

LEVY CONSULTATION

March–April 2018



30 key achievements since 2013

Domestic Market Value* up 28% to \$853 million per annum from \$666 million in 2013.

Export Market Value up 17% to \$129 million per annum from \$110 million in 2013.

Total Industry Value* up 27% to \$982 million per annum from \$776 million in 2013.

- **Biosecurity Readiness & Response** – signed the **Government Industry Agreement (GIA) Deed** partnership in 2016.
- **Biosecurity Readiness & Response** – first vegetable group to **sign a GIA Sector Operational Agreement** with the Ministry for Primary Industries.
- **Biosecurity Readiness & Response** – **Pest & Disease handbook** updated and published.
- **Biosecurity Readiness & Response** – inaugural **Biosecurity Pest & Disease Inspector Training** held in 2017.
- **Education & Training** – **Agonomists' Forums** held – 40 attendees in 2016; 100+ in 2017.
- **Education & Training** – **Biennial Conference** attracted approximately 160 attendees in 2017, up from approximately 100 in 2015.
- **Education & Training** – **Health and Safety** workshops held in Rakaia, Winchester, Pukekohe, Shannon and Ohakune. 66 attended in 2017.
- **Education & Training** – **Seed Inspector Training courses** held.
- **Grower Representation** – working closely with Horticulture New Zealand and various government ministries to ensure growers' best interests are represented.
- **Grower Representation** – representation on GIA Deed Governance Group, Plant Market Access Council (PMAC), Horticulture Industry Forum (HIF) and Vegetable Chairs Forum.
- **Information & Communication** – averaging **nine articles** per issue in **NZ Grower** magazine.
- **Information & Communication** – averaging **eight 'good news' articles** in national media each month.
- **Research, Development & Extension** – **14 R&D projects** completed.
- **Research, Development & Extension** – **18 R&D projects** currently underway.
- **Research, Development & Extension** – **11 Potato Updates** reporting on R&D outcomes.
- **Research, Development & Extension** – **Field Walks** held in each main growing region every year to allow members to view field trials and projects first-hand.
- **Research, Development & Extension** – International experts delivered **Grower Talks** in the main growing regions each year, for the last three years.
- **Market Development & Promotion** – inaugural **New Season Potatoes event** successfully launched to promote new season potatoes as a premium product, attracting 50+ influential food writers and media – generating 20+ 'good news' stories in national media.
- **Market Development & Promotion** – national television advertising campaign to promote consumption of new season potatoes, in conjunction with United Fresh's 5+ A Day campaign.
- **Market Development & Promotion** – successful relaunch of **Best Chip Shop Competition** in 2017. 81 shops entered. Launched inaugural People's Choice Best Chips award.
- **Market Development & Promotion** – trained over 1,400 people how to improve the nutrient profile of deep fried chips served in New Zealand, through the Chip Group Best Practice Frying course.
- **Market Development & Promotion** – secured **export market access for Vietnam**.
- **Quality Assurance** – **Seed Potato Certification Rulebook & Seedlines** published and revised seasonally.
- **Quality Assurance** – **Fiji Export Potato Grade Standards** published.
- **Quality Assurance** – **Residue Compliance Information for Potatoes New Zealand** published and revised seasonally.
- **Administration** – strategic plan developed in 2013, revised in 2016 and recently updated in 2018.
- **Administration** – creation of annual Business Plan linked to strategic initiatives from the Strategic Plan, signed off by the Board.
- **Administration** – implemented monthly reporting against strategic initiatives to ensure progress towards achieving strategic goals.
- **Administration** – held Annual General Meetings and published Annual Reports.
- **Administration** – **financial management and reporting** now executed by Potatoes New Zealand Inc. (PNZ).

* Estimated values as at 31 December 2017

About us

Potatoes New Zealand Inc. (PNZ) is the industry association representing the interests of the New Zealand potato industry. In June 2013 PNZ started collecting a commodity levy in accordance with the Commodity Levies Act (1990) – Commodity Levies (Potatoes) Order 2013.

PNZ has three membership types:

Grower Members are actively engaged in the production of potatoes in New Zealand for commercial processing, domestic fresh market, export, or seed who, in the preceding 12 month period, have paid a levy pursuant to the Commodity Levies (Potatoes) Order 2013. 170 Grower Members have voting rights.

Trade Members are actively engaged in processing, trading or retailing New Zealand grown potatoes or potato product. Trade Members have all voting rights at an AGM but no voting rights for the levy referendum.

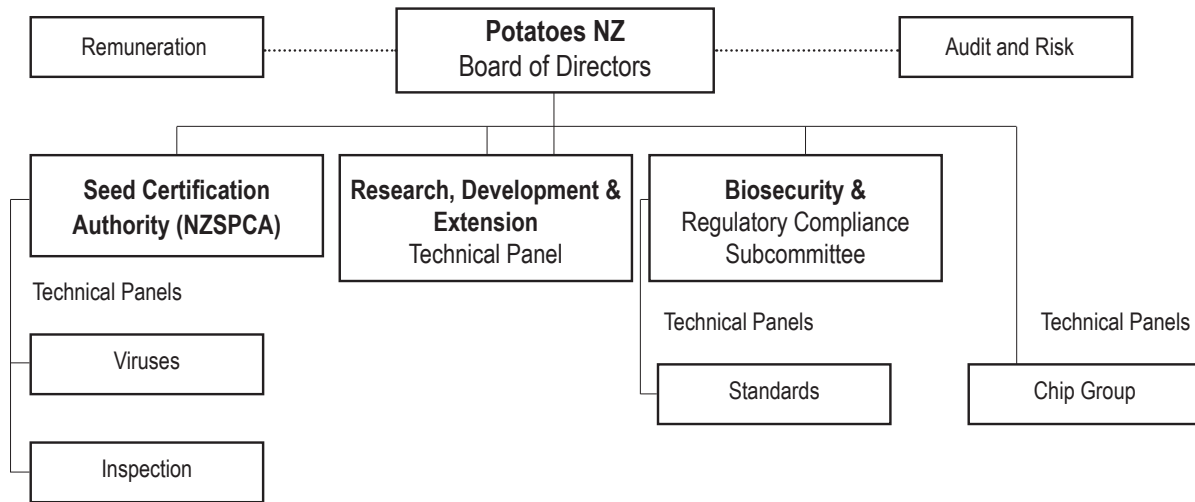
Associate Members are associated with the potato industry and are engaged in supplying services to Grower members or Trade members. PNZ currently has seven Associate Members.

New Zealand Potato Industry by Numbers



* Based on best estimates to December 2017

Structure



Board of Directors: PNZ is governed by a Board of Directors and led by the Chief Executive. The Board is comprised of eight members, five are Grower Members, two Trade Members and one appointed Independent Director. Board members may be appointed for up to three terms, of up to three years each. Elections are held at the Annual General Meeting each year.

Seed Certification Authority (NZSPCA): Certification of seed potatoes in New Zealand is provided by the New Zealand Seed Potato Certification Authority, which runs a national quality assurance programme. The Authority establishes the seed potato certification rules, including disease tolerances, and has the task of ensuring seed potatoes are true-to-type. This is done by contracting independent, specialised inspectors from international quality assurance companies to visually inspect crops in the field as well as tubers after harvesting.

RD&E: The Potatoes New Zealand Research & Development Technical Panel is made up of industry growers, processors, agronomists and technical experts that advises on the R&D Strategy and activities. The Panel meets regularly during the year to review the current PNZ Strategy, observe field trials, discuss results and comment on planned activities.

PNZ runs a comprehensive research, development and development programme that covers pan-industry and potato industry specific research. PNZ members gain insights through Field Walks, Grower Talks and Potato Updates.

Biosecurity & Regulatory Sub-committee: This sub-committee negotiates new access arrangements and works to ensure access compliance costs are kept to a minimum. This sub-committee also advises on PNZ’s Biosecurity Readiness & Response activities and commitments.

Market Development & Promotion: PNZ works closely with key industry organisations and media to promote potatoes, potato products and industry good stories.

The Chip Group: The Chip Group is a technical panel of PNZ, delivering a Best Practice Frying Training programme that improves the nutritional profile of deep-fried chips sold in New Zealand. The *Best Chip Shop Competition* is run every second year, most recently in 2017, and the *People’s Choice Best Chips Award* is held annually.

Strategy & Planning

Following the introduction of the commodity levy in 2013, PNZ developed an Industry Strategy focussing on three key strategic goals:

1. Increase profit from productivity by \$150 per ha per annum.
2. Double the value of fresh and processed New Zealand based exports by 2025.
3. Enhance the value of the domestic market by 50% by 2025.

Four themes were identified to address the strategic goals; three core strategic themes, and one enablement theme:



Are we on target?

PNZ reports monthly against strategic initiatives, to ensure progress towards strategic goals. An annual Business Plan, linked to the strategic initiatives, is signed-off by the Board.

The 2013 Strategy provides a benchmark for the current understanding of the NZ potato industry in terms of volume and value. Based on the levy received, the 2013 farm gate value was estimated at \$103 million. 2017 estimated farm gate value is \$170 million, an increase of 65%.

Tracking performance at December 2017 we are well on track to achieve these goals.

1. **Profit from productivity** – work in progress. Multiple projects underway. Reports will be available upon completion.
2. **Exports** – on target. 2013 value = \$110 million; 2017 value = \$129 million. This is an increase of 17%. An annual growth rate of 6% is required; current rate of growth is 3.5% so this should be achievable.
3. **Domestic Market** – on target. 2013 value = \$665 million; 2017 value = \$852 million. An increase of 28%. An annual growth rate of 3.5% is required; current rate of growth is 5%, so we are well on track to achieve this.

Levy Referendum Information

Key dates:

24 April 2018 – voting opens

25 May 2018 – voting closes 12:00 noon

Who is entitled to vote?

All active commercial potato growers are entitled to vote. Active commercial potato growers are those persons or businesses that are actively engaged in the commercial production of potatoes.

Voting Eligibility

To be eligible to vote in the Potatoes New Zealand Inc., Levy Referendum your business must have paid a potatoes commodity levy for the twelve months to 31 March 2018.

Voting Methods

You may vote in ONE of two ways: INTERNET VOTE or POSTAL VOTE.

How much will the levy be?

The maximum rate of levy will be 1% (\$1 per \$100) of:

- i) The gross sales value (before deduction of costs and charges) at the first point of sale for all potatoes sold.
- ii) The notional process value for growers who process their own potatoes.

The rate for the initial levy year will be 0.85% (85 cents per \$100). The rates are GST exclusive.

Levy Expenditure

It is proposed that the levies will be spent by PNZ on the following purposes relating to potatoes or potato growers:

- Research, Development & Extension;
- Market Development & Promotion;
- Development of Quality Assurance;
- Education and Training;
- Information and Communication;
- Administration of Potatoes New Zealand;
- Biosecurity Readiness and Response;
- Grower Representation.

PNZ will consult with growers on how the levy is spent through grower representatives and at the PNZ's biennial Conference, Annual General Meeting and any Special General meetings that may be held.

The levy will not be spent on any trading or commercial activity.

Changes to Commodity Levy Order

1. Calculation of levy for exported potatoes - Previously the levy for exported potatoes was based on a percentage of the Free on Board (FOB) sales value before deduction of costs and charges. It is proposed that the new Levy Order will calculate the levy on exports in the same manner as those calculated for all other sales – as a percentage of gross value (before deduction of costs and charges) at the first point of sale. This means that there will be parity, with all sales of potatoes calculating levy on the same basis.
2. Additional purpose for spending of the Levy – Biosecurity readiness and response have been included as possible uses for the Levy.

More information

For more information about the Levy Referendum please visit www.potatoesnz.co.nz/levy

For more information about Potatoes New Zealand Inc. please visit www.potatoesnz.co.nz or call 0800 399 674

For voting assistance phone the election helpline: 0800 666 028

How would a 'No' vote affect the industry?

If you decide to vote 'No' these are some of the implications for the New Zealand potato industry...

- No Research, Development & Extension work – who will keep you informed of latest industry research outputs, trends and opportunities?
- No biosecurity readiness activities – can you afford for your crops to be wiped out?
- No Quality Control – how will people identify quality potatoes?
- No Market Access support – you'll have to negotiate market access for your potatoes!
- No Seed Certification Authority – no controls over seed potato quality!
- No Advocacy – liaison with government agencies and departments will be your responsibility!
- No industry promotions – can we afford not to have potatoes at the forefront of consumers' minds?
- Nobody pushing 'industry good' stories – loose the limelight and with-it people's mind space!

Potatoes New Zealand Inc

Level 4, Co-operative Bank House,
20 Ballance Street, Wellington
PO Box 10232, The Terrace,
Wellington 6143

Phone: 0800 399 674

www.potatoesnz.co.nz