum of 1c/tray (\$0.0028/kg) pending a Grower referendum. This levy came into force in February 2012. 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 included significant activity in monitoring the performance of the industry structure, including Zespri.

The levy was renewed in November 2017 and continued at 1c/tray (\$0.0028/kg) with the ability to be set to a maximum of 1.5c/tray (\$0.0042/kg). At the 2021 AGM, Growers voted to increase the levy rate to 1.1 cent per tray (\$0.0031/kg) where it currently stands.

NZKGI is now consulting with Growers as to what the levy rate should be for the upcoming levy renewal.





LEVY PRO

Throughout Q4 2022, NZKGI has consulted with Growers on the future of NZKGI for a next levy period. We listened to your opinion on how you want NZKGI to advocate for you. Consultation with you provided us with strategic direction to develop proposals for the upcoming referendum. We are now consulting with you on these proposals.

NZKGI's current levy is a levy rate of 1.1c/tray equivalent (\$0.0031/kg) as well as the maximum levy rate at 1.5c/tray equivalent (\$0.0042/kg). The levy is imposed on kiwifruit grown in New Zealand that is exported to any place other than Australia.

Maximum Levy Rate

All levy orders are required to set a maximum levy rate. The proposal is to retain the current levy rate of 1.1c/tray equivalent (\$0.0031/kg) as well as the maximum levy rate at 1.5c/tray equivalent (\$0.0042/kg) for the next levy order. The levy rate can only be changed up to the maximum 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 continues to provide 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.

PROPOSAL

NZKGI intends to renew the levy on the same basis as it currently stands and also include Class 1 kiwifruit exported to Australia. Feedback on this is welcomed.

This proposal is by no means the final resolution for the referendum on the renewal of NZKGI's levy.

We now encourage Growers to give us their feedback on the proposal above which will be taken into consideration for the formation of the resolution for the referendum.

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 will be sufficient to meet current projects, including increased presence in the Performance & Supply portfolio. NZKGI has a policy of retaining up to 12 months of operating costs (2023 budgeted operating costs are \$2,064,059 against forecast retained earnings of \$1,480,810). More information on the work plan can be requested from the NZKGI office.

Growers have total control over where the levy rate is set (within the maximum) through the AGM or SGM voting process.

Levy Proposal (continued)

Levy on Class 1 Kiwifruit Exports to Australia

For this proposal, the NZKGI Forum have made a decision to include a levy on the relatively small volume of Class 1 kiwifruit grown in New Zealand which is exported to Australia as it is a growing market and NZKGI should be placing a levy fairly and reasonably across kiwifruit exports to all markets. Between 2018 and 2022 there was an average of 2.5 million trays of Class 1 kiwifruit exported to Australia each year, which would have resulted in an average additional income of \$27,212 for NZKGI, equating to 1.7 percent of income in addition to NZKGI's projected 2023 Commodity Levy Income of \$1,590,787 based on the December 2023 Supply Estimate.

As Zespri is not involved in Class 2 exports to Australia, the levy on Class 2 exports to Australia would need to be collected directly from the suppliers. It is estimated that the administration costs to collect a levy on Class 2 exports to Australia would outweigh its return for Growers. Therefore, the NZKGI Forum has recommended a resolution which includes a levy *only* on Class 1 exports to Australia in addition to a collection on all classes of kiwifruit grown in New Zealand that are exported to other markets. More information on this proposal is available on the NZKGI website.





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Feedback from Growers on the levy proposal is welcome (refer to the consultation section within this document).

Benefits of a Commodity Levy

NZKGI has been funded through a Commodity Levy since 2012 and has continued to achieve a series of significant outcomes for kiwifruit Growers since its renewal in 2017. The key outcomes are described below.

Seasonal Labour Supply

NZKGI is a forerunner of New Zealand's primary industries in the attraction of seasonal labour. In response to the seasonal labour shortage experienced in 2018, NZKGI developed a Labour Attraction Strategy for the 2019 harvest, the success of which has led to it continuing every year since. The strategy focuses on initiatives to provide information on, and attract, New Zealanders and Working Holiday Visa holders to the industry, as well as correcting misconceptions. In addition to attracting New Zealanders and backpackers to pick and pack the crop, NZKGI leads the industry and works with Government to secure RSE workers.

COVID-19 Response

The recent pandemic required an industry response to enable continued operations. NZKGI led the industry to advocate for a classification as an Essential Business and worked closely with Government agencies to ensure appropriate safety protocols were created and implemented to protect workers. NZKGI led industry communication to ensure that employers and employees could continue to work safely.

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 percent 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.

Benefits of the Commodity Levy (continued)

Performance Monitoring

NZKGI has a critical role to monitor Zespri and industry performance through end to end supply solutions to ensure industry practices are maintained in the best interests of all kiwifruit Growers and that they are always top of mind in the industry decision making. Over the current levy period, NZKGI has continuously delivered a range of audits and practical outcomes with Growers best interests at the fore which include a Zespri Key Performance Indicator dashboard for Growers, auditing of the Grower pool (promotional spend), monitoring of supply chain end-to-end processes and auditing of the cost of quality.

NZKGI Forum members and staff also play an important role on industry governance groups, including IAC and ISG, advocating for Growers by ensuring their voice is heard amongst Zespri, suppliers and other stakeholders.

Communications

NZKGI excels in its communication to Growers, particularly through its Weekly Update newsletter which continues to lead the horticulture industry as the industry's most-read publication for Growers reaching over 3,500 readers each week. It ensures Growers are kept up to date on current industry topics, with an email to their inbox every Friday afternoon.

Other communications connecting and keeping Growers up-to-date on matters of importance to their business include placements in industry publications, Grower events and meetings. The portfolio has also been successful in managing crisis communications for adverse industry events, supporting industry reputation through the placement of good news stories in general media as well as being the spokesperson for New Zealand's kiwifruit Growers.



Grower Advocacy in Regulations

Regulatory change is putting increasing pressure on the kiwifruit industry, resulting in NZKGI increasing its presence in this area. Local and central Government policy consultations continue to be released at a rapid pace and NZKGI advocates on policy that implicates Growers. Since 2019, NZKGI has made over 50 submissions.

In 2019, NZKGI took the lead on creating an industry-wide Water Strategy which is a collaboration between Growers, Zespri, Māori Kiwifruit Growers Inc. and Horticulture NZ. The aim of the strategy is to collectively protect and enhance water resources for our people, our environment and our communities while enabling kiwifruit industry growth. Regional Grower advocacy has also seen NZKGI become more involved in issues such as rural rate increases in areas including Ōpōtiki and Gisborne, with NZKGI taking legal proceedings against Gisborne District Council's decision to include the licence in rating valuations for Gold kiwifruit orchards. In a separate court case, NZKGI was successful in removing barriers to seasonal accommodation in legal proceedings against the Western Bay of Plenty District Council in the District Court in Tauranga.

NZKGI is also advocating for kiwifruit Growers in the Environmental Protection Authority's reassessment for hydrogen cyanamide. NZKGI is a key contributor in providing information to the EPA, supporting the continued use of the product with appropriate controls in place to manage risks to people and the environment.

Promoting Careers Within the Industry

NZKGI provides education to industry entrants, for example, through:

- ▷ NZKGI's Kiwifruit Book which has been updated and republished annually since 2015 and provides Horticulture and Agribusiness teachers with a resource that covers the ins and outs of the kiwifruit industry.
 - ▷ The Young Fruit Grower Competition to showcase the future leaders of the industry and the varied career opportunities within the horticulture industry.
 - ▷ The operation of Future Leaders (established in 2014) to develop the potential of those in the kiwifruit industry interested in upskilling by engaging them through regular learning, networking and social activities.
 - ▷ Career Support through the HortNZ Career Progression Managers Network.
 - ▷ Taster courses (with funding support from MPI) for newcomers to be informed about the industry.
-

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 six years

NZKGI intends to continue to operate as it has for the past five years with activities in each of our six portfolios – with an increased emphasis on the Performance & Supply portfolio to enhance its operational output and hold Zespri to account as a high-performance business to have successful outputs in must-win areas such as innovation.

Further information about the organisations workplan is available on the NZKGI website.

CONSULTATION

NZKGI is seeking feedback on this levy proposal until the 20th of January 2023

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
- ☐➤ **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 2023 and voting will be open for four 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

What is the Commodity Levy currently collected on?

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

What is the current levy?

The current rate of the levy is: 1.1 cent per tray (\$0.0031/kg). It is calculated at the point of export.

How is the actual levy rate set?

The levy rate is set at the NZKGI annual general meeting, except in the first year following a levy renewal when the initial rate will be set in the levy referendum renewal. Voting rights at the AGM will be in accordance with the rules of NZKGI, which is one vote for every tray equivalent per land-owner 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.



Frequently Asked Questions *(continued)*

How is the levy paid?

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

How can 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 are Growers consulted on how the levy is spent?

Growers are to 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 long does a Commodity Levy last?

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

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 2023. 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 give us your opinion on the future of our organisation throughout the consultation period and to talk to other Growers.

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



WHAT HAPPENS IF GROWERS VOTE AGAINST THE LEVY RENEWAL?

NO Independent performance monitoring of Zespri or post-harvest operations

NO Advocate for Growers in national or local Government decision making, e.g.:

- No body to advocate for Growers on the banning of HiCane
- No body to advocate for Growers on councils increasing rates on SunGold Orchards
- No body to advocate for Growers on new legislation impacting upon Growers water use

NO Succession planning for skilled entrants into the kiwifruit industry

NO Independent promotion of seasonal jobs in the kiwifruit industry

NO Grower representation at the International Kiwifruit Organisation level

NO Independent communication to Growers about business-critical issues

NO Independent Grower representative to the face for media

NO Grower body to protect the SPE single desk principle



Contact NZKGI with your feedback on the levy renewal by:

Submitting written comments to
NZKGI at PO Box 4246, Mt Maunganui
or by email to info@nzkgi.org.nz

Providing verbal comments to
NZKGI by phoning 0800 232 505

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Alternatively, give comments directly to the Minister for
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