



Regulatory Impact And Compliance Cost Statement:

Fin Paper On Application For A Commodity Levy Order
On Blueberries

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Ministry of Agriculture and Forestry
Te Manatū Ahuwhenua, Ngāherehere

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Background

The purpose of this paper to FIN and the Regulatory Impact and Compliance Cost Statement is to inform FIN of the proposal.

Statement of the problem and the need for action

- Blueberries New Zealand Incorporated (BBNZ) has applied under the Commodity Levies Act 1990 (the Act) for a commodity levy order on blueberries. The levy is wanted to fund research and development, as well as generic promotion, the administration of BBNZ, a contribution to the management of New Zealand Berryfruit Growers' Federation (Berryfed) and quality management.
- Blueberry growers currently pay a levy under the Commodity Levies (Blueberries) Order 1995, which is due to expire on 15 October 2001. To secure its funding BBNZ has applied for a new order, which it estimates will provide \$96,000 in its first year of operation. It is proposed that when the Commodity Levies (Blueberries) Order 1995 expires the new order will come into force.

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 BBNZ 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 option considered by BBNZ was to bring funding of its activities within the ambit of a commodity levy order under the Act. This is the only regulatory option available. The non-regulatory option of a voluntary levy was considered impracticable and likely to lead to a free-rider problem.

Statement of the net benefit of the proposal

Benefits

- BBNZ has demonstrated its anticipated benefits from investment in each area of expenditure. BBNZ expects to spend over half of its total expenditure on research and development (\$60,000). The total research and development budget, in the first year of the levy, will be spent on the industry's breeding programme. The blueberry 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 berryfruit; and
 - increase productivity gains.
- BBNZ considers security of funding to be essential to a long-time commitment to research into blueberry 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. Research is an essential driver behind BBNZ's vision to be a "globally competitive supplier of high quality blueberry products". A strong market in Japan has resulted from research, which claims positive nutritional value and health benefits of blueberries.
 - Approximately 17 percent of levy money (\$20,000) will be spent on generic promotion in its first year. Expenditure on generic promotion will benefit all blueberry growers and exporters through increased demand and higher prices. In addition, BBNZ contribute \$6,500 to the running of Berryfed each year in return for the benefits of a unified berryfruit industry voice. Berryfed will take the lead role on issues, which 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.
 - BBNZ also intend to spend 6.5 percent of levy money (\$6,200) on quality management in its first year. The entire industry benefits from an industry wide and industry audited quality management programme. Buyers are assured of quality New Zealand product and growers benefit through reduced verification costs and an enhanced quality reputation.

Costs

- The costs to growers 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 administrative costs borne by levy payers and collection agents. 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 (Blueberries) Order 1995. The proposed commodity levy retains the same process for levy payment and the same levy rates as currently imposed therefore no additional compliance costs are imposed on the industry.

Consultation

- BBNZ has been collecting a levy on blueberries for the past five years and has therefore maintained an accurate database of commercial growers of blueberries. This combined with the small size of the blueberry industry ensures most potential levy payers are known to BBNZ. BBNZ carried out an extensive information and consultation programme with potential levy payers and collection agents known to it and advertised widely 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 77 percent of all participants, and they produced 87 percent of the total production of blueberries by all eligible participants.

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