

# SUBMISSION ON

Cost recovery proposal to maintain & expand New Zealand Food Safety's core regulatory services under the Food Act 2014

15 March 2024

**To:** Cost recovery directorate, MPI

**Name of Submitter:** Horticulture New Zealand

**Supported by:** The product groups and district associations listed on p3

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# OVERVIEW

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## Our submission

Horticulture New Zealand (HortNZ) thanks MPI for the opportunity to submit on the proposal to introduce a food business levy and welcomes any opportunity to continue to work with NZ Food Safety and to discuss our submission.

HortNZ could not gain an advantage in trade competition through this submission.

**THIS SUBMISSION IS FULLY SUPPORTED BY AND REFLECTS THE VIEWS OF THE FOLLOWING INDUSTRY PRODUCT GROUPS AND DISTRICT GROWER ASSOCIATIONS:**

*As of 15 March, this list is currently incomplete.*

Avocado New Zealand

Horticulture Canterbury Growers

New Zealand Apples and Pears Incorporated

New Zealand Passionfruit Growers Association Incorporated

New Zealand Tamarillo Growers Association

Persimmon Industry Council

Potatoes New Zealand

Process Vegetables New Zealand

Pukekohe Vegetable Growers Association

Summerfruit New Zealand

Tomatoes New Zealand

Vegetables New Zealand Incorporated

The details of our joint submission and the requests we are making are set out below.

# HortNZ's Role

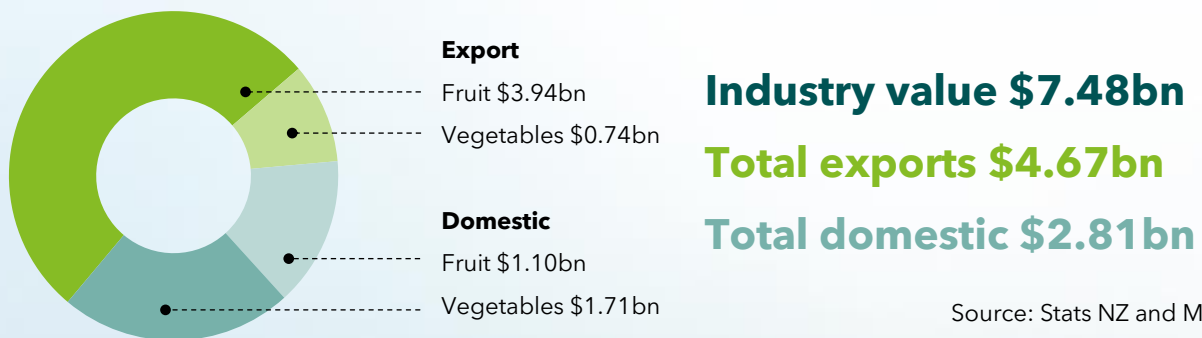
## Background to HortNZ

HortNZ represents the interests of approximately 4,200 commercial fruit and vegetable growers in New Zealand who grow around 100 different fruits and vegetables. HortNZ's purpose is to create an enduring environment where our growers prosper. This is done through enabling, promoting, and advocating for growers.

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.

The horticulture sector is important domestically. Horticulture plays a vital role in food security for New Zealanders with over 80% of vegetables and many varieties of fruits being grown for the domestic market. The sector also provides over 40,000 jobs.

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.



## HortNZ's involvement with food safety

HortNZ represents growers in pan-sector food safety policy, research, guidelines, advocacy, and social licence. HortNZ owns New Zealand Good Agricultural Practice (NZGAP) and is the host organisation for the NZ GLOBALG.A.P. National Technical Working Group. HortNZ has, for many years, advocated for recognition of industry assurance programmes like GAP in policy (including the Food Act 2014). HortNZ recognises that GAP programmes are an effective and efficient way for the objectives of the Food Act to be achieved in the horticulture industry.



# Executive Summary

## **NEW ZEALAND'S HORTICULTURE GROWERS ARE STRONGLY OPPOSED TO THE PROPOSAL TO INTRODUCE A ONE-SIZE FITS ALL LEVY FOR ALL FOOD ACT REGISTERED BUSINESSES**

- GAP-certified horticulture businesses view the proposed levy as unfair duplication for a sector that is already investing heavily in food safety standards.
- Most growers and packers of fruit and vegetables in New Zealand are GAP-certified, approximately 3,500 businesses.
- The food safety standards and assurance framework (i.e. audit frequency) applied under a GAP scheme meet national requirements and international requirements to ensure market acceptance. These standards are more rigorous than those required under National Programme 1 of the Food Act 2014.
- Consequently, the rate of non-compliance with the Food Act 2014 for horticulture is 50% lower than for other sectors like retail and hospitality.
- The service provisions outlined in this proposal would not result in sizeable improvements in food safety outcomes for the horticulture sector.

## **HORTICULTURE NEW ZEALAND DOES NOT BELIEVE THAT THIS PROPOSAL IS FOCUSED UPON TANGIBLE SERVICES THAT WOULD BENEFIT HORTICULTURE**

## **HORTICULTURE NEW ZEALAND REQUESTS THAT MPI FULLY RECOGNISES GAP CERTIFICATION AS THE MEANS BY WHICH HORTICULTURE SETS FOOD SAFETY STANDARDS AND ENSURES THESE STANDARDS ARE MET**

# Submission

## 1. The horticulture sector's approach to food safety

The production of safe, high-quality food is of paramount importance to horticulture as a sector. Through its widescale adoption of GAP schemes, the horticulture industry is already making considerable, ongoing investment to protect and enhance the health of domestic and international consumers of the fruit and vegetables grown in New Zealand.

### 1.1. What is GAP?

GAP stands for Good Agricultural Practice. It is **a framework that was developed by the Food and Agriculture Organisation of the United Nations**. The FAO definition of Good Agricultural Practices is *"practices that address environmental, economic and social sustainability of on-farm processes, and result in safe and quality food and non-food agricultural products"*.

Since the 1990s, GAP schemes consisting of principles and codes of practice have been developed across the world due to a growing demand for quality assurance. There two closely related schemes operating in New Zealand, NZGAP and GLOBALG.A.P. There are also a range of food safety programmes which apply to packing and processing facilities including BRC and SQF.

The **purpose of GAP certification is to provide assurance to customers and regulators that fresh fruit and vegetables produced in New Zealand are grown safely and sustainably**. The full scope of GAP certification standards covers food safety, social practice, and the environment.

Growers who are GAP-certified meet relevant food safety standards and can demonstrate that the necessary practices are in place to meet regulatory and market requirements. GAP standards undergo regular technical review and update to ensure the standards remain relevant and to reflect the latest research, guidelines, and regulations. Food Safety systems are not static, so **there is a focus on continuous improvement both at the scheme management level and at the level of implementation on the farm or orchard**.

#### 1.1.1. NZGAP

NZGAP<sup>1</sup> was established 25 years ago as a one-stop-shop for growers to meet a range of regulatory and market requirements with the top priority being the production of safe and suitable food. NZGAP consists of practical, cost-effective standards that have been specifically designed for New Zealand horticulture. NZGAP is formally recognised as a Template Food Control Plan under the Food Act 2014.

NZGAP is a not-for-profit business unit that is owned by Horticulture New Zealand. **It is primarily funded by the NZGAP participants**, i.e. the NZGAP-certified growers, packhouses, transporters and wholesalers.

<sup>1</sup> NZGAP website [Home \(nzgap.co.nz\)](https://www.nzgap.co.nz)



NZGAP has a programme which is officially recognised as having equivalence with the GLOBALG.A.P. scheme.

### **1.1.2. GLOBALG.A.P.**

GLOBALG.A.P.<sup>2</sup> has been in operation for over 25 years. Its Integrated Farm Assurance standard for fruit and vegetables was developed for industry by industry. This standard has consistently achieved Global Food Safety Initiative (GFSI) recognition. It is tried, tested, and trusted around the world. GLOBALG.A.P. is also **primarily funded by the GLOBALG.A.P. participants.**

GLOBALG.A.P. is also formally recognised as a Template Food Control Plan under the Food Act 2014.

## **1.2. Who is certified by GAP?**

Most growers in New Zealand hold GAP certification. All exporters and around 90% of domestic markets require certification for fresh produce. At the time of compiling NZGAP's 2023 activity report<sup>3</sup>, 1,341 growers held NZGAP certification as well as 51 packhouses, 19 transporters, and 56 wholesalers. In addition to this, approximately 2,000 growers in New Zealand hold GLOBALG.A.P. certification.

## **2. For GAP-certified growers, this proposal does not align with MPI's cost recovery principles**

The contents of this submission primarily relate to those growers that hold GAP certification. Many of our comments are not applicable to the smaller number of growers and other horticulture businesses that are not GAP-certified.

### **2.1. Transparency**

HortNZ does not believe that the services being prioritised for cost recovered funds would bring tangible benefit to the horticulture sector.

We would like to point out that GAP schemes are not even listed in Table 4.1.2., a table that purports to show the roles & responsibilities of different parties under the Food Act 2014. HortNZ sees this as an unfortunate oversight that reflects NZFS's general lack of understanding of the horticulture industry and its approach to ensuring food safety. This oversight also highlights the lack of a suitable equivalence pathway for GAP under the current Food Act and regulations.

### **2.2. Justifiability**

The major services being proposed (rule setting, registration, & compliance lifting) are services provided for already through the GAP schemes and paid for by growers. The GAP schemes have a long history of successfully providing these services and hence are best equipped to deliver them in the way needed to drive food safety outcomes.

HortNZ also considers rule setting, registration, & compliance lifting to be the expected day-to-day work of a government food safety department on behalf of the New Zealand

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<sup>2</sup> GLOBAL G.A.P. website [GLOBALG.A.P. | Smart farm assurance solutions \(globalgap.org\)](https://www.globalgap.org)

<sup>3</sup> NZGAP 2023 Activity Report [Annual Activity Report \(nzgap.co.nz\)](https://www.nzgap.co.nz)

taxpayers. We suggest, that as the NZ public are important beneficiaries of these activities, it is not justifiable to cost recover all expenses related to these activities from industry without a contribution from the Crown.

### 2.3. Efficiency

Under this proposal, GAP-certified growers would find themselves paying out more money for food safety assurance than they do now, but they would receive little to no extra benefits from the services that most of the levy would fund. **This is duplication and it is unnecessarily costly and inefficient.**

### 2.4. Equity

GAP-certified growers would almost certainly not benefit from five of the seven proposed services. Therefore, it is not equitable to ask them to fund these services.

In addition, from NZFS's own figures, the proportion of unacceptable outcomes from verification audits for horticulture (~3%) is less than half that of the retail and hospitality sectors. It is not equitable for a sector of food businesses that is already investing time and effort into globally recognised and more ambitious standards to pay extra money to improve food safety outcomes in sectors that do not have their own industry-led approach to food safety assurance.

Interestingly, unacceptable outcomes from GAP audits in New Zealand are rare. It would be interesting to know the proportion of GAP-certified to non-certified businesses in the 3% of non-compliant audits in the NZFS data.

## 3. The services detailed in this proposal do not offer benefits to GAP-certified horticulture businesses

This section provides answers to the questions posed in the submission template. All answers have been provided from the perspective of GAP-certified growers and other GAP-certified horticulture businesses. No comments are provided about the suitability or otherwise of the proposals for other sectors of food businesses or about the proposed imported food levy. Although, HortNZ fully expects that imported food must meet the same food safety standards as domestically produced food.

Furthermore, as HortNZ does not think the introduction of the proposed food business levy is justifiable for horticulture, no comments are provided about the suitability or otherwise of Option 1.

### 3.1. Domestic food safety and suitability rules

Q 3.1.1 Do you agree that [GAP-certified horticulture] businesses benefit from guidance and tools under this service, and are obliged to comply with any rules established, and therefore should pay for this service? Why or why not?

#### STRONGLY DISAGREE

All growers and other parts of the horticulture supply chain are obliged to comply with the rules under the Food Act 2014. There is no disagreement there. However, we strongly disagree that GAP-certified growers benefit from guidance and tools under the



Act. This is because GAP takes responsibility to ensure that the Food Act rules are included within the more numerous and more stringent rules that need to be followed to gain and maintain GAP certification. The GAP teams and other industry bodies also support growers to follow the rules and they follow-up in the unusual circumstance of there being a non-compliance. GAP-certified businesses pay for this service as part of their GAP fees; therefore, there is no benefit to them paying for support from NZFS even if NZFS contained the expertise to provide that support, which currently it does not.

Furthermore, the tools and guidance relevant to the Act do not generally align with or meet GAP standards, industry expectations or market requirements, which renders them inadequate for GAP-certified operators.

## 3.2. Oversight of co-regulator systems and services

**Q 3.2.1** Do you agree that [GAP-certified horticulture] businesses benefit from NZFS providing oversight of Territorial Authorities' regulatory practices for food businesses, and therefore food businesses should pay for the service? Why or why not?

### VERY STRONGLY DISAGREE

GAP-certified growers are not registered under the Food Act by Territorial Authorities nor do TAs provide oversight of their food safety practices. It is the GAP teams that register all GAP-certified growers (both NZGAP and GLOBALG.A.P.) under the Food Act directly with MPI. This is work that carries a significant administrative overhead for GAP. HortNZ requests that this in-kind contribution to the food safety system is properly considered and NZFS does not charge the horticulture industry for work it is carrying out itself.

## 3.3. Oversight of verification systems and services

**Q. 3.3.1** Do you agree that [GAP-certified horticulture] businesses benefit from greater consistency of training for verifiers and provision of verification services, and therefore should pay for the service? Why or why not?

### DISAGREE

From a NZ Inc perspective, HortNZ would be supportive of efforts to attain national consistency of verification services. However, this service would not be of benefit to GAP-certified horticulture businesses.

This is because a relatively small number of specialised auditors are approved to undertake audits of growers under the GAP schemes in New Zealand and oversight of these GAP-approved auditors is an integral part of the schemes. This oversight involves ongoing training and competency requirements in addition to the Food Act requirements. Furthermore, it is the GAP-certified growers who are already paying for this service through their GAP audit and certification fees.

It is also worth noting that GAP-certified growers are audited at least every three-years, with many requiring annual audits, e.g. for export purposes. This greatly exceeds the one-off verification required under National Programme Level 1 and demonstrates another area where **GAP schemes are providing a higher level of food safety assurance for growing operations than the Food Act regulations alone.**

### 3.4. Business education and support

Q. 3.4.1 Do you have any current difficulties in finding information about what you have to do under the Food Act, and what would you find useful to help you meet your responsibilities?

#### **NOT APPLICABLE**

The GAP standards are designed to ensure that growers who comply with them are meeting all domestic food requirements under the Food Act 2014. If there is a reason for a grower to require more information about any specific requirements under the Food Act, then the GAP teams direct them to the information they need. GAP-certified growers themselves are unlikely to be trying to navigate the NZFS website to find their requirements under the Food Act.

Q. 3.4.2 Do you agree that [GAP-certified horticulture] businesses benefit from up to date and accessible information and guidance, and therefore should pay for the service? Why or why not?

#### **STRONGLY DISAGREE**

The information NZFS provides is generic food safety information and because it is not tailored to growing operations it provides minimal support to growers.

The horticulture industry actively works with expert partners to develop tailored guidelines and best practice standards for the industry. The groups involved in this important work include: the individual industry product groups (who hold the specialist knowledge about growing requirements for their crops), the Australasian Fresh Produce Safety Centre, the NZ Food Science and Research Centre, and United Fresh.

### 3.5. Identify and deliver nationwide interventions to raise performance

Q. 3.5.1 Do you agree that [GAP-certified horticulture] businesses benefit from interventions to raise nationwide performance, and therefore should pay for the service? Why or why not?

#### **DISAGREE**

HortNZ would like to see NZFS engage in more of this type of work across the broader food sector. It is important work for ensuring the safety of the nation's food. However, generic food safety interventions applicable to retail and hospitality would be of minimal relevance to growers.

Management of non-compliance and food safety incidents are part of the GAP scheme requirements and are built into the cost of being part of the scheme. Therefore, they are already being monitored and managed at a GAP scheme level with the aim to improve food safety outcomes across the horticulture sector.

### 3.6. National monitoring programmes

HortNZ notes that although an explanation of national monitoring programmes is included in the proposal document, the proposed breakdown of expenditure of the levy does not allocate any of those funds to national monitoring programmes. Therefore, this is not actually a service being offered under this proposal.

**Q. 3.6.1** Are there risks you manage that are currently subject to verification that you consider would be better managed through a National Monitoring Programme instead?

#### **POTENTIALLY - BUT THIS WOULD NEED TO BE CAREFULLY DONE**

A National Monitoring Programme for residues in fruit and vegetables that was officially recognised by MPI could be of benefit. However, such a **programme would need to completely recognise and align with the industry monitoring programmes that are already required for GAP certification and market access.**

A move to merely increase the amount of testing performed on fresh produce would not represent money well spent nor result in an improvement in food safety outcomes for horticulture or for consumers.

A suitable NMP that was efficacious, cost-effective, and operable would need to be based on a holistic approach to risk assessment, management, monitoring, reporting and continuous improvement within the context of horticulture.

The horticulture industry does not have confidence that current MPI proposals are effective, workable, or affordable for the sector.

**Q. 3.6.2** Under what conditions and in which areas do you think a National Monitoring Programme could be established?

Food residue testing does already take place; however, MPI does not consider the current testing to be providing adequate assurance.

GAP and the horticulture members of the Plant Market Access Council have been discussing export assurance with MPI for years to no avail. While industry wants this long-standing issue to be resolved, we feel that an effective resolution will not materialise until MPI better understands the food safety system already operating under the Food Act and GAP.

### 3.7. Systems auditing

**Q. 3.7.1** Do you agree that [GAP-certified horticulture] businesses benefit from systems auditing, and therefore should pay for the service? Why or why not?

#### **POTENTIALLY**

Systems auditing could enable a more optimal and effective level of recognition of GAP programmes at a systems level rather than the partial recognition of component parts under the status quo. However, for this to benefit growers, there would need to be a focus on horticulture. Paying for sector analyses of retailers, hospitality and other food sectors would be of minimal benefit to growers.

### 3.8. Options for sharing costs among beneficiaries

Q. 3.8.1 Do you agree with the proposal to allocate costs for horticulture businesses based on the number of registered sites?

#### **STRONGLY DISAGREE**

Basing the levy on the number of registered sites is not a suitable proxy for business size in the horticulture sector. Some operators, particularly smaller ones, have taken a traditional grower approach and registered their individual blocks as sites. Counter to this, the biggest growing operations may only have one registered site. On behalf of growers, the GAP teams have been working with MPI for some time to find a solution to this and other Food Act registration issues among GAP-certified horticulture business.

Alternative approaches that may be more equitable for horticulture include:

- Basing the scale of the levy on the number of Food Act verifications required for a business, or
- Assigning a levy based on the level of risk of that operation (i.e. National Programme Level 1 = low risk, therefore has lower fees).

Q. 3.8.2 *If you are a Territorial Authority: Would collection of the Domestic Food Business Levy as part of existing registration processes (where possible) work with your existing practices? If not, through what mechanism would you prefer to collect the levy*

#### **DISAGREE - THIS WOULD NEED DISCUSSION**

For GAP-certified growers it is the GAP teams that register them under the Food Act. Adding the collection of a levy to this service that industry bodies provide NZFS would have to be discussed.

Q. 3.8.3 *If you are a Territorial Authority: What costs would you incur in the collection and transfer of levy payments to NZFS? Please quantify wherever possible.*

#### **YES**

There would inevitably be costs incurred in the collection and transfer of levy payments. Any agreement to provide this service to NZFS would need to detail how those costs would be covered.

### 3.9. Monitoring and review

Q. 3.9.1 Would you see value in annual industry reports on the use of levy funds?

#### **YES**

HortNZ sees transparent reporting as a necessity if this levy was introduced. Further, the level of reporting would need to be broken down by sector so that everyone could see the benefits that the levy fees they've paid have delivered to their sector.

One of the concerns being expressed by the horticulture industry is that levies usually start small and then increase in size at every review. Any increase in size of a levy could

only be justified if the levy had provided benefits to the people paying it. To know whether this is the case or not requires there to be adequate, transparent reporting.

Q. 3.9.2 Would generic reporting through the MPI website be a sufficient reporting mechanism for you? If not, what kind of engagement would you like to see?

## NO

Food safety is important to the horticulture sector, we invest a lot in it already and we would expect detailed reporting and in-person discussions about the work that NZFS has funded with the levy and how this has improved or will improve food safety outcomes for the horticulture sector.

## 4. Financial constraints on the horticulture sector

New Zealand's growers are already under considerable financial pressures as all costs have increased in recent years. For an increasing number it is simply becoming economically unviable to remain in business.

The Global Coalition of Fresh Produce commissioned an international survey to estimate these cost increases in different countries. The results are sobering with **50% of the New Zealand growers who completed the survey reporting that they were mostly breaking even, while 25% were selling at a loss**<sup>4</sup>. To illustrate this, a grower of high-quality hydroponic lettuces in Wairarapa informed us that while his direct costs to grow a lettuce total \$0.98, he is routinely offered less than that by retailers. Recently he'd been offered \$0.75 a lettuce by one of the supermarket chains. The net effect of these sorts of economics can also be seen looking at the figures produced by the tomato industry last year. Tomatoes NZ reported that 25% of small to medium-sized tomato growers had left the industry over a four-year period from 2019 to 2023.

These are the financial realities of growing fruit and vegetables in New Zealand in 2024. Our growers do not need, and many would not survive, further increases to the costs of producing food for our domestic and export markets. This is why **there is an outcry from across the whole horticulture industry at the prospect of a levy being introduced that does not bring tangible benefits for the sector** particularly when the sector already invests heavily in food safety.

## 5. An alternative approach to food safety assurance for horticulture in New Zealand

The future of New Zealand's horticulture sector relies upon the production of high quality, safe, and suitable food. New Zealand consumers expect and deserve this, and our ability to sell fresh produce on international markets demands it. For these reasons, **New Zealand's horticulture industries have proactively developed, operated, and maintain internationally accredited food safety assurance schemes.** Growers are understandably upset at the prospect of paying more money for food safety and seemingly subsidising the lifting of standards in other sectors of the food industry.

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<sup>4</sup> 2023 Global Coalition of Fresh Produce survey into production and operating cost and prices for fruits and vegetables [Producer-Costs-and-Prices-Report.pdf \(producecoalition.net\)](https://www.producecoalition.net/Producer-Costs-and-Prices-Report.pdf)

It is notable that the proposal document does not even recognise that GAP schemes are playing a role in New Zealand's food safety system. GAP is critical to the industry, it is tailored to the industry, and it is run by people who understand the industry. Rather than paying an extra Food Business Levy to improve the domestic food safety regulatory system, the **horticulture growers of New Zealand would like MPI to fully recognise GAP as the mechanism that delivers food safety assurance for the sector**. This would deliver ever improving food safety outcomes in the sector in the most cost-effective manner for both government and industry. Horticulture New Zealand would like to work closely with NZFS to make this a reality that works effectively for both parties.