

Levy increase factsheet | AUGUST 2018

B+LNZ consulted with farmers between 7 June and 13 July on a proposal to increase sheepmeat and beef levies from 60 cents to 70 cents for sheepmeat and from \$4.40 cents to \$5.20 for beef. This is 0.4% of the average slaughter value for prime steer/heifer, 0.7% cull dairy cow, 0.7% of lamb, and 1.1% of mutton over the last three years.

The proposed increase was to accelerate spending in four key areas:

1. International activation of the *Taste Pure Nature* origin brand and the Red Meat Story;
2. Helping our sector lift its environmental performance and reputation,
3. Telling the story of our farmers better, and
4. Strengthening B+LNZ's capability to address biosecurity risks.

It was the first proposed levy increase since 2012 and the proposed increases fell within the range supported by farmers in the 2015 Commodity Levies Act referendum.

During the 2015 referendum B+LNZ committed to come back to farmers to seek their views before increasing levies. Before making such a significant decision, we wanted to ensure farmers were comfortable with the direction that B+LNZ was proposing to head.

How did we reach farmers?

To make the most efficient use of levies, we incorporated the consultation on the proposed levy increase in our annual consultation with farmers and major existing events around the country. During those meetings, we discussed the proposal with over 1,000 farmers.

- 32 full consultation meetings across New Zealand.
- 11 presentations at field days and other major farming events
- Six webinars
- In addition to these formal meetings our Directors and Farmer Council members across the country had many conversations with farmers about the proposal and shared this informal feedback with us.
- All levy paying farmers received mailed consultation packs and texts and emails during the process
- Promoted the consultation in rural media with ads and news stories.

Results

- We asked three questions: 1) Do you support the proposed levy increase; 2) Do you support what we propose to spend invest the additional levies on; 3) Do you have any other feedback on how B+LNZ is investing the sheep and beef levies.
- We received 1881 submissions from farmers.
- 63 per cent of submissions (1184 in favour) supported the levy proposal
- 64 per cent of the submissions supported where we proposed to invest the additional levies
- Results were similar by weighted vote across our three main farm types:
 - 61 per cent support from beef
 - 64 per cent support from dairy
 - 65 per cent support from sheepmeat
- This was the highest number of submissions from any consultation process outside of the Referendum.



Summary of the feedback we received

- Farmers really took the time to provide detailed feedback on what B+LNZ was proposing. In general, there was support for the need to invest additional funds in the four proposed areas to help the sector to meet the challenges ahead. Some farmers felt that B+LNZ should be seeking to spend more. But on the other side, a range of farmers believed that B+LNZ didn't need an increase and they were concerned about rising cost pressures on their farm.
- B+LNZ will work hard to ensure that the additional levies are invested wisely and to maximise benefit for farmers. In terms of *Taste Pure Nature*, there are a number of measures we will put in place, including tracking the pick-up on the marketing activity, and tracking whether the price for New Zealand beef and lamb increases, especially in the key markets we actively launch the origin brand in. The latter measure is realistically a longer-term one. For our Environment Strategy, while hard to measure, our objective is minimising the cost of regulation from any policy changes. In Telling the Farmer Story better, we're intending to survey public perceptions and track over time whether there are improvements.
- Overall there was strong support for B+LNZ's proposal to increase its investment to ensure a strong launch of *Taste Pure Nature* and accelerate implementation of the environment strategy.
- There were concerns, however, from a range of farmers about avoiding duplication of effort with processing companies and other organisations in these areas. B+LNZ is working closely with meat processing companies and other groups to make sure all work is complementary. B+LNZ will not take any decisions on activation of *Taste Pure Nature* that are not supported by the processing companies.
- There was generally support for investing more on strengthening our biosecurity capability, but confusion as to whether the proposed levy increase would go towards the industry's *Mycoplasma bovis* contribution.
- The levy proposal is separate to the industry's share of the *M.bovis* response. The additional investment our levy proposal is seeking is to strengthen B+LNZ's internal capability to prepare for future incursions or issues. The industry's contribution to funding the *M.bovis* response costs is being negotiated between B+LNZ and DairyNZ, and will likely be raised by a separate biosecurity levy.
- There were concerns around the timing of the B+LNZ levy with *M.bovis* and uncertainty about what the additional costs may be for the *M.bovis* response. B+LNZ thought long and hard about going out to farmers at such a difficult time. If the levy increase was delayed the next opportunity to increase the levy would not be until October 2019 as we can only increase them that one time a year.
- There was generally strong support for the proposed increased investment in telling the farmers story.
- While there was pleasing support from dairy operations, a number were concerned about a duplication of efforts with DairyNZ and wanting to know more about how their levy was used to deliver benefits to them. We work closely with DairyNZ in many areas already such as building capability in agriculture and biosecurity, but we will build on this collaboration to achieve better outcomes and are intending to provide more regular updates to dairy farmers on the work B+LNZ is doing that delivers benefits to them.

Next steps from here

- Changes to levies will be gazetted in September
- Beef + Lamb New Zealand will inform meat processing companies of the change
- Levy changes will be advertised in farming publications
- The levy will be increased from 1 October 2018.