

SUBMISSION ON

Multi-Tiered Levy Rate under the Commodity Levies Act 1990

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To: Ministry of Primary Industries

Name of Submitter: Horticulture New Zealand

Supported by:

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HortNZ's Role

Background to HortNZ

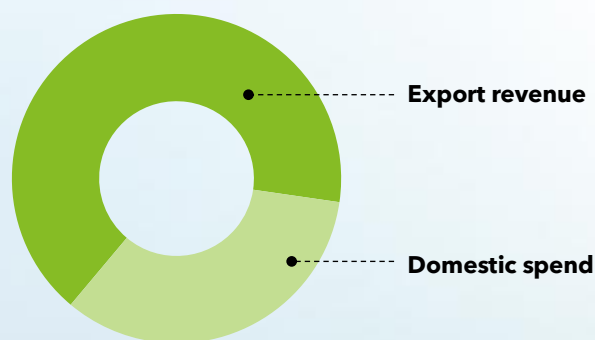
HortNZ represents the interests of approximately 4,300 commercial fruit and vegetable growers in New Zealand who grow around 100 different fruits and vegetables. The horticultural sector provides over 40,000 jobs.

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 \$7.54bn
Farmgate value \$4.89bn
Export revenue \$4.99bn
Domestic spend \$2.55bn

Source: HortNZ Annual Report 2025

Submission

1. Background: Commodity Levies and the Horticulture Sector

All commercial fruit and vegetable growers in New Zealand are legally required to pay a levy on the sale of their produce under the Commodity Levies Act (CLA)¹. Many individual crop types also have their own Product Groups, which operate separately from HortNZ and – in most cases – hold their own Commodity Levy Orders. This means growers of those crops pay an additional levy directly to the relevant Product Group. A full list of commodity levies applying to fruit and vegetable sectors can be accessed at www.legislation.govt.nz.

The CLA sets the rules that HortNZ and other levy bodies must follow. Levies can only be imposed where growers approve them through a referendum, ensuring grower democracy in decision-making. The Act requires transparency and accountability by specifying how levies are calculated, who pays them, what activities they may fund, and what reporting, dispute, and audit processes must apply. Levy orders are also time-limited, requiring renewal votes at least every six years or they automatically expire. Importantly, levy funds may only be used for industry-good purposes, not for private benefit or commercial gain. Levy revenue can be used for a wide range of sector-benefit purposes, including:

- Research
- Market development
- Product innovation
- Industry promotion
- Plant health initiatives
- Quality assurance programmes
- Education and training
- Policy advocacy
- Day-to-day administration needed to run the industry body.

The Minister may also authorise other purposes if they are considered appropriate, so long as they align with the non-commercial, industry-good intent of the Act.

2. Proposed Amendment to the Commodity Levies Act

MPI is proposing to amend the CLA to explicitly allow industries to adopt tiered levy rates where this is considered appropriate by the industry. The proposed amendment is framed as an enabling change rather than a directive and would not require any industry to introduce tiered levies. Instead, it would provide Levy Order holders with greater flexibility to consult with their membership and, if supported, seek approval through a referendum for a tiered levy structure.

¹ [Commodity Levies Act 1990 No 127 \(as at 01 September 2022\)](#), Public Act - New Zealand Legislation

Any move to tiered levies would therefore remain industry-led and subject to grower approval, consistent with the existing principles of the commodity levy system.

3.1 Existing Legislative Provisions

MPI has indicated that it does not consider the Act to provide for tiered levies. HortNZ considers this interpretation to be overly narrow. In our view, section 6² already enables multiple levy rates where the basis for differentiation is clearly specified in the levy order.

As the detailed operation of any tiered levy would be determined through individual levy orders and industry processes, the absence of proposed legislative wording for the amendment makes it difficult for submitters to fully assess its scope and implications.

3.2 Assessment of Consultation Material

MPI has identified fairness, equitability, affordability and revenue stability as key objectives in considering tiered levy rates. While these objectives are understood, a tiered levy does not automatically achieve them.

Equitability, in terms of inclusive governance and decision making for all levy payers, is already achieved under a single levy rate, where each unit of production contributes equally and governance arrangements do not distinguish between growers based on scale. Introducing tiered levies does not in itself improve equitability, and care would be required to ensure existing governance settings are not unintentionally affected.

Under a tiered levy, smaller growers would continue to pay the standard levy rate, while very large producers would pay a lower levy rate on part of their production. However, both large and small growers rely on, and benefit from, the same industry-good activities funded by the levy, such as advocacy, regulation and sector representation. Allowing large producers to contribute less per unit for the same benefits raises a fundamental **fairness** issue.

Affordability concerns identified by MPI relate primarily to the absolute levy costs faced by very large producers as industries consolidate and individual operations increase in scale. Tiered levies may reduce levy liabilities for these large operators; however, this benefit is targeted solely at one end of the levy base and does not address affordability pressures faced by smaller growers, who typically have less ability to absorb fixed costs or increases in levy rates.

In practice, reducing levy contributions from high-volume producers can shift financial pressure onto the wider levy base, particularly if levy rates need to be adjusted to maintain revenue. Any assessment of affordability should therefore consider impacts across all growers and ensure that measures designed to address cost pressures for large operators do not inadvertently disadvantage smaller or less-resourced producers.

Tiered levies create a different type of **revenue risk** because they reduce levy payments from high-volume production, while the cost of running industry good activities stays much the same. Even if total production across the sector does not change, total levy income can

² <https://www.legislation.govt.nz/act/public/1990/0127/latest/whole.html#DLM227329>

still fall if more production sits in lower rate tiers. This creates a mismatch between what the industry collects and what it needs to spend to keep operating.

Unlike a single levy rate, where levy income generally moves in line with overall production, a tiered system makes revenue more sensitive to who produces the volume, not just how much is produced. If a small number of large growers account for a large share of production, changes in how their volume is distributed across levy tiers can have a big impact on total levy income.

In short, while tiered levies may look flexible, they can make levy income less predictable and increase financial risk for industry bodies that rely on stable funding to deliver industry-good activities

Overall, HortNZ considers that tiered levies are one of several possible tools and do not automatically deliver improved outcomes. Further horticulture specific analysis would be required to determine whether and how these objectives could be met in a way that is fair and workable for all growers.

3.3 How a volume-based tiered levy would work in practice

Under a volume based tiered levy, a grower's levy liability would depend on how much they produce or sell over a defined period. This means levy payers would need to know when they cross a volume threshold, what levy rate applies at each level, and how this is calculated across the season. In practice, this adds complexity for growers, who may not know their final production volume until late in the season, or whose volumes fluctuate year to year due to weather, labour availability or market conditions.

To operate fairly, a tiered system would likely require end of season reconciliation, including refunds where levies have been overpaid earlier in the season. This would introduce additional administrative complexity for both levy payers and levy bodies, increase compliance costs, and create uncertainty for growers about their final levy liability.

3. Māori Growers Perspective

From a Māori growers perspective, the proposal raises important questions about equity, legitimacy, and confidence in the levy system that must be addressed before any move toward tiered levies is considered.

Although the proposal is framed as enabling only, the practical effect of tiered levies is that very large operators would pay a lower average levy rate once thresholds are reached, while smaller growers continue to pay the full rate on all production. This creates a clear equity and perception risk, particularly where levy funded industry good activities are shared across the sector.

It is important that fit for purpose considerations for Māori levy payers are explicitly recognised. Māori growers, do not always experience levy funded services, capability uplift, or influence over levy priorities evenly. Participation in levy governance and priority setting can be constrained unless actively supported. Any tiered levy framework must not operate in a way that shifts a greater proportional burden onto smaller producers without demonstrable improvements in outcomes for Māori.

In the absence of draft legislative wording for the proposed amendments to the CLA, it is difficult to assess the proposal. However, Māori growers would expect the following to be addressed:

- Tiering should be used only in rare cases, with clear evidence that it is needed to protect levy revenue
- Thresholds should be set very high so that only a small number of very large operators qualify, and costs are not shifted onto small and medium growers
- There should be clear reporting on who pays the levy and who benefits from it, including how levy funded activity supports Māori producers
- If very large operators pay a lower levy rate on part of their production, this should come with clear expectations or co-investment that helps protect the levy system and supports smaller growers.

4. HortNZ Position

Although the proposed amendment is described as enabling and would not, by itself, introduce tiered levies, supporting the change is not neutral in effect. Enabling tiered levies at a legislative level signals policy intent and changes the starting point for future industry discussions. This creates a risk that industry led decision-making is influenced before growers have had the opportunity to fully assess the implications for fairness, revenue stability and administrative complexity.

HortNZ has adopted a neutral position neither supporting nor opposing the proposal at this stage. While a multi-tier levy framework could provide additional flexibility for industries as they change over time, it also introduces real risks around equity and levy revenue instability, particularly between larger and smaller growers.

HortNZ notes the lack of background analysis, evidence and detail provided in the consultation material, including the absence of proposed legislative wording for the amendment. For a change of this scale and impact, the information provided falls well short of what is required. HortNZ will be raising this matter with the Minister.

The lack of information, combined with the short consultation timeframe, has significantly constrained the ability of the horticulture sector to meaningfully engage with growers. In these circumstances, HortNZ does not consider it appropriate to signal either support for or opposition to tiered levy rates ahead of a horticulture specific assessment informed by clearer policy intent, legislative detail and adequate time for sector engagement.

HortNZ understands that MPI is aiming to have the amendments in place by the time of the NZ Wine Levy in 2027 however HortNZ encourages MPI to allow sufficient time for industries to assess the proposal, consult with their membership before progressing legislative change.