



Foundation for Arable Research Referendum

INFORMATION SHEET

Commodity Levies Vote 2017

Voting closes at: **12 noon on Wednesday 23 August 2017**

The Foundation for Arable Research (FAR) will invest in activities that will benefit growers of crops.

Farmers growing crops for grain and/or seed, and maize for grain and/or silage and cereal silage have been using and benefiting from the information provided by FAR over the past 22 years within their crop farming systems.

The purpose of this referendum is to seek levy payer support for new levy orders as FAR's current Levy Orders expire July 2018.

This is a routine renewal of the FAR levy orders, but we need farmer support, so please read and vote.

1. Commodities to be levied

There are three categories of commodity to be levied, so it is proposed that there will be three separate commodity levy orders. The three categories of commodity can be classified as follows:

- all grain and seed crops (except maize) harvested (Arable Crops)
 - all Maize seed sold for sowing (Maize) and
 - all Cereal Silage harvested (Cereal Silage)
- 1.1 For the avoidance of doubt, all growers of the crops outlined below, that are harvested, except Maize and Cereal Silage, come within the Arable Crops category and will pay the levy associated with the Arable Crops commodity levy.
- grain cereals (except Maize), and grain legume or pulse grain crops
 - herbage seed crops
 - oilseeds
 - crops grown for seed for use in New Zealand or overseas (including multiplication contracts)
 - hybrid and open pollinated vegetable and flower seed crops
 - excludes tree and fruit crops.
- 1.2 All growers of Maize grown for grain, seed, silage or grazing will pay the levy associated with the Maize commodity levy.
- 1.3. All growers of whole crop cereals or pulses cut after flowering for silage, or processed and stored for animal

feed or cereal hay will pay the levy associated with the Cereal Silage commodity levy.

- 1.4 A levy is to be imposed on each crop commodity outlined in point 1. The levy will be payable to FAR.
- All three commodity levies will come into effect in July 2018 and be in place for the term of the new levy order (being six years or such other term as determined under the Commodity Levies Act 1990).

2. Basis of the levy

- 2.1 For Arable Crops the levy is to be calculated as a percentage of the "selling price" of the commodity produced at the first point of sale. The "selling price" is exclusive of GST and will be calculated, before the addition of any normal storage increments, freight charges and before the deduction of any costs, commission or charges.
- 2.2 Where seed is grown for seed multiplication the levy will be paid at a "selling price" being the price the commodity would have attracted in field-dressed form at that locality (exclusive of GST).
- 2.3 Where the grain, oilseed or pulse commodity is processed before the first point of sale, or used in feed lotting, or intensive livestock farming or other similar activity or within an own farming enterprise (not traded) the "selling price" is the price the commodity would have attracted in field-dressed form in that locality.
- 2.4 For Maize the levy will be calculated on the number of seeds that a grower purchases from a retailer.

- 2.5 For Cereal Silage the levy will be calculated on the area harvested (hectares) at the time of harvest of the commodity.

3. Rates of Levy

- 3.1 The levy for the three classes of commodity (Arable Crops, Maize and Cereal Silage) will be set by FAR, in accordance within its rules, at different rates for each commodity. The initial levy rate for Arable Crops will be 0.9% all grain and seed and 0.6% for hybrid vegetable seeds of the selling price (GST exclusive), for Maize it will be \$1.00 (GST exclusive) per 10,000 seeds purchased and for Cereal Silage \$10.00 (GST exclusive) per hectare harvested.
- 3.2 The initial levy rates for Arable Crops, Maize and Cereal Silage will be effective immediately following the coming into force of the new levy order in July 2018 and shall apply thereafter until the end of the individual commodity's levy term. The levy term for Maize runs from 1 July to 30 June, the levy term for Arable Crops and Cereal Silage runs from 1 January to 31 December.
- 3.3 The levy rates may be altered by the FAR Board prior to the each levy year with the new levy rates to apply on the first day of that levy year.
- 3.4 If FAR has not set the actual levy rate before the beginning of the levy year, the levy payable for that year is the levy rate most recently fixed by FAR.
- 3.5 The maximum allowable levy rate for Arable Crops will be 1.5 % (GST exclusive) of the selling price. This is the current maximum allowable rate and allows for contingencies. Different levy rates may be set for different classes of Arable Crops.
- 3.6 The maximum allowable levy rate for Maize will be \$1.40 (GST exclusive) per 10,000 seeds. This will be at a single rate.
- 3.7 The maximum allowable levy rate for Cereal Silage will be \$25.00 (GST exclusive) per hectare harvested. This will be at a single rate.
- 3.8 The rates and the levy year to which they relate will be notified to growers and levy forwarding agencies in the FAR Newsletter and/or correspondence, on the FAR website and in the New Zealand Gazette.

4. Consultation on how the levy is spent

- 4.1 All growers will be able to have input on how the levy funds are spent:
- through their local Arable Research Group (ARG) discussing research and information transfer priorities
 - through attending FAR annual meetings, seminars and field days
 - through direct contact with FAR staff, Board members or Research Committee representatives and
 - through FAR carrying out dialogue/consultation with other industry good sectors.
- 4.2 The dates of meetings, seminars and field days will be advertised to growers.

5. Use of levies

The levies collected under the three levy orders will be invested or used by FAR on research and development, (including maximising the value of government investment in research) the provision of information, training and education and other industry good activities. FAR will not spend any levies on commercial or trading activities. Levy monies will also be used to cover the administration of FAR.

Person(s) responsible for paying a levy

- 6.1 The grower is primarily responsible for paying a levy for all arable crops grown for grain and seed (except Maize) at the first point of sale.
- Wholesalers (levy forwarders) include all dealers in grain and/or seed, including agents, merchants, feed companies, any person buying grain and/or seed as a constituent part of a compound to be sold and any purchaser of seed grown under contract.
 - If grain or seed is sold to a wholesaler (levy forwarder), it is the levy forwarder's responsibility to forward all levies to FAR.
- 6.2 For Maize seed, the retailer (levy forwarder), on behalf of the grower, will forward a levy to FAR at the time of purchase of the Maize seed.
- 6.3 For Cereal Silage, the grower will pay the levy to FAR at the time of harvest of the Cereal Silage crop.

7. Collection and payment of levies

- 7.1 Collection of levies will be as follows:
- Levy forwarders will be entitled to an optional commission fee that will not exceed one percent of the levy value of the commodity (excluding cereal silage which will not exceed five percent). A levy forwarder is a person whose business is or includes buying arable crops from a grower for resale; and includes a person who buys arable crops grown under contract, also a person who buys arable crops for the purpose of resale as a constituent part of a compound, and includes a retailer selling maize seed.
- All levies, inclusive of GST, will be forwarded to FAR.
 - The levy can be paid using the on-line system (www.far.org.nz) or FAR can supply forms to levy payers/forwarders
 - A Compulsory Annual Trading Return Form is to be completed and returned to FAR by growers and levy forwarders annually. This form is a legal requirement for growers, and levy forwarders to ensure they fulfil their obligation to forward / pay the levy to FAR. This applies to the period from 1 January – 31 December in any one year
 - A late payment penalty of 5% (for the first month and 1% compounding thereafter) of the levy amount will be charged on levy payments that are overdue.
- 7.2 Arable Crops – Payment of Levy
- When the crop is sold to a wholesaler, the wholesaler will deduct and forward the levy on behalf of the grower(s). The levy will in each case be deducted once only at the first point of sale stage by the wholesaler irrespective of the number of subsequent sales.

- For the avoidance of doubt, the sale price for grain and/or seed grown under contract will be the full contract price including any progress payments, deposits or any other payment in kind made to the grower of the seed.
- Growers selling to other buyers (eg other farmers), or feeding grain or using seed within their other farm enterprises for other uses (eg pig, dairy, sheep, deer, equine, poultry, or pasture re-seeding etc) will be required to pay the levy directly to FAR, except when the total annual value of use within their own farm enterprise amounts to a levy of less than \$50.00 excluding GST per annum (in which case payment of the levy will be exempted under point 8.1).
- The levy on any quantity of Arable Crops becomes payable on the day on which payment for that quantity becomes due or is made to its grower (whatever is earlier), or on the day the commodity was fed or used in an on-farm operation. For the avoidance of doubt, the levy for Arable Crops is levied on the grower of the Arable crops.
The latest date for payment is the last day of the month following the due date for payment.
- Any payment of less than \$2000 + GST for any month of trading can be held over and paid in the subsequent month, but payment must not be made at greater than quarterly intervals (exempt of late penalty payment).

7.3 Maize – Payment of Levy

- The levy on Maize will be forwarded to FAR by the retailer of the seed. The grower will be invoiced by the retailer for the levy at the same time that they are invoiced for the seed. For the avoidance of doubt, the levy for Maize is levied on the purchase of seed.

The levy on any quantity of Maize becomes payable on the day the payment is made by the grower. The latest date for payment is the last day of the month, following the due date for payment.

7.4. Cereal Silage – Payment of Levy

- The levy on any quantity of Cereal Silage becomes payable on the day on which the Cereal Silage was harvested, and the latest date for payment is the last day of the month following the due date for payment, except when the total annual value of use within their own farm enterprise amounts to a levy of less than \$50.00 excluding GST per annum (in which case payment of the levy will be exempted under point 8.3).

8. Exemption(s) from levy

- 8.1 No grower of Arable Crops shall be exempt from paying a levy, unless the following applies:
If the FAR levy to be forwarded for the period 1 January – 31 December in any one year on own grain or seed use is less than \$50.00 GST exclusive, this levy amount will be exempt.
- 8.2 No grower of Maize shall be exempt from paying a levy, unless the following applies:
- In the case of a Maize crop failure at establishment, resulting in a re-sown crop, any Maize seed purchased to re-sow areas of land in the same year will be exempt from the Maize levy, provided such purchase is verified by the retailer company representative.
 - In the case where an entire Maize crop is un-harvestable due to flooding or other climatic related disasters, growers will be refunded the Maize levy.
 - For the avoidance of doubt, standing Maize which is fed to stock shall be deemed to have been harvested.
- 8.3 No grower of Cereal Silage shall be exempt from paying a levy unless the following applies:
If the FAR levy to be forwarded for the period 1 January – 31 December in any one year on cereal silage for own use, is less than \$50.00 GST exclusive, this levy amount will be exempt.

9. Confidentiality & Records

- 9.1 Any grower, wholesaler, retailer or levy forwarder information provided as a result of the levy order will remain confidential as required by the Privacy Act 1996. The Privacy Act forbids the collection of information not essential to the levy or to the operation of FAR.
- 9.2 Every grower, wholesaler, retailer and levy forwarder must in every levy year keep records of the quantity of each crop produced, the sale price for each crop (or the purpose that the crop was assigned for if used within the grower's own farm enterprise), and the name and contact details for the buyer of the crops or the quantity of maize seed sold and the buyer of the seed. Records are to be kept for at least two years after the end of each levy year.

10. Conscientious objectors

Any grower who objects on conscientious or religious grounds to the manner of the payment of levies to FAR may pay the levy amount concerned to the Director-General of the Ministry of Primary Industries (MPI) who will pay the amount to FAR.



For further information please contact FAR:
Foundation for Arable Research (Incorporated)
PO Box 23133
Templeton, Christchurch 8445