

Recovery of the costs incurred by the Ministry for Primary Industries in administering the Organic Products and Production Regulations 2025

Stage 2 Cost Recovery Impact Statement

Agency Disclosure Statement

This Cost Recovery Impact Statement has been prepared by the Ministry for Primary Industries (MPI).

It provides an analysis of options to cost recover the cost of administering the Organic Products and Production regime embodied in the Organic Products and Production Regulations 2025 (the Regulations).

Assumptions

This analysis assumes that the number of organic businesses (“Operators”) in New Zealand currently is accurately described by industry research, client lists of organic certification bodies and exporters using MPI’s administrative organic export assurance system.

The analysis also assumes that nine percent of organic operators will choose not to maintain their organic certification when the system becomes mandatory in March 2028 (the Organic Standards Regulations 2025 enter into force on 31 March 2028). This will reduce the number of operators currently making organic claims by nine percent. This is based on MPI’s experience with implementing the Food Act regulatory regime, where five percent of operators ceased operating. We have used nine percent in our model, as organic operators have more flexibility to opt-into the regime.

This assumption reflects the main constraint to this analysis. That is, that the Organic Products and Production Act 2023 (the Act) states that if organic standard regulations are made, any person marketing organic products covered by that standard must be approved under the Regulations. However, this restriction only applies to the term “organic” or related words. It does not apply to products described as “spray free” or “natural” for example. Therefore, if an operator does not use “organic” in the labelling or other marketing, they are not bound by the Regulations and do not require services from MPI.

In theory, when the Organic Standards Regulations 2025 enter into force, operators who are certified organic under the current voluntary regime may elect to continue organic production but call their products ‘spray free’ or ‘regenerative’. As these words are not restricted by the Act, the operators will not need to be approved and will not be subject to cost recovery. In this scenario MPI will not incur (nor recover) any costs.

In practice, this is unlikely – around 600 operators are currently engaged (either directly or in the supply chain) in exporting organic products through MPI’s administrative organics programme. In addition, over 1100 operators currently voluntarily pay for third party certification of their products, which demonstrates a commitment to organic production.

In addition, the premiums received for organic products and value of exports is significantly more than the cost of being approved by MPI and in many cases will not be a substantial proportion of operators' turnover.¹ If the number of operators is significantly less than modelled, the costs will be spread across fewer operators and will therefore be higher. Anecdotally, it is likely that operators who do cease to make organic claims will be smaller operations (under \$200,000 turnover). If all these operators (approximately 370) ceased making organic claims, this would reduce total revenue by around \$28,000, or a reduction in all operator levy revenue of five percent.

The assumptions listed above take into account this constraint, and the costs in the model.

A discussion document with elements of a CRIS was originally published on 3 June 2025.

Fiona Duncan, Director, Regulatory Systems Policy



3 February 2026

Executive summary

What is the policy problem?

- The Organic Products and Production Act 2023 (the Act) has three purposes:
 - increase consumer confidence when purchasing products described as organic; and
 - increase certainty for businesses making organic claims; and
 - facilitate international trade in organic products.
- The Act is framework legislation, which is 'activated' once regulations are passed restricting the use of 'organic' for a class of products.
- Organic products usually attract a premium price (often 3-4 times the price of similar non-organic products), so the regime sets out requirements to ensure that domestic and international consumers can be confident that they are getting what they pay for.
- On 15 September the Governor General signed the Organic Products and Production Regulations 2025 (the Regulations) and the Organic Standards Regulations 2025 (the Organic Standard Regulations). The Organic Standard Regulations describe the processes businesses must follow to make organic claims about food, beverages and plant and animal products.

¹ Average annual costs of \$1.165 million represent 0.12 percent of the industry's value of \$0.989 billion (as per industry research (<https://www.oanz.org/nzmarket-report-2025>))

- From 31 March 2028, any business describing their food, beverage, or plant or animal product as organic will need to be approved by MPI and meet New Zealand’s standard for those products.
- The Regulations establish how businesses can become approved and maintain their approval. Regulatory impact analysis was conducted for the Regulations and the Organic Standard Regulations and can be found on the Ministry for Regulation website.²
- The proposals in this analysis will enable the regulatory regime to function effectively and achieve the purposes of the Act.
- Some aspects of the regime including investigations, prosecutions and policy advice are Crown funded. As previous bids for Crown funding for the administration of the regime have not been successful, only cost recovery options have been considered.
- In principle, the rest of the organics regime lends itself to recovery of most of its costs:
 - Importers, domestic producers and exporters are creating the reputational risks that the organics regime would be managing, and benefiting from the assurances it would provide, so in principle, it is fair for the organic industry to meet the costs.

The regime is voluntary (operators can choose not to claim organic), and there is a financial benefit to all operators who make organic claims as they gain a premium from the sale price relative to non-organic goods.

- The services to be provided in this regime are all either club or private goods.
- Section 69 of the Act requires MPI to take reasonable steps to recover the costs of services under the Act that are not funded by the Crown. Sections 139 and 140 of the Act authorises regulations to be made prescribing fees, levies and charges. If costs are not recovered, MPI would need to receive Crown funding which would be a subsidy of activities for commercial benefit.
- The total cost of the services MPI provides under the Act are estimated at \$1.165 million per year. These have been calculated using the costs of MPI’s administration of similar regimes, such as the Food Act, the Animal Products Act and the Wine Act.

What is the policy objective?

- The policy objective is to ensure the Regulations function effectively to protect consumer and business confidence and facilitate trade. For the Regulations to function effectively, the costs of administering the system need to be Crown funded or recovered.
- As Crown funding for the majority of costs has not been attained, the policy objective will be achieved by fully recovering costs while maintaining a net zero balance on average each year.

² https://www.regulation.govt.nz/assets/RIS-Documents/58411-Regulatory-Impact-Statement_-_Proposals-for-regulating-organic-businesses-in-the-primary-sector.pdf

- Success will be managed by the balance of the operating account.

What policy options have been considered, including any alternatives to regulation?

- Using MPI's knowledge of the costs of providing services under the Food Act, and draft Organic Product and Production Act process regulations, we identified a list of the services MPI will provide under the Act, the time it would take MPI staff to deliver each service, and how many operators we expect to use each service. The costs have been allocated either to a fee or a levy.
- The policy options were for:
 - fees for services (conferring a private benefit) based on MPI's standard hourly rate,
 - two levies: one for all operators (the all-operator levy) and one paid only by exporters (export services levy).
- The all-operator levy had the following options:
 - Option 1: a flat levy, or
 - Option 2: a base levy plus a variable levy based on the volume of good produced. This option was split into two sub-options:
 - Option 2A: a volume levy based on tonnes or kilolitres of product, or
 - Option 2B: a volume levy based on the class of product/s
 - Option 3: a levy based on turnover (based on an industry developed model received during consultation model received during consultation).
- The export services levy had the following options:
 - Option 4: A flat levy, or
 - Option 5: A base levy plus a variable levy per \$10,000 of free on-board value of products.
- We consider the costs are justifiable and have communicated them to the sector transparently. This analysis assesses the most equitable and efficient ways of allocating these costs.

What consultation has been undertaken?

- The public was consulted on the proposals around the method and basis for collection for a total of 10 weeks: an initial six-week period, which was extended for four weeks to enable to sector to develop its proposed turnover-based levy (option 3). MPI received 53 submissions.
- A combination of webinars, a discussion document, meetings with individuals and peak bodies and a survey were used to explain the proposals and seek feedback.

- In the first round of consultation a plurality of submitters preferred the industry-developed model for the all-operator levy (Option 3), despite it not being an option consulted on at that stage. Of the MPI proposals, most submitters preferred a base fee + a volume charge (Option 2) on the all-operator levy, with most preferring Option 2B. Many of these submissions were received before consultation was extended and the industry-developed model was considered.
- For the export services levy, most submitters preferred a base fee plus value-based charge for the export levy (Option 5) on the grounds that these allocated the costs more fairly than a flat levy (Option 4).
- After consultation was extended, a simple majority of submitters preferred Option 3, which was based on the model industry proposed in the first round of consultation.
- MPI conducted a second round of consultation for two weeks in November 2025. Submitters were asked to comment on the turnover bands in Option 3 and whether they preferred this option over Options 1 or 2. A clear majority preferred Option 3.

Are the preferred options in the Cabinet paper the same as preferred option in the RIS?

Yes

Conclusions

- The Minister of Agriculture’s preferred option for the all-operator levy is Option 3. The Minister’s preferred option for the export services levy is Option 5. Recovery of the cost of discrete services through fees is proposed.

Status quo

What is the context behind the policy problem and how is the status quo expected to develop?

1. The Organic Products and Production Act 2023 (the Act) enables the making of mandatory standards for organic products. The Regulatory Impact Statement for the Act argued the current voluntary certification system in New Zealand caused uncertainty for consumers and businesses as to what is considered organic. The Act was established to provide a legislative basis for organic claims which would increase confidence and facilitate trade.³
2. On 15 September the Governor General signed the Organic Products and Production Regulations 2025 (the Regulations) and the Organic Standards Regulations 2025 (Organic Standards Regulations). From 31 March 2028, any operator describing their food, beverage, or plant or animal product as organic will need to be approved by MPI and meet New Zealand’s standard for those products.

³ <https://www.mpi.govt.nz/dmsdocument/44401-Regulatory-impact-assessment-of-the-new-organics-legislation-and-regulatory-system>

3. Most products marketed as organic are food, beverages, or plant and animal products. The passage of the Organic Standards Regulations has triggered the requirement in the Act for businesses making organic claims about these products to be approved.
4. The Regulations set out what operators must do to gain and maintain approval from MPI to make organic claims about food, beverages and plant and animal products. The regulations also set out how MPI will recognise third-party agencies to provide evaluation, verification, and other relevant services on behalf of MPI. The regulations also establish registers of operators and allowable inputs for organic production. Regulatory impact analysis for the proposals covered by the Organic Products and Production Regulations 2025 was conducted in 2023.⁴
5. The regulations will fulfil the purposes of the Act:
 - a. increase consumer confidence in organic products: the regulations give consumers confidence that they are buying an organic product;
 - b. increase certainty for businesses to invest in organics: the regulations leave no doubt for operators about what is expected of them to be able to claim that their products are organic; and
 - c. facilitate international trade in organics: the regulations make provision to facilitate the export and import of organic food, beverages, and plant and animal products.
6. The proposals analysed in this document are aimed at funding the implementation of the Regulations. Without cost recovery, and in the absence of Crown funding, MPI would not be able to undertake the activities mandated in the Regulations, which would undermine the objectives of the Regulations: to increase confidence and facilitate trade.
7. The Act restricts operators from using words like 'organic' and 'organically grown' on labels or advertising unless they are approved. Some operators who are certified organic under the current voluntary regime may elect to continue organic production but call their products 'spray free' or 'regenerative'. As these words are not restricted by the Act, the operators will not need to be approved and will not be subject to cost recovery.
8. While organic products can be tested for spray residues, organic products cannot be tested to confirm their organic status. This is because organic status is attained through tracking and confirming ingredients, inputs and the process followed throughout production to the point of sale rather than the absence of pesticides. Under the current system this can cost producers more than \$2400 a year for independent certification against a private standard. Under the new regulatory regime independent verification will still be required, but against a New Zealand government-administered standard. The verifiers will not certify operators, but MPI will approve and register operators.

⁴ A regulatory impact statement for these regulations can be found at: https://www.regulation.govt.nz/assets/RIS-Documents/58411-Regulatory-Impact-Statement_-_Proposals-for-regulating-organic-businesses-in-the-primary-sector.pdf

Cost Recovery Principles and Objectives

What criteria will be used to compare options?

9. MPI's four Cost Recovery Principles will be used to compare the options:
 - a. Equity – Funding for a service should generally, and to the extent practicable, be sourced from the beneficiaries of the services at a level commensurate with their use or benefit.
 - b. Efficiency – Costs should generally be allocated and recovered in order to deliver maximum benefits at minimum cost.
 - c. Justifiability – Costs should be collected only to meet the actual and reasonable costs (including indirect costs) of the provision or exercise of the relevant service.
 - d. Transparency – Costs should be identified and allocated as closely as practicable in relation to tangible service provision for the recovery period in which the service is provided.
10. These principles are set out in MPI's cost recovery guidelines,⁵ the Act, and other legislation MPI administers.⁶
11. The principles build on each other with Transparency and Justifiability providing a foundation to the consideration of, and sometimes trade-offs between, Efficiency and Equity. MPI can only cost recover if it has sufficiently met the Transparency and Justifiability principles.
12. Once the Transparency and Justifiability principles have been met, the Efficiency and Equity principles state that the beneficiaries of a service should generally pay for that service. That is, beneficiaries should pay 100% of the costs unless there is a strong efficiency or equity reason why they should not.
13. A more comprehensive description of the principles and how they relate to each other can be found in MPI's cost recovery guidelines.⁷

Determining who should pay

14. MPI uses the principles to identify and assess options around who should pay. To summarise, beneficiaries generally pay for the services they use, unless:
 - a. Costs are not reasonable
 - b. Administration costs are excessive

⁵ [Ministry for Primary Industries Cost Recovery Policy Guidance](#), MPI Information Paper No. 2018/08

⁶ This includes the [Agricultural Compounds and Veterinary Medicines Act 1997](#), the [Animal Products Act 1999](#), and the [Animal Welfare Act 1999](#) which are relevant to the revenue and expenditure reviews, and to some design changes. The [Biosecurity Act 1993](#), which is relevant to some design changes, names only equity and efficiency.

⁷ <https://www.mpi.govt.nz/dmsdocument/30855/direct>

- c. Costs arise from externalities
- d. There are equity considerations, such as where small businesses are disproportionately affected by the costs.

Fees and levies have been calculated for a one-year period

- 15. Where fees and levies are set with the intention of fully recovering costs, MPI usually calculates charges by summing expected expenditure over three years, adjusting that sum up or down for any accumulated deficit or surplus, and dividing by expected volumes for the next three years. This approach is authorised by section 72(4) of the Act, which enables recovery in any financial year for shortfalls in cost recovery for any of the past four preceding financial years.
- 16. However, due to a recent internal policy change, the cost model has moved to an annual basis from the three-year basis. This means MPI is to recover costs in the year which they are incurred. This change will help to manage the uncertainty around whether all operators currently certified under the current voluntary system will remain in the regime once it is mandatory.
- 17. The approach will also require MPI to adjust the levies from year to year through the Annual Package process. The Annual Package process is where regulations are made amending cost recovery regulations administered by MPI. This process follows the standard regulations making process, including Cabinet, consultation regulatory impact assessment and drafting of regulations.
- 18. It is unlikely the Annual Review process will require changes to the fees component of the organics regime's cost recovery regulations, as the FTEs required for the fees components can be managed using fixed-term contracts for the required FTE. For the export services levy, the levy can be adjusted depending on the value of exports so is less sensitive to operator numbers.
- 19. This analysis will compare options against the status quo using the cost recovery principles of Equity and Efficiency. The status quo assumes without cost recovery, funding that would need to be provided by the Crown or services would not be offered.

Policy Rationale: Why a user charge? And what type is most appropriate?

MPI will incur costs when administering the organics regulatory regime

- 20. Section 69 of the Act requires MPI to take all reasonable steps to recover the costs of administering the Act that are not funded by the Crown. This requirement is identical for other regimes MPI administers such as under the Food Act 2014, the Animal Products Act 1999 and the Wine Act 2003. If the Act did not require cost recovery for non-Crown funded activities, MPI would need to receive Crown funding for all of its services provided under the Act.
- 21. MPI has not received any Crown funding for the administration of the regime, with budget bids for this being unsuccessful. Current activities for the implementation of the regulations are being funded as a cost pressure. This is unsustainable – once operators

enter the system from 1 July 2027 MPI will begin to incur expenses of around \$1.666 million per year.

Costs are justifiable

22. MPI administers the Food Act, the Animal Products Act and the Wine Act. Using the experience of these other regulation regimes, and the draft Organic Product and Production Act process regulations, we identified a list of the services (service catalogue) MPI will provide under the Act. The services provided under the other regulatory regimes are similar to those under the Regulations, which enabled MPI to estimate with a high degree of confidence the time it would take MPI staff to deliver each service. We used industry market research to estimate how many operators we expect to use each service.
23. The process of developing the service catalogue established a base of FTE and non-FTE costs required for the organics regime. The catalogue underwent extensive consultation internally and following feedback FTE requirements were scaled down to the minimum deemed necessary to provide the services.
24. The final FTE arrived at is 5.4. This comprises an average of 1.7 FTE for the all-operator levy, 1.6 FTE for the export services levy and 2.1 FTE for services covered by fees. These services were then categorised following the cost recovery principles as follows. The service benefits:
 - a. an individual operator (e.g. application to be approved) – The operator can market its products as organic once approved. This is an excludable benefit/private good and is suitable for a fee
 - b. the sector (e.g. maintaining the national organic standard) – this benefits every operator, and the use of the standard does not exclude other operators from using it (non-rivalrous). This is suitable for the all-operator levy.
 - c. export-facing operators (e.g. maintaining market access rules) – this benefits operators involved in exporting organic products as they can continue to access their preferred markets. This access is non-rivalrous and suitable for a levy. As only exporters benefit from this it is suitable for the export services levy.

The costs are reasonable

25. The total direct full time equivalent (FTE) and non-FTE costs were calculated; corporate overheads and other assumptions such as inflation and productivity were added and total expenditure on fees and the two levies were calculated using an in-house cost model. A breakdown of the FTE and non-FTE costs are attached as Appendix One.
26. The levy costs were then divided by the number of expected operators to fall into each levy category to arrive at a levy per operator. Fees were calculated by using MPI's standard hourly rate for that service and multiplied by the estimated time it would take to perform the service. Following consultation, MPI reviewed all the services and costs again to ensure the costs were justified. This is explained in more detail in the consultation sections.
27. Our assessment is that the services and costs described in the analysis below are justifiable, and the two rounds of formal, and multiple rounds of informal consultation undertaken meets the transparency principle.

Analysis of options

28. A brief outline of consultation that took place on the proposals will be followed by separate chapters for fees and the all-operator and export services levies. Each chapter outlines the proposals, analyses them against the assessment criteria and discusses the outcomes of consultation. Impact analysis, implementation and following sections are combined for both levies and fees.

Consultation overview

- 29. MPI undertook two rounds of public consultation on the cost recovery proposals. The initial consultation ran for six weeks in June and July 2025 with a discussion document available on MPI’s consultation website. Notice of the consultation was sent to the sector through the Organic News newsletter, which is sent regularly to 1000 recipients. During the consultation, MPI ran five online webinars on the proposals and held seven meetings with industry representatives and umbrella organisations such as Organic Winegrowers NZ, OANZ and Horticulture NZ.
- 30. Consultation was extended by four weeks at the request of OANZ, a sector organisation, so that OANZ could consult with members on an alternative method of collecting the all-operator levy, which would be paid by all approved operators.
- 31. Submissions were accepted by email and through a survey. Fifty-three submissions were received. Sixty-five percent of submitters were producers, and 32 percent were exporters. Retailers of organic products were highly represented, with 23 percent of submitters representing retailers. Nine submissions (17%) were from sector bodies, both organic focused and non-organic focused. Winegrowers and horticulturalists made up the majority (66%) of submissions by organic producers. Nine submissions (17%) from organic producers represented animal products.⁸
- 32. MPI held a second round of consultation in October 2025 on the modified OANZ proposal for the all-operator levy. A survey and consultation document were developed. Thirty-three submissions were received.

Activities to be recovered by fees

33. The following services provided by MPI are all private goods, and suitable for recovery by fees. A full list of the proposed services and fees is attached as Appendix Two:

Table 1: Fees-related activities

Class of activity	Detail
Operator approvals	Applications to become approved organic operators, renewals, amendments, and evaluations of industry-developed Organic Management Plan (OMPs) templates.
Export services	Issuing official assurances and statements of compliance, including amendments and reprints.

⁸ Some submitters fit multiple categories, e.g. producer/retailer so the total is more than 100 percent..

Class of activity	Detail
Input services	Listing, amending, and renewing trade name substances on the inputs register
Recognition services	Applications for recognised agencies, persons, and classes of persons, including renewals and amendments and accreditation assessments
Verification/audit services	Inspections and audits charged hourly

34. Fees are calculated based on estimated time to deliver each service, with additional hourly charges if time exceeds the base estimate. These fees are separate from the levies discussed in this analysis, which cover broader sector-wide services. As the fees are based on an hourly rate, there is a single option. Variable charges such as travel costs would be charged on an actual and real basis.

Fees for service

35. The projected costs and projected revenue relating to the fees are as follows:

Table 2: Projected costs and revenue relating to fees

Organics (Total)	2026/27	2027/28	2028/29
Opening Balance	0	0	0
Fee Revenue	162,975 (\$150/hr)	704,946 (\$150/hr)	453,918 (\$150/hr)
Fee Expenses	162,975	704,946	453,918
Surplus/(Deficit)	0	0	0
Closing Balance	0	0	0

There was little feedback on the proposed fees

36. A sector body suggested that costs relating to exports should only be recovered by fees rather than a levy. This suggestion was also made or supported by three other submitters. An exporter suggested MPI would need to ensure that fees paid by exporters under the Act would not be duplicated in the OOAP administrative programme.

37. A number of submitters thought that the Crown should pay for the costs of administering the organics regime due to the perceived benefits to New Zealand of organic production.

All-operator levy

38. The organics regulatory regime for food, beverages, and plant and animal products benefits consumers and businesses. Consumers pay a premium for organic products, and they benefit from knowing that they are receiving products that are truly organic. Businesses that produce, import or sell organic products benefit from the premium that organic products enjoy, and the potential for increased sales due to increased consumer confidence.

39. The all-operator levy is designed to recover costs for services that benefit the entire organic sector and are not easily attributable to individual operators. The following services covered by the all-operator levy are club goods that accrue to all operators and are suitable

for a levy. These services would require approximately 2.5 FTE on average and an annual average of \$175,826 non-FTE expenses in the years the levy is charged.

Table 3: All-operator levy services

Class of activity	Detail
Regulatory Oversight and Support	<ul style="list-style-type: none"> • Maintaining and improving the National Organic Standard. • Developing and delivering guidance, education, tools, and templates to help operators understand and comply with the rules. • Responding to enquiries from operators, recognised entities, and the public. • Negotiating trade arrangements and equivalence assessments (shared with the export services levy and discussed in that section below)
System Integrity and Monitoring	<ul style="list-style-type: none"> • Investigating complaints and managing breaches of regulatory requirements (shared with the export services levy and discussed in that section below). • Conducting system audits targeting specific rules or sectors. • Operating a sampling and monitoring programme, including lab analysis (shared with the exporter levy and discussed in that section below).
Infrastructure and Administration	<ul style="list-style-type: none"> • Maintaining IT systems and websites. • Maintaining public registers (operators, recognised entities, inputs). • Supporting and administering the Organic Sector Advisory Council (OSAC). • Monitoring and reporting on performance and efficiency of services and cost recovery.
Recognised Entity Oversight	<ul style="list-style-type: none"> • Establishing and maintaining requirements and training for recognised agencies and persons. • Providing guidance and oversight to ensure competency and compliance.
Inputs System Management	<ul style="list-style-type: none"> • Processing applications and updating the inputs register and Notice (3–4 times per year)

40. MPI asked submitters to comment on three specific components included in the all-operator levy. These services were seen to benefit all operators, despite components b and c prima facie benefiting exporters:

- a. whether an advisory council was valuable to the sector and how willing the sector was to pay its members, which are entitled under the Act to be paid
- b. whether to split the cost of assessing New Zealand’s organics regime compatibility with trading partners’ regimes as a prelude to trade agreements across the all-operator and export services levies. MPI’s view is that trade agreements benefit domestic operators through increased supply of ingredients

and production inputs so some contribution from domestic-only operators is justifiable

- c. whether to split the cost of a sampling and monitoring programme across the all-operator and export services levies. While this activity is required to provide assurance to trading partners, it also will increase New Zealand consumer confidence in the integrity of organic products they purchase, a key purpose of the Act.

41. These components are discussed more fully in the Consultation section, below.

42. Individual operators will all benefit from the activities identified above. However, there is no good way to identify how much each operator benefits from the services, nor how much each operator would be willing to pay. There are a few options for allocating the costs fairly and efficiently between operators. The options below each use a different proxy for benefit versus willingness to pay, these include volume of goods, volume of types of goods, a flat fee or turnover.

43. The proposed options for the all-operator levy are as follows:

Table 4: All-operator levy options

Option	Formula for rate of levy	Definition of terms	How this value is determined
Option 1: Flat fee	$a \div b$	<i>a</i> Costs to deliver services for the levy period (all-operator levy components)	To be tracked by MPI when cost recovery commences
		<i>b</i> Number of operators approved under the Organics Products and Production Act in the levy period	Actual number of approved operators in the MPI register in the levy period
Option 2A: Volume based levy Producer, processor Handling, retail	$\frac{a - (b \times c)}{d}$ $\frac{a - (b \times c)}{d} \times 20\%$	<i>c</i> Proposed base fee at \$250	Base rate proposed by MPI
		<i>d</i> The total volume (in tonnes) of organic products sold or handled by approved operators per levy period, proposed to be collected each levy period via a survey	To be calculated from the survey each levy period
Option 2B: Volume based levy	$\frac{a - (b \times c)}{g} \times \frac{e}{f}$	<i>e</i> The total value of the product category within the organic market in the levy period: <ul style="list-style-type: none"> • Fruit and veg • Meat and dairy • Processed products • Wine • Other 	To be calculated from the survey each levy period
		<i>f</i> The total value of the organic market under the regime (domestic and export) in the levy period	To be calculated from the survey each levy period

Option	Formula for rate of levy	Definition of terms	How this value is determined
		<i>g</i> The total volume (tonne) of organic products in that product category by approved operators in the levy period <ul style="list-style-type: none"> • Fruit and veg • Meat and dairy • Processed products • Wine • Other 	To be calculated from the survey each levy period
The rate of levy for Options 2A and 2B is to be multiplied by the volume (tonnes) of organic products sold or handled by the individual operator in the levy period.			To be surveyed each levy period
Option 3: Turnover based levy (preferred, based on industry submission)	<i>Set rate per tier</i>	In this option, each operator is placed in one of four tiers based on their turnover in organic products. <ol style="list-style-type: none"> 1. \$30,000 – \$199,999.99⁹ 2. \$200,000 – \$999,999.99 3. \$1 million - \$9,999,999.99 4. \$10 million+ Tier 1 includes retailers and/or handlers of organic products regardless of turnover.	Operator declaration based on turnover of organic products in last financial year. Levy fixed by tier

The level of the proposed fee and its cost components

44. The administration costs and projected revenue under the preferred option (Option 3 – turnover-based) for the all-operator levy will be NZ\$0.413 million annually (three-year average).

Table 5: Administrative costs and projected revenue – Option 3

	2026/27	2027/28	2028/29
Opening Balance	-	\$0	\$0
Levy Operators Revenue	\$0	\$530,990	\$707,557
Levy Operators Expenses	\$0	\$530,990	\$707,557
Surplus/(Deficit)	\$0	\$0	\$0

45. These costs will be spread across an estimated 1,050 operators (unless waived). The number of operators is calculated by taking the number of organic operators (including specialist retailers) in a recent industry report (1148) and reducing this by nine percent, rounded down ($1148 \times 0.91 = 1050$). This reduction is based on MPI's estimate of the number of food operators that ceased operating after the introduction of the Food Act levy in 2024.

⁹ Operators with under \$30,000 in organic turnover are exempt. The reasoning for this decision is explained more starting on page 17, below.

The level is set using a modified stakeholder-produced model

46. This approach intends to avoid a deficit over the three years covered by the model. If operator numbers are higher than expected, or expenses are lower than estimated, the number of operators could be adjusted during the annual review process to ensure over-recovery does not take place.
47. OANZ proposed a seven-tier levy structure for the all-operator levy based on operator revenue, with the first tier beginning at \$20,000 per annum, exempting operators between \$10,000 and \$20,000 from the levy. OANZ designed its levy to recover the average annual amount MPI proposed to be recovered in the first consultation (\$476,454). The OANZ model results in a lower number of operators than MPI consulted on due to the tiers starting from \$20,000 instead of \$10,000. The Organic Products and Production Regulations 2025 provide for a class exemption for operators earning under \$10,000 per annum.
48. The OANZ model is shown below. The effective levy rate is the proportion of average turnover that an operator will pay as a levy. This is calculated by dividing the levy by the mid-point of the tier * 100. OANZ set the midpoint of tier 7 at \$15,000,000 to retain an identical effective levy rate across tiers.

Tier	Revenue Band	Estimated Operators	Levy NZD	Levy Revenue
1	\$20 - \$49k	54	\$14	\$756
2	\$50 - \$199k	379	\$45	\$17,055
3	\$200 - \$499k	176	\$154	\$27,104
4	\$500 - \$999k	216	\$308	\$66,528
5	\$1M - \$4.99M	310	\$1,026	\$318,060
6	\$5M - \$9.99M	10	\$3,080	\$30,800
7	\$10M+	4	\$6,165	\$24,660

Total Raised: \$484,963

Total Paying Operators: 1,149

Effective Levy Rate: 0.041%

Figure 1: OANZ proposed all-operator levy model

49. The organics regulatory regime is new. MPI's estimates on how many operators it will affect is based on the client lists of organic certifiers, industry research and MPI's dataset of exporters using its Official Organic Assurance Programme (OOAP). The OOAP is an administrative scheme for exports that will be phased out under the new regime.

Why MPI modified industry's proposal

50. Stakeholders rejected Option 1 as unfair to both small and large operators, as it would over or under recover costs disproportionately to the benefits. Variations of Option 2 were also rejected by many stakeholders on the basis that they would be administratively expensive to calculate volumes of product. The proponents of the stakeholder-produced model (Option 3) claimed it was the fairest and most administratively simple to comply with. MPI concurred with this assessment and looked at how to implement Option 3.
51. The OANZ model is based on a survey of its members (n=95) and sets the levy at a rate of 0.041% of the mid-point of the tiers (effective levy rate). The model has a high number of operators in the \$1million+ tiers. If these numbers are wrong due to sampling errors, the

model risks under-recovering the levy. In addition, the levies under tiers 1 and 2 of the OANZ model would likely cost more to recover than they would raise in levies. On these grounds MPI did not consider the OANZ survey to adequately capture the number of operators in each tier.

52. MPI's OOAP data only capture those operators exporting to the European Union, Japan, United Kingdom, Norway, Switzerland, Taiwan and the United States under the OOAP. Using a model based on this dataset risks over recovering, as the dataset is not representative of the total market value of both domestic and exports for those operators and ignores exports to non-OOAP markets.
53. To overcome the under/over recovery issues of the OANZ and OOAP datasets, we scaled the OOAP dataset to better reflect the total market value of both domestic and exports. MPI's scaled model reduces the risk of over or under recovering until the number of operators entering the system is known more accurately in Year 2. Scaling was undertaken using the sector's most recent market report. We also adjusted the number of tiers. Four tiers provide a smoothing effect for any variations in operator turnover per year or operator numbers per year. We also experimented with two and three tiers, with levies calculated by formula for the top tier. These were discounted early because too few tiers would not spread costs fairly.
54. To remain as close to the OANZ model as possible the preferred option has a no-levy tier (tier 0), but the upper limit of this tier is set higher to further ease the financial burden on smaller operators. Tier 0 begins at \$10,000 because under the Organic Products and Production Regulations 2025 operators under \$10,000 do not need to be approved by MPI. The proposed tier 2 levy is set at the same level (\$349) as the flat fee (Option 1) proposed in the first consultation. The levies for the other tiers have been set at levels that enable sufficient cost recovery while keeping the effective levy rate close to lower tiers.

Sensitivity analysis

55. The 1050 operators used in MPI's model is a conservative estimate to ensure MPI can recover its costs, even if the number of operators turns out to be lower than expected. The table below compares the number of operators for each of the three models MPI used to calculate the all-operator levy. In each model, assumptions were made about the turnover of the sector, and if accurate, how many operators could be expected to be in each tier given the proposed levy for each tier. The middle model, Option 3, sits between the models. The table does not account for pro-rated levy amounts, so the revenue raised is theoretical, not modelled.

Table 6: Option 3 operator numbers

	OANZ	OOAP Scaled (Option 3)	OOAP
Tier 0	191	154	177
Tier 1	288	391	489
Tier 2	260	318	266
Tier 3	306	185	114
Tier 4	4	4	4
Total operators	1049	1052	1050
Total turnover of organics sector (\$million)	\$1,915	\$1,115	\$885
Levy revenue raised in FY 2028/29	\$1,024,440	\$707,557	\$494,409

56. The above estimate assumes that operators will accurately declare their turnover, and that their turnover stays constant, and that they do not shift production or employ creative accounting to reduce organic turnover to minimise the levy paid.

The modified industry model has a different effective levy rate

57. MPI’s four tier revenue-based model is below. The mid-point used to calculate the effective levy rate for tier 4 is \$30,000,000. This is the mid-point based on MPI’s data about the four operators in this tier.

Table 7: Option 3 levy levels

Tier	Annual revenue	Number of operators in tier	Proposed levy (effective levy rate %)
0	\$10,000 to \$29,999.99	154	Waived
1	\$30,000 – \$199,999.99	391 ¹⁰	\$75 (0.065)
2	\$200,000 – \$999,999.99	318	\$349 (0.058)
3	\$1,000,000 – \$9,999,999.99	185	\$2,850 (0.052)
4	From \$10,000,000	4	\$10,000 (0.033)

¹⁰ This includes 21 retailers which are proposed to pay the Tier 1 levy regardless of turnover.

58. The effective levy rate is different than for the OANZ model (0.041% for each tier) for three reasons:
- a. MPI’s original consultation was undertaken before OANZ’s 2025 Market Report was released. Instead, we used the 2021 Market Report’s projected growth of the sector to estimate numbers of operators. We have revised the number of operators in the model based on the 2025 Market Report. The expected number of operators is now closer to 1,050 over three years, not 2000 as originally modelled.
 - b. The number of tiers is different.
 - c. The consultation cost model understated personnel costs by \$100,000. While this number was revised down significantly by phasing implementation of the compliance regime, the reduced number of operators spreads the cost over a smaller pool of payees.

59. The following table compares the OANZ model with MPI’s model.

Table 8: Comparison of OANZ and MPI-adjusted models

	OANZ model	MPI-adjusted OANZ model
Number of operators (total)	1149	1052
Number of levy paying operators	1149	898
Total revenue raised 2027/28	\$484,963	\$530,990 ¹¹
Effective levy rate	0.041%	0.058% (median)

Analysis of the all-operator levy options against the cost recovery criteria

60. The following table analyses the options for the all-operator levy against the status quo using the criteria of Efficiency and Equity. The status quo assumes without cost recovery funding would need to be provided by the Crown or services would not be offered.
61. Table 9 shows the turnover-based levy (option 3) best meets the outcomes. Option 3 will leverage information that operators already need to produce for financial reporting, so will be administratively simple to collect. It will be the most equitable solution, with larger operators paying more than under other options.

¹¹ Noting that the levy amount for subsequent years would be amended through the Annual Review process if over-recovery occurred.

Table 9: All-operator levy options

Criterion	Option 1 – Flat fee	Option 2A – Base fee plus simple volume charge	Option 2B – Base fee plus category-based charge	Option 3 – Turnover based charge
<p>Equity</p> <p><i>Funding for a service should generally, and to the extent practicable, be sourced from the beneficiaries of the services at a level commensurate with their use or benefit.</i></p>	<p>--</p> <p>Under this option an operator turning over \$50 million will pay the same as an operator turning over \$50,000. The benefits of the services covered by the levy accrue disproportionately to larger operators.</p> <p>This option is sensitive to the number of operators in the regime as each operator contributes equally to covering the costs. For example, if the number of operators is 40% less than modelled, a flat fee is likely to be 40% higher per operator.</p>	<p>+</p> <p>This option is more equitable than the flat fee as larger producers (e.g. thousands of tonnes) pay proportionally more. Smaller producers (e.g. producing only a few tonnes) will pay mostly the base fee.</p> <p>Under this option, producers of low value, high weight products would carry some of the costs of high value, low weight products.</p> <p>Retailers would pay 20% of the rate, reflecting their position at the top of the value chain and minimal processing.</p>	<p>++</p> <p>This is also more equitable than Option 2A as the volume charge is based on the class of product. This would ensure producers of low value, high weight products would not be subsidising producers of high-value, low weight products.</p>	<p>++</p> <p>The waiver of the levy for operators with low turnover will help to defray compliance costs for very small operators – operators with turnover less than \$30,000 will have disproportionate compliance costs</p>
<p>Efficiency</p> <p><i>Costs should generally be allocated and recovered in order to deliver maximum benefits at minimum cost.</i></p>	<p>++</p> <p>Administratively straight-forward, with reduced costs of collection.</p>	<p>+</p> <p>This option is less administratively efficient than Option 1, which might outweigh the benefits of a lower levy for smaller operators. Under this option, approximately 72% of the total expenditure will be recovered via the base rate</p>	<p>-</p> <p>This option is less efficient than the flat fee as larger producers (e.g. thousands of tonnes) pay proportionally more. Smaller producers (e.g. producing only a few tonnes) will pay mostly the base fee.</p>	<p>+</p> <p>Turnover would be self-reported by operators through a survey, based on their previous year’s financial performance. This option uses information that government already requires operators to collect. This will be</p>

Criterion	Option 1 – Flat fee	Option 2A – Base fee plus simple volume charge	Option 2B – Base fee plus category-based charge	Option 3 – Turnover based charge
		<p>providing greater certainty in collection for MPI.</p> <p>The remaining 28% would be recovered via a tonnage formula and would require a survey of operators. This would require heavy administrative burden on MPI and operators, as operators do not currently record volume data. However, should operators under report volume via the survey, the majority of costs are still recovered.</p>	<p>As for Option 2A, except it would incur higher administrative costs and compliance burden than Option 2A due to the granularity of the charges. For example, an operator producing products in multiple classes would incur more compliance burden than operators in a single class.</p>	<p>simple for operators to report to MPI.</p> <p>This option is also more efficient than the volume options, as it will not require operators or MPI to collect volume data – a simple survey will enable operators to comply easily. IT is less efficient than Option 1, as it will require a survey.</p>
Overall assessment	0	+	+	++

Key:

- ++** Best meets the objectives
- +** meets the objectives
- 0** neither meets nor does not meet the objectives
- does not meet the objectives
- significantly does not meet the objectives

Consultation feedback on the all-operator levy

62. In the first round of consultation the OANZ model for the all-operator levy received the highest support (for simplicity, Option 3 in Figure 2), despite the option not being in the consultation document, and despite half of submissions being received before consultation was extended to allow OANZ to develop its model. Variations of a volume-based levy were strongly supported – in aggregate the volume-based options (Option 2) had the most support.

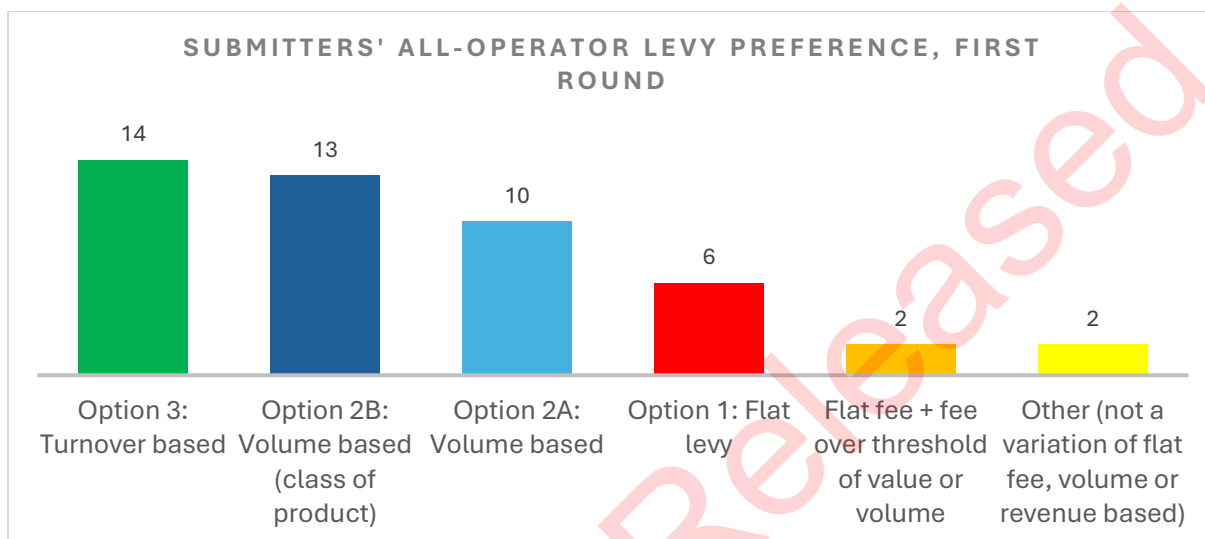


Figure 2: Submitter support for all-operator levy options (first round)

63. This feedback changed in the second round of consultation. As shown in Figure 3 below, 26 of the 33 submitters (81 percent) that provided feedback on MPI's modified OANZ proposal (Option 3) favoured a turnover-based approach over either the flat fee or a volume-based levy. No submitters favoured a volume-based option, a significant departure from the first round of consultation where 49 percent preferred this.

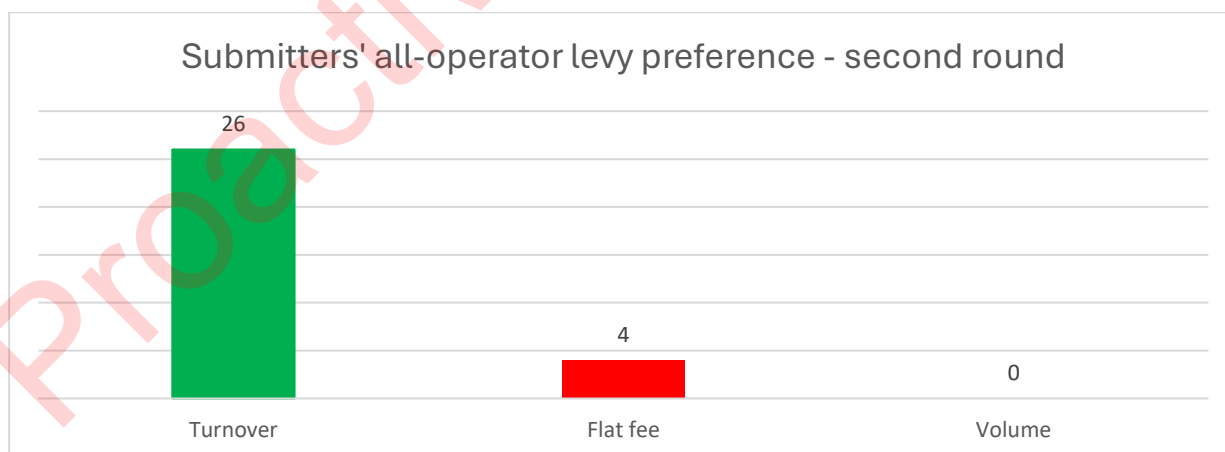


Figure 3: All-operator levy preferences second round

64. Supporters of the modified OANZ proposal covered most of the sector, including very small operators, Horticulture New Zealand, Zespri, BioGro (a certifier) and Fonterra. Nearly half of submitters referenced fairness as their reason for their preference, and 28 submitters (85 percent) thought it would be administratively simple to comply. One submitter from the

second round of consultation thanked MPI for taking the time to listen to the sector and making things easier to comply.

Submissions on an advisory council were inconclusive

65. The Act allows establishing an advisory council to advise the chief executive of MPI on matters such as organic standards or implementation of regulations. We asked submitters how valuable an advisory council would be, and should members be paid? Roughly a third of the 26 submitters responding to this question agreed an advisory council would be valuable, a third did not agree, and the remainder were neutral. There was strong consensus that the costs of administering the advisory council and paying its members should not be recovered as required by the Act.
66. Based on consultation feedback we propose that an advisory council should not be established in the first two years of the cost recovery period. This will reduce costs, while enabling an advisory council in Year 3 (for example, to support a cost recovery review). MPI will use existing relationships and informal consultation to gather advice and feedback from the sector in the absence of a formal advisory council.

Splitting the cost of equivalence assessments against trading partner standards across both levies was not supported

67. MPI proposed that equivalence assessments against trading partner standards should be split between the export services levy and the all-operator levy. Our rationale for this approach is that equivalence assessments benefit the whole sector.
68. Equivalence assessments are precursors to equivalence agreements. Equivalence agreements enable easier market access for exporters, and a streamlined import pathway for importers. As many domestic operators use imported ingredients and imports in production, equivalence agreements benefit the whole sector. Only five of 29 submitters supported this proposal, with ten neutral. Most submitters focused on the perceived lack of benefit to non-exporters.
69. MPI still recommends this approach. Exporters are approximately half of the sector. By dividing the costs of equivalence assessments equally between the exporter and all-operator levies, operators providing products exclusively for the New Zealand market would contribute a quarter of the costs. Equivalence assessments benefit the whole sector by ensuring suitable inputs for organic production and processing are available for both domestic and export-focused operators. Many inputs are imported.

Submitters opposed splitting sampling and monitoring programme costs across both levies

70. A sampling and monitoring programme is an important part of providing trust and confidence to all consumers and trading partners as they give a snapshot of whether organic products do not have non-approved inputs applied or processes including gene technology have not been used. A sampling and monitoring programme would take samples from five percent of operators every year to test for substances prohibited in organic production and processes.
71. This would match the proportion of operators tested in Australia's sampling and monitoring program. The proposed monitoring programme would support trust and confidence in New Zealand organic products from both domestic consumers and trading partners providing benefits to both domestic-only producers and exporters. Splitting the costs of

administering a sampling and monitoring programme between all payers of the all-operator levy and of the export services levy was proposed.

72. Fourteen submitters were neutral on this proposal, with nine opposed and five in agreement. We continue to recommend this approach, as it would mirror monitoring programmes across our other domestic regulatory systems. Both exporters and domestic operators benefit from this programme as it provides the public confidence in the system as a whole. Exporters would still pay most of the cost of a sampling and monitoring programme as they comprise over half of all operators and pay both levies.

Responding to and managing breaches of regulations should be paid by the sector

73. MPI proposed that the costs for administering the compliance system should be met by the sector, as they are for other regulatory regimes (excluding investigation and prosecution costs). Any non-compliance will affect all operators, not just exporters. While a third of submissions agreed effective enforcement was critical to the success of organic regulation, half of submitters who responded to this section disagreed that the proposed costs of this were reasonable.
74. Compliance activities will have higher value when the organic standard for food, beverages and plant and animal products is mandatory, and all operators are coming to terms with the requirements. Not recovering these costs would be inconsistent with how cost recovery is done for other sectors and put cost pressure on MPI. We recommend retaining compliance within the all-operator levy, as unlike food safety regulation, the benefits of organic regulation accrue to organic operators more than the public.

Export services levy

75. The export services levy is proposed to recover costs for services provided by MPI that support organic exports. These services would require an average of 2.4 FTE and annual non-FTE costs of \$80,100 in the year the levy is charged.
76. Exporters benefit from not needing to have separate certification for markets with which the Government has negotiated market access through equivalence agreements. The following services are suitable for a levy:
 - a. trade negotiations and equivalence assessments.
 - b. development and maintenance of export rules and Notices.
 - c. support for overseas audits and reporting to trading partners.
 - d. management of export non-compliance, including recalls and communication with overseas authorities.
 - e. sampling and monitoring (shared with the all-operator levy).
 - f. IT systems and website maintenance related to exports.
77. Operators in the export supply chain directly benefit from services such as market access negotiations. The benefits of these market access negotiations are realised after the expense occurs. For this reason, all operators in the export supply chain (not just those requesting official assurances) will pay this levy. This includes producers, processors, and

exporters of organic products. MPI estimates 500 operators including exporters and their supply chains fall within this group.

78. The component of the export services levy relating to trade negotiations and equivalence assessments is shared between the all-operator levy, the export services levy and the Crown. This is suitable for a levy because when exporters begin to pay the levy, they are enjoying the benefit of trade having been established to their export markets of choice and technically not paid for. However, they are contributing towards future work in trade arrangements. As many domestic operators use imported ingredients and imports in production, equivalence agreements benefit the whole sector.
79. We consider the sampling and monitoring programme to benefit to the whole sector, both exporters and domestic only operators. While a programme is expected by our trading partners, it benefits domestic operators as it contributes to trust and confidence for consumers.
80. By allocating 50 percent of both the sampling and monitoring programme and the trade negotiation costs to the all-operator levy, exporters pay around 75 percent of the cost of this programme – 50 percent through the export services levy and 25 percent through the all-operator levy.
81. There are two options for collecting this revenue.

Table 10: Export services levy options

Option	Formula for rate of levy	Definition of terms	How this value is determined
Option 4: Flat rate	$h \div i$	<i>h</i> Costs to deliver services for the levy period (export services levy components)	To be tracked by MPI when cost recovery commences
		<i>i</i> Number of exporters and operators exporting, producing or processing products to an export standard under the Organics Products and Production Act in the levy period	Actual number of approved exporters and operators in the MPI register in the levy period exporting, producing or processing products to an export standard under the Organics Products and Production Act
Option 5: Base fee plus per \$10,000 FOB (preferred)	$\frac{h - (i \times k)}{j} \times 10000$	<i>j</i> The total FOB (free on board) value of export to markets where there is equivalence negotiated with the Organics Products and Production Act	To be calculated from the survey each levy period
		<i>k</i> Proposed base fee at \$250	Base rate proposed by MPI
Rate of levy for option 5 is to be multiplied by the FOB value (per \$10000) exported by the individual exporter in the levy period. For producer and processors of exported products, only the base rate of \$250 (<i>k</i>) is payable. Under this option around 21 percent of the total levy would be recovered by the base fee (<i>k</i>), with the remaining 79 percent recovered by the dollar rate.			To be surveyed each levy period

Export services levy levels

82. The total costs for administering export services are \$0.312 million per year (three-year average) as demonstrated in the following table. The expenses for 2026/27 are zero as no exporters are anticipated to be in the system until 2027/28:

Table 11: Export services levy administrative costs and revenue

Organics (Total)	2026/27	2027/28	2028/29
Opening Balance	0	0	0
Levy Exporters Revenue	0	340,690	594,705
Levy Exporters Expenses	0	340,690	594,705
Surplus/(Deficit)	0	0	0

Analysis of the export services levy options against the cost recovery criteria

83. Table 12 shows the fee + FOB value charge (option 5) best meets the outcomes. Option 5 will leverage information that operators already need to produce for export, so will be administratively simple to collect. It will be the most equitable solution, with larger operators paying more than under Option 4.

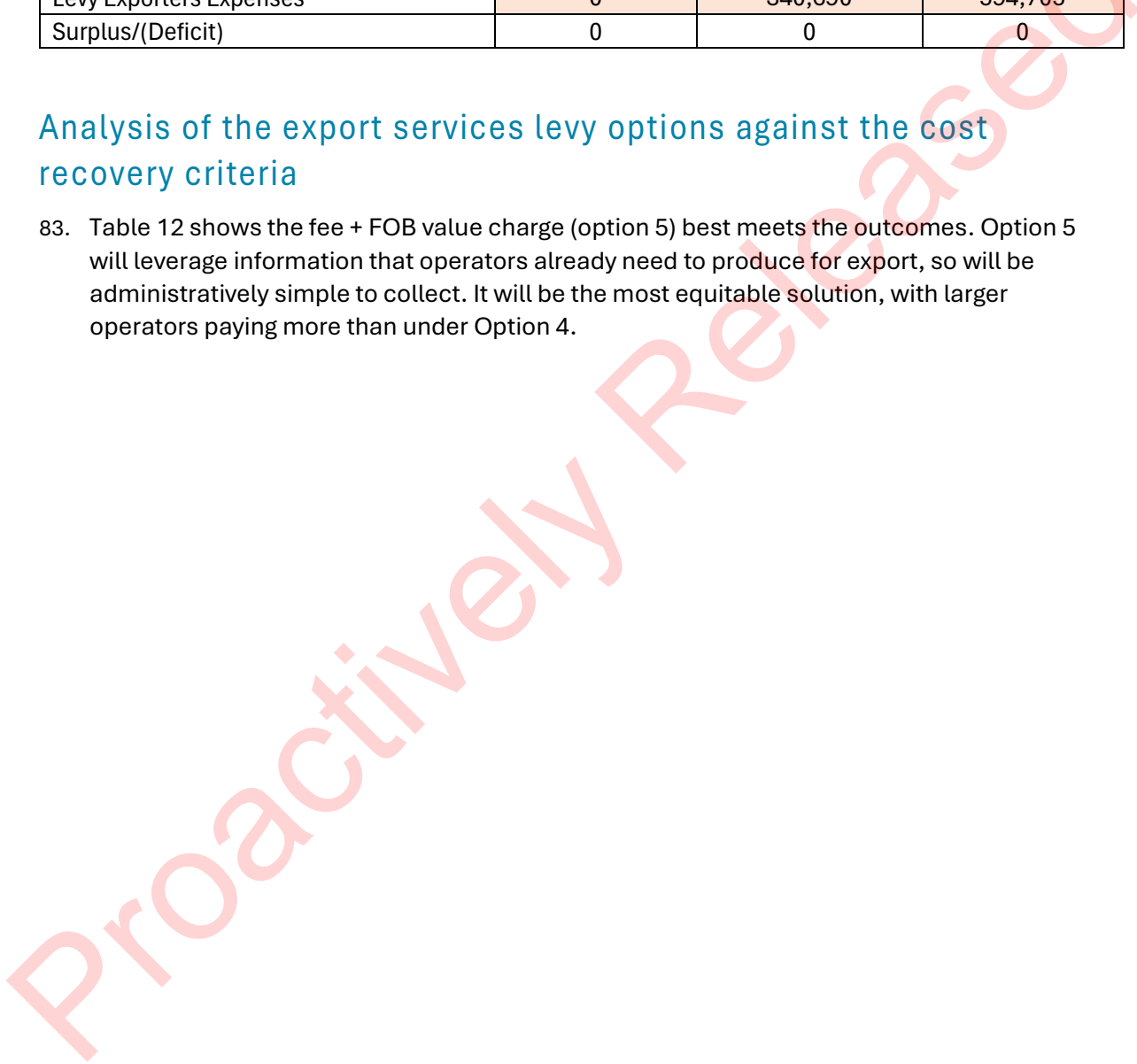


Table 12: Exporter levy options

Criterion	Option 4 – Flat fee	Option 5 – Base fee plus Free On Board charge
<p>Equity</p> <p><i>Funding for a service should generally, and to the extent practicable, be sourced from the beneficiaries of the services at a level commensurate with their use or benefit.</i></p>	-	++
	<p>Less fair than Option 5 – small exporters will pay the same as very large exporters, effectively carrying some costs for large exporters.</p>	<p>Fairer than Option 4 as every exporter contributes to the system. It scales with size, although this scaling is not linear. The less linear nature of the option reflects that an exporter which is 100 times larger than another exporter will not consume 100 times more of the services that comprise the levy.</p> <p>For smaller exporters and operators in the export supply chain, the base rate (\$250) will comprise most of their levy contribution. This adds some linearity to the option.</p>
<p>Efficiency</p> <p><i>Costs should generally be allocated and recovered in order to deliver maximum benefits at minimum cost.</i></p>	++	+
	<p>Administratively efficient. No surveys are needed. All operators approved as exporters pay the fee.</p>	<p>The levy ranges we have calculated are based on MPI’s best estimate of the cost of operating the organics regulatory regime. As the regime is new, we do not know for certain how accurate these estimates are. However, we do have a reasonable understanding of what the value of the exports will be, and how the costs will be allocated.</p> <p>Models the current fee calculation for existing exporters registered with MPI’s voluntary export system. However, the system would move from payment in advance (i.e. paying based on expected exports) to payment in arrears (i.e. paying based on last year’s FOB) which could be confusing initially.</p> <p>Slightly higher cost due to administrative burden i.e. exporters will be required to fill out an annual survey and MPI will need to administer and validate this.</p>
Overall assessment	+	++

Key:

- ++ Best meets the objectives
- + meets the objectives
- 0 neither meets nor does not meet the objectives
- does not meet the objectives
- significantly does not meet the objectives

Consultation feedback on the export services levy

84. Around 100 exporters using MPI's OOAP currently pay fees for export certificates and a levy-type charge based on the FOB value of their exports. MPI proposed to combine an FOB charge with a \$250 base fee paid by all organic operators in the export supply chain. This would spread the cost of providing export services across a wider base of operators. This was MPI's preferred option and was supported by most submitters, although submitters thought the costs were not reasonable.

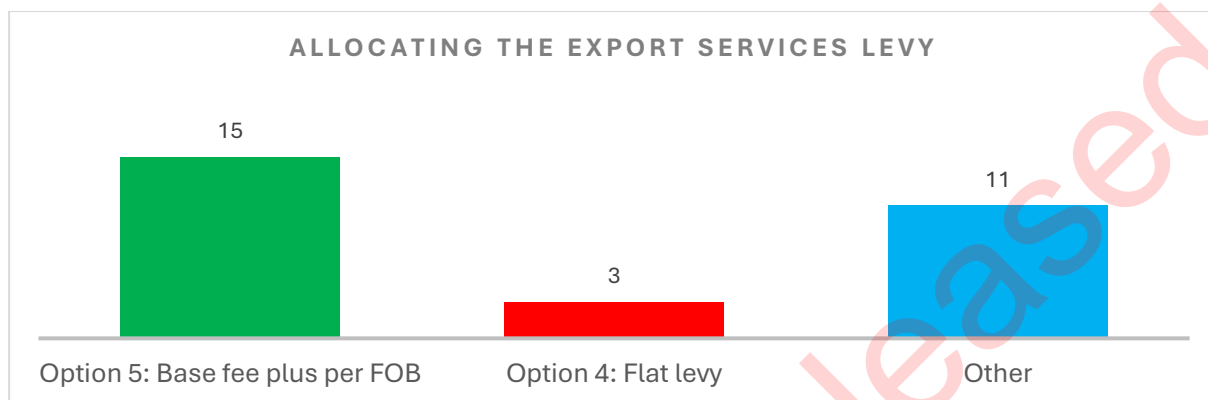


Figure 4: Submitters' views on the export services levy

85. The Organic Exporters Association preferred these costs to be recovered by fee only. We do not consider this option to be workable – cost recovery principles dictate that fees should cover only the direct costs of what is being provided. The administrative costs being covered by the export services levy do not fall into that category.
86. Views on whether operators in the export supply chain should pay some of the cost of services benefiting exporters were balanced, with half of submitters who answered this question neutral, and the other half divided equally between those who disagreed and agreed. We consider that operators in the supply chain benefit from MPI's export facing services so should contribute.

Impact analysis

87. The amounts proposed to be cost recovered are about \$1.165 million, comprising \$0.441 million in fees and \$0.725 million in levies, based on a three-year average. We expect 898 operators will pay the approval fee. Under the preferred option (Option 3) 154 additional operators would have the levy waived.
88. Operators will enter the regime depending on the seasonal peaks in different sectors (compliance with the regulations is mandatory from 31 March 2028). We expect peak demand during quartile 2 and quartile 3 of FY27/28 as operators seek to enter the regime before the regulations becomes mandatory.
89. The breakdown of the estimated overall costs is demonstrated in the following table:

Table 13: Breakdown of overall costs

Cost type	Cost (3 years)	Cost (avg. per year)	% of total
Personnel	1,937,365	645,788	56%
Other (BTIS, FPP, HR, Legal, Comms, Strategy, Other overheads)	817,807	272,602	24%
Contracts, Contractors and Board Fees	368,733	122,911	11%
Travel, Entertainment, Gifts and Donations	79,020	26,340	2.3%
IT Costs	66,362	22,121	1.9%
Communication Costs	60,909	20,303	1.8%
Training	53,770	17,923	1.6%
Operating Costs	20,635	6,878	0.6%
Consumables	14,061	4,687	0.4%
Financial, Legal and Other Fees	9,499	3,166	0.3%
Inter Branch	7,962	2,654	0.2%
Total	3,436,124	1,145,375	100%

Conclusions and recommendations

90. On the basis of the above analysis, we conclude that Options 3 (turnover-based all-operator levy) and Option 5 (Base fee plus volume charge) best meet the criteria of efficiency and equity.
91. These options were arrived at following a rigorous process and represent the lowest possible costs for a viable regulatory system. This meets the principle of justifiability.
92. The options were also consulted upon, and Option 3 is based on an industry proposal. This meets the transparency principle.
93. We therefore recommend that the all-operator and export services levies be based on Options 3 and 5 respectively. These are also the Minister's preferred options.

Implementation plan

94. The new regime will enter into force in a staggered approach. Operators will enter the regime between 1 July 2027 and 30 March 2028 based on sector seasonal peaks.
95. Cost recovery regulations should be promulgated at least 6 months prior to the first operators entering the system to allow fees to be recovered for the recognition of recognised entities under the regime and for the listing of inputs, prior to the approval of operators under the regime.
96. Charging for levies commences when the operator becomes approved under the regime. The annual all-operator levy will be prorated by quarters, while the full annual export services levy base rate (\$250) will apply upon approval. As prorating tier 1 would be inefficient and may cost more to collect the levy collected, operators in tier 1 will pay the full levy. The full-year tier 1 levy will be less than one quarter of the levy for higher tiers, so smaller operators will pay less than larger ones regardless of pro-rating.

97. The period which the levies apply is from 1 July to 30 June of any year, in-line with the government financial year and other MPI regimes.
98. The levies will be charged in the first quarter (July to September) of the financial year it applies to. In the first year of an operator becoming approved under the regime, the levies will be charged in the subsequent quarter upon the operator being approved, with the all-operator levy being prorated while the full annual base fee (\$250) of the export services levy to be charged.
99. The prorating of the all-operator levy could drive operators to delay applying for approval under the regime until the final months leading up to the export date or coming in-force date. MPI may require adoption of the regime by operator sectors to ease the peaks of administration of processing applications.
100. Recognised entities will need to be recognised by MPI prior to operators entering the system. Having recognised entities under the regime is key to fulfil the requirement that an operator must have chosen a recognised entity that will verify their operation prior to becoming approved under the regime.
101. Operators registered under the administrative Official Organics Assurance Programme (OOAP) enjoys market access for their organic products to the EU, Norway, Switzerland, US, Japan, Taiwan and UK. Operators are charged an annual programme implementation fee based on their declared FOB value, which is collected via a survey conducted by MPI.
102. MPI will work towards negotiating market access and equivalency for current OOAP markets under the new regime. The administrative Official Organics Assurance Programme (OOAP) will cease to operate once negotiations is completed for all current OOAP markets. In the interim, exporters under both the new regime and the administrative Official Organics Assurance Programme (OOAP) will be charged:
- a. The base fee (\$250) of the export services levy per annum, not pro-rated,
 - b. The FOB rate of the export services levy multiplied by their declared FOB value to ONLY markets with which MPI has secured and implemented a trade arrangement under the Act, i.e. this will only for exports to the EU from 1 Jan 2027
 - c. The FOB rate of the OOAP programme levy multiplied by their declared FOB value to markets under the OOAP. This excludes the FOB value to markets that has been exported under the Act, e.g. exports to the EU from 1 Jan 2027.
103. MPI will develop guidance and comms when the cost recovery regulations is gazetted to inform operators and highlight the differences in the survey and invoice timing under the Act vs the OOAP:
- a. the period being paid for in the levies
 - b. which programme is being paid for (Act or OOAP)
 - c. the intervening step and required actions to line up the survey and invoice timing between the Act and the OOAP.

Risk mitigation

104. The following risks and impact have been identified, along with their mitigation actions.

Table 14: Implementation risks and mitigations

	Issue	Risk/impact	Mitigation
1	Programme activities are not undertaken.	<p>Risks to integrity of NZ's organic products as a result of ongoing operator poor practices.</p> <p>Impact on NZFS compliance and team resources to deal with non-compliant products.</p> <p>Risks to NZ's reputation as a credible regulator.</p>	<p>Ongoing regular reporting of progress against the work programme.</p> <p>Prioritisation of non-compliance, and place longer hold on suspected products</p>
2	Activities are underestimated and under resourced in bid to minimise compliance costs.	Same as issue 1	<p>MPI to undertake Assessed efforts review against financial data and service catalogue.</p> <p>Ongoing work planning and prioritisation of the work programme coupled with risk analysis.</p>
3	Recognised entities and operators are not aware of their obligations	Same as issue 1	<p>Initial system audit will provide a baseline of understanding.</p> <p>Business education and engagement activities to improve awareness of requirements and their capability.</p>
4	Operators currently operating under the OOAP are not aware of the changes to the survey and invoice cycle and declarations	Operator confusion and error in declaration and calculation of charges	Targeted comms developed for operators under the OOAP programme of the upcoming changes
6	Significant deviance of number of operators and their tiers from what is forecasted	Significant deficit or surplus generated.	<p>Quarterly financials monitoring and annual reporting to the sector against work programme.</p> <p>Review of cost recovery to take place at the end of financial year when the regime comes into force, once operators number and their turnover are known to MPI via the survey.</p> <p>Adjustments to the rates and charges with the goal to achieve a trend of zero in the next 3-year period.</p>

Interaction with existing regulation

105. While organic operators may also operate under other MPI regimes (Food Act, Wine Act, Animal Products Act), the services provided for under this Act charged for via fees and levies are distinct and relate only to the requirements under the Act. Services where resource can be shared with other MPI regimes (for example IT platform maintenance and public registers) have been portioned and attributed.
106. It is proposed the development of the annual cost recovery report under the Act to be added to the procedure for the preparation of the annual report for Wine, Red meat and Dairy industry. This is to streamline the process for MPI to prepare multiple industry reports, internal comms and financial data collection.
107. MPI will work towards negotiating market access and equivalency for current OOAP markets under the new regime. The administrative Official Organics Assurance Programme (OOAP) will cease to operate once negotiations is completed for all current OOAP markets.

Reduction of compliance costs

108. To reduce compliance costs for operators, MPI is implementing the following measures:
- a. **Support for Small Businesses:** A tiered all-operator levy based on turnover ensures smaller operators pay less, with a full waiver for operators earning under \$30,000 annually.
 - b. **Phased Implementation:** Levy services will be introduced gradually over the first two years to ease financial impact.
 - c. **Streamlined Processes:** Aligning survey and invoicing cycles with actual values will reduce administrative burden for both MPI and operators under the new regime and the OOAP.
 - d. **Integrated Financial Reporting:** Financial reporting processes will be aligned to improve efficiency and reduce duplication.

Enforcement strategy

109. To achieve its public policy objectives, MPI will implement:
- a. A robust assurance framework incorporating sampling, monitoring, and reporting to verify compliance.
 - b. Transparency through public registers of approved operators and recognised entities, and publishing of an annual industry report.
 - c. Clear tools and processes for input assessments to maintain integrity of organic production.
 - d. Stakeholder engagement and education to build understanding and capability across the sector.
 - e. Graduated compliance measures using the NZFS VADE model (Voluntary, Assisted, Directed, Enforced) to encourage compliance and address breaches proportionately.

Monitoring and evaluation

110. MPI is planning and implementing systems that will capture performance data. The Salesforce platform will capture registration data. The following metrics will be used to assess the effectiveness of the regime and MPI's performance as regulator:

Table 15: Monitoring and evaluation metrics

Area	Indicator	Target / Benchmark
Timeliness	% of approvals processed within service-level timeframes	≥ 80%
Cost Efficiency	Actual cost vs. forecast cost per approval	Variance ≤ ±10% (tracked through Finance system)
Quality & Consistency	% of decisions overturned on review	≤ 2% TBC
Financial Sustainability	Recovery rate vs. actual expenditure	100% recovery over 3-year cycle (depends on cost recovery cycle)
Transparency	Publication of annual cost recovery report	Published within 6 months of year end.
Sector-level outcomes		
Operator uptake	<ul style="list-style-type: none"> Number of approved operators <p>We do not expect an upward trend in the number of operators, as the 2025 OANZ market report has shown while the sector value has increased, the individual operators in the space has decreased. This indicates a trend of operators consolidating their operations and potentially smaller players exiting the sector.</p>	Within 10% of forecast levels in FY27/28, FY28,29
Sector value/ growth	<ul style="list-style-type: none"> Combined turnover value of approved operators, OR Operator movement in all-operator levy tier <p><i>*Dependent on the survey design – the question can either be:</i></p> <p><i>a) What is your total annual turnover (from organic goods under the OPPA)?</i></p> <p><i>b) Based on your total annual turnover (from organic goods under the OPPA), please select the tier applicable.</i></p>	<p>Increasing or stable upward trend, OR</p> <p>General trend of upward movement in tiers for operators</p>
Export value/ growth	<ul style="list-style-type: none"> Combined FOB value of exporters 	Increasing or stable upward trend

Area	Indicator	Target / Benchmark
	<ul style="list-style-type: none"> Number of exporters and operators in the export supply chain Trade arrangements with new market routes - TBC 	
Inputs	<ul style="list-style-type: none"> Up-to-date Input notice and online register updated 	3 to 4 updates to the notice and register per year
Assurance <ul style="list-style-type: none"> Verification Sampling Monitoring 	<ul style="list-style-type: none"> Publication of sector performance report <ul style="list-style-type: none"> Verification performance by topics, product type, region Verification timeliness Sampling – volume of cases of detection Cases of exemptions issued Cases of export notifiable events (e.g. product refused entry) 	Annual report to MPI leadership, recognised entities
Compliance	<ul style="list-style-type: none"> Publication of sector compliance report <ul style="list-style-type: none"> Volume of non-compliance cases – exported and domestic Recalls and dispositions Emerging risks and key gaps 	Annual report to MPI Leadership, recognised entities
Recognition	<ul style="list-style-type: none"> Relevant pre-recognition learning module published Up-to-date recognised entities register 	Annual maintenance/ refresh of Learning modules Register is synced to recognition system and automatically updated

Review

111. Clause 73 of the Act requires that the levels and methods of cost recovery be reviewed at least once in every three-year period. As the regime is new, we anticipate that the first review of cost recovery will need to take place after one year.

112. The organics regime is an opt-in regime, in that operators can avoid entering the system by choosing not to make organic claims, such as by making ‘spray free’ claims instead. This

means we will not know how many operators will be subject to the levy until the regime is fully in place in 2028.

113. MPI has managed this risk by using a conservative number of operators in its model. However, the inherent uncertainty is a revenue risk that may require fees and/or levies to be updated if the number of operators is less than the forecast. MPI will need to reconsult on services and service levels after the Organic Standards Regulations 2025 enter into force on 31 March 2028 to manage the risk of unexpected deficits or surpluses.
114. MPI uses the cost recovery principles for revenue and expenditure reviews, and in addressing design issues.

Revenue and expenditure reviews

115. MPI constantly monitors accounts and whether they are falling into deficit or surplus. Revenue and expenditure reviews may be undertaken following ‘assessed effort reviews’, if charges have a statutory review date, if industry requests a review, or if one of three brightline tests are met.
116. Frequent and timely reviews, including resetting fees and levies where required, help ensure that revenue and expenditure are balanced and are preferred by industry as they help avoid large swings in charges. MPI’s Annual Package process can be used if changes are required quickly.
117. MPI will publish an annual report to the industry to provide a summary of progress against the Organics work programme and programme financials. This approach was supported by some industry submissions.

Assessed effort reviews

118. To establish and analyse deficits or surpluses, MPI’s takes data from its cost allocation model, checks the data for errors, and, with input from MPI business units that provide services, explores and explains expenditure line-by-line by expenditure type (personnel, support costs, overheads etc). A requirement for this work is robust financial data.
119. To maintain quality financial data, MPI undertakes ‘assessed effort reviews’. These reviews update assumptions about how much MPI resource is spent on different programmes, for example Team A spends 30% of time on cost recoverable activity 1, 40% on cost recoverable activity 2 and 30% on Crown-funded activity. This information is fed into MPI’s cost allocation model to generate expenditure data, and the assumptions and results are considered for approval within MPI’s financial system including by MPI’s Investment and Finance Committee.
120. The final revenue and expenditure data is then used to inform revenue and expenditure reviews and fee and levy setting within MPI’s Cost Recovery Annual Package.
121. In line with guidance by the Office of the Auditor-General for ‘regular monitoring’ of memorandum accounts and underlying costs and services¹², MPI aims to undertake assessed effort reviews every three years, or sooner if material changes occur.

¹² [Setting and administering fees and levies for cost recovery: Good practice guide](#), p. 26.

'Brightline' tests

122. Fees and levies may be updated if a material surplus or deficit arises. Materiality may exist if any of the following three tests are met:

- an accumulated deficit or surplus is more than four months (33%) of annual revenue and expenditure
- the accumulated deficit or surplus is \$1 million or more
- a deficit is due to be written-off (due to time limits in legislation on the recovery of deficits), or a surplus has existed for an equivalent amount of time such that it would be written-off if it was a deficit.

Design issues

123. Reviews of cost recovery settings can also address 'design issues'. Design issues are typically small changes relating to who pays and how, and often have no or negligible financial impacts.

Proactively Released

Appendix One: Direct FTE and non-FTE costs

DIRECT FTE	26/27	27/28	28/29	AVERAGE
ALL-OPERATOR LEVY	0	2.5	2.5	1.67
EXPORT SERVICES LEVY	0	2.09	2.75	1.6
FEE	0.8	3.4	2.2	2.13

DIRECT NON-FTE COSTS (EXCLUDING CORPORATE OVERHEADS)	26/27	27/28	28/29	CATEGORY IN COST MODEL
ALL-OPERATOR LEVY	0	175,826	175,826	
<i>LICENCES</i>	0	2,872	2,872	IT Costs
<i>PROFESSIONAL SERVICES</i>	0	5,140	5,140	Contracts, Contractors and Board Fees
<i>SOFTWARE MAINTENANCE</i>	0	67,814	67,814	Contracts, Contractors and Board Fees
<i>TRAINING</i>	0	20,000	20,000	Training
<i>LABS</i>	0	40,000	40,000	Contracts, Contractors and Board Fees
<i>ADVISORY COUNCIL</i>	-	20,000	20,000	Contracts, Contractors and Board Fees
<i>COMMS CAMPAIGN</i>	-	20,000	20,000	Communication Costs
EXPORT SERVICES LEVY	0	80,100	80,100	
<i>TRAVEL</i>	0	37,600	37,600	Travel, Entertainment, Gifts and Donations
<i>LABS</i>	0	40,000	40,000	Contracts, Contractors and Board Fees
<i>PROFESSIONAL SERVICES</i>	-	2,500	2,500	Contracts, Contractors and Board Fees

Note the figures in the body of this analysis include FTE personnel costs and corporate overheads, while the table in this Appendix are the direct FTE and non-FTE costs only.

Appendix Two: Schedule of proposed services and fees

Proposed fees for operators

Approval of operators		
Service name	Description	Proposed fees
Application to become an approved organic operator (custom Organic Management Plan (OMP))	The Organic Products and Production Regulations require an operator to submit an OMP with their application. An OMP can be in a customised version developed by the operator or in a template approved by the Chief Executive. The application fee will depend on the type of OMP submitted by the applicant (i.e. custom or template).	Application fees: \$525 per application (for the first 210 minutes)
Application to become an approved organic operator (pre-evaluated template OMP)		\$375 per application (for the first 150 minutes)
Application to become an approved group of organic operators	The Organic Products and Production Regulations will require a group to submit a group operating plan with their application to become an approved group of operators.	\$187.50 per application (75 minutes)
		Plus: Hourly rate charges will also be charged after the specified time allowances. These fees are one-off.
Application for renewal of approval of operator	Approval as an operator is subject to renewal. This is to ensure that the approval remains current. An operator must apply to the Chief Executive for renewal before the expiry date.	Application fee \$150 (60minutes)
Application for: Amendment to approval (proposed change to circumstance and OMP)	The Organic Products and Production Regulations require an operator who is proposing to amend their OMP to submit their proposed amendment to the Chief Executive in the prescribed form and manner. An amendment proposal can be significant or minor in nature, hence the two application types. A proposed change	Application fees: \$375 (150 mins)
Minor amendment to approval		\$150 (60 mins)

	will cost more to assess than a minor amendment due to the nature of the changes involved.	Plus: Hourly rate charges will also be charged after the specified time allowances.
Application for: Evaluation of industry developed OMP template	Template OMPs for use by operators must be evaluated before they can be used by organic operators. These evaluations against the regulations will be done by the Chief Executive. Templates will need to be re-evaluated when significant amendments are made.	Application fees: \$150/ hour (approx. 40 hours \$6000)
Re-evaluation of industry developed OMP template		\$150/ hour, (approx. 25 hours, \$3750)
Renewal of industry developed OMP template		\$150 (60 mins)
		Plus: Hourly rate charges will also be charged after the specified time allowances.

Verification/audit services

Verification/audit services for operators		
Service name	Description	Proposed costs
Inspection and audit under the Act.	Risk based audits to ensure businesses are compliant.	\$150/hour

Export services

Export services for operators		
Service name	Description	Proposed costs (postage excluded)
Application to: Issue an official assurance	Exporters will apply to MPI for an official assurance or statement of compliance as relevant for the destination market.	Application fees: \$112.50 (45 mins)
Issue a statement of compliance		\$75 (30 mins)

Reprint an official assurance or statement of compliance		\$75 (30 mins)
Amend, reissue or replace an official assurance or statement of compliance		\$150 per hour
Competent authority audit	Audit of organic operator (individual benefit, listing audit) for compliance with overseas market access requirements or export Notice issued under the Act. This is an audit function undertaken by MPI outside of ongoing verification against relevant market access requirements and would be on an as needed basis only.	\$206/hr

Input services

Input services		
Service name	Description	Proposed costs
Application to: List a new trade name substance	The Act requires the Chief Executive to maintain a register of acceptable inputs. Individuals may apply to the Chief Executive to add, amend or renew a trade name substance on the register of acceptable inputs. This process requires the assessment of an application, a decision and an update to the register.	Application fees: \$225 (90 mins)
Amend a trade name substance		\$150 (60 mins)
Renewal of listing of an input	The ongoing review and amendment to the Notice of acceptable inputs is funded by levy.	\$150 (60 mins) Plus: Hourly rate charges will also be charged after the specified time allowances.

Proposed Fees for Recognised Entities/Persons/Class of Persons

Recognition		
Service name	Description	Proposed costs

Application to become a: Recognised agency (ISO accredited/non-accredited, KTP model)	The Act requires any agency, natural person or class of natural persons seeking recognition to carry out specified functions and duties relating to organic compliance to apply to the relevant Chief Executive for recognition.	Application fees: \$375 (150 min)
Recognised person (independent/managed, verification/evaluation, KTP)		\$375 (150 mins)
Recognised class of persons		\$375 (150 mins)
		Plus: Hourly rate charges will also be charged after the specified time allowances.
Application to amend recognition	This would include extension of function or scope or voluntary suspension.	\$225 (90 mins) Plus: Hourly rate charges will apply after the specified time allowances.
Application to renew recognition for:	Renewal application is required for recognition as an entity responsible for the management and carrying out of specified functions and activities under the Organic Products and Production Act 2023. Renewal is required for recognition under the Act.	Application fees: \$187.50 (75 mins)
Agency		\$187.50 (75 mins)
Person		\$187.50 (75 mins)
Class		\$187.50 (75 mins)
Provide technical expertise to accreditation bodies.	MPI requires agencies that want to be recognised by MPI to be accredited to particular ISO standards by accreditation bodies. MPI provides technical expertise to the accreditation bodies to ensure that any agencies or persons proposed for recognition meet MPI's requirements for the services they intend to provide. This involves accompanying the accreditation bodies assessor on office assessments and witness assessments.	\$150 per hour (plus travel related costs)

Proposed hourly Fees

Fees Other		
Service name	Description	Proposed costs
Fees	Performance of a function, power, or duty that is required to be undertaken under the Organic Products and Production Act 2023, including under any regulations or Notices; and not prescribed elsewhere in the regulations,	\$75 (30min) Plus: Hourly rate charges will also be charged after the specified time allowances.
Assessment charges on hourly basis	An assessment charge based on an hourly basis will be determined as follows for each hour (or final part-hour) that is spent on assessing the matter concerned beyond the first period of time specified for that service.	For each hour (excluding final part-hour) spent by a person employed by the Ministry - \$150 For each hour (excluding final part-hour) spent by a person who is not employed by the Ministry - \$150 For each 15-minute block in final part-hour spent - \$37.50
Costs incurred by Ministry at request of operator, etc	Actual and reasonable costs, including actual and reasonable incidental and additional costs incurred by a Ministry employee, or a person engaged by the Ministry who is not an employee, may be recovered by the Ministry where those costs arise from a request by, or an act or omission of, any person under the Act or regulations or Notices made under the Act. The costs include, but are not limited to, — (a) the costs of external review, expert review, notification, product testing, travel, and accommodation, and (b) disbursements such as the costs of photocopying, printing and stationery, telephone, video conferencing, postage, and couriers. For technical staff providing support for the delivery of specialist services in relation to functions, duties, or powers under the Organic Products and Production Act 2023 or any regulations or Notice made under that Act, a fee of \$150 per hour is payable, in 15-minute increments, by the person whose	\$150 per hour is payable, in 15-minute increments (\$37.50)

Fees Other

	actions result in the function, duty, or power being required to be exercised or performed.	
Travel fees	Where travel of a Ministry officer or employee is required for any of the matters specified in regulation, an additional amount of \$1.04 per kilometre travelled by the officer or employee or actual cost of fares incurred (i.e. flights, taxi) is payable in addition to the relevant fee or charge.	Where travel of a Ministry employee, or a person engaged by the Ministry who is not an employee, is required for any of the matters specified in regulation, travel costs will be payable (in addition to the relevant fee or charge) as follows: (a) an amount per kilometre travelled, based on the appropriate kilometre rates set by the Commissioner of Inland Revenue under section DE12(4) of the Income Tax Act 2007; or the actual cost of the fare incurred (i.e. flights, taxi).
Cost of other work-related allowances	Additional amounts are payable in respect of the actual and reasonable cost to the Ministry of work-related allowances paid to Ministry officers and employees where these are fairly attributable to any of the matters specified in regulation. Without limiting the generality of what constitutes a work-related allowance, these include matters such as accommodation, meal allowances, clothing and laundry allowances, and field, standby, and isolation allowances.	\$150 per hour is payable, in 15-minute increments (\$37.50)
Exemptions and waivers	A person may apply to be exempt from one or more requirements under the Act, secondary legislation or directions. This requires Chief Executive assessment, determination and an issuance of a Notice granting any exemption. The size of the request will dictate the total cost. Note that this is a fee for service that benefits an individual.	\$150 per hour is payable, in 15-minute increments (\$37.50)
Notifications	Persons who are exempt from approval still need to notify the Ministry that they are making organic claims but are exempt.	\$150 per hour is payable, in 15-minute increments (\$37.50)