

General information on the Fresh Tomato Commodity Levy Referendum 2018

Why are we having a referendum?

Tomatoes New Zealand Incorporated (TomatoesNZ)'s current funding mechanism, the Commodity Levy (Vegetables & Fruit) Order 2013, expires in May 2019. That levy order also includes the levies for Horticulture New Zealand, Vegetables NZ, Onions NZ and Process Vegetables NZ.

Now that TNZ is an Incorporated Society we will apply for our own Fresh Tomato Commodity Levy Order, separate to the other organisations.

Commercial fresh tomato growers will be asked to vote on the new levy proposals for both TomatoesNZ and Horticulture New Zealand in a referendum during 2 July-13 Aug 2018.

What levy rate are we proposing?

The current commodity levy rate for fresh tomatoes is 0.35% (35 cents per \$100 of sales), which is the maximum under the current levy order. The value is measured at the first point of sale (for domestic sales) or the free on board value (FOB) for exports.

We are proposing a new fresh tomato commodity levy, with an initial levy rate of 0.35% (35 cents per \$100 of sales), and maximum levy rate of 0.50% (50 cents per \$100 of sales). The levy will be calculated as a percentage of the selling price at the first point of sale domestically and for export.

What will change?

It is proposed that the requirements in the new fresh tomato levy order will be the same as the current order, except for the following changes:

- Adding "Biosecurity" to the list of purposes for which the levy may be spent. This addition is on the advice of MPI, and reflects that we are already spending commodity levy funds on biosecurity, and that there will be ongoing biosecurity investments.
- A change to the definition of first point of sale for exports. A new term "selling price" will be defined in the levy order. The proposed new definition is laid out below.
- A change to the information that collection agents must pass on to TomatoesNZ about the levies they have collected on growers' behalf. This is to ensure that we have the information we need to communicate with all growers who have paid us a levy.
- The levy will be payable to Tomatoes New Zealand Incorporated, instead of Horticulture New Zealand, HOWEVER Horticulture New Zealand will still be collecting the levy on TomatoesNZ Inc.'s behalf for the foreseeable future.
- The fresh tomato levy will be in a separate order to other fruit and vegetables.

We have been working with Horticulture New Zealand, Vegetables NZ, Onions NZ and Process Vegetables NZ, to ensure that where desirable the levy order requirements are consistent with one another and do not add undue complexity for levy payers.

How are you defining "selling price"?

Selling price is the price at which the fresh tomatoes are sold at the first point of sale and, in the case of exports, when the fresh tomatoes are accepted for export, except where the grower are their own exporter when the selling price will be the amount of money that, in the opinion of TomatoesNZ, the grower would have received if the fresh tomatoes had been sold for export to another exporter.

Why are you proposing to change to "selling price" rather than staying with the Free on Board (FOB) value for exports?

It has been recognised that the FOB value may not match the actual sales value of exports, thus this change should ensure this is addressed.

How much does the levy raise?

On the current industry value of \$120 million, the 0.35% levy rate raises \$420,000 per year; and the higher levy rate would provide a maximum of \$600,000 per year on that industry value.

Why is an increase in the maximum levy rate proposed?

The 0.50% maximum would bring the maximum rate back up close to where it was prior to 2013 (a maximum of 0.525% under the 2007 levy order), and give TomatoesNZ some room to invest in more research, industry development and advocacy to support and manage risk for growers, should it be required in the future.

At the last levy round (2012 vote), the maximum rate was lowered as reserves were substantial (near \$1m), and growers had had a tough couple of years. TomatoesNZ ran deficit budgets for a number of years and reserves have now been reduced to \$614k, (1 April 2017) a level equating to approximately 12-18 months of current TomatoesNZ expenditure). In order to continue to invest in industry research, development, promotion and advocacy at the current level, we cannot rely on reserves to meet deficit budgets forever. TomatoesNZ does not intend to rebuild substantial reserves.

Industry growth (expanding the levy base) over the current levy order period, plus collaboration with other industry groups on research and promotion, and funding grants for research and development work has resulted in TomatoesNZ being able to maintain and grow its services to growers while still lowering the reserves.

You will be able to have your say on any proposed increase by voting at the AGM and we would provide full information prior to ensure you have the chance to give feedback and make an informed decision.

What is the process for lifting the levy rate above 0.35%?

Any changes to the levy rate (up to the proposed maximum of 0.50%) would require a vote at the Tomatoes New Zealand Incorporated Annual General Meeting, after the commencement of the new levy order in 2019. All growers who have paid levy in the 12 months prior would have an opportunity to vote in person or by proxy.

How will TomatoesNZ spend the levy?

We proposing that the fresh tomato levy may be spent for the following purposes:

- Research and Development;
- Market Development & Promotion;
- Development of Quality Assurance;
- Education and training;
- Information and communication;
- Day to day administration of TomatoesNZ;
- Grower Representation;
- Biosecurity (proposed new purpose).

TomatoesNZ will consult with growers on how the levy is spent through growers' representatives and at the TomatoesNZ AGM. The levy will not be spent on any trading or commercial activity.

****A list of planned projects under each of the above areas is available on www.tomatoesnz.co.nz
“What are we planning to focus on?”**

Does the commodity levy include the biosecurity levy?

No, the commodity levy does not include the biosecurity levy.

During the July 2017 AGM tomato growers voted in support of committing to Operational Agreements for Biosecurity Readiness and Response, and approved a new Biosecurity Levy to fund that activity. This will be at an initial rate of 0.10%, with a maximum levy rate of 0.25%. The TomatoesNZ board have set a biosecurity levy reserve cap of \$500,000, and that levy will only fund biosecurity related activities. An application for a Biosecurity Levy Order for Fresh Tomatoes was submitted to MPI in Feb 2018. The likely Biosecurity Levy implementation date is currently uncertain, as there have been delays with the processing of Biosecurity Levy applications.

The main reason for having a separate biosecurity levy is to ensure funds can be made available for the activities needed in the event of a biosecurity incursion. Rather than using only commodity levy funding, having separate funds built up through biosecurity levies ensures money can be made available immediately when needed. The reserve will act as an “*insurance policy*” for incursions (responses), as well as provide funds to develop prevention (readiness) measures. Both readiness and response costs will be cost-shared with MPI and other affected industries.

See the Biosecurity Levy information document (“[Biosecurity operational agreements & a biosecurity levy for fresh tomatoes](#)” June 2017) that was sent to growers prior to the 2017 AGM for more detail (available on www.tomatoesnz.co.nz).

Is anyone exempt from paying the levy?

No. If you have been growing and selling fresh tomatoes commercially you will be required to pay the levy.

Who collects the levy? Who do I pay?

The levy is payable to Tomatoes New Zealand Incorporated, although we plan to continue using Horticulture New Zealand to collect the levy on our behalf. The levy is either collected directly from growers via growers filing an annual return, or is deducted by levy collection agents (e.g. wholesalers or retailers who buy fresh tomatoes from growers) who pay the levy to TomatoesNZ (via Horticulture New Zealand).

When does the new levy order come into place?

It is expected that the new levy order will commence 1 April 2019. Fresh tomato growers will continue paying the same 0.35% rate, the proposed “initial rate”, at that time.

The current Order will expire (be revoked) when the new Order comes into force, or on the 12th May 2019 if no new Order is in place by then.

How does the voting process work?

The commodity levy proposal must be approved by referendum of those who will pay the levy.

This must be approved by a majority of participants in the referendum, on the basis of both value and number i.e., >50% by fresh tomato sales value (in the past 12 months), and >50% by number of growers who cast a vote (NB: not of total industry but of those that participate in the vote).

Separate voting papers for TomatoesNZ and Horticulture New Zealand (along with any other vegetable product group you belong to) will be mailed out together in one envelope with a covering letter providing clear instructions. Voting can be done either online or in paper form commencing on 2 July 2018 and closing midday 13 August 2018. The voting process is managed by electionz.com, who use a unique number to identify each grower and their voting entitlements.

Fresh tomato growers will need to make (at least) **two votes**. One for TomatoesNZ and one for Horticulture New Zealand. If you grow other crops you may also be asked to vote for that levy proposal. TomatoesNZ supports the wider industry work that Horticulture New Zealand undertakes, which is complementary to the tomato industry specific work that we undertake on your behalf.

Voting papers and instructions will be sent to all those fresh tomato growers that we have on our database prior to the referendum, and any others who come forward during the voting process and show that they are entitled to vote.

Please complete **all** the voting papers you receive. An incomplete or incorrectly completed form is counted as a “no” vote.

Who is entitled to vote?

All active commercial fresh tomato growers are entitled to vote. Active commercial fresh tomato growers are those persons or businesses that are actively engaged in the commercial production of fresh tomatoes for sale in New Zealand or for export.

Who will be counting the votes?

The completed voting paper will be lodged with the Referendum Returning Officer, Warwick Lamp, of electionz.com Ltd.

What happens if the new levy order is supported by growers?

If >50% of votes by value and number are in favour of the proposal, TomatoesNZ will apply to the Minister of Agriculture for a new commodity levy order. The application will be submitted in September 2018, for a proposed 1st April 2019 commencement.

What happens if the new levy order is not supported by growers?

If the number of positive votes by value and number of growers fail to meet the required level of >50% by value and >50% by number of growers who vote, then TomatoesNZ will not have secured funding beyond May 2019 and will need to consider its position, potentially winding up the work of TomatoesNZ.

Where will the results be published?

The results of the referendum will be published in “*NZ Grower*” and the Horticulture New Zealand email newsletter as soon as practical after they are known. They will also be displayed on: www.tomatoes.co.nz.

Is anyone exempt from paying the levy?

No. If you grow and sell fresh tomatoes you will be liable to pay the levy.

Any commercial fresh tomato growers who object on conscientious or religious grounds to paying levy in the manner provided for by the levy order, will be able to pay the levy to the Chief Executive of the Ministry administering the proposed levy. In such cases the Chief Executive will pay the levy to TomatoesNZ.

When does the new levy order come into place?

It is likely that the new levy order will start 1st April 2019. However fresh tomato growers will continue paying the same 0.35% rate, the proposed “initial rate” at that time.

What do I need to do?

You need to let us know what you think about the proposal. You can do this by contacting a member of the TomatoesNZ board: Alasdair MacLeod (Chair), Malcolm Pook (Vice Chair), Anthony Tringham, Simon Watson, Edward Lee, Anthony Stone, and Lex Dillon.

You can also contact Helen Barnes (General Manager) on 04 470 5666 and Karen Orr (Business Manager) on 04 494 9984.

You can email us on: tomatoes@hortnz.co.nz, or write to: PO Box 10232, The Terrace, Wellington 6143.

Where do I get further information?

For more information about TomatoesNZ Ph: 0508 HORTNZ (467 869). Or visit our website: www.tomatoes.nz.co.nz