



Regulatory Impact And Compliance Cost Statement:

Fin Paper On Application For A Commodity Levy Order
On Blackcurrants

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Ministry of Agriculture and Forestry
Te Manatū Ahuwhenua, Ngāherehere

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Statement of the problem and the need for action

- Blackcurrants New Zealand Limited (BCNZ) has applied under the Commodity Levies Act 1990 (the Act) for a commodity levy order on blackcurrants. The levy is wanted to fund research and development, as well as generic promotion, the administration of BCNZ, a contribution to the management of New Zealand Berryfruit Growers' Federation (Berryfed) and quality management.
- Blackcurrant growers currently pay a levy under the Commodity Levies (Blackcurrants) Order 1995, which is due to expire on 15 October 2001. To secure its funding BCNZ has applied for a new order, which it estimates will provide \$140,000 in its first year of operation. It is proposed the new order come into force prior to the start of the next harvesting season, which begins in December.

Statement of the public policy objective

- The purpose of the Act is to enable the making of Orders-in-Council imposing on certain commodities levies payable to bodies corporate representing the views and interests of the persons primarily responsible for paying those levies. The policy objective of this order is to promote the most efficient and effective means of levy collection to enable BCNZ to finance "industry-good" activities, specifically a long-term breeding programme, whilst protecting the interests of levy payers.

Statement of options for achieving the desired objective

- The blackcurrant industry's "industry-good" activities, undertaken by BCNZ, are funded jointly by growers, processors and exporters. Exporters and processors contribute voluntarily, while the growers' contributions are collected compulsorily under the Act.
- The option for collecting growers' contributions considered by BCNZ was to bring it within the ambit of a commodity levy order under the Act. The commodity levy order is the only regulatory option available to raise money from growers. The non-regulatory option of a voluntary levy for growers was considered impracticable and those who did not pay would derive unearned benefits from the levy spending.

Statement of the net benefit of the proposal

Benefits

- BCNZ has demonstrated its anticipated benefits from investment in each area of expenditure. BCNZ expects to spend just under half its total expenditure on research and development (\$70,000). For the 2001/2002 year over a third of the research and development budget, will be spent on the industry's breeding programme. The blackcurrant breeding programme aims to develop varieties which:
 - achieve improved quality standards (including taste, size, colour and processing attributes);
 - have extended harvest windows;
 - are better suited to growing in New Zealand conditions;

- have higher levels of certain compounds which give rise to health claims related to blackcurrant; and
 - increase productivity gains.
- Research and development expenditure will also be directed towards soil quality management, spray residue monitoring, and gall mite control.
 - BCNZ considers security of funding is essential to commit to research into blackcurrant varieties. Potential new cultivars may take several generations to be developed, require further years of trialling and then, if results continue to be positive, further time for bulking up of plants into commercial volumes.
 - BCNZ also believes the security of compulsory funding will assist the industry to put together successful applications should it seek funding assistance from outside sources, such as the Foundation for Research Science and Technology (FRST). These funding agencies are more likely to make approvals when the applicant's contribution is secure, and in the case of industry bodies, they can demonstrate a strong and well-structured industry.
 - Levy money will also be spent on generic promotion (19 percent of total expenditure in the 2001/2002 year). Expenditure on generic promotion will benefit all growers who sell fruit through increased demand. This promotion expenditure is focussed on work to prove the alleged health benefits of blackcurrants.
 - BCNZ contributes \$3,600 to the running of Berryfruit Growers' Federation (Berryfed) each year in return for the perceived benefits of a unified berryfruit voice. Berryfed will take the lead role on issues that cover all berryfruit industries. For example it is heavily involved in the preparation of submissions to Government on topical policy issues which impact on berryfruit growers.

Costs

- The costs to levy payers would be the opportunity cost of using the levy money elsewhere. The direct costs to the industry would be the cost of paying the levy by the levy payers and administration cost borne by levy payers and collection agents. The proposed levy rate in the first year will be 4c/kg, giving a total gross revenue from levies of \$140,000 in that year. Levy payers were aware of the costs when they voted in favour of the levy.

Business Compliance Cost Statement

- Both levy payers and collection agents have obligations under the existing Commodity Levies (Blackcurrants) Order 1995. The proposed commodity levy retains the same process for levy payment and the same levy rate as currently imposed, therefore no additional compliance costs are imposed on the industry. Like the current levy order, the proposed new order will impose the same administrative costs borne by levy payers and collection agents. Both the levy payers and the collection agents have showed considerable support for the proposal.
- Every levying organisation collecting levies under the Act has to meet the reporting requirements of the Act. This imposes additional costs on the industry, which BCNZ is aware of, as it complies with those requirements for its current levy order.

Consultation

BCNZ has been collecting a levy on blackcurrants for the past five years and has therefore maintained an accurate database of commercial growers of blackcurrants. This combined with the small size of the blackcurrant industry ensures most potential levy payers are known to BCNZ. BCNZ carried out an information and consultation programme with potential levy payers and collection agents known to it and advertised in the main blackcurrant growing areas to capture new growers. From the evidence provided, it is considered unlikely that any potential levy payers would not have been aware of the proposal. In the levy payer referendum, supporters of the proposal made up 100 percent of all participants, and they produced 100 percent of the total production of blackcurrants by all eligible participants.

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