



The Bio Dynamic Farming and
Gardening Assoc. in N.Z. Inc.

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Discussion Paper on Demeter Levies and Charges

Currently Demeter charges are as follows (before GST)

Inspection	\$444.44
Discount for prompt filing in second and subsequent years	\$44.44
Inspection per hour, after five hours on site	\$60
First year of certification levy	½ %
Levies after the first year	1%

Levies are calculated on farm gate price (before GST) for primary production and on value added (difference between purchase and sale) for processing.

The Demeter pricing has been set with several aims in mind:

- To bring in sufficient revenue to pay the costs of the certifying system
- To bring an element of ability to pay to the way the costs are distributed between larger and smaller licensees
- To keep the entrance costs low and defer some costs until premiums can be expected.

This structure dates from the time Demeter certification began in New Zealand, 25 years ago. It is essentially unchanged, but does it meet today's requirements?

It does not currently bring in enough money to pay all the Demeter costs at reasonable rates.

The system is therefore subsidised by

- Association membership funds, and
- Those who do the work at less than full reasonable reimbursement.

Comparisons with other systems:

- Other certifiers in New Zealand do not charge levies. BioGro andASUREQuality have a much larger up-front fee. OFNZ generally has smaller fees but requires more operator participation.
- Other certifiers have a much larger base in licensee numbers enabling economies of scale
- Demeter certifiers in other countries sometimes charge higher levies than Demeter New Zealand. E.g. Demeter International charges 2% plus tax for licensing in countries where there is no national Demeter organisation, but does not charge a separate inspection fee

Some New Zealand numbers:

In the most recent full year for which figures are available (2008) there were 31 licensed operations. They provided just over \$21,000 in fees and levies. The estimated cost of running the Demeter system, including office costs is approximately \$34,000, not including gifted or underpaid time. There is currently therefore a shortfall of about \$13,000. If the membership fees of licenses are taken into account the shortfall is approximately \$10,000.

What fee structure should be adopted for the next few years?

Some possibilities:

1. Retain the current fee structures and rates
2. Retain the current structures but adjust the rates e.g. by
 - a. Raising the basic inspection rate
 - b. Changing the percentage levy
 - c. Capping the levy in some way e.g. a dollar maximum
 - d. Having a sliding scale levy e.g. different rates like a progressive taxation system except diminishing as the sales increase
3. Devise a whole new structure.

If the current structure is retained, are there aspects to it that

1. Are unfair?
2. Encourage non-compliance (deceit)?
3. Discourage applicants because it makes certification uneconomic?

We invite you to offer your views. If you are able to make suggestions for the structure as a whole that would be helpful, but any comments will be gratefully received.

PS: Some commentators have suggested that a system where the farmer is required to have BioGro certification plus a Demeter top-up (BioGro audit with an additional Demeter inspection check list) would be cheaper to run. After several years' consideration and extensive deliberation the Demeter inspectors disagree – they are of the view that it would most likely be more expensive. The savings on the ground would be minimal because of higher rates of remuneration required for BioGro processes, while additional training and management expenses would be incurred.

