

Member Quarterly Update

Welcome to our December 2023 Member Update.

Each quarter we report on the latest highlights, progress on our advocacy and our annual work programme. This is the work we are currently focused on. It does not encompass the full extent of our annual programme.

We invite you to participate in our interactive online session via Zoom on Dec 21 at 10am.

This is an opportunity for you to have your say, or to share your views and ideas. Your input shapes our advocacy and helps to drive our initiatives forward.

The Zoom link is available on the Events page of the NZPPI website.

Industry Outlook

Members are reporting reasonably strong demand for plants, although oversupply and discounting is an issue in some sectors. Sales revenue appears stable, however members are reporting that costs have increased substantially, squeezing margins.

The impacts of the weather events on the horticulture sector remains mixed, depending on the region and crop. The fruit sector has improved their forecast of tree sales as a number of fruit growers have brought forward their replanting plans earlier than expected and there is emerging demand for trees in new production regions.

Native nurseries continue to experience heavy discounting and there are examples of large quantities of unsold plants. There is concern and frustration about the impacts of new supply in the market, adding to the price pressure.

The greenlife sectors are reporting that they are generally meeting targets, although demand is inconsistent & weather dependent. Infrastructure projects are supporting demand in that sector, but again, cost pressures are impacting margins.

New Government Briefings

With the new government now installed and some clarity around the new ministers and their policies, NZPPI has been preparing our advocacy approach. The new government has spread responsibilities across a large number of ministers as compared to the previous government.

We have identified agriculture horticulture, forestry, small business and commerce, environment, as priorities. There are many policy changes in these areas, with potential plusses and minuses for our industry.

We anticipate a better hearing on issues like plant imports, as a new minister for Biosecurity, Andrew Hoggard may be less influenced by the precautions from PSA etc, and open to fresh ideas and innovation. The policy approach to native afforestation is difficult to gauge. There has been no indication of the direction so we will likely be relying on the strong level of public and business interest in afforestation projects.

We have prepared briefings on selected topics for the incoming ministers, some of which are included with this report, and will follow-up with requests to meet with key ministers in early 2024. We will advocate on other issues during the year as required.



Waste Regulations

At its meeting on 6 December, the NZPPI Board hosted representatives from Ministry for the Environment and The AgRecovery Foundation.

AgRecovery has been accredited as the Product Stewardship Organisation (PSO) for farm plastics and will establish a governance structure to oversee schemes for a range of materials including, such as PP5 plastic pots.

MfE explained the decision to exclude plant pots from kerbside collection was due to the black colour and the lack of equipment to collect and process the material. NZPPI will make an application to review this policy at its next review, in 1 to 2 years' time.

The survey results highlighted:

- Strong support for polypropylene (PP5) as the key plastic for plant packaging, including pots, trays and labels, progressively removing other materials from the supply chain.
- Strong support for all participants in the industry contribute to, and participate in, the stewardship of plastic pots, trays and labels. This includes pot importers, manufacturers, plant producers and sellers / retailers.
- That there should not be an option for voluntary participation in the stewardship framework.

It is possible to develop and implement policies within an accredited product stewardship system for PP5 plant pots.

NZPPI will resume its work to design a stewardship framework for pots, early 2024 and will be seeking input from our members.

Generation Programme (Co-investment)

Last month we issued the Generation co-investors document, which calls for expression of interest to co fund specific projects within the Generation programme.

Generation is a funding application, led by NZPPI, for a 5 year programme aimed at transforming the plant production industry. It covers five key areas that are intended to improve the capacity and structure of our industry. These are:

- Building partnerships
- Improving access to knowledge and industry data
- Supporting extension-led research
- Improving workforce skills
- Exploring how to fund industry good activities in the future, e.g. through industry levies, or other models.

We're reaching out for expressions of interest from those who wish to be part of Generation, by supporting one or more of the projects. These may be areas that you already invest in, like research projects, or technology development.

At this early phase, indicating interest does not equate to a financial commitment. We invite you to review the detailed projects in the Generation document to consider potential investment and collaboration.

Contact Matt on matthew@nzppi.co.nz if you would like to be emailed the document or discuss any of its projects. It is also available in the resources/section of our website.





NZPPI is advocating for a balanced approach to prevent market distortion and protect jobs and innovation in the commercial sector

Please see our discussion paper on funded nurseries and our letter to Minister Lee at the end of this report.

Social Procurement and Funded Nurseries

Our industry has serious, long standing concerns about the impacts of subsidisation and volunteer labour. Economists can easily explain how these factors lead to overproduction and price collapse. This is particularly difficult when there are both subsidised and unsubsidised players in the market.

Social procurement is when organisations use their buying power to generate social and public value beyond the value of the goods, services or works being procured. Several government departments, including MBIE and MfE, have social procurement policies and encourage other large organisations - such as territorial authorities - to implement their own.

This procurement approach, aimed at creating additional social value is inadvertently disadvantaging some commercial plant nurseries as they lost contracts to community-based counterparts.

While community nurseries play a crucial role in supporting ecological projects, NZPPI is advocating for a balanced approach to prevent market distortion and protect jobs and innovation in the commercial sector.

We are engaging with government officials and have called for the Government to undertake:

- Market impact assessment: conducting economic analyses to understand funding impacts on existing nurseries.
- Sustainable collaboration: encouraging cooperation between different types of nurseries, fostering innovation, employment, and skills development.
- Addressing industry constraints: collaborating with industry to address broader challenges, including research, education, and industry standards.

We have emphasised that balanced support is essential for the long-term sustainability and diversity of the nursery sector. Our efforts aim to ensure the sector continues to contribute significantly to New Zealand's green spaces and biodiversity.

We look forward to further discussions with government to secure a thriving future for our industry.

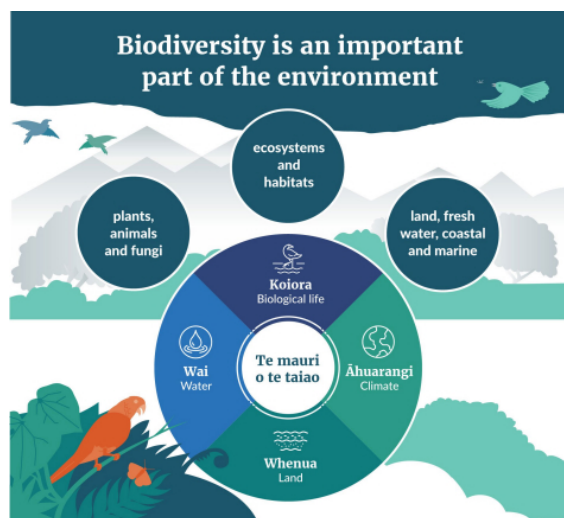


Recent Submissions

Biodiversity Credits System (BCS)

NZPPI has made a submission on the Government's proposed Biodiversity Credit System (BCS). The proposed BCS involves awarding credits for ecology and restoration projects that contribute positively to biodiversity. Our key points were:

- Strong support for the proposed BCS, emphasising its potential to encourage restoration plantings.
- Avoid the mistakes made in the carbon credits system.
- Issue credits early to enable the preparation of land and to secure plants.
- Encouraging a simple system, but with high-integrity and trust.
- Recommend a system that stacks credits for a range of benefits, including biodiversity land and water protection and carbon sequestration.
- A call for investment in research and skills development to support the proposed system.



From MFE discussion document

If you would like more information about any of these topics, please feel free to contact Matthew Dolan on:

P: 027 622 9255

E: matthew@nzppi.co.nz

PEQ and Diagnostic Pricing Advocacy

MPI has proposed significant changes to the pricing of quarantine and testing services. Our members noted the proposed new pricing structure would more than double the cost of importing germplasm and could reduce plant imports.

NZPPI as well as several members provided feedback to the proposals with submissions closing in November. NZPPI challenged the user pays policy for plant imports, as the policy assumes the importer is the main beneficiary of imported plant material and should therefore bear all the costs and risks of plant quarantine. This is clearly incorrect.

Many domestic and export-facing horticultural industries and the New Zealand public benefit from plant imports. We recommended that a cost share model is developed that accounts for the government, public and industry benefit from plant imports and from a high level of biosecurity protection.

New Zealand's plant import system has extensive testing and quarantine rules and a substantial rise in diagnostic and quarantine costs has significant implications for plant imports. There are more cost-effective alternatives to onshore testing. We recommended that MPI review the requirements of all import health standards requiring onshore diagnostic testing and/or L3B quarantine to take sufficient regard of the costs to importers.

NZPPI also recommended that the proposed cost recovery policy is applied only to measures that are up to date and technically justified. Measures that are out of date, under review, or part of a proposed change should not be subject to a price change until a review and justification is complete.

We also requested that the price increases are delayed until 1st July to give MPI an opportunity to explore alternative measures to onshore testing, and importers an opportunity to adjust to higher costs.

The cost of L3B post-entry quarantine will increase from \$265 per cultivar, per month to \$6500 per greenhouse per month. The Deloitte study found that most users of L3B PEQ would stop using the facility if it cost \$6000 or more per month.

NZPPI's view is that it seems irrational for MPI to build a new facility, substantially increasing L3B capacity, and then price most importers out of the market.

We hope to hear a response back from our feedback before Christmas.

Position Statement:

Supporting Commercial and Not-For-Profit Plant Production

Date: November 2023

Organization: New Zealand Plant Producers Incorporated (NZPPI)

Introduction:

New Zealand Plant Producers Incorporated (NZPPI), as the peak body for plant nurseries in New Zealand, acknowledges the vital role of commercial and not-for-profit nurseries in enhancing our environment and communities. The plant production sector, including horticulture, greenlife and afforestation, contributes approximately \$500 million annually to the New Zealand economy and employing around 4,000 people in skilled, regional jobs.

The Value of Community and Not-for-Profit Nurseries:

We fully recognise the significant contributions made by community and not-for-profit nurseries in achieving social and environmental goals. These nurseries not only support successful revegetation & restoration projects but also play a crucial role in providing educational and social development opportunities while supplying millions of native plants to landowners, community organisations, regional councils and government agencies in a competitive market model. Historically, New Zealand's plant production sector is respected globally for its innovation, productivity and high standards.

Addressing the Challenges of a Growing Sector:

However, the emergence and expansion of government and community operated and funded native plant nurseries recently has created a challenge and risk to the native plants sector, in particular where government (e.g. prison or council operated) or funded and subsidised producers are able to compete with unsubsidised businesses in the marketplace, in tendering processes etc. This risks undermining the market dynamics in the native plants sector, and winds back the ability to invest in key areas of the industry, including technology and innovations, replacing permanent, skilled jobs with volunteer roles.

The Current State of Native Plant Production:

The native plant production industry in New Zealand has over 350 participants, including community organisations, lwi enterprises and commercial businesses. A survey of the sector, undertaken in 2022, showed 50 million native plants were produced, easily meeting the demand. The survey showed that nurseries are utilising just 63% of their available capacity. This demonstrates the industry's capability to expand to meet current demands and its potential to scale up production significantly for future demand. Planned procurement, forward orders and progress payments will

move the sector from a high risk 'on spec' supply and will ensure that the production potential of the sector is utilised.

Key Constraints and Solutions:

We ask for restraint in approving and supporting proposals and future funding of native plant nurseries of any type, and consideration of the impact and risk on existing nursery businesses.

The native plant sector is challenging in that it is a small, domestic market that is competitive and price sensitive. It currently faces significant over supply and price pressure, with heavy discounts and wastage in the system. This situation is not uncommon in the sector historically and NZPPI is working to bring better structure and discipline to the sector to ensure its stability and success in the future.

A Call for Industry Structure and Collaboration

We propose a structured and strategic approach to community and not-for-profit nurseries. This approach should involve:

Assessment of Market Impact: Economic analysis of the impacts of on existing nursery businesses before approving funding for community and not-for-profit nurseries. This also includes the impacts of government and council procurement policies that favour social enterprises and not-for-profit suppliers over commercial operators. Social procurement policies are heavily focussed in the native plants sector, as compared with sectors like construction, services, etc.

Collaboration and Knowledge Sharing: Encouraging collaboration between commercial and community nurseries to invest in and share best practices and innovations to lift the entire sector and enable innovation, employment and skills development.

Focus on Sustainability: Ensuring that nurseries have the skills and capacity needed, including meeting biosecurity and environmental standards, as well as economically, to avoid high failure rates and to ensure long-term viability and success of the sector.

Addressing Broader Constraints: Collaborating with government and other stakeholders to tackle broader industry challenges, such as research, education, extension and industry standards. This includes all native plant nurseries participating and contributing to industry investment in key areas.

Invitation for Dialogue:

NZPPI invites all stakeholders, including government agencies, regional councils, community groups, and commercial nurseries, to engage in a constructive dialogue. Our goal is to develop a cohesive strategy that supports the growth and success of both commercial and not-for-profit nurseries, ensuring the stability and growth of New Zealand's plant production industry.

Contact Information:

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Hon. Melissa Lee, Minister for Economic Development
Parliament Buildings
Via email: melissa.lee@parliament.govt.nz

Dear Minister Lee,

Subject: Strategic support for commercial nurseries to align with social procurement goals

On behalf of New Zealand Plant Producers Incorporated (NZPPI), I would like to extend our warm congratulations on your appointment as Minister for Economic Development. Your leadership is essential as we navigate the complexities of our sector and strive for growth and sustainability.

About NZPPI

NZPPI is the industry body for plant producers and related businesses. Our members grow the seedlings for horticulture, viticulture, greenlife, native and exotic reforestation, carbon sinks, urban regeneration and domestic backyard plantings. Plant producers are at the epicentre of unprecedented change and opportunity in New Zealand primary industries, our environment and our urban areas.

Social procurement impacts

I am writing to you to seek your strategic support in addressing the implications that social procurement requirements are having on commercial nurseries.

The plant production sector is a cornerstone of our regional economies, contributing about \$500 million annually and employing around 4,000 skilled workers. The sector's reputation is built on a foundation of innovation, productivity, and high standards.

Community and not-for-profit nurseries are vital a part of this contribution through supporting revegetation and restoration projects and providing plants to various organisations and enhancing educational and social opportunities.

The challenge at hand:

The expansion of government and community-operated nurseries, backed by funding and subsidies, is creating an unsustainable pressure on commercial businesses and risking market imbalance, which could lead to job losses and stifled innovation within the sector.

We advocate for restraint in funding community native plant nurseries and recommend a collaborative approach that benefits the entire industry.

Proposed solutions:

- Market impact assessment: we propose conducting economic analysis to assess the impact on existing nursery businesses before approving funding.

- Sustainable collaboration: support should encourage collaboration between all types of nurseries to foster innovation, employment, and skills development.
- Addressing broader industry constraints: we propose working with the government and stakeholders to address wider industry challenges, including research, education, and industry standards.

The risks of inaction:

- Continued imbalance in the market due to uneven support could lead to the erosion of commercial nursery operations, with long-term impacts on the industry's vitality and diversity.
- Without balanced support, the potential loss of jobs and expertise in commercial nurseries could impede the sector's ability to contribute to New Zealand's green spaces and biodiversity.

Benefits of action:

- Providing balanced support will ensure for the long-term sustainability of the industry.
- It will help enable New Zealand's horticultural and environmental well-being.

We would welcome the opportunity to discuss these matters further and provide any additional information you might require. We will approach your office in the new year with a request to meet in person in the first quarter.

Thank you for considering this pivotal issue.

Yours sincerely,



Matthew Dolan
Chief Executive, NZPPI
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Hon. Andrew Hoggard, Minister of Biosecurity
Parliament Buildings
Via email: Andrew.Hoggard@parliament.govt.nz

11 December 2023

Re: Need for reform of New Zealand's plant import process

Dear Minister Hoggard,

On behalf of New Zealand Plant Producers Incorporated (NZPPI), I would like to extend our warm congratulations on your appointment as Minister of Agriculture and of Forestry. Your leadership is essential as we navigate the complexities of our sector and strive for growth and sustainability.

About NZPPI

NZPPI is the industry body for plant producers and related businesses. Our members grow the seedlings for horticulture, viticulture, greenlife, native and exotic reforestation, carbon sinks, urban regeneration and domestic backyard plantings. Our industry is respected globally for its know-how and innovation. It provides permanent, high-skill career opportunities in the regions, with plant producers distributed from Northland to Stewart Island. With an estimated annual growth of 15 per cent, plant production is one of New Zealand's fastest-growing primary industries. Plants and plant producers play a central role in the future success and prosperity of New Zealand.

Regulation roadblock to plant imports

I am writing to you to bring your attention to critical issues within our plant importation system, governed by the Biosecurity Act 1993 and the Hazardous Substances and New Organisms (HSNO) Act 1996. While these Acts were instituted with commendable objectives, they have, over time, proven to be outdated and not fit for the evolving needs of New Zealand's plant-based industries.

This year, NZPPI was successful in obtaining the first EPA Full Release application for new plants in 24 years (when HSNO was introduced). This milestone, however, came at the cost of two years of effort and \$30,000—a testament to the system's inefficiency and prohibitive nature.

The current challenges:

- **Dual regulatory process:** importers are burdened with a cumbersome two-step process involving separate assessments under the HSNO Act and the Biosecurity Act, leading to unnecessary duplication, costs, and delays.
- **Cost-prohibitive fees:** The 'user pays' model under the HSNO Act is exorbitantly expensive, with Full Release application fees reaching \$30,000, effectively deterring many potential applicants, particularly small businesses and researchers.
- **Technical and bureaucratic barriers:** The technical complexity of the application process, along with extensive consultation requirements, creates significant barriers to importing new plant species.

The impact:

The cumulative effect of these challenges has been a marked decrease in the introduction of new plant species to New Zealand, constraining our primary industries' capacity to innovate, adapt to climate change, and remain globally competitive.

The risks of inaction:

- Failing to address these issues risks further decline in the introduction of new, beneficial plant species, critical for plant production diversity and adaptability.
- The potential economic fallout includes stymied growth in the horticultural sector and missed opportunities in international markets.
- Environmentally, inaction could hinder our efforts to combat climate change and protect biodiversity through innovative plant solutions.

Proposed solutions:

- **Integrate risk assessment processes:** consolidating assessments within a single framework, ideally under the Ministry for Primary Industries, would streamline applications and reduce duplication.
- **Introduce a tiered fee structure:** implementing a tiered fee model, reflecting the risk associated with different plant species, would democratise the application process.
- **'First Mover' incentive:** incentivising applicants with a period of exclusive access post-approval would spur investment and innovation in new plant species.

The benefits of action:

- Reforming the plant importation process will help showcase New Zealand as an innovator in horticultural practices.
- A streamlined process would bolster economic growth, enhance our competitive edge, and potentially open new export revenues.
- Reform aligns with a proactive, solution-oriented approach, demonstrating responsiveness to both industry needs and environmental stewardship.

In summary, we advocate for a streamlined plant importation system for the improvement of New Zealand's economic and environmental landscape. Our primary industries, research communities, and broader society stand to gain immeasurably from such progressive changes.

We would welcome the opportunity to discuss these matters further and provide any additional information you might require. We will approach your office in the new year with a request to meet in person in the first quarter.

Thank you for considering this pivotal issue.

Yours sincerely,



Matthew Dolan, Chief Executive, NZPPI
matthew@nzppi.co.nz 027 622 9255

Hon. Penny Simmonds Minister for the Environment
Parliament Buildings
Via email: Penny.Simmonds@parliament.govt.nz

11 December 2023

Re: need for reform of plant import process to enhance urban canopies and develop sponge cities

Dear Minister Simmonds,

On behalf of New Zealand Plant Producers Incorporated (NZPPI), I would like to extend our warm congratulations on your appointment as Minister for the Environment. Your leadership is essential as we navigate the complexities of our sector and strive for growth and sustainability.

About NZPPI

NZPPI is the industry body for plant producers and related businesses. Our members grow the seedlings for horticulture, viticulture, greenlife, native and exotic reforestation, carbon sinks, urban regeneration and domestic backyard plantings. Plant producers are at the epicentre of unprecedented change and opportunity in New Zealand primary industries, our environment and our urban areas. Plants and plant producers play a central role in the future success and prosperity of New Zealand.

Regulation roadblock to plant imports for climate adaptation

I am writing to bring your attention to address critical issues within our plant importation system, governed by the Biosecurity Act 1993 and the Hazardous Substances and New Organisms (HSNO) Act 1996. While these Acts were instituted with commendable objectives, they have, over time, proven to be outdated and not fit for the evolving needs of New Zealand's plant-based industries.

This regulatory framework significantly impedes our ability to introduce new tree species that are crucial for green architecture, urban canopies, and the development of sponge cities.

The necessity of new tree species:

Gaps in 'Right Tree, Right Place, Right Size':

- There is a growing need for tree species that are not only environmentally suitable but also align with the urban architecture and space constraints of our cities.
- Many overseas species offer ideal characteristics for green architecture (small stature, disease resistance, adaptability to urban conditions), but are currently unavailable in New Zealand.
- A mix of traditional and new tree species can enhance the visual appeal of urban landscapes, contributing to a more vibrant and diverse environment for residents.
- Strategically selected new species can address specific functional gaps in the urban canopy, such as providing shade, fruit, or habitat for wildlife, aligning with the 'right tree' ethos.
- Including new species offers opportunities to reflect the changing cultural demographics of urban populations, creating inclusive green spaces that all community members can relate to and enjoy.

Enhancing sponge cities:

- In the face of increasing rainfall and aging infrastructure, sponge cities that utilise green infrastructure like trees are essential.
- Imported trees can be selected for their superior water uptake and retention capabilities, aiding in flood mitigation and water conservation.
- New species may offer greater shade and evapotranspiration benefits, which are crucial for reducing urban heat island effects and cooling cities during heatwaves.
- By selecting tree species with high carbon sequestration rates from other regions, urban areas can increase their contribution to mitigating greenhouse gas emissions.
- The root systems of certain new trees species are effective at stabilising soil, preventing erosion during heavy rains, and contributing to the overall resilience of sponge cities.
- Trees imported from regions with similar climate challenges can be more adaptable to the local environment, ensuring their growth and survival as weather patterns change.

Current regulatory challenges:

- Restrictive legislation: The HSNO Act, implemented in 1996, has become outdated, severely limiting access to these crucial new plant species.
- Cumbersome process: The disjointed process under the Biosecurity Act and HSNO Act results in duplication, delays, and significant economic and environmental opportunities lost.

The risks of inaction:

- Failing to address these issues risks further decline in the introduction of new, beneficial plant species, critical for plant production diversity and adaptability.
- Environmentally, inaction could hinder our efforts to combat climate change, prepare for adverse weather events, and protect biodiversity through innovative plant solutions.

Proposed solutions:

- Streamline the Regulatory Process: Integrating the HSNO and Biosecurity Act with a tiered fee structure and reduced duplication is imperative.
- Recognise Public Good Benefits: The benefits of new plant species, especially in urban and environmental contexts, must be acknowledged and facilitated.
- First Mover Incentive: Implementing a 'first mover' advantage for applicants can encourage more plant imports, essential for urban afforestation and environmental resilience.

The introduction of diverse and suitable plant species is not merely an aesthetic choice but a necessity for the health and well-being of our communities and ecosystems. We believe that revising the plant import process is a crucial step towards a greener, more resilient New Zealand.

Thank you for considering this significant matter. We would welcome the opportunity to discuss these matters further and provide any additional information you might require. We will approach your office in the new year with a request to meet in person in the first quarter.

Yours sincerely,



Matthew Dolan, Chief Executive, NZPPI
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