

SUBMISSION ON

Cost Recovery Proposals under the Organic Products and Production Act 2023

17 July 2025

To: Ministry for Primary Industries

Name of Submitter: Horticulture New Zealand

Supported by: Citrus NZ, Hawke's Bay Fruitgrowers
Association, NZ Kiwifruit Growers Inc., Tomatoes NZ, Zespri

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OVERVIEW

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Our submission

Horticulture New Zealand (HortNZ) thanks the Ministry for Primary Industries for the opportunity to submit on the Cost Recovery Proposals under the Organic Products and Production Act 2023 and welcomes any opportunity to continue to work with the Ministry for Primary Industries and to discuss our submission.

The details of HortNZ's submission and decisions we are seeking are set out in our submission below.

HortNZ's Role

Background to HortNZ

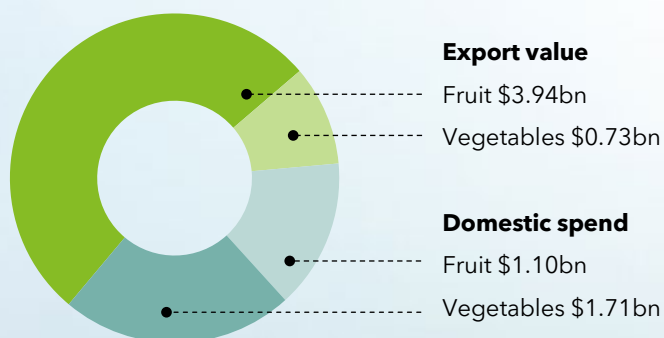
HortNZ represents the interests of approximately 4,500 commercial fruit and vegetable growers in New Zealand who grow around 100 different fruits and vegetables. The horticultural sector provides over 40,000 jobs.

There are approximately 80,000 hectares of land in New Zealand producing fruit and vegetables for domestic consumers and supplying our global trading partners with high quality food.

It is not just the direct economic benefits associated with horticultural production that are important. Horticulture production provides a platform for long term prosperity for communities, supports the growth of knowledge-intensive agri-tech and suppliers along the supply chain, and plays a key role in helping to achieve New Zealand's climate change objectives.

The horticulture sector plays an important role in food security for New Zealanders. Over 80% of vegetables grown are for the domestic market and many varieties of fruits are grown to serve the domestic market.

HortNZ's purpose is to create an enduring environment where growers prosper. This is done through enabling, promoting and advocating for growers in New Zealand.



Industry value \$7.48bn

Total exports \$4.67bn

Total domestic \$2.81bn

Source: Stats NZ and MPI

Executive Summary

General position

HortNZ generally supports recovering costs from direct users of government services, consistent with the principles of equity, efficiency, justifiability and transparency. In principle, HortNZ does not support cost recovery where industry could provide the service being cost recovered by Government. However, acknowledging that the Ministry for Primary Industries (MPI) has been directed to cost recover under the Organic Products and Production Act 2023, HortNZ seeks to provide preferred policy options within that framework.

Annual all-operator levy

HortNZ does not support an annual levy paid by organic operators to MPI in addition to direct compliance costs and an annual export levy. If an annual levy on all organic operators is introduced, HortNZ strongly recommends that the levy is based on **value, not volume** and **collected only once in the supply chain**. This will ensure that the levy is based on relative financial benefit from the services being cost recovered. A flat fee would impose disproportionate costs on small producers, and a volume-based fee would impose higher costs on producers of heavier products regardless of relative value. Collecting the levy at multiple points in the supply chain will cause levy-stacking, wherein the levies from the processor, wholesaler and retailer will be passed back to the supplier or end consumer, which would be inequitable and unsustainable for the sector.

Annual export levy

HortNZ does not support the introduction of an export services levy specific to organic exporters. If the levy is imposed, mechanisms need to be in place for industry to hold Government accountable to the effective spend of cost recovered dollars. If an export levy is imposed, we consider **Option 4** (base fee plus \$10,000 FOB) to be the fairest option, noting that this fee will be passed back onto growers by exporters.

Risk of inequitable double or triple charging

If the all-operator levy is charged at each stage of the fresh produce supply chain, those stacked levies will all be passed onto the initial supplier because fruit and vegetable growers are price takers in New Zealand's highly consolidated domestic retail market. The cumulative cost of levy stacking could push producers out of the organic system.

Exporters will pass the costs of the export levy onto producers. This means that growers whose product is destined for export will pay three times under the proposed system – for their application for approval, for their annual levy and for the export levy that is passed onto them. This is inequitable and inefficient.

Concerns about the efficiency of the new organics system

While outside the direct scope of this consultation, HortNZ believes it is important to raise concerns about the structure of the new organics regulatory system. Industry should deliver services where it has both capability and incentive to achieve public good outcomes.

In organics, long-standing certification bodies already provide robust quality assurance. Requiring MPI, without deep organics expertise, to validate their work adds unnecessary cost and complexity. The organic sector is well-positioned to offer a complete assurance pathway through recognised agencies. The structure established by the Organic Act risks undermining efficiency and increasing costs for both government and growers, contrary to the reform's intent.

Removing this duplication would require an amendment to the Organic Act, which HortNZ would support after necessary deadlines are met for organic export to the European Union.

Submission

1. Horticulture and organics

Fruits and vegetables are New Zealand's largest organic category, worth \$244.7 million in 2024, accounting for over 40% of organic exports. Kiwifruit and pipfruit (apples and pears) are major contributors, with organic kiwifruit earning export revenues of over \$141 million in 2023-24.¹ Organic horticulture and cropping cover 25,719 hectares of production.²

HortNZ takes an interest in policy that affects organic fruit and vegetable growers. HortNZ previously submitted on both phases of the National Organic Standard consultation³ and participated in conversations with MPI about the new organic system.

2. The new organic system

The Organic Products and Production Act 2023 (the Organic Act) sets up the system to provide for a national organic standard. Previously, New Zealand had several voluntary standards, which created problems for trade recognition. In particular, the European Union (EU) changed their organic legislation and now require equivalence to be established before a deadline before they'll accept New Zealand organic products.

3. Cost recovery proposals

HortNZ generally supports recovering costs from direct users of government services, consistent with the principles of equity, efficiency, justifiability and transparency. HortNZ recognises that section 69 of the Organic Act requires MPI to recover all reasonable costs of administering the Act. It is worth noting that without further detail of the regulations and supplementary notices under the Act, it is not possible to fully assess the services being provided by MPI and whether they match the cost recovery proposal.

3.1. Cumulative impact of cost recovery

Rising input and compliance costs are a key concern for organic producers.⁴ For example, one grower told HortNZ that their annual organic compliance have increased by 260% over the last three years which is a hardship for a large business and the potential last straw for a small business deciding whether to remain organic.

This pressure is compounded when multiple government agencies introduce or increase charges simultaneously. Treasury guidelines (section 3.1) highlight the need to consider the 'cumulative impact' of such charges.

¹ Zespri

² OANZ. [2025 Organic Sector Market Report](#). Accessed 19/06/25.

³ HortNZ. [Submission on the National Organic Standard](#). 16 June 2023, [Submission on the National Organic Standard Regulations Proposals: Phase two](#). 13 July 2023.

⁴ OANZ. [2025 Organic Sector Market Report](#). Accessed 19/06/25.

Growers already face (or will soon face) direct cost recovery under the Food Act, export phytosanitary rules, ACC levies, RSE scheme charges, business registration, commercial rates, council consents, the Freshwater Farm Plans Regulations and the Water Services Act. They also incur indirect fees such as customs charges on imported equipment and seed/nursery stock, post-entry quarantine (PEQ) levies and GIA agreements under the Biosecurity Act.

Figure 1: Just some of the costs on organic growers (indicative and varied by business)



*BioGro's fee schedule for horticulture and cropping was used for indicative recognised entity fees. Unconfirmed fee requirements are shown in a lighter colour.

4. Proposed cost recovery under the Organic Act

MPI will be administering the new system under the Organic Act, and this consultation proposes how to recover the costs of that administration. Cost recovery is expected to begin from mid-2026.

4.1. Risk of producers forgoing organic certification

HortNZ supports growers who choose to grow under organic or conventional systems (or both). However, it would be a poor outcome if government-imposed costs discourage growers from maintaining organic certification. To avoid the levies and associated fees, some producers may opt out of the organic system altogether, reducing both their costs and MPI's. This would undermine the Government's goals for establishing a national organic system. A shrinking organic sector would reduce economies of scale, making the system more expensive to run. Organic production contributes to the Government's target to double exports. For example, New Zealand's organic exports grew 44.3% between 2020 and 2024, reaching \$606.7 million.

4.2. Annual levy

- Q. 11.4 Which options do you prefer for allocating the two levies? Why?
Can you suggest any other ways of calculating the levies?
What do you consider are the impacts of this option?
Are there likely to be disproportionate impacts on some affected parties?
How should we value these impacts?

HortNZ does not support an annual levy paid by organic operators to MPI in addition to direct compliance costs and an annual export levy. Exporters will pass the costs of the export levy onto producers, so there is a strong likelihood that growers whose product is destined for export will pay three times under the proposed system: for their individual applications, for the annual levy, and for the export levy that is passed onto them.

Introducing another levy, on top of existing compliance costs, risks discouraging participation in the organic system. This could undermine the goal of doubling exports and encouraging the growth of the organic sector. In addition, we do not support this because the service provider could be the industry itself – it does not need to be a government agency.

If an annual levy on all organic operators is introduced, HortNZ strongly recommends that the levy is based on **value, not volume** and **only collected once on each product** (rather than multiple times throughout the supply chain). HortNZ does not support Options 1 or 2 and sees both as inequitable options.

Option 1 is a flat annual fee of \$349. A flat fee is an inequitable method of cost recovery because small producers would pay much more proportionate to their turnover than larger producers. The organic sector is extremely diverse, covering small community gardens that only sell at farmgate or farmers' markets all the way up to major exporters with global reach like Zespri.

Option 2 is a base fee plus a charge per tonne of organic product. Horticultural products alone are very diverse in value and weight. For instance, tamarillos might be priced at \$19.99/kg while carrots are sold for \$2.59/kg. When considering the entire range of New Zealand-produced and imported organic products, from cheese to coffee to apples to wine, the differences are even more stark. It would be inequitable if producers of heavier products were charged more than producers of light products of higher value. In particular, HortNZ does not support Option 2B which uses the product category to apply

a coefficient to the levy. This approach is administratively complex and inequitable because it does not account for the diversity of products and value within the fruit and vegetable category. A levy should be simple for users to calculate and understand.

Thus, a levy based on value, not volume, will more fairly ensure that the levy is based on relative financial benefit from the services being cost recovered.

Value-Based Levy Example: HortNZ Levy

HortNZ is funded by a compulsory levy on all fruit and vegetable growers with a Commodity Levies (Vegetables and Fruit) Order under section 4 of the Commodity Levies Act 1990. At present, growers pay \$0.14 to HortNZ for every \$100 of fresh produce sold based on first point of sale. This is either paid directly by the grower or collected on their behalf by a collection agent (such as a wholesaler). Growers vote every six years on whether to continue the levy or accept any proposed changes.

The HortNZ is only collected at first point of sale, not on processors, wholesalers, retailers or other steps of the supply chain.

The discussion document states that Option 2 (the volume-based levy) would “impose significant compliance costs for small operators”. In HortNZ’s experience, a value-based levy does not impose significant compliance costs. It is simply taken out at the point of sale, either by the grower or the collection agent purchasing the produce. You can read more about how the levy is collected on the HortNZ website,⁵ or we are happy to talk it through with you.

A value-based levy does mean that levy income will fluctuate year to year with the value of the industry, but the same could be said for a volume-based levy.

If MPI does continue with a volume-based levy, MPI needs to find a way of collecting information on sales to the domestic market and export markets that are not covered by the official organic assurance programme (OOAP).

4.2.1. COLLECT THE LEVY ONCE OR RISK LEVY STACKING

The consultation proposes that the all-operator levy be charged to the producers of organic products (e.g. the fruit or vegetable grower), processors, “handlers”, and retailers selling organic products that are not pre-packaged (e.g. fruits and vegetables). If each step of the supply chain is levied, that cost will compound and be passed on either to the consumer in the final product price or to the supplier.

Fruit and vegetable growers are price-takers in New Zealand’s consolidated domestic retail market. This means that they have to accept the price offered to them by a supermarket or wholesaler because there is minimal competition from alternative buyers. The perishable nature of the product means that it cannot sit on a shelf until someone will pay the desired price. This power imbalance means that growers supplying the domestic market will likely be forced to absorb the cost of the wholesaler/handler/retailers’ levies while significant mark-ups are still passed onto the consumer by the retailer. You can read

⁵ HortNZ. “[How to pay your levy](#)”. Accessed 19/06/25.

more about the pressures on small suppliers in the domestic market in the Commerce Commission's *Market Study into the Grocery Sector*.⁶

If the cost of the levy is ultimately passed onto the domestic consumer, this could push the price of organic products out of reach for more New Zealanders. If the cost is all absorbed by the operator, that could tip some suppliers out of organic production.

4.2.2. RISK OF EXPORTING GROWERS PAYING THREE TIMES

Exporters will pass the costs of the export levy onto producers. Zespri has stated that they charge back export services costs to organic growers as a deduction on their returns.

This means that growers whose product is destined for export will pay three times under the proposed system – for their initial application, for their annual levy and for the export levy that is passed onto them. This is inequitable and administratively inefficient.

4.3. Fees for Organic Management Plan application

Treasury guidelines state that it is generally appropriate for service users to cover associated costs where this is administratively efficient.⁷ Cost recovery should reflect the 'actual and reasonable' cost of delivering each unit of service, for example an hourly rate for the time of an auditor.

The discussion document proposes an hourly rate for the evaluation of organic management plans, which organic operators will be required to submit to MPI after a pre-approval check by a recognised agency (industry assurance programme). This cost is in addition to the fees charged by the recognised agencies.

It is unclear to HortNZ why an additional check is needed by MPI if a recognised agency has already assessed an organic management plan against regulatory requirements. The discussion document writes that MPI's approval will take over some functions from certifiers, so MPI expects certifiers' charges to change. HortNZ sees no evidence for why this would be the case given that it would not make business sense for certifiers to reduce their fees.

In principle, HortNZ's position is that the party who has control over the quantity of the service that is required should be the party charged. In the case of MPI's proposed hourly fees for application processing, producers could aim to use industry templates for their organic management plans to reduce the amount of time required to evaluate them. This is justification for an hourly fee for review.

4.4. Export levy

- Q. 14.4** Do you agree that all operators in the export supply chain should share the costs of services such as market access negotiations?
- Do you agree that trade negotiations benefit the operators in the export supply chain and operators operating only in the New Zealand marketplace?

⁶ Commerce Commission. 8 March 2022. "[Market study into the grocery sector](#)". Accessed 17/07/25.

⁷ The Treasury. [Guidelines for Setting Charges in the Public Sector](#) April 2017. (p. 18). Accessed 11/06/25.

HortNZ does not support the introduction of an export services levy specific to organic exporters. If the levy is imposed, mechanisms need to be in place for industry to hold Government accountable to the effective spend of cost recovered dollars. If an export levy is imposed, we consider Option 4 (base fee plus \$10,000 FOB) to be the fairest option, noting that this fee will be passed back onto growers by exporters.

The cost of market access negotiations is already recovered from fruit and vegetable exporters through the phytosanitary certificate fee.⁸ The Plants Market Access Council (PMAC) is directly funded by MPI cost recovery to provide input into how cost recovered funds are used to facilitate plant exports and international access⁹ and can be a resource for the MPI organics team to understand how this cost recovery system operates. A similar accountability mechanism will be needed for the organics system.

HortNZ does not agree that trade negotiations benefit operators operating only in the New Zealand marketplace. Domestic-only producers do not interact with the export system and should not pay into it through a levy or charge.

4.5. Responsibility of Government when recovering costs

Q. 20.1 Would you see value in annual industry reports on the use of levy funds?

Agencies should provide annual reporting to sectors that are subject to significant cost recovery. Reporting should cover not just how much an agency has spent and how much revenue they have received. Reporting should also occur against service standards agreed between the agency and those paying for the services.

HortNZ supports MPI's proposal to publish annual reports about MPI's performance for the organics sector.

However, HortNZ is still concerned that the proposed system lacks sufficient mechanisms for industry to hold Government accountable to make the best use of cost recovered funds. An Organic Sector Advisory Council (OSAC) under section 150 of the Act could fulfil a similar function to PMAC in this regard, but OSAC membership should be based on nomination by represented industry groups, not the Minister.

5. Commentary on the new system

While outside the direct scope of this consultation, HortNZ believes it is important to raise concerns about the structure of the new organics regulatory system.

Before determining who should pay for cost recovery and how much, the service being cost recovered should be justified. Under the new system established by the Organic Act, recognised entities assess organic management plans as fit for purpose and then MPI provides an additional review. To HortNZ, this appears to be a duplication of existing industry functions.

Industry should deliver services where it has both capability and incentive to achieve public good outcomes. In organics, long-standing certification bodies already provide

⁸ Plants Market Access Council. "[Our Background](#)". Accessed online 10/07/25.

⁹ Plants Market Access Council (PMAC) presentation

robust quality assurance. Requiring MPI, without deep organics expertise, to validate their work adds unnecessary cost and complexity.

Treasury guidance encourages consideration of alternatives to government delivery of services.¹⁰ The organic sector is well-positioned to offer a complete assurance pathway through recognised agencies. The structure established by the Organic Act risks undermining efficiency and increasing costs for both government and growers, contrary to the reform's intent.

Removing this duplication would require an amendment to the Organic Act, which HortNZ would support after necessary deadlines are met for organic export to the European Union.

¹⁰ The Treasury. [Guidelines for Setting Charges in the Public Sector](#). April 2017. (p. 18). Accessed 11/06/25.