



Vegetable Grower Groups Collaboration Proposal

Summary Factsheet - Potatoes New Zealand Perspective

Collaboration in the Vegetable Industry

Collaboration is a fundamental driver of progress and resilience across any industry. In support of collaboration, Potatoes New Zealand was invited to join a project team exploring collaboration models for the vegetable industry. The belief was that by pooling resources, reducing duplication and having a mightier voice together – a range of benefits could accrue to all vegetable growers in New Zealand.

A draft Business Case (Proposal) has put forward for consideration a merged pan-vegetable entity with the working title of “VegeCo”. This Summary Factsheet is the PNZ Board’s perspective on the benefits, risks and unknowns of the proposal to fulfil its responsibilities to deliver strong returns on growers levies while managing risk.

At this stage, the Proposal has not been voted on by any of the grower groups and remains concept only.

Proposal Overview

The proposal envisages the creation of a new entity from the five product groups listed below under one Board of Directors.

The product groups involved are Potatoes New Zealand, Onions New Zealand, Tomatoes New Zealand, Vegetables New Zealand and Process Vegetables New Zealand.

If a majority of Growers vote to proceed with the Proposal, the transition to create VegeCo would occur in two phases as set out below:

Phase One (Interim) Staff Integration: To start the process, VegeCo would be established as a separate legal entity, governed by a Board of Directors, with leadership provided by a CEO. The organisation structure and terms and conditions of employment for VegeCo would be established by the CEO through a process of consultation with existing staff. Such staff would then, as far as possible, be appointed to roles in the new structure. “Levies will be passed through to the new entity to employ staff and work on pan-sector priorities.”

A further majority mandate from a Growers Vote would be required in order to proceed with Phase Two.

Phase Two (Final) Total Integration: Once confidence is established, current product group boards (including Potatoes NZ) would transition into advisory groups. A single, potentially variable-rate commodity levy would be collected directly by VegeCo, which then manages both pan-sector and crop-specific initiatives.

Consultation on Preferred Level of Collaboration?

Growers will be consulted about their preferred level of industry collaboration, the options being:

1. **Continue Development of VegeCo** on an independent timeline ensuring the veracity of all benefits and the minimisation of all identified risks.
2. **Pursue Collaboration only on a project-by-project basis**, while remaining financially independent.
3. **No Change**. No collaboration with the other vegetable groups is needed.

PNZ will hold Roadshows in Pukekohe, Palmerston North, and Ashburton to gather feedback, with an online option for remote participants. This consultation assesses your interest before developing the Proposal further. If enough growers are interested, a vote to proceed to Phase One would follow after additional development.

Timeline

The Boards of the various vegetable entities are consulting with their staff and grower members regarding the VegeCo proposal.

The timeline being pursued by some of the entities is accelerated and they may proceed with a vote during this third or fourth quarter of 2025. The Board of Potatoes New Zealand does not wish to rush members when making such a profound decision regarding organisational structure.

Potential Benefits for Growers

Enhanced Advocacy & Influence:

Unified Voice: A single "VegeCo" voice in Wellington gains greater government and HortNZ "cut-through" on crucial issues (e.g. Resource Management Act, "right to farm," market access). This would improve policy outcomes and profitability.

Increased Government Relations: Reprioritised funds from reduced operational costs would boost focus on direct government engagement, strengthening the industry's position.

Access to Specialised Expertise:

In-house Specialists: VegeCo's scale allows employment of specialists in key areas (biosecurity, trade, R&D, government relations) providing deeper expertise.

Reduced Succession Risk: A larger, consolidated team reduces reliance on individual staff, ensuring continuity and retention of institutional knowledge.

Operational Efficiencies & Levy Reinvestment:

Projected Savings: Savings across the five entities have not been quantified, yet are expected to result from reduced duplicated governance & external consultants, using current staff more effectively, creating more productivity and shared corporate services.

Reprioritised Levies: These savings are intended for reinvestment into high-value activities, leading to more of your levy directly supporting projects impacting your bottom line.

Improved Project Delivery & Scale:

Larger Projects: A consolidated entity can initiate and manage larger, more impactful projects that individual product groups might struggle to fund or take on due to risk.

Faster Initiation: Reduced need for multiple consultations and risk-sharing can speed up project initiation.

Maintained Crop-Specific Accountability:

Potato Advisory Group: Potato growers would have a dedicated advisory group, providing direct input on crop-specific priorities, reviewing projects, and holding VegeCo accountable for delivery to potato growers.

Dedicated Management: The proposal includes a "General Manager for Potatoes" within VegeCo, ensuring a focused point of contact and leadership for potato-specific needs, such as potato seed certification, specific pest/disease research (e.g., tuber moth), and export assurances.

Crop-Specific Funds: The budget model indicates continued allocation of funds specifically for "Crop Specific Funds" (e.g., potato initiatives, biosecurity responses, potato-specific R&D).

Streamlined Services & Member Contact:

"One Stop Shop": Members growing multiple crops would have a single, clearer point of contact for VegeCo issues.

Efficient Backend: Consolidating levy collection, membership databases, and administration is expected to improve accuracy and communication.

Potential Risks for Growers

Risk to Crop-Specific Focus & Identity:

Dilution of Attention: There is a risk that a larger, pan-sector entity might dilute focus on unique potato industry issues. The inherent single crop focus of Potatoes NZ avoids this. Staff currently focused 100% on Potatoes would have the interests of 5 entities to address.

Loss of Identity: Growers may feel a dilution of the specific identity and communication they currently have with Potatoes NZ. The proposal acknowledges the need to avoid an entity "disconnected from members".

Governance & Control:

Governance: The proposal does not yet include an Organisation Chart. If proceeding, this would be required to provide assurance that the new structure clearly defines roles and responsibilities of the Board, Management, Committees and Advisory Groups and that all roles are costed in the budget.

Loss of Control: The exact influence and decision-making power of the Potatoes Advisory Group compared to the VegeCo Board must be clearly defined and guaranteed. With five Advisory Groups, the wishes of potato growers could be outvoted with no recourse available. If proceeding, PNZ needs to understand our representation on the Board and what, if any, veto rights are provided.

Biosecurity Risk Isolation:

Impact of Consolidation: A concern remains regarding how consolidation impacts biosecurity liability. PNZ needs clarity on how a major non-potato biosecurity event would be funded, managed, and responded to within a combined entity. The Business Case states that "The board of VegeCo however will maintain the right to determine how levies can be spent and may wish to support the response with levies earmarked for pan-sector activities as well." In Phase 2, a new biosecurity agreement with MPI will be necessary to prevent a catastrophic non-potato incursion bankrupting all of VegeCo.

Return on Investment & Levy Equity:

Financial ROI: In the absence of a Financial ROI analysis it's difficult for potato growers to definitively assess if the proposal would deliver a *better* return on *their* investment.

Estimated Savings Validity: Further work is still needed to quantify the savings.

Crop-Specific vs Group Costs. The Levy split between crop-specific activities and VegeCo Operational Costs is not specified. "Levies will be passed through to the new entity to employ staff and work on pan-sector priorities." And, as stated above, "The board of VegeCo however will maintain the right to determine how levies can be spent".

Equity of VegeCo cost allocation: The budget for VegeCo Operational Costs should be zero-based and limited to the services that all crops share with everything else falling to Crop-Specific Activity. Using a zero-based budgeting approach, VegeCo's fixed versus variable costs should be allocated across the crop groups. This is needed to demonstrate the fairness of the cost allocation so that the larger entities are not propping up the smaller ones.

Potential Impact for Staff

Phase One:

Under the current proposal, VegeCo would be established as a separate legal entity, governed by a Board of Directors and led by a CEO. The existing product groups (including Potatoes NZ) remaining as separate legal entities; retaining their boards, levies, and reserves. However, the business of each product group, or part of it, would be transferred to VegeCo.

The process would broadly proceed as follows:

- **A CEO for VegeCo would be appointed.**
- **A new organisation structure for VegeCo would be proposed by the CEO.**
- **A comprehensive consultation process with staff would follow to explain and receive feedback about the proposed organisation structure for VegeCo.**
- **Following consideration of feedback, a final decision on the structure of VegeCo would be made by the VegeCo CEO.**
- **Staff would then be invited to apply for roles in the new structure based on consideration of specified selection criteria.**
- **PNZ will discuss with VegeCo whether PNZ staff could be offered the opportunity to transfer to VegeCo on generally no less favourable terms and conditions.**
- **Those staff who are unsuccessful in securing a role in the new structure would be considered for any available redeployment opportunities.**
- **In the absence of any suitable redeployment opportunity, unsuccessful staff would be declared redundant in accordance with the terms of their current employment agreement.**

Phase Two: This phase is expected to create an integrated VegeCo organisation, with the current product group boards (including Potatoes NZ) transitioning into advisory groups to VegeCo.

FAQs:

Question	Answer
1. Why is this merger being proposed?	The new entity aims to address current strategic issues including fragmented industry leadership, difficulty in recruiting specialists, duplication of efforts, rising costs, unclear contact points for members and to leverage existing levy investment more efficiently.
2. Is this just VegeFed 2.0? Have we learnt the lessons from that and why Potatoes NZ came into being?	The intent is to ensure oversight of Levy funds through improved systems for tracking and financial transparency, clarifying how resources are allocated. Implementing a zero-based VegeCo budget for base services with other activities on an opt-in basis, as well as establishing a Potato advisory group, would contribute to effective management. Additionally, we would need to ensure constitutional protections are built in to safeguard Potato Growers' interests. The Business Case states that the board of VegeCo will ultimately determine how levies are spent.
3. What will the new entity be called?	"VegeCo" is a placeholder name used for the proposed merged entity.
4. What will the costs be to merge the various entities' financial & IT systems?	This applies to Phase Two and costs will be determined during Phase One. The costs to establish VegeCo for Phase One are considered modest.
5. How long is Phase One proposed to be?	After establishing VegeCo and transitioning staff, Phase One will continue until when/if members are sufficiently confident to proceed to a vote on Phase Two
6. Will the potato levy increase if this proposal goes through?	The proposal is not looking at either increasing or reducing levies. It aims to assist in limiting any future increases in levies by maximising efficiency of current levy utilisation.
7. How will Potatoes New Zealand's specific needs and crop identity be maintained in the new structure?	In Phase One, Potatoes NZ would continue to exist as a separate legal entity, setting its own priorities. In Phase Two, Potatoes NZ would transition into a Potatoes Advisory Group, designed to provide direct input on crop-specific priorities, review projects, and hold VegeCo accountable for delivery to potato growers. Funding for potato-specific activities (like potato seed certification and targeted R&D) is intended to be maintained within "Crop Specific Funds."
8. How do staff have a say about the proposal?	Before any final decision is made on the merger, there will be a consultation process with all staff to answer questions and listen to feedback & ideas.
9. What happens to current staff of Potatoes New Zealand if the merger proceeds?	If the merger proposal proceeds, in Phase One there will be a comprehensive consultation process about the proposed organisation structure, the applicable terms and conditions of employment and the process for making appointments to the new structure. Staff would have an opportunity to provide feedback about the proposed organisation structure. Following consideration of feedback, a final decision on the structure of VegeCo would be made by the CEO. Then staff would be invited to apply for roles in the new structure based on consideration of specified selection criteria.
10. What happens to staff who don't get offered a role in the new VegeCo structure?	Staff who are unsuccessful in securing a role in the new structure would be considered for any available redeployment opportunities. In the absence of any suitable redeployment opportunity, unsuccessful staff would be declared redundant in accordance with the terms of their employment agreement.
11. Will redundant employees be paid compensation?	No, unless their employment agreement expressly provides that compensation is payable. In most cases such staff would receive notice of termination of employment in accordance with their employment agreement.

12. What happens to staff who don't want to join VegeCo?	Staff who decline the offer of a role in VegeCo would be declared redundant because their role with their current employer would no longer exist. If they decline the offer of a similar role on terms and conditions of employment that are generally no less favourable than their existing terms and conditions of employment, they would not be entitled to notice or compensation.
13. Where will VegeCo staff be based?	The location of roles and the terms and conditions of employment will be set by the VegeCo CEO.
14. Will Potatoes New Zealand still exist as a separate legal entity?	In Phase One, yes, Potatoes NZ would continue as a separate legal entity, maintaining its board, collecting its levies, and holding its reserves. A portion of Levies will be passed through to the new entity to employ staff and work on pan-sector priorities. In Phase Two, no, Potatoes NZ would be legally disestablished, and its board would transition into an advisory group.
15. How will potato growers have a voice and representation on the new VegeCo Board?	In Phase One, the VegeCo Board would include one representative from each of the participating product groups (including Potatoes NZ), alongside an independent chair and potentially other independent directors. In Phase Two, the VegeCo Board would comprise eight directors, with five representatives drawn from the advisory groups (including a potato sector representative) and three independent/elected members.
16. What happens to Potatoes New Zealand's current financial reserves?	In Phase One, Potatoes NZ's reserves would be retained by the current entity. In Phase Two, reserves in the current product groups (including Potatoes NZ) would be drawn down as the new VegeCo entity establishes its own levy collection and accumulates reserves.
17. How will biosecurity responses for potatoes be managed under the new entity, especially for potato-specific incursions?	The proposal is for crop-specific levies to be used first for specific biosecurity responses. The VegeCo Board would also have the right to use core VegeCo funds to support a response if deemed necessary. A legal review regarding changes to the GIA (Government Industry Agreement) mandate is proposed for Phase Two.
18. Will there be transparent reporting on how my potato levy is spent within the new combined entity?	Yes, the business case states that expense accounting would be maintained by crops to ensure transparency and accountability, demonstrating the levy paid versus the expenses/benefits for each crop group, including potatoes.
19. What is the return on investment (ROI) for potato growers if this proposal goes through?	A Financial ROI is not available for the new entity for Phase One yet are expected to result from reduced duplication and increased efficiencies and effectiveness.
20. Will this merger reduce the number of meetings and travel for directors and staff involved with potatoes?	Yes, a key anticipated benefit is the reduction in duplication of efforts, including less travel and attendance at redundant meetings for both staff and directors, particularly in Phase Two when governance is consolidated.
21. What if my specific potato issues are not prioritised by VegeCo's overall agenda?	The proposal seeks to mitigate this with mechanisms like the Potatoes Advisory Group (Phase Two) and a dedicated General Manager for Potatoes. The new constitution and operational rules would be drafted to protect crop-specific interests and ensure their needs are identified and addressed.
22. When will the Constitution be available for Growers to review?	A Constitution for Phase Two will be developed in Phase One that protects the interests of the specific crops and interest groups, which will be circulated to members for feedback prior to the vote to proceed to Phase Two.
23. When will potato growers vote on this proposal?	A formal vote on whether to proceed with Phase One (staff amalgamation) would occur once staff and grower members have been consulted with, questions answered and there is deemed to be sufficient grower interest to justify a vote. Any potential vote would be conducted on the basis of one grower/member, one vote, and require a majority mandate to proceed.
24. What if potato growers vote against the proposal, but other crop groups vote for it?	If a potential vote shows mixed support across product groups, the amalgamation would only proceed for those product groups whose members vote in favour. If PNZ votes to remain separate, if will be status quo and other options for improved vegetable industry collaboration would be explored.
25. Will Potatoes New Zealand still be able to communicate directly with its members?	The proposal commits to maintaining staff for engagement with members for particular crops and functions. The intent is to maintain a high level of engagement and avoid disconnection from members. Specifics on the format and frequency of direct communication with potato growers would be determined by VegeCo's CEO.