

Biosecurity Operational Agreements & a Biosecurity Levy for onions

August 2017

Information for Onion Growers

1. Mandate for ONZ to become a partner in GIA operational agreements;
2. Vote to implement a Biosecurity Levy on onions.

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Over the coming weeks, ONZ will be consulting with onion growers with the objective of obtaining support for ONZ to;

- a) Sign up for Biosecurity Readiness and Response operational agreements (OAs) under Government Industry Agreement (GIA). This support will be formally requested at the AGM to be held October 18th 2017.
- b) Approve a new Biosecurity Levy on onions which will fund response activities in certain circumstances. Subject to approval of (a) above, this second approval (b) will be sought immediately following the AGM by way of an independently conducted electronic vote based on the same principles as for a Commodity Levy.

1) What is GIA and how did we get here?

In September 2015, Onions New Zealand Incorporated (ONZ) signed up to the Government Industry Agreement for Biosecurity Readiness and Response Deed (GIA Deed).

The GIA Deed outlines the principles of the partnership between the Ministry for Primary Industries (MPI) and each industry that signs the GIA Deed. Signing up to this agreement has meant that we have more of a say in how biosecurity risks to our industry are managed. It means we have a “seat at the table” when decisions are made about whether to respond to new pests that will have an impact on onion growers and marketers. It also brings us into a “partnership” with MPI and other horticulture (and agriculture) sectors. That partnership means that we are talking about and assessing potential biosecurity risks together, and commissioning research and readiness plans that reduce the chances of new pests establishing.

The GIA Deed has been many years in the making. ONZ, along with other industry groups, has been involved in negotiations on the GIA Deed agreement and its governance from the start. In 2012, the Biosecurity Act was amended to enable government and industry to work together in partnership through GIA. During 2014, ONZ consulted on joining GIA and members agreed by independent vote and subsequent endorsement at the AGM, to mandate signing.

Is GIA good for our industry?

On balance, yes. Historically the government, via MAF and now MPI, has taken full responsibility for biosecurity. We know that that system has not always proven to be as effective as industry demands. GIA allows us to be actively involved in assessing the effectiveness of the system, recommending improvements where required, planning for the risk of incursions and taking a lead role in the event of an incursion.



2) Operational agreements

When ONZ first consulted on signing the Government Industry Agreement for Biosecurity Readiness and Response Deed (GIA Deed) back in 2014, we committed to giving growers further information before we signed up to any “operational agreements” (OAs) under the GIA Deed.

Operational agreements are between the Ministry for Primary Industries (MPI) and one or more industries. They are a mechanism describing how the parties will work together to make joint decisions and share the readiness and response activities and costs for specific new pests (or group of pests). They are where the terms, decision making processes and costs are outlined and the basis for committing money and resources to biosecurity readiness and response.

More specifically, operational agreements:

- identify how to respond if the pest/s is/are found;
- determine in advance how costs will be shared;
- set a fiscal cap on spending during a response and for readiness activities for a particular pest or group of pests.

Caps may relate to how significant an impact the pest would have on our industry if it established.

Overall, an OA seeks the following outcomes;

- (i) New and emerging biosecurity risks are identified early and profiled (to assist in the informing of readiness activities);
- (ii) Readiness activities, which will measurably improve the ability to respond to biosecurity events, are identified and implemented;
- (iii) Surveillance activities, which improve the early detection of pests, are identified and implemented;
- (iv) Responses to biosecurity events affecting the sector are successful and cost effective;
- (v) Research and development underpins improved readiness and more effective response to biosecurity events.

What will operational agreements cost?

In 2014, when onion growers agreed to become a GIA Deed Signatory, there were no operational agreements in place and we did not know what they would look like for the onion industry and what the costs were likely to be.

Subsequently three OA's have been signed, one for fruit fly (FFOA) and another for Brown Marmorated Stink Bug (BMSBOA) and a single sector OA for the Kiwifruit and Kiwiberries sector. As onions are not a host of Brown Marmorated Stink Bug or Fruit Fly we are not a Signatory to either of the OA. However, as a Deed Signatory ONZ has been a keen observer of the process including various negotiations, which included deciding “cost shares” for Signatories, A great deal of goodwill and hard work by the Deed Signatories lead primarily by the Pipfruit and Kiwifruit sectors, has created a framework within which the various OA's can be fashioned to other pests/sectors as appropriate.

For the 2017-18 financial year, we have budgeted \$10,000 to the cost of developing an Onion OA readiness programme. Another \$9600 is budgeted for development of an Onion sector OA plus \$5000 for its administration. These costs can be accommodated within the current voluntary and compulsory funding lines of ONZ. Such costs will be ongoing annually.

What if we don't sign?

The reality is that the onion industry will be required to pay a share of the cost of “readiness” (research, surveillance) and “response” (when incursions occur) activities, whether or not we are a Signatory to any OA which has irrefutable scientific evidence that the sector would be a beneficiary. This covers not only production but also export market access. MPI plans to “cost recover” from those industries that benefit from such work but are not Signatories where equitable and efficient to do so. By being a Signatory, we get a say on how much it costs, and how it is carried out, to ensure the maximum benefit to onion growers.

In some OA's there are a number of beneficiary groups, including a large “public good” component if the pest is a public nuisance and attacks many native or amenity species. However we expect our concerns will be more specific to onions/alliums in which case we will often be the lead beneficiary and negotiator with Government (via MPI).

To this end we are more focussed on developing an Onion sector OA which will cover off the top priority pests of the most concern to our industry and sector.

These are;

- Onion Fly (*Delia antiqua*) – critical pest
- Center rot (*Pantoea ananatis*) – critical pest
- Onion thrips (*Frankliniella ewarti* and *F. fusca*)
- Leafhoppers (*Macrostelus quadrilineatus* and *M. striifrons*)
- Black onion fly (*Tritoxa flexa*)

Some of these pests may be in common with other allium and some solanaceous crops, and we will be talking to those product groups about joint agreements and cost shares.

When there is no OA in place for a specific new pest that arrives in New Zealand, then MPI and industry Deed Signatories who are directly impacted by that new pest would enter into a ‘rapid OA’ process to agree response cost shares and an OA fiscal cap.

The Onions New Zealand Inc board will be asking onion growers to agree to give it the mandate to enter into GIA OAs on their behalf, via a vote at the AGM on October 18th.



3) A proposed Biosecurity Levy on onions

Consultation to date

In June 2015, the ONZ board agreed to recommend to its grower members that a Biosecurity Levy be introduced for the purposes of responding to a major biosecurity threat to the onion industry and for which funding to meet commitments under the Deed were not available from reserves.

A tour of the growing regions was then undertaken at which the Biosecurity Levy concept and the board's recommendations was discussed. Meetings were held in Christchurch, Ashburton, Palmerston North, Hastings and Pukekohe.

The matter was further presented and discussed at the ONZ AGM of October 22nd 2015 held in Pukekohe.

While no dissent and full support was provided at these various meetings the ONZ board decided that further consultation was still required as the GIA concept was still evolving and given that a Biosecurity Levy is compulsory on growers, a full electronic vote should be taken at the right moment.

Rationale for such a levy

Along with the greater opportunity for representation, influence, and shared work on biosecurity readiness, comes a requirement to directly contribute to the costs of running biosecurity readiness and response programmes.

ONZ can and will fund all the "minimum commitments" of being a Deed Signatory from the voluntary marketer levy and compulsory grower levy under the Onions Commodity Levy. Minimum commitments include taking part in governance, development of OAs and developing onion specific biosecurity resources such as information regarding our priority pests.

Additionally, the ONZ board has for the past two years, made a specific reserves provision for biosecurity events. This reserve is currently in the order of \$400-\$450,000. From these funds it is considered that detections and low level incursion responses can be funded.

What is currently not provided for are major incursion(s)/high level response(s). These are industry threatening events of a scale similar to PSA on Kiwifruit, TPP on Potatoes, Tomatoes and Capsicums or Iris yellow spot virus. The board of ONZ has determined that it does not want the industry to carry large reserves for event(s) the timing and cost of which is indeterminable. However, given such responses will be critical and require utmost speed of implementation, an appropriate funding mechanism is required to be set in place.

A Biosecurity Levy under the Biosecurity Act and set initially at zero, is considered the most appropriate mechanism.



Proposed Biosecurity Levy Rate

The Onions New Zealand Inc board is proposing a Biosecurity Levy on Onions, with an initial rate of zero and maximum rate of \$600/hectare. (Ref table 1)

The Levy will **only** fund biosecurity-related responses.

A Biosecurity Levy does not require a vote as agreement at an AGM is sufficient. However, given the compulsory nature and overall importance of the levy, the board has decided to seek mandate by vote in the same format as used for the introduction of the Commodity Levy, ie acceptance will require 50% by number and 50% by volume of the growers who vote. This will be done by an agency independent of ONZ and will be conducted immediately after the AGM and provided mandate is granted for ONZ to enter into OA agreements on their behalf.

Table 1: Proposed initial and maximum rates for a new Biosecurity Levy on Onions, calculated by hectares declared planted :

Maximum Levy rate.	Initial Levy rate	Initial income per year*	\$ maximum income per year *
\$600/planted hectare	Zero	Nil	\$3,000,000

**Based on an industry planted area of 5000 hectares*

As a GIA partner, ONZ has a seat at the table of “response governance” for any new pests under an OA that impact onions and therefore has a say in how much will be spent in any response. MPI will cover the cost of a biosecurity response initially, and then calculate and invoice each industry’s share using a pre-agreed cost share model and repayment terms which will be set out in any applicable OA.

Currently the Commodity Levy on Onions is being collected from all commercial onion growers at the rate of \$2.50/mt. The Biosecurity Levy on Onions would be made under the Biosecurity Act and if triggered will be separate and additional to the Commodity Levy on Onions.

Tell me more about the fiscal cap

ONZ is proposing to set a fiscal cap under its OA of \$3,000,000 (\$600/ha) per year for significant and vital responses that are considered necessary to protect the onion industry. Subject to final negotiations this would give the industry together with the New Zealand Government via MPI, approximately \$6-7,000,000 per annum to fight any major incursion(s) that may arise. Typically, these would be pests and diseases that are known to cause extreme production loss or loss of access to export markets.

There are means of mitigating this worst-case example by negotiation as to final share of costs/benefits with MPI, Crown transitional discounts in the first few years and the ability to make contributions “in kind” to the industry share. Costs can also be shared with other sectors clearly impacted e.g. garlic. Even then, this doesn’t mean you as a grower should be expecting a bill for \$600 per hectare every year. The levy to be set at zero, is simply a high end precautionary tool to enable the board to act decisively when and if a threat appears and where urgent, decisive attention is clearly required. The board expects to seldom activate the levy and if so, only at a rate proportionate to the threat. Many incursions will require relatively small responses that ONZ will be able to meet through existing healthy operational reserves.

Who will have to pay the Levy?

All commercial onion growers in New Zealand. No commercial grower will be exempt from paying the levy.

The Biosecurity Levy will apply to all onions grown in New Zealand and sold in New Zealand or exported. It will also apply to onions grown for processing. The grower is responsible for paying the Levy. "Grower" means an individual or entity whose business includes the commercial growing of Onions in New Zealand for sale in New Zealand or for export.

A grower who objects on conscientious or religious grounds to paying the Levy in the manner provided for by this order may pay the amount concerned to the Director-General. The Director-General must pay the amount to ONZ.

When will the Levy be activated and how will the rate will be notified?

The Levy will be activated 28 days after the new Levy Order is Gazetted. This will occur after ONZ submits a Levy application to MPI, who then undertakes a process to have the Levy Order approved by Order in Council. This process is expected to take a year or more.

ONZ will notify growers directly when the Biosecurity Levy is to be activated by the ONZ board of Directors and what the actual rate is to be, through existing communication media including by a direct letter to growers, the NZ Grower magazine, the ONZ website and weekly newsletter.

Any changes to the Biosecurity Levy rate (up to the agreed maximum) would also be notified through those channels.

How will the Levy be spent?

The Biosecurity Levy will **only** fund biosecurity-related activities. Specifically, it will be used for meeting the Onion industry's agreed share of biosecurity readiness and response costs under an operational agreement. It will not fund other non-biosecurity ONZ activities, or any commercial or trading activity.

ONZ may invest Biosecurity Levy funds until they are spent.

Who will collect the Levy and how must it be paid?

Growers will pay the Biosecurity Levy against direct ONZ invoicing. This will be based on the latest October 15th annual hectares planted survey and accompanying statutory declaration.

ONZ will not retain a collection fee on the amount collected.

When is the Levy due?

Given the purpose of the levy the due date for payments is the 20th day of the month following the date of invoices from ONZ.

Penalty for late payment

If any Levy money (or any goods and services tax payable on that money) has not been paid on or before the latest date as described above, ONZ must add a penalty of 10% to the amount owing at the end of the first month that the debt remains outstanding, and a further 2% to the amount owing including any previous penalties at the end of each additional months the amount remains outstanding.

What records must growers keep?

Growers and ONZ must retain records, for each Levy year, for at least two years after the Levy year to which the records relate, of:

- The name, address, postal address and trading name of the grower; and,
- The amount of Levy paid to ONZ or the Director-General of the Ministry for Primary Industries for growers who are conscientious objectors; and,
- The hectares and statutory declarations that the Levies were calculated on; and,

ONZ may request, in writing, from a grower any information that ONZ reasonably requires for the purpose of determining the amount of Levy payable by the grower. Growers must provide these records in writing, if requested by ONZ as soon as is reasonably practical.

What records must ONZ keep?

- ONZ shall retain records for at least two years after the Levy year to which the records relate;
 - The amount of Levy paid to it; and,
 - The date on which the money is received; and,
 - The name of the person or entity who paid the money; and,
 - The manner in which the Levy funds were spent or invested.
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How will the Levy be reported on?

ONZ would report on Biosecurity Levy income and expenditure in an annual report and at the annual general meeting.

Will there be a process for disputes?

There will be a robust disputes process described in the Biosecurity Levy aligned to the Arbitration Act 1996. Note that the Minister for Primary Industries has the power to Audit the Levy Order and industry would pay the costs of any audit.



4) What next?

We welcome your comments on this proposal. Please give provide any feedback to Michael Ahern and /or James Kuperus (contact details below), by **Friday 20 October 2017**.

A vote on the GIA operational agreement mandate will be held at the Onions New Zealand Annual General Meeting (AGM) on the 18th October, 2017 in Pukekohe. All growers will have the opportunity to submit their vote in person or by proxy. Voting forms will be posted to growers along with the AGM papers.

If the vote at the AGM is successful, then ONZ will prepare an independent electronic vote for a Biosecurity Levy Order for Onions within a week following the AGM. It is expected the application and Levy Order drafting process could take up to 12 months before coming into effect. ONZ will notify growers directly when the Biosecurity Levy is in place, through existing communication media including the Grower magazine, the ONZ website, newsletter, grower forums and meetings.

For further information or to discuss any part of the proposal please contact:

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