Pressure on Agriculture Groups Over $150m in Mandatory Levies on Farmers | Newsroom

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Agriculture Minister Damien O'Connor supports mandatory levies, saying most people involved in these agriculture industry organisations are committed to

advocating for their farmer members. Photo: Supplied figure

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Jonathan Milne is the managing editor for Newsroom Pro.

PRIMARY INDUSTRIES

Pressure on agriculture groups over $150m in mandatory levies on farmers

Beef+Lamb NZ writes to farmers this week in a bid to justify its continued existence as one of 29 compulsory membership organisations across agriculture

and horticulture.

Damien O'Connor was shifting 10 beefies into a different paddock when he spoke with Newsroom last night. After a day of meetings and public engagements

with the Prime Minister, the agriculture minister had returned home to his small farm in upper Moutere, and his first job as a farmer.

So he has an unapologetically vested interest in the performance of Beef+Lamb NZ, the industry association that is statutorily mandated to represent the

interests of all the farmers in its sector. Next week, he plans to vote "yes" in a referendum on continuing the association's mandate and the $34.2m a

year it collects in farmer levies.

"Given the opportunity to vote, I will certainly be supporting it continuing," he told Newsroom. "I see firsthand what they do on behalf of their farmer

members. While many farmers will grumble, and many say ridiculously critical things, most of the people involved in these organisations are really committed

to advocate for their farmer members."

Commodity levies collected by agriculture bodies

Total:$150,110,225

Other ($6,295,693)

Egg Producers Federation ($1,319,723)

Potatoes NZ ($1,376,895)

Kiwifruit Growers' Association ($1,457,893)

Foundation for Arable Research ($5,100,000)

NZ Apples and Pears ($5,322,013)

Horticulture NZ ($5,538,825)

Forest Growers Levy Trust ($9,710,000)

NZ Winegrowers ($11,489,183)

Beef+Lamb NZ ($34,200,000)

DairyNZ ($68,300,000)

Chart: Newsroom Pro

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Source:

NZ Companies Office

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The numbers of farmers who agree with O'Connor may be dwindling. Disgruntled sheep farmers voted to disestablish the wool levy 12 years ago, and there

are rumblings of discontent about the beef and lamb levy.

The 29 agriculture, horticulture and aquaculture organisations, authorised by the Commodity Levy Act 1990 to collect mandatory levies, are somewhat an

echo of another era.

The Bolger Government ended compulsory unionism in 1991 – in the face of enormous union-led protests – and since then there have been very few industries

that have mandatory levy-charging associations. One other is construction research organisation BRANZ, which is part-funded through the Building Research

Levy.

block quote

"That decision, in hindsight, has contributed even further to the demise of that wool sector. It has simply gone to the dogs. And government is funding

a lot of the work at the moment to try and salvage that industry."

– Damien O'Connor, agriculture minister

block quote end

The agriculture associations see their roles as similar to that of BRANZ: non-partisan organisations tasked with researching and protecting the interests

of their farmers and growers, unlike the more overtly-political Federated Farmers.

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O'Connor suggested anyone tempted to vote to end the beef and lamb levies just look at what has happened to the wool sector, after voting to end their

levy. "And that decision, in hindsight, has contributed even further to the demise of that wool sector. It has simply gone to the dogs. And government

is funding a lot of the work at the moment to try and salvage that industry.

"It costs the farmers more to shear the sheep than they get for the wool. So it's simply non-sustainable and if it wasn't for the animal welfare issues,

most farmers would not shear.

"As a natural fibre, at a time when the world is moving from hydrocarbons, it has huge potential – if the right resources and the right strategic planning

are put in place. The story of wool is not told, it's not well-known, and there's been no collective resource to put into its ongoing development."

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But agricultural consultant Steven Cranston, of Waikato, is predicting increasing opposition to the levy organisations' mandates, as they come up for review

at referendums, which must be held every six years. "Expect a coordinated push back from farmers and newer industry groups in the coming months," he said.

"The advocacy issues are extensive. No one can assume to have the solution at this point but at the end of the day farmers are the ones who have to live

with the policy decisions so they should have more say in their own destiny."

He said the advocacy model was no longer fit for purpose, given the policy challenges ahead.

"My view is Feds are far more aligned with farmers' views as they are constantly surveying members on issues," he said. "The levy bodies seem to work closer

with govt and follow a more ‘we know what’s best’ approach.

"I don’t doubt the intent to do right by farmers but I think this approach is losing support quickly."

He said an example was the position on emissions policy: he said levy organisation DairyNZ took a different approach from Federated Farmers, which was

guided more by the views of farmers. "Feds are taking a more farmer-led position but will likely end up conceding, as holding their ground will only see

them excluded from the policy table," he said.

He warned that levy bodies like Dairy NZ were not transparent. "They don’t need to answer to farmers as no one knows exactly what they stand for," he said.

"I asked one of the board members today if Dairy NZ supported farmers getting emission credits for farm trees – he had no idea. That’s concerning to me."

block quote

"Without a levy, you get free-riders. Because the services we provide, all farmers benefit from it."

– Jim van der Poel, DairyNZ

block quote end

DairyNZ chair Jim van der Poel told Newsroom the levy organisation had been created in 2001 when the industry was deregulated. It provided on-farm extension,

scientific research, and engaging with local and central government to agree workable policies. "Every six years farmers can vote, do you want to want

to keep the levy in place? Do you believe you're getting value for money?"

He agreed there was some opposition: for instance, a group of Southland dairy farmers question whether the levy organisations are working effectively together

or contradicting each other. He said that was because a lot of their important work was done behind closed doors, negotiating with central and local government,

and so farmers didn't always appreciate how much they achieved.

"A lot of the issues farmers are facing, whether it's about water quality, methane emissions or the Zero Carbon Bill, dairy farmers see themselves as part

of the solution. They just need to know how they're going to incorporate that into their farm systems, how they're going to change, and DairyNZ is helping

them with that to find practical solutions."

block quote

"I think these organisations do an incredible amount of good work – but is it worth the money I pay for it?"

– Chris Lewis, Federated Farmers

block quote end

"Without a levy, you get free-riders. Because the services we provide, all farmers benefit from it," he said. "Last year, I think we had 67 percent turnout,

which is quite high, and of those, 74 percent voted yes."

Dairy NZ is the biggest levy organisation by revenue, with 11,000 farmers required to pay its levies. It earned $68.3 million from those levies last year

– but despite how much it's costing farmers, it still won a referendum last year to keep doing what it does.

Now, it's Beef+Lamb NZ's turn to face that challenge – which with 15,000 eligible voters is the biggest organisation by membership. Beef+Lamb is budgeting

to collect $34.2m in levies this year.

Federated Farmers executive member Chris Lewis, who farms in Pukeatua in the Waikato, said he had to pay levies to Beef+Lamb, DairyNZ, and the Foundation

for Arable Research.

His DairyNZ levy was deducted by the processor, totalling more than $13,000 a year. His Beef+Lamb levy was deducted when he sent animals to the freezing

works, at about $5.20 per animal, coming to $1500 a year. And for the Foundation for Arable Research, about $400 was deducted when he bought his maize

seed.

He said their political independence was useful; it gave their research greater credibility than that of lobby groups. "I think these organisations do

an incredible amount of good work – but is it worth the money I pay for it?"

He was diplomatic about how he'd be voting in the Beef+Lamb referendum. "I don't want to get too political before an important levy vote," he said.

Rowena Hume, Beef+Lamb NZ's general manager for communications and engagement, said they would send out referendum details to farmers this week, on June

1.

So what is their pitch? She said the organisation's priorities would include:

list of 6 items

• New farm plans covering water, climate change, biodiversity and soils;

• Investing in genetics to improve productivity and reduce farmers' environmental footprint;

• Launching a greenhouse gas calculator to help farmers measure and manage their emissions;

• Rolling out the Taste Pure Nature country of origin brand across global markets;

• Advocating on behalf of farmers for sensible and practical regulations and rules;

• Enhancing and protecting NZ's access to overseas markets.

list end

She said where there was a need for industry-good research, information and advocacy, a levy was a good mechanism to fund these activities effectively.

Under the Commodities Levies Act, levy-payers got to vote very six years whether or not a levy could be collected. "They have a choice," she said. "We

have seen in the past, levy-payers voting not to support a levy such as wool in 2009."

But at their last referendum in 2015, she said, more than 84 percent of voters supported the beef and sheep meat levy. "Farmers see it as an effective

way of pooling resources and achieving scale to undertake activities which benefit all farmers.”

A spokesperson for the Ministry for Primary Industries backed her on that. The Commodity Levies Act 1990 was a framework to enable industries to get levy

funding for industry-good activities that their levy-payers had agreed to, she said.

"Levies are initiated by the industries and must be supported by potential levy payers in a referendum. Where an industry does not have any levy organisation

in place it is either because the industry has not chosen to initiate a referendum or because a referendum did not pass."

There was no work underway to review the Commodity Levies Act, she said, and no plans for Government to withdraw the statutory levy status and require organisations

to raise their revenue independently.

"That option already exists," the spokesperon argued. "It is for the levy-payers to decide whether to support a levy organisation and they do this via

the referendum process which happens every six years."