C.5 AR (2014)

Ministry for Primary Industries
Manatū Ahu Matua

MINISTRY FOR PRIMARY INDUSTRIES

ANNUAL REPORT 2013/14

PRESENTED TO THE HOUSE OF REPRESENTATIVES PURSUANT TO SECTION 39 OF THE PUBLIC FINANCE ACT 1989

Growing and Protecting New Zealand

Contents

This work is licensed under the Creative Commons Attribution 3.0 New Zealand licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms.

To view a copy of this licence, visit http://creativecommons.org/licenses/by/3.0/nz/. Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way which infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

Overview from the Director-General

I am pleased to present the 2013/14 Annual Report for the Ministry for Primary Industries (MPI). This past year has seen changes to how MPI is structured and how it responds to issues that support its focus on growing and protecting New Zealand. MPI works in a dynamic international trading environment with rapidly moving scientific frontiers, strong industries and a changing economy. To do well, MPI must focus on building an organisation that has unity of purpose and leadership, and clarity of tasks across its national and international team of over 2,200 people.

Achieving this goal will take time and requires aligning ourselves both internally and externally with our key stakeholders. Working together, sharing and encouraging proactive communication between MPI and others, will bring about benefits for both industry and New Zealand as a whole.

The first steps on this journey have already been taken, with an organisational review being completed in May 2014. The review consolidated MPI's structure around its core functions, strengthened leadership of the biosecurity, food and sustainable economic development and trade systems, and strengthened situational awareness across the organisation.

As part of this change process, MPI has also renewed its focus on staff training, leadership and career development, with a view to seeing people move from being recruits to professional experts and skilled leaders. I want people to find long and meaningful careers at MPI and ensure we can retain the specialist skills on which the organisation depends.

Strategically aligning MPI has been just one dimension of a very busy year. Our ongoing work programme has seen significant improvements to MPI's regulatory frameworks, with the successful passing of the Food Act 2014 and the Fisheries (Foreign Charter Vessels and Other Matters)

Amendment Act 2014, and the introduction of a new Animal Welfare Bill into Parliament. MPI has also increased its market access function, both on-shore and off-shore, and strengthened the biosecurity system with new personnel at the border, new dog teams and the signing of the first Government Industry Agreement with Kiwifruit Vine Health.

MPI continues to re-model itself into an organisation that takes pride in its vision of growing and protecting New Zealand.

Martyn Dunne
Director-General

Growing and Protecting New Zealand

Who We are and What We do

Building a future-focused organisation

The Ministry for Primary Industries (MPI) employs over 2,200 people at more than 39 locations in New Zealand, along with a growing number of staff based off-shore.

MPI provides policy and regulatory advice, market access and trade services, and operates large-scale biosecurity, food safety, forestry, fisheries management and animal welfare programmes. MPI also has strong relationships with other government agencies, primarily within the economic, border and natural resources sectors.

The work of MPI is evolving and the organisation is changing to meet these needs. Over the year, MPI's structure has been aligned around six branches:

- Office of the Director-General;
- Policy and Trade;
- Operations;
- Regulation and Assurance;
- Sector Partnerships and Programmes;
- Corporate Services.

These branches each lead work that supports MPI's core business, which is directed through three major systems:

- **Biosecurity** – MPI works to prevent harmful pests and diseases from entering New Zealand, manages systems to detect and respond to incursions and established pests, facilitates trade and encourages co-operation and participation in the system.
- **Food safety** – MPI sets minimum regulatory requirements and undertakes verification to support assurances to both domestic and export markets that food products produced in New Zealand are safe and suitable, so that consumers in New Zealand and overseas can be confident that their food is safe.
- **Sustainable economic development and trade** – MPI operates in the areas of natural resource use, animal welfare, forestry, trade, market access, innovation, improving productivity of Māori-owned resources, sector structure, fisheries management and aquaculture. The operation of these areas is critical to achieving productivity gains and sustainable resource use that underpin the export success of the primary industries.

Supporting the Government's Business Growth Agenda

MPI contributes to the Government's Business Growth Agenda (BGA) and has as a key goal to double the value of primary sector exports by 2025. To do so, MPI's efforts in 2013/14 focused on building:

- export markets;
- innovation;
- natural resources.

Export markets

Growing New Zealand's export markets is important to all aspects of the New Zealand economy. During the past year, MPI made significant contributions to the BGA Building Export Markets work stream by:

- developing and maintaining market access, including helping negotiate new free trade agreements (FTAs) and promoting current FTA uptake;
- boosting representation in China and South-East Asia;
- going live on the Trade Single Window (TSW) component of the Joint Border Management System (JBMS) in conjunction with New Zealand Customs Service;
- improving the co-ordination of border services through ongoing co-operation with the China Passenger Project in conjunction with Auckland International Airport, airlines and other border agencies;
- leading the development of guidelines to support companies producing mānuka honey.

Innovation

The Building Innovation work stream of the BGA aims to grow New Zealand's economy by encouraging and enabling investment in research, and developing and lifting the value of public investments in science and research. MPI makes substantial investments in innovation through the Primary Growth Partnership (PGP) and the Sustainable Farming Fund (SFF). Other initiatives MPI has contributed to over the past year include:

- building more expertise in the dairy processing industry;
- co-operating with programmes such as the Omapere Rangihamama Dairy Conversion partnership in Northland;
- working with the Primary Industries Capability Alliance to support skills development, including producing the *People Powered* report;
- partnering with industry to improve on-farm technology transfer, including development of tools such as a web-based irrigation demand calculator.

Natural resources

MPI's programme for the Building Natural Resources work stream aims to make better use of New Zealand's limited natural resources, so it can continue to support the economy and look after the New Zealand environment. During the year, work continued on:

- collaborating on the management of freshwater resources with the Ministry for the Environment (MfE) and others;
- encouraging best practice farming through support of events such as the Ahuwhenua Trophy – BNZ Māori Excellence in Farming Award and being a presence at Field Days;
- supporting New Zealand's forest industry including initiatives for improved safety practices;
- ensuring the appropriate regulatory regimes are in place for fisheries, aquaculture and related primary industry activities, for example, the release of the updated *National Plan of Action for the Conservation and Management of Sharks 2013* in January 2014.

Our Strategy 2030

Our Key Highlights

Working to strengthen MPI

The following achievements are a snapshot of MPI's work from 1 July 2013 to 30 June 2014.

Improving the regulatory frameworks for the primary industries

Three major pieces of legislation were progressed during 2014.

After 10 years of development, the Food Act 2014 was passed, a major achievement for MPI. The new Act allows for improvements in the safety and suitability of food for sale and an improved compliance framework, as well as maintaining consumer confidence in New Zealand's food safety regime.

The Fisheries (Foreign Charter Vessels and Other Matters) Amendment Act received its third reading on the last sitting day for the 50th Parliament and the Animal Welfare Amendment Bill had its first reading in August 2013.

Building operational excellence

The first Government Industry Agreement (GIA) was signed with Kiwifruit Vine Health. The GIA enables government and industry to prioritise and plan together to deal with the most concerning pests and diseases. Should an incursion occur, we will work together to effectively manage the situation.

In 2013/14, MPI boosted biosecurity monitoring at New Zealand's borders, with 12 extra dog teams and 24 new quarantine inspectors completing their training.

Meanwhile in fisheries, 2014 marks the 30th consecutive year of the publication of the *Fisheries Assessment Plenary* report. To celebrate, a special supplement was published acknowledging the substantial contribution made to fisheries management by fisheries scientists, technical and non-technical experts from research organisations, academia, the seafood industry, amateur marine fishers, environmental non-governmental organisations, the Māori customary sector, MPI and its predecessors.

Improving New Zealand primary industries' productivity and skills

MPI operates programmes – such as the Sustainable Farming Fund (SFF) and the Primary Growth Partnership (PGP) – to support the development of primary industry opportunities, including boosting Māori agribusiness. One PGP programme was completed at 30 June 2014, with 17 others in progress. The SFF had 31 programmes approved in 2013/14, which will begin in 2014/15. MPI also encourages productivity through the Irrigation Acceleration Fund (IAF) and the Community Irrigation Fund (CIF), which supported 19 projects in the year to 30 June 2014.

Reports on both the PGP and SFF were released during 2013/14 and included cost–benefit estimations for both programmes. The Kinnect Group report on the SFF was released in January 2014. The MPI-commissioned New Zealand Institute of Economic Research (NZIER) report on the PGP was released in May 2014.

MPI worked with industry to develop the *People Powered* report, released in June 2014. The report forecasts the skills needed by the primary industries to build capability. This year, Māori agribusinesses and MPI have partnered to identify how to build skills and capability in order to lift leadership development and productivity of Māori agribusinesses. MPI has undertaken further work on six prototype projects to better understand how best to support Māori enterprises to lift productivity. MPI has also provided support to develop a Māori leadership programme with The Icehouse.

Increasing our international footprint

MPI has boosted its presence in some of New Zealand's important off-shore markets – China in particular. A new position of Deputy Director-General China Relations was established along with a larger team both on-shore and off-shore.

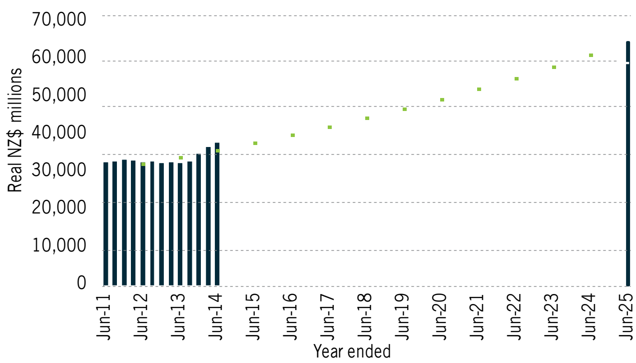
Doubling exports

MPI has a goal of assisting the primary industries to achieve a doubling of real export value from the year ended June 2012 to June 2025. This requires a compound annual growth rate (or geometric growth rate) of 5.48 percent per year over 13 years. This goal is consistent with the BGA goals.

MPI's work is integral to delivering on the BGA, with the continued growth of the primary sector being critical to its achievement. MPI's programmes – such as the PGP, FTA negotiations, new and improved market access and irrigation investments – all contribute to the work of doubling exports.

The wider economic picture of progress shows that agriculture, fisheries and forestry real export value for the year ended June 2014 increased 15.9 percent or $5.1 billion to $37.4 billion compared with the June 2012 baseline of $32.3 billion and surpassed the target pathway for the second year in a row.

PROGRESS FOR THE PATH AHEAD



MPI's China Strategy

As China's economy grows, New Zealand primary industry exports to our largest trading partner have also grown. To ensure this continues, MPI needs experience and knowledge of the cultural differences and regulatory systems of this complex market, so New Zealand's growth potential in China is not constrained.

Recent trade events highlighted the need for MPI to reassess its approach to China, and as a result, the China Strategy was developed. The strategy focuses on how MPI evolves and maintains New Zealand's relationship with China and aims to build understanding of the short- and long-term trade requirements of this relationship.

The strategy guides MPI's interactions with the Chinese trade environment. This will improve how MPI responds to market challenges, while providing opportunities to support and maintain trade growth with China. It provides a complete picture of the MPI–China relationship and describes the necessary high-level actions required to achieve this vision. To date, the focus has been on posting more MPI staff in China. In the longer term, MPI will build wider organisational capability.

The strategy also complements the Government's broader Business Growth Agenda and forms part of the NZ Inc China Strategy. The goal of the NZ Inc China Strategy is to increase two-way trade between New Zealand and China to $30 billion by 2020 – as at May 2014 this was $20 billion. To help New Zealand achieve this strategic vision, MPI has identified six strategic priority areas of focus with a mix of MPI core business activities and new initiatives sitting under them. The six priority areas are:

- clarify MPI's internal and external roles within the trade system and work collaboratively with other government agencies;
- improve and foster positive relations with China – enabling a robust and trusting relationship;
- continue to build internal capability and capacity to facilitate relations;
- strengthen preparedness for the risks and opportunities emerging in this trade relationship;
- share our knowledge and expertise to build mutual confidence in our approach;
- provide leadership to the key primary sectors, lead engagement with China and enhance New Zealand's reputation.

MPI is supporting industry to identify how best to maximise export opportunities, while continuing to protect New Zealand's biological and natural resource base.

Real export value growth has been achieved by export volume increasing 19.4 percent, or 4.6 million tonnes to 28.7 million tonnes, due to increased demand from China, particularly for logs and whole milk powder. However, exports experienced a real price decrease of 2.9 percent, which is largely attributable to a 9.4 percent appreciation of the trade-weighted index.

More information on the specific work undertaken to support these highlights can be found from pages 11 to 58.

Our Outcomes Framework

VISION

Growing and Protecting New Zealand

LONG-TERM OUTCOMES

Maximise export opportunities	Improve sector productivity	Increase sustainable resource use	Protect from biological risk

MEDIUM-TERM OUTCOMES

Export success is enhanced by the integrity of primary sector products and increasing awareness of New Zealand's unique culture and brand	Exporters have improved access to fast-growing and high-value markets, and benefit from new export opportunities	Improved generation of new ideas and their adoption and adaptation by the primary industries, including Māori, is supported by government actions	The primary industries, including Māori, have greater access to capital and have the skills needed to grow and innovate	The primary sector, including Māori, maximises the use and productivity of natural resources within environmentally sustainable limits and is resilient to adverse climatic and biosecurity events	The primary sector is protected from biological risks through the effective operation of the biosecurity and food safety systems

Our Key Statistics

Sustainable economic development and trade

99.9% of export certificates met requirements

1.9 million Trade Single Window transactions

5 new premises added to eligible list for beef producers exporting to Australia

17 Primary Growth Partnership programmes in progress

31 projects approved for Sustainable Farming Fund to begin in 2014/15

5 Māori agribusiness projects approved as part of the Sustainable Farming Fund

123 fish stocks within acceptable limits

23,966 recreational fishing inspections delivered

3,518 educational contacts with fishers

15,076 visits to fish size limits/ guidelines on MPI's webpages

6.4% increase in aquaculture tonnage

Biosecurity

710 investigations

24 responses initiated

12 response plans implemented

30 biosecurity risk exercises and tests completed

1 Government-Industry Agreement deed signed

52,501 consignments inspected

124 groups now part of the National Biosecurity Capability Network

40 detector dog teams active

Food safety

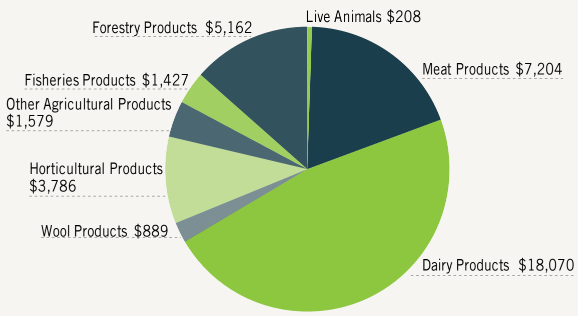
Food Act 2014

100% access maintained after overseas audits

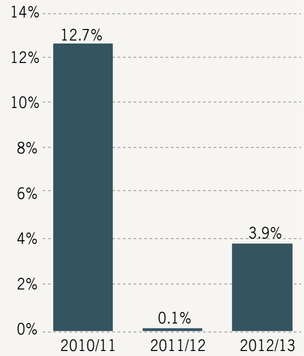
YEAR IN REVIEW

Indicator performance

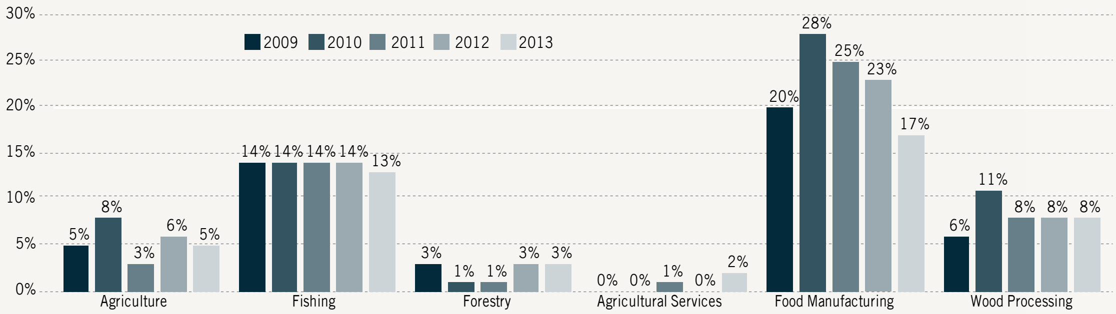
Primary sector exports ($ millions)



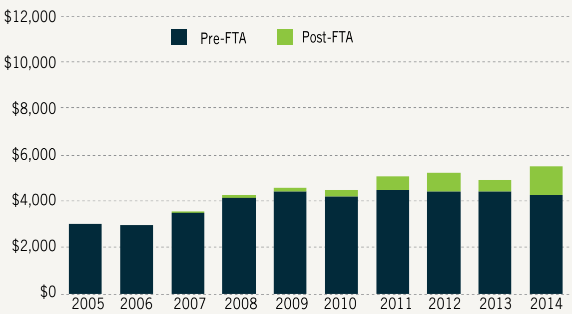
Annual growth of international revenue for New Zealand's top 50 primary industry exporters



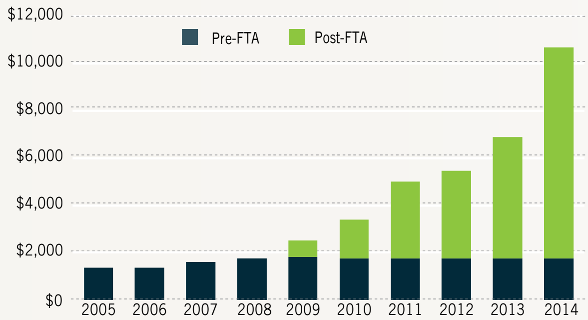
Proportion of agriculture, forestry and fishing and associated businesses reporting they are entering new export markets remains constant or improves



Increased primary industries export activity with each country that New Zealand has signed a free trade agreement with, excluding China



Primary industry free trade agreement exports to China ($ millions)



Source: Statistics New Zealand, to June 2014

Long-Term Outcome:

Maximise Export Opportunities

Partnering to grow trade

Over 76 percent of New Zealand's merchandise exports are from the primary sector. MPI works to support New Zealand's exporters and improve their access to fast-growing and high-value off-shore markets.

MPI works closely with the Ministry of Foreign Affairs and Trade (MFAT), New Zealand Trade and Enterprise (NZTE) and other agencies to secure new and improved market access opportunities for New Zealand's exporters (for example, by negotiating FTAs and resolving market access issues). MPI also manages and develops the regulations and relationships that help monitor and facilitate trade between New Zealand and its trading partners.

China is currently the number one export market for New Zealand's primary sectors. MPI has implemented its China Strategy to guide engagement, which includes building MPI's presence in the Chinese market. Several new roles have been established in China, led by a Deputy Director-General China Relations, to boost MPI's ability to engage with Chinese regulators to resolve market access issues and provide a greater level of support to New Zealand exporters. These new roles link closely with MPI staff in New Zealand, as well as with MFAT and NZTE, to ensure agencies present a co-ordinated NZ Inc presence when dealing with Chinese Government partner agencies.

New Zealand's exports to other markets are also growing. In the past five years, we have seen significant growth in emerging markets. MPI is responding to this growth in trade by expanding its off-shore presence. MPI has established a new position in the New Zealand embassy in Jakarta and will be rolling out an increased MPI presence in other markets, such as the Middle East and Latin America, to provide greater in-market support for New Zealand exporters.

Enhancing export success through the integrity of New Zealand's primary sector products

New assurances are requested by industry to support the further success of New Zealand firms in overseas markets. This year one new assurance was requested and completed – an open-ended letter confirming New Zealand's conservation and management of sharks to address international concerns about shark-finning. During the year, MPI also continued to work on exploring new assurances in other areas. For example, *Foods for Health* is an ongoing cross-government work programme designed to capitalise on the global demand for food products or ingredients with properties that meet a health need, which are backed by scientifically substantiated health claims. New assurances are expected to play a role in increasing export value for these products.

New Zealand has a reputation as a country that acts to provide assurances around its production systems. Two areas of focus over the past 12 months involved progressing legislation relating to animal welfare and the management of foreign charter vessels in New Zealand waters.

The Animal Welfare Amendment Bill was introduced to Parliament in May 2013, with the first reading taking place in August 2013. Much of 2013/14 was focused on supporting the subsequent select committee process, with the Primary Production Committee reporting at the end of June 2014.

The Fisheries (Foreign Charter Vessels and Other Matters) Amendment Act was enacted in July 2014. A range of changes to the management regime for foreign charter vessels will come into force. The main policy change in the Act is the requirement for all foreign charter vessels to be re-registered to New Zealand by 1 May 2016.

Progress indicators

Export assurances are trusted by markets

Ninety-nine percent of all export certificates met requirements.

Percentage of certificates issued that meet importing country technical requirements:

- live animals: 99.9 percent (5,441 out of 5,448);
- plant products: 99.9 percent (61,955 out of 62,022);
- animal products: 99.9 percent (84,774 out of 84,776);
- wine: 99.9 percent (14,970 out of 14,975).

Adoption and retention of new assurances by markets

One new assurance was completed related to shark-finning.

Annual growth rate of international revenue

Growth in New Zealand's top 50 primary sector exporters is being led by market growth in China. While growth in New Zealand's largest businesses export revenues is small, smaller companies are starting to develop because of the increased growth potential from increasing demand.

Statistics New Zealand is due to update this information in late 2014.

Improving exporters' access to knowledge, systems and technology

MPI helps primary industries meet market specifications and participate in integrated value chains by developing knowledge, systems and technology.

A key achievement for both MPI and the New Zealand Customs Service this year was the going live of the Trade Single Window (TSW) in August 2013. TSW is an element of the Joint Border Management System (JBMS). The system provides both importers and exporters with the ability to submit data to border agencies via a single process, rather than providing the same information to different agencies multiple times. As at 30 June 2014, industry has submitted more than 1.9 million transactions since TSW started operating.

The Requirements and Guidance Programme (formerly the Standards Integration Programme) is working to bring clarity to requirements and guidance so they are easy to find, easy to understand and are developed in a clear and consistent manner. The programme will improve the way MPI interacts with New Zealand businesses. New requirements and guidance documents are being presented in a standardised format, using plain English and a consistent approach to make finding information within documents easier.

Legal requirements are clearly separated from guidance, so businesses know what their legal obligations are. Existing standards will be transitioned to the new format over the next three years. A common risk-management decision framework has been agreed and is now being used in the development of new requirements documents.

Work is also well under way on a new MPI website, where businesses will have a one-stop shop with effective search capability for MPI requirements and guidance.

Realising the New Zealand Story

The New Zealand Story was released by Tourism New Zealand, NZTE, Education New Zealand and other public and private sector agencies in 2013.

MPI is exploring how New Zealand can secure and protect New Zealand's international food supply chain through better use of trade data and consumer-centric smart technologies. MPI recognised the full value of existing systems, capabilities and industry qualities has not been fully realised. In response, work is under way to look at opportunities to capture and communicate this information in a transparent way that builds credibility and trust with consumers of New Zealand primary industry products. This ties back to the New Zealand Story as it could also create a platform for New Zealand producers and exporters to credibly validate their story in an authentic, trusted and consumer-savvy way.

Improving and maintaining market access

During the year, MPI has doubled the size of its market access function and increased its presence overseas. This has improved New Zealand's ability to respond to trade issues as they arise. MPI is planning roles in China and the Middle East in

Progress indicators

Export success is enhanced by the integrity of primary sector products and increasing the use of New Zealand's unique culture and brand

The New Zealand Story was released in 2013 as one tool to capture primary industry values and build on New Zealand's export reputation. The New Zealand Story Board was also established as a public/private partnership and MPI's Director-General was appointed to the Board.

MPI has worked with primary industry sectors and firms on their adoption of and potential uses for the New Zealand Story. Use of the New Zealand Story across primary industries is still largely in the consideration or early development stages. MPI has also engaged with other government agencies, including NZTE, MFAT, Ministry of Business, Innovation and Employement and the New Zealand Story Board, since the New Zealand Story launch on how to best provide reputational integrity in a consistent and consumer-focused way for primary industries. This work is still evolving, and MPI aims to present options for wider discussion by the end of 2014.

2014/15 and further increases in 2015/16 and out-years. The number of New Zealand-based market access staff will also be increased to build on the work being done off-shore.

FTA work and bilateral relationship activities in 2013/14 included implementing bilateral cooperation arrangements with China, Thailand, Indonesia and Sri Lanka, as well as regional activities with ASEAN (Association of Southeast Asian Nations) and APEC (Asia-Pacific Economic Cooperation). These engagements seek to enhance trade relationships and provide New Zealand businesses with opportunities to maximise benefit from the government-to-government arrangements.

Reducing the number of markets with costs imposed by overseas authorities through bilateral and multilateral frameworks and standards

MPI continues to focus on reducing barriers to trade for New Zealand primary sector exporters. MPI's approaches include negotiating and implementing FTAs, increasing MPI's off-shore presence and developing bilateral relationships.

In 2013/14, MPI continued to support MFAT in progressing all of the FTAs under negotiation. MPI leads on the negotiation of sanitary and phytosanitary chapters in all FTA negotiations and is a key part of the negotiating team for the market access (tariff) negotiations.

Support is also provided to MFAT and other agencies where part of an FTA might impact or affect the primary sectors, for example, negotiations on services, investment and environmental issues.

The economic co-operation agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (ANZTEC) came into force in December 2013. This agreement will eliminate tariffs on all trade with Chinese Taipei over the next 12 years. On day one of this agreement, 69 percent of New Zealand exports were able to enter the market free of duty, including virtually all dairy exports, apples, cherries and wine. Based on provisional trade data, exports in the first five months since ANZTEC came into force were NZ$456 million, up 33 percent over the same period in the previous year.

FTA negotiation activities planned for next year are the Trans-Pacific Strategic Economic Partnership; bilateral negotiations with the Republic of Korea, the Regional Comprehensive Economic Partnership

Progress indicators

Value of trade retained through successful resolution of market access issues in 2014

As a natural consequence of trade, approximately 30 market access issues arise each week of varying severity. The majority of issues were resolved and some procedures were identified as needing improvement. Most issues did not cause lingering blockages. Successful resolution of market access issues has resulted in recovering, on average, $12.75 million each quarter of trade that would have been lost if the issue had not been resolved.

Proportion of agriculture, forestry and fishing and associated businesses reporting that they are entering new export markets remains constant or improves

The decrease in agriculture, forestry, fishing and food manufacturing businesses reporting entry to new export markets may reflect companies in these sectors moving to take advantage of rapid demand growth from China. Export returns for these product categories in China have more than doubled in the past three years. There may be a renewed focus on entry to new markets over the next few years as companies seek to diversify their market.

negotiations and negotiations with Russia, Belarus and Kazakhstan. MPI provides analytical and strategic input, as well as negotiators.

Simplifying the trans-Tasman food trade

All beef products exported to Australia are required to have a government export certificate to accompany each consignment verifying that the product was derived from beef of New Zealand and/or Australian origin, or from certain countries with a negligible bovine spongiform encephalopathy risk. In 2010, MPI and the Australian Quarantine and Inspection Service agreed on a modified certification arrangement to simplify requirements for exports of processed beef from New Zealand. Beef products cannot be exported to Australia without an export certificate. The beef must be made from cattle born, raised and slaughtered here or in Australia. Any product must be made in a facility that runs an MPI-approved Food Safety Programme or Risk Management Programme.

New Zealand exports of beef products to Australia have increased from $5.5 million since then to $13.2 million in 2014, a 140 percent increase.

Future work aims to ease requirements for other product groups still requiring certification, such as dairy products that include foreign ingredients.

Progress indicators

Increased primary industries export activity with each country that New Zealand has signed an FTA

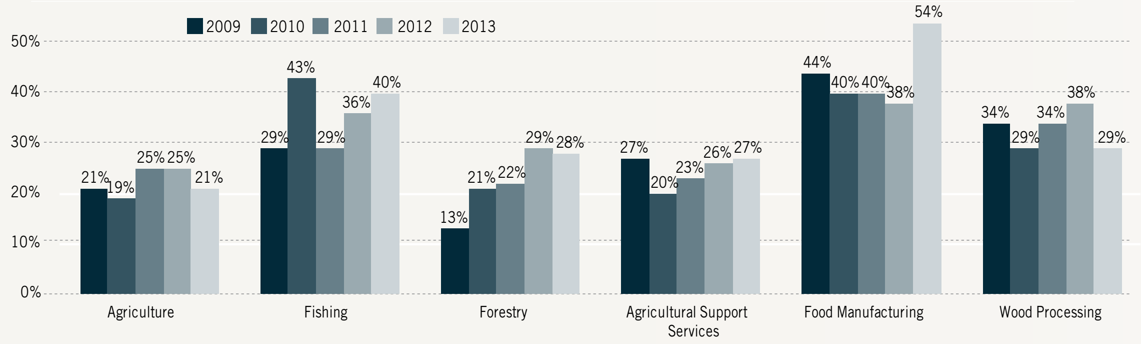
In the past seven years, New Zealand has entered into new FTAs with China, Malaysia, Hong Kong and ASEAN. New Zealand concluded negotiations to enter into a new FTA in 2013 with Chinese Taipei (the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu). This FTA came into force in December 2013.

Reduction in the certification and inspection of food products exported across the Tasman

Five premises were added to the list of New Zealand beef producers eligible to export processed beef products to Australia without certification during 2013/14.

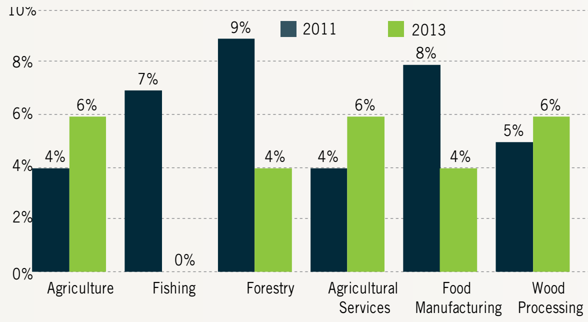
Indicator performance

Increase in primary industries developing or introducing new goods, services or methods

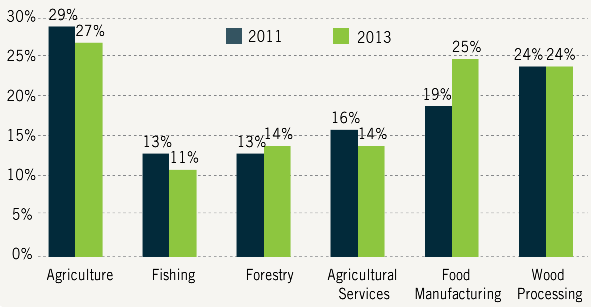


Improvement in how regulation is viewed by businesses involved in producing goods, services, processes or models

Industry able to access personnel to enable development or introduction of improved goods, services and processes



Costs are not a barrier to industry developing or introducing goods, services and/or processes



Source: Statistics New Zealand, to June 2014

Long-Term Outcome:

Improve Sector Productivity

High performing, adding value

MPI supports the primary industries to develop and improve production systems and capability, and provides for their input into policies and programmes that impact on natural resource use.

A clear entry point is provided for stakeholders to access funds, such as the PGP, SFF and the IAF. These funds encourage higher levels of innovation, sector productivity, environmental performance and value-added products.

Enabling sustainable economic development is also important – to this end, MPI is developing New Zealand's aquaculture sector and partnering with Māori. Māori have significant interests in New Zealand's agribusiness, forestry, fisheries and aquaculture sectors, and MPI works with Māori groups to help grow the returns from Māori-owned land and resources.

Increasing innovation investment and new technology

Innovation investment and encouraging the adoption of new technology are key development opportunities for New Zealand's primary industries. During the year, MPI worked to improve cost effectiveness with its investment programmes and unlock greater value as a result.

The use of technology and innovation to address on-farm issues is being bolstered through programmes supported by the PGP and the SFF. Technology projects approved as part of the funding round for the SFF 2014, included:

- a web-based irrigation demand calculator;
- spray technology optimisation for chemical control of PSA bacteria (*Pseudomonas syringae* pv. *actinidiae*) in kiwifruit orchards;
- brix and pasture energy scale technology to improve produce value.

Four new PGP programmes commenced in 2013/14, including the New Zealand Avocados Go Global programme and the Lifestyle Wines programme.

Progress indicators

Increase in primary industries developing or introducing new goods, services or methods

Product innovation is more prevalent in the food manufacturing sector than other sectors of the primary industries. This is largely due to the other sectors providing raw products into value-add processes. The innovation levels across the primary industries are in line with those in New Zealand businesses as a whole.

Benefits for productivity improvement from programmes supported by MPI funds

Benefits being delivered for PGP programmes to date are tracked through reporting to MPI, with information available on the MPI website: www.mpi.govt.nz/agriculture/funding-programmes/primary-growth-partnership.aspx.

During the year, MPI commissioned NZIER to conduct an analysis of the benefits of the PGP, while the SFF was externally evaluated by the Kinnect Group. The SFF evaluation report was released in January 2014 and the PGP report was released in May 2014.

Both reports discuss the benefits of the two funds, with the benefit cost ratio (BCR) of the net benefit from government investment in the PGP being calculated at $32 for every dollar invested by government. The NZIER report noted this is relatively high but well within the range of international assessments of BCRs of agricultural research and development.

The Kinnect report on the SFF indicated that evidence from case studies, survey feedback and past evaluations suggests that the SFF could return $122.8 million worth of economic benefits, given the aims and success rates of the projects being funded.

Both programmes will develop tools and processes to capitalise on market-led opportunities arising from the health interests of consumers.

In addition, MPI is also investing in Māori agribusiness through SFF. Five projects – worth over $2.2 million (49 percent being in-kind funding and 51 percent funded through the SFF) – were announced in April 2014. The programmes cover improving farming practices, restoring land in the Waikura Valley and improving kiwifruit orchard productivity in the Bay of Plenty, Northland and Gisborne.

Māori play an increasingly significant role in New Zealand's primary industries. MPI is actively collaborating with Māori to support efforts to unlock the economic potential of Māori land.

Overall, MPI's investment into new innovative technology, as at 30 June 2014:

- 17 PGP programmes in progress and one completed;
- 31 SFF projects to begin in 2014/15, with a value of $9.9 million;
- 19 IAF projects in progress, with grant support of $9 million provided for 2013/14.

Reports on both the PGP and SFF were released during 2013/14. They included cost–benefit estimates for both programmes. The reports found the programmes were worthwhile and made valuable contributions to sector productivity.

Supporting a more competitive and innovative regulatory environment

The passing of the Food Act 2014 in June 2014 makes it easier and less costly to run food businesses, while ensuring food production remains safe. The new law allows a modern, risk-based approach to food safety and operates on a sliding scale where businesses with a higher risk, from a food safety point of view, operate under more stringent requirements and checks than lower risk food businesses. The revised Act recognises that each business is different and is a positive move from the old one-size-fits-all approach to regulation.

To help businesses understand the changes, MPI is developing a web-based tool allowing business owners to get tailored information about how the new Act affects them.

Against the backdrop of new regulation around food production, innovative food processing technology is also being developed. As part of the PGP Transforming the Dairy Value Chain programme, managed jointly by Fonterra, Dairy NZ and MPI, new thinking around food processing has enhanced the process for manufacturing individual, quick-frozen mozzarella. Traditionally, this would be a two-month process, but it now takes only a day.

Improving skill levels across primary industries

MPI continues to support growth within the primary industries by facilitating skills development in conjunction with industry.

Working with DairyNZ and Beef + Lamb New Zealand, MPI has developed the *People Powered* research partnership to forecast future capability requirements for the primary industries. The partnership focuses on developing education, training and employment practices, while informing MPI and government on future skill requirements. Current forecasts indicate the primary industries will need an upskilled workforce in the traditional primary industry occupations and there will be growing demand for other skills, such as engineering, science and management. Further investment is required in marketing and product skills, business management, technical experience and specialist skills.

Alongside DairyNZ, MPI is also sponsoring the Enterprising Primary Industries Career Challenge (EPIC), being run by the Young Enterprise Trust. MPI sponsored EPIC through a user-centred design process, collaborating with industry.

Progress indicator

Improvement in how regulation is viewed by businesses involved in producing goods, services, processes or models

The impact of government regulation on business innovation is low. The proportion of primary industries hampered by regulation is similar to business as a whole. The notable exception is the fishing sector, largely due to quota limitations and aquaculture development constraints. While these factors may impede innovation to a degree, they are necessary to ensure the long-term viability of the sectors. The data validates MPI's continued focus on improving regulation as a driver of increased productivity.

EPIC encourages and develops career pathways for high school students into the primary industries. Students competing in EPIC, research careers and develop a promotion strategy to market the primary industries to other students. This challenge raises awareness of where a career in the primary industries could go and the best way to achieve it.

Increasing innovative primary industry activities through effective capital deployment

During 2013/14, MPI began an investigation of capital markets in relation to the primary industries. The primary sector is capital intensive and already relatively highly leveraged, compared with the wider economy. The starting assumption for this work was that good opportunities will ultimately attract capital investment. MPI has been working to identify key issues impeding attraction of capital and investment to the sector.

Over the coming year, the capital markets research will be enriched by:

- engaging with the banking sector to understand whether there are good investment opportunities that are unfundable due to a lack of equity capital;
- understanding the risk appetite of New Zealand banks better over the coming decade;
- identifying potential investment opportunities, including preliminary assessments of productive benefits and funding gaps;
- understanding the timing of capital investment through to return generation.

Partnering with industry to realise investment and economic growth is a major driver for the PGP programme. Together, MPI and industry can boost productivity and profitability, helping deliver long-term economic growth and sustainability across the primary industry value chain.

Improving awareness of development opportunities tailored to Māori agribusiness needs

Increasing productivity in rural areas, where Māori are major stakeholders, is a main development aim for MPI. Development opportunities identified by landowners to pull together smaller landholdings into larger, more commercially effective operations are being supported. MPI is working with owners of Māori land to develop a blueprint to guide those who want to develop their primary sector assets further. MPI also provided support for the development of a pilot programme to improve the long-term capability of Māori agribusiness in governance, management, innovation and on-farm skills. Evaluation of the pilot programme will occur in 2015.

Progress indicators

Industry is able to access personnel to enable development or introduction of improved goods, services and processes

The availability of skills is variable across the primary industries. This mirrors the situation for New Zealand as a whole. Over recent years, a number of initiatives have been undertaken to improve access to skills across the wider economy. Many primary sectors have benefited from these activities. The future skills needs continue to be a focus for MPI, and a wide-ranging study into this area was undertaken and published in June 2014.

Costs are not a barrier to industry developing or introducing goods, services and/or processes

The significance of cost as a barrier to innovation has stayed relatively flat or declined between 2011 and 2013 for all sectors except food manufacturing, which has seen a rise. Largely, the costs associated with this sector, involve specialist skills and equipment and investment in the sector has seen a renewed focus. In the agriculture sector, innovation costs are high due to the level of technology now required to make meaningful innovation.

Increase in the number of Māori agribusinesses using skills, training and capability building

During 2013/14, six Māori agribusiness prototype projects were tested to improve capability and productivity of land by developing best ways to partner with and enable Māori land owners to increase productivity and profitability. The findings from the prototype activities were reviewed and work programmes are being developed for future development.

In addition to the projects, the latest SFF round approved funding for five Māori agribusiness projects, to begin in 2014/15.

Long-Term Outcome:

Increase Sustainable Resource Use

Maximising the use and productivity of natural resources within sustainable limits

New Zealand's natural resources have supported countless generations – at work and at play.

Our natural resources are a big part of our identities as New Zealanders. Good stewardship of these resources involves investing in the necessary science, information and monitoring to ensure their long-term sustainable use.

Utilising freshwater and other natural resources

MPI works with MfE on freshwater management, as part of the Freshwater Reform Programme, originally launched in 2009. The programme aims to reform the system of freshwater management to deal with the growing pressures on New Zealand's water supplies. The National Policy Statement for Freshwater Management (NPS-FM) sets out the objectives and policies for freshwater management under the Resource Management Act 1991. The NPS-FM directs regional councils to consider specific matters about freshwater when regional plans are being developed.

Following a review of NPS-FM 2011, new legislation was passed in November 2012, with the updated NPS-FM 2014 due to come into effect on 1 August 2014. The changes were informed by the Land and Water Forum, specialist reference groups, the Freshwater Iwi Leaders Group, freshwater science panels and over 7,000 public submissions.

The amendments will provide national consistency in regional decision-making on freshwater management. For the first time, New Zealand lakes and rivers will have minimum requirements that must be achieved so water quality is suitable for ecosystem and human health. The newly established National Objectives Framework will help councils and communities set freshwater objectives and manage water in a way that allows economic growth within environmental limits.

MPI and MfE will give councils guidance as they implement changes to meet the requirements of the NPS-FM 2014. An additional $12 million in funding, over the next four years, will help councils and communities improve the way they plan and make decisions about managing their local freshwater resources.

The IAF is intended to help realise the potential for irrigated agriculture to contribute to sustainable economic growth throughout New Zealand. The 2011 Budget allocated $35 million over five years to support the development of irrigation infrastructure proposals to the investment-ready prospectus stage. The IAF's primary purpose is to support regional-scale, rural, water infrastructure proposals. It will continue support for strategic water management studies and strategies, and community irrigation schemes, previously available through the SFF and the CIF.

MPI administers the Emissions Trading Scheme (ETS) for the forestry sector, in conjunction with MfE and the Environmental Protection Authority (EPA). The EPA administers the ETS for other sectors (including agriculture) and the New Zealand Emissions Unit Register for all sectors. MPI also represents New Zealand in international negotiations on climate change, relating to agriculture and forestry, to advance New Zealand's interests and support it to meet its international commitments.

Forestry sector participants in the ETS continue to be responsible for a significant proportion of the New Zealand Units (NZUs) issued and surrendered. In 2014, MPI worked with MfE to resolve two issues relating to the ongoing operation of the scheme. First, the future use of international carbon units in the ETS was considered, resulting in a regulatory amendment that prevents the surrender of certain international units after May 2015. Second, the Climate Change Response Act 2002 was amended to correct an unintended consequence that allowed post-1989 forestry sector participants to receive multiple allocations of NZUs through repeated de-registration and registration.

MPI also worked with the EPA and other agencies to uniquely identify NZUs issued to the Permanent Forest Sink Initiative. This change provides greater transparency over how the units were generated and helps participants market their units.

Utilising fish stocks sustainably

New Zealand's fisheries quota management system (QMS) is the way the use of fisheries resources are maintained within sustainable limits. The QMS uses direct control of harvest levels for each species in a nominated geographical area to help maintain sustainable use of fishery resources. The QMS currently covers 100 species or species groupings.

To ensure the QMS remains effective, MPI provides for the input and participation of Māori and publicly consults on the development of species catch-limits, management controls and new species to be added to the QMS.

In January 2014, consultation was opened on new catch-limits for rock lobster and scallop stocks, as well as changes to commercial overfishing penalties for sea cucumber. At the same time, proposals to introduce carpet shark, seal shark and hagfish to the QMS from 1 October 2014 were also advised. Final decisions around the sustainability and management controls affecting the catch-limits and the overall total allowable catch (TAC) for the 2014/15 fishing year (starting from 1 October 2014) were subsequently advised.

The review of catch-limits and other management controls for New Zealand's fish stocks is an important annual process that focuses on increasing the productivity of the fisheries while ensuring their long-term sustainability.

Maintaining sustainable fish stocks is not just the work of scientists but also the fishing industry and the public. MPI works with both groups through its VADE compliance model (voluntary, assisted, directed and enforced) to monitor and ensure compliance with the Fisheries Act 1996 and related legislation. At the front line, the work of MPI's compliance officers and community-based honorary fishery and compliance officers play a key role in improving adherance to catch-limits.

Progress indicators

Maintaining and improving water quality

MPI continued to work with MfE on maintaining and improving water quality.

In 2013, MPI established the Environmental Economics Unit (EEU). This unit was set up to work in partnership with regional councils and other stakeholders to help implement the NPS-FM. Since its creation, EEU has worked in Canterbury, Southland, Northland, Wellington and Waikato to develop high-quality analysis on the economic and environmental choices councils have to meet their freshwater objectives. EEU's work will help councils to progress the limit-setting process and help ensure that overall water quality in their region is maintained or improved.

Increase in number of farm nutrient management plans

Approximately 40 percent of dairy farms in New Zealand have a nutrient plan and 85 percent of dairy farms have developed nutrient budgets. Most of these nutrient management plans are less than three years old.

The OVERSEER® Best Practice Data Input Standard was released in August 2013 and a new programme to certify nutrient management advisors was begun, with 71 nutrient management advisors certified by 30 June 2014.

Increase in number of hectares under irrigation

MPI's contribution to increasing the area under irrigation has been through the portfolio of IAF and CIF grant-supported projects – during 2013/14 grant support of $9 million was provided across 19 projects. A 3.3 percent (23,300 hectares) increase in the irrigated area above the Agricultural Production Statistics (APS) 2012 baseline will be provided through projects that reached construction stage during the year. This progress builds on the baseline of 721,700 hectares established in the APS 2012.

There has also been significant progress in projects delivering the capital upgrade of existing infrastructure. This work involves the upgrade to pressurised pipes from open race distribution systems, the provision of in-scheme storage and the replacement of deep ground-water takes with surface and stored water. Projects commissioned or under construction during the year involved 6.5 percent (47,300 hectares) of the APS 2012 baseline.

During the year, a number of prosecutions were concluded, including a commercial operator being jailed for black-market activities relating to selling fish and a Rotorua offender being sentenced to community service for selling pāua illegally after MPI staff tracked them through social media. MPI actively encourages compliance with the Fisheries Act 1996 and works with the public through the 0800 4 POACHER hotline for people to report suspicious fishing activity.

Relieving the harvesting pressure on wild fish stocks is one of the purposes behind developing commercial aquaculture. Well-planned and sustainable aquaculture growth in New Zealand is important, with the government committed to enabling industry to achieve its goal of $1 billion in annual sales by 2025. A crucial part of MPI's commitment is ensuring aquaculture growth takes place within acceptable environmental limits, respects other and values New Zealand waterways and marine environment.

For 2013/14, two more programmes were approved under the Aquaculture Planning Fund (which supports regional councils with the costs of coastal planning for aquaculture), bringing the total approved programmes to five since 2012. The new programmes focus on understanding and minimising the potential impacts of aquaculture activity in the Pelorus Sound and Southland. Information and research from the new programmes are expected to be available from 2016, with research from the earlier programmes available from 2015.

Work on the Māori Commercial Aquaculture Settlement is progressing, with 98 percent of pre-commencement space obligations being completed to date, with the remaining pre-commencement work due to be finalised by December 2014. Priority areas for new space obligations have been identified (Northland, Waikato East, Tasman and Marlborough) and work is expected to conclude in these areas by 30 June 2015. Work in the non-priority areas of Canterbury and Southland is expected to conclude by March 2015, while work in the Auckland non-priority area is expected to conclude by November 2015.

The remaining non-priority areas have not received their first resource consent applications and work to address this is under way.

Progress indicators

Increase in fish stocks managed within acceptable limits, including decrease in stocks falling below the hard limit

There has been continuous improvement in the number of fish stocks managed within acceptable limits. Acceptable limits are defined as soft or hard limits. The soft limit is a biomass level below which stock is deemed to be overfished or depleted and needs to be actively rebuilt. The hard limit is a biomass below which a stock is deemed to be collapsed and where fishery closures should be considered to rebuild a stock at the fastest possible rate.

The number of stocks that are within acceptable limits (that is, above the soft limit) increased from 114 in 2013 to 123 in 2014. The number of stocks below the hard limit decreased from 11 to 10.

Increase in number of hectares in aquaculture production

During 2013/14, 303.7 hectares of new aquaculture space was approved, including 49.5 hectares of new salmon space. Work to complete the Tasman Interim Aquaculture Management Areas is ongoing with a decision expected to be completed in 2014/15.

Recreational fishing compliance is improving

During 2013/14, there were:

- 23,966 recreational inspections delivered;
- 3,518 educational contacts with fishers;
- 15,076 visits to fish size limits and/or guidelines on MPI's webpages.

All of these activities are designed to help fishers voluntarily comply with fisheries law. The compliance rate for 2013/14 was 95 percent (2012/13: 95 percent).

Increase in value of fresh on-board tonnage of aquaculture produce exported relative to hectares in production

Export values for fresh on-board tonnage of aquaculture produce exported relative to hectares in production went from $259 million in 2012/13 to $277 million in 2013/14, a 6.4 percent increase over the previous year.

MPI's obligations to Māori are delivered

MPI achieved 85 percent of its obligations to Māori in 2013/14. Twenty work streams have been implemented to meet these obligations. Two work streams from the original 22 will be withdrawn as they are no longer considered valid. Seventeen of the work streams are being delivered to standard. Two others were not delivered to standard, and efforts continue to rectify this. Performance of one work stream cannot be fully determined due to incomplete reporting.

Lifting the performance of Māori agribusiness and land resources

Māori have significant customary, cultural and commercial interests in both land and fisheries. During 2013, MPI has continued to work with Māori land owners on six prototype projects to identify how MPI might best support sustainable development. The prototypes included exploring the feasibility and implementation of dairy conversions, exploring the introduction of beehives and raising the productivity of kiwifruit orchards. The projects were completed, evaluated and – based on the information gained – work has begun on developing a Māori agribusiness programme to work alongside MPI's other non-regulatory programmes.

Work on MPI's contributions to the Crown's historic Treaty of Waitangi settlements programme continues. MPI is currently involved in 17 Treaty settlement negotiations and, in 2014, assisted to complete settlement legislation for 12 iwi groups and four deeds of settlement.

Progress indicators

Increased productivity and exports from Māori agribusiness

A number of Māori exporting firms in the seafood sector were interviewed as part of MPI's research into opportunities and challenges for growing New Zealand's exports. It is also anticipated the research will provide MPI with a better understanding of how to support Māori exporting efforts.

MPI also provided assistance and advice to iwi that have purchased primary sector assets through the Treaty of Waitangi settlements process. MPI is working with iwi to support the management of these new tribal assets through improving governance capability and brokering relationships with farming specialists, such as Landcorp and the Māori Trustee, to assist in developing the land.

Long-Term Outcome: Protect from Biological Risk

Protecting New Zealand from biological risks through effective biosecurity and food systems

New Zealand is naturally remote from many plants and animals that can pose a risk to our biosecurity. Due to increased global trading activity, however, our lands and waters are intimately connected to every biological system on earth. Each year, around 5 million passengers and millions of tonnes of cargo and mail arrive here, all with the potential to carry unwanted organisms that could damage New Zealand's economy, environment and lifestyles. Passenger numbers and imports are expected to keep increasing.

MPI's work is focused on knowing what organisms might turn up and how they could arrive here. Specific teams within MPI work on the plant, environment, food and animal products areas. They develop the requirements and checks for different pathways and products to best manage risks.

Many risks are managed off-shore, as exporters to New Zealand have to meet requirements in originating countries before products can be imported. The remaining risk is managed in New Zealand, with MPI staff working at international ports, airports and a range of secure sites across the country to inspect and clear incoming cargo, mail, passengers, and live plants and animals.

However, no border system is 100 percent secure and, from time to time, a possibly unsafe item may come through. If something is identified as being a risk, a response is initiated involving investigations, diagnostics, responses and communications. The development of new GIAs means industries will take a greater role in planning, preparedness and response efforts for exotic pests and diseases in their sectors.

When a pest organism has become established, MPI works with landowners, industry groups, councils and other agencies to manage and control the spread of the pest organism.

Responding to pest and disease incursions

MPI operates both active and passive surveillance programmes. Biosecurity surveillance means looking for pests, diseases, animals, plants and other living things, which either do not belong in New Zealand or can cause problems for animals, plants or the environment – to find out whether they are already here – if they are, where exactly they are and if they are not, to detect them early if they arrive.

Active surveillance programmes are split into two types – targeted surveillance and pathway surveillance. Both types focus on monitoring pests and diseases typically entering New Zealand through imports, vessels, passengers, mail, air and sea. Work in this area covers risk-based assessments of people, plants and products that are crossing New Zealand's borders as well as programmes such as MPI's detector dogs.

With passive surveillance, MPI keeps a watching brief for unwanted pests and diseases. It involves investigating notifications of suspected unwanted pests and diseases, and monitoring and analysing trends in information relating to pests and diseases. Everyone can do their part by being aware of potential threats and notifying MPI of anything unusual.

MPI's exotic pest and disease hotline (0800 80 99 66) is an important tool in this work. Members of the public can notify MPI of suspicious pests or diseases, with MPI investigating, monitoring or analysing information to determine if further action is required. In 2013/14, the 0800 number received around 11,000 calls, indicating that members of he public are aware of this monitoring tool and are willing to engage on matters of biosecurity.

During the year, MPI initiated 710 investigations and 24 responses. MPI uses a number of methods to report on confirmed new species and surveillance programmes, including publishing reports in *Surveillance* magazine. Some examples of MPI's surveillance of unwanted pests and diseases throughout the year include:

- A campaign run in Auckland that sparked an increase in confirmed public sightings of the red-vented bulbul, an aggressive Asian bird species that threatens crops and creates competition for resources with native birds. After this campaign, red-vented bulbuls were located in three clusters in the Auckland region.
- Single male Queensland fruit flies were found in two MPI surveillance traps in the Whangarei area in January and April 2014. A controlled area was put in place around each location and extensive surveillance programmes launched. No further fruit flies were detected.
- Thanks to the strong relationship between MPI and the Auckland International Mail Centre, New Zealand Post staff identified two large snails. On further investigation, quarantine inspectors found two more giant African snails. The adult snails were alive and posed a significant risk to New Zealand's biosecurity.

Protecting the competitive advantage of a pest-free environment

MPI's biosecurity systems work to protect New Zealand and provide evidence of the country's freedom from risk organisms. Strong systems facilitate international trade and support a pest-free environment within New Zealand. If an outbreak of something such as Foot and Mouth Disease (FMD), occurred within New Zealand, almost all exports of meat, animal by-products and dairy products would cease and not resume until at least three months after the slaughter of the last infected animal. Damage to New Zealand's trade reputation would be catastrophic, and it is estimated the gross domestic product loss would be in the vicinity of $10 billion over a two-year period.

Queensland Fruit Fly Responses

Two high profile incidents in January and April 2014 served to reinforce the benefits of biosecurity surveillance in protecting New Zealand from a potentially high-impact pest. On two separate occasions in the Whangarei area a single male Queensland fruit fly (QFF) was found in MPI's lure-based surveillance trapping systems.

The QFF (*Bactrocera tyroni*) is native to Australia and is considered a serious insect pest of fruit and vegetable crops. Despite its tiny size (6–8 millimetres), the QFF is one of the most destructive fruit fly species, infesting over 100 types of fruit. The New Zealand horticulture export market is worth approximately $4 billion and is enhanced by New Zealand's status of being free from fruit flies. This is a status that few countries can claim. Therefore, the potential biological and economic consequences of an established QFF breeding population in New Zealand would be severe.

MPI's response to the Whangarei incursions was swift. In each incident, MPI staff arrived within hours of the positive identification. The surveillance trapping density was greatly increased and a controlled area was set up, which restricted movement of fresh fruit and vegetables, and samples were collected to test for fly larvae. There was strong engagement with the Whangarei community, with the response team informing people of ways to mitigate any risk of an incursion spreading. This was undertaken through media updates and handing out detailed, area-specific information brochures to members of the public. Business owners were kept up to date with movement restrictions in the area.

Both incursions were found to be one-off occurrences, enabling New Zealand to maintain its fruit-fly-free status. Further evidence indicated both responses were likely unrelated.

MPI continues to monitor for future threats. The current nationwide surveillance trapping system is made up of approximately 7,500 traps that are checked fortnightly. Since the QFF incidents, 33 new traps have been added to the Whangarei area.

Progress indicators

Increase in number of groups engaged with MPI on preparedness and response to disease and pest incursions

There was an increase from 119 groups in 2012/13 to 124 at the end of 2013/14 (4.2%). The increase was limited due to the focus in 2013/14 on understanding and analysing the existing capability within the National Biosecurity Capability Network (NBCN), as a whole, against response roles.

These organisations are contracted under various memorandums of understanding (MOUs) to assist MPI in roles associated with operations within the response work streams, that is, logistics, organism management, surveillance and operations management. NBCN members have been involved with all of the 22 responses involving the biosecurity response services agreement between MPI and AsureQuality this year.

Biosecurity compliance rates

	2011/12	2012/13	2013/14
Consignments inspected	49,959	47,703	52,501
Non-compliant consignments	10,520	10,457	11,869
Non-compliance (%)	21	22	23

Non-compliant consignments are treated, re-shipped or destroyed.

MPI's risk assessment is improving, which is leading to increased numbers of non-compliant importations. To support this, additional training and new staff have been deployed over the past 12 months.

During 2013/14, MPI also introduced unannounced audits of transitional facilities. These audits are intended to rapidly identify and address non-compliance by targeting specific types of transitional facilities. In the case of sea container-only transitional facilities, the audits resulted in the suspension of 40 percent of those facilities audited. As a result, the facilities have either rectified their non-compliance or requested cancellation.

Monitoring biosecurity compliance is a key activity of MPI's staff working at the border. To assist with improving compliance rates, work has been done to build on MPI's successful Detector Dog Team programme, with the number of active teams increasing from 28 at the start of 2013/14 to 40 by the end of the financial year. The dog teams play an important role in New Zealand's biosecurity processes as they are able to identify items that can be hard to find by other processes, such as x-ray screening and risk assessment of passengers.

Increasing completed response plans with standard operating procedures (SOPs) and skilled support

During 2013/14, MPI developed and immediately implemented 12 new response plans to specific high-priority incursions. Plans covered tropical fire ants in Tauranga, genetically modified *Beauveria bassiana*, Queensland fruit fly larvae in pears and unauthorised kiwifruit in Auckland.

MPI also developed response plans for some specific, high-risk organisms prior to a response being initiated, including an FMD vaccination operational plan to guide the use of vaccination during an incursion, and development of a response plan for brown marmorated stink bug with the development of operational specifications under way.

Completing eight exercises successfully

In 2013/14, over 30 biosecurity risk exercises and tests were completed. These ranged from small drills that tested proficiency in specific parts of the response system, such as diagnostic testing, to participation in all-of-government emergency response simulations and several biosecurity response exercises run by international partners in Australia and Canada. MPI also observed several biosecurity response exercises run by other international partners. These exercises enhance relationships, enable the exchange of information and help ensure that MPI's approach to managing biosecurity responses is aligned with international practice.

In May 2014, MPI was invited to observe and comment on a no-notice exercise, conducted by Fonterra to practise its emergency response procedures.

Adopting previous recommendations leading to faster, more effective responses, with previous errors not repeated

MPI now assesses and applies lessons learned during responses as a standard practice, recognising that this leads to a cumulative improvement in response capability. For example, following the January 2014 Queensland fruit fly response, key learnings were applied when the second response occurred in April 2014. Industry stakeholder reports about the April 2014 response noted the practice has led to an overall improvement in response capability.

To effectively respond to events, such as FMD, MPI has been working to ensure its response systems meet best practice. As part of this, planning was progressed during the year to establish a new, purpose-built biocontaiment laboratory at MPI's Wallaceville campus, with the business case approved in June 2014.

The biocontainment laboratory has an essential role in responding to animal disease outbreaks, protecting public health and providing international trade assurances about New Zealand's disease status. The existing laboratory is coming to the end of its life and was not designed to allow for recent advances in diagnostic technology. The planned improvements will provide for expanded capability and the use of more accurate, faster diagnostic methods in an environment with improved safety and containment features. Building work is expected to start in March 2015, with the new facility planned to be operational by March 2018.

Government-Industry Agreements

Under GIAs, industry organisations and MPI can establish biosecurity partnerships. Partners will share decision-making, costs and responsibility to prepare for and respond to biosecurity incursions. A GIA will give industries a direct say in managing biosecurity risks. During 2012/13, a joint working group, comprising industry and MPI representatives, developed and agreed to a GIA Deed. This collaborative approach culminated in the final GIA Deed approved by Cabinet in December 2013.

The GIA Deed creates the framework for more effective and consistent partnerships with industries across the biosecurity system. Industries can also work with MPI to develop an operational agreement pertaining to the specific readiness and response priorities of their industries.

On 20 May 2014, the first GIA was signed between Kiwifruit Vine Health and MPI. Many other industry sector organisations, such as DairyNZ, New Zealand Forest Owners Association, New Zealand Equine Health Association and Pipfruit New Zealand, are actively engaging with their sectors to gain a mandate to be eligible to sign the GIA Deed. MPI and the independent GIA Secretariat held a series of workshops with industries in late May and early June 2014 to assist industries to gain mandate from their members. MPI is continuing to provide advice and support to prospective GIA Deed signatories.

Progress indicators

Market access is maintained and opportunities enhanced, with trading partners having confidence in New Zealand's biosecurity system

In 2013/14, MPI worked on a number of market access issues related to biosecurity incidents. The Queensland fruit fly incidents in Whangarei in January and April 2014 were managed so access to New Zealand's international markets was kept open during the period when precautions were in place. Work was also undertaken to restore the export of New Zealand's apples to China after earlier being stopped as part of a biosecurity concern regarding the presence of the bull's eye rot fungus in September 2013.

Health of biosecurity system is improving

Improving the health of New Zealand's biosecurity system is a long-term programme for MPI. Progress is maintained across the following indicators:

- number of response plans completed or reviewed;
- completion of preparedness and readiness exercises;
- adoption of recommendations that lead to faster, more effective responses;
- number of groups actively engaged with MPI on preparedness and responsiveness to deal with disease and pest incursions.

During 2013/14, 12 response plans were implemented with key learnings assessed and applied where appropriate. In addition, more than 30 biosecurity risk exercises were completed, including participation in all-of-government simulations, as well as participation in international response exercises run by Australia and Canada. MPI has also worked to grow engagement with the NBCN and completed the GIA Deed.

Increasing voluntary and assisted compliance

MPI operates a layered approach to compliance through its VADE system. MPI works very closely with industry organisations and other stakeholders to increase and assist biosecurity compliance.

The network of groups that MPI engages with on preparedness and responsiveness is continually growing. MPI works with agencies – such as Landcare Reasearch, Scion, the National Institute of Water and Atmospheric Research (NIWA), AgResearch, Plant and Food Research, and Institute of Environmental Science and Research – on matters of concern. MPI is also building specific relationships with primary industry groups via the GIA Deed to support and encourage wider engagement on biosecurity matters.

In the past 12 months, MPI has completed nine exercises testing response plans, or specific elements of the response process, across the plant and animal sectors. These exercises are routinely carried out in partnership with key stakeholders. Stakeholders acknowledged an overall improvement in the level of MPI's engagement during the January 2014 Queensland fruit fly response in Whangarei, as compared with a previous response in 2012. Furthermore, stakeholders agreed that key learnings from the January response were applied during the subsequent April 2014 fruit fly response, leading to further improvements in the speed and effectiveness of the operation. MPI will continue to actively engage with stakeholders to improve preparedness and responsiveness to incursions.

Food safety

Protecting consumers and New Zealand's reputation as a supplier of safe and suitable food is an essential part of MPI's role as guardian of New Zealand's food safety system.

MPI works to ensure that consumers can be confident that all food products (both produced domestically and imported into New Zealand) are safe and suitable. MPI's regulation and assurance procedures cover all aspects of food safety, from production, harvest and post-harvest to processing, transport and retailing. MPI also manages the policy and legislative frameworks for managing food safety.

Under the food safety system, businesses are responsible for managing food safety risks through developing risk-based plans. These plans are approved by MPI based on assessed food safety risks. MPI staff regularly check that food businesses are operating to their plans and other requirements set by legislation.

Businesses that export food must comply with New Zealand's requirements, as well as those of the

Whey Protein Concentrate Inquiry

In August 2013, a highly publicised food scare occurred when it was thought that dairy products, including infant formula, could be contaminated with botulism-causing bacteria *Clostridium botulinium*. The source of the suspected contamination was whey protein concentrate (WPC) made by Fonterra. Testing at two United States laboratories subsequently found the WPC did not pose any food safety risk.

MPI led the response to the incident, working with others such as the Ministry of Health and the Ministry of Foreign Affairs and Trade.

After the initial response, MPI undertook a compliance investigation into the matter. As a result of the investigation, MPI filed four charges against Fonterra in relation to breaches of the Animal Products Act 1999, to which Fonterra pleaded guilty in March 2014.

A separate government inquiry was also commissioned.

The first stage of the inquiry concluded that New Zealand's food safety regulatory model is consistent with international principles and is among the best in the world. Twenty-nine recommendations were made to further strengthen the system, all of which MPI agreed to implement. Most of these were not directly linked to the incident, but were intended to prepare New Zealand for the changing export and food production landscape. Among the recommendations was the establishment of a Food Safety and Assurance Advisory Council. MPI established a WPC Implementation Programme to ensure the 29 recommendations are implemented, with work ongoing.

Improving Food Safety and Suitability

The Food Act 2014 received assent in June 2014. The new Act aims to make it easier and less costly to run many food businesses, while ensuring the food produced is safe and suitable for sale. The Act also aims to give food businesses the tools to manage food safety themselves based on the level of risk associated with the kinds of food produced and in a way that suits their business.

The new Act will come fully into force by 1 March 2016 and will replace the Food Act 1981. After this time, food businesses will transition in groups to the new regulations over a three-year period. At the end of this period, the Food Hygiene Regulations 1974 will be revoked.

A central feature of the new Act is a sliding scale, where businesses that pose a higher food safety risk will operate under more stringent requirements and checks than lower risk businesses.

MPI has been running a Food Implementation Programme alongside the development of the new Act. MPI will continue to develop systems and regulations, and provide support to industry and other stakeholder groups as the new Food Act comes into force over the next three years.

In addition to monitoring food safety, MPI also works to provide the New Zealand public with information about food safety and suitability. Educating people about food safety encourages compliance with the regulatory system and enables people to make appropriate food choices. Community engagement with MPI's food safety messaging is important to the success of this work.

An example of community engagement was MPI's sponsorship of the Māori Television network's cooking show – Marae Kai Masters. The show featured marae-based teams from around the country undertaking a series of challenges to test skills from kai preparation and fundraising to cooking budget meals and creating signature dishes, while imparting safe food handling messages and practices.

importing country, for biosecurity and food safety. Market access agreements with overseas markets are negotiated by MPI. In order to ensure New Zealand products meet New Zealand and overseas requirements, MPI staff check that slaughtered animals are free of disease or bacterial contamination and are fit for purpose. In addition to food-specific areas, MPI also monitors pesticide residues and veterinary medicines used with food and related products. Their usage, including residues, must be approved as being safe for sale to both consumers and producers.

MPI also works with Food Standards Australia New Zealand (FSANZ) to set the rules around food labelling, composition, food additives and novel foods (including genetically modified) sold in New Zealand and Australia. MPI checks the system is working through testing and monitoring programmes and periodically auditing the wider system, occasionally with auditors from importing countries.

Food products imported into the country must meet New Zealand's own food safety standards. Most food is not subject to inspection, however, MPI staff do inspect high-risk imported food against these standards. MPI also co-ordinates responses to breaches of food regulations or requirements and other food responses, including recalls.

Workshops on controlling listeria

Work continues on reducing food contamination, with MPI running a series of programmes on listeria contamination during 2013/14. These workshops were aimed at supporting the implementation of new reference material to assist processors of ready-to-eat foods to develop a listeria management programme.

More than 500 participants attended the workshops jointly run by MPI and the New Zealand Institute of Food Safety and Technology. More workshops were held than those originally scheduled, due to the high level of interest and feedback received from participants at the earlier workshops.

Food contaminated with *Listeria monocytogenes* has the potential to cause listeriosis, which can cause serious illness or death. Listeriosis is becoming a problem, with the increased consumption of ready-to-eat foods (such as delicatessen meats and salads, cooked poultry products, smoked seafood, soft cheeses and foods with a long refrigerated shelf life). These types of food are often linked to cases and outbreaks of listeriosis.

The workshops provided practical information about *Listeria monocytogenes*, the sources, pathways and key controls to minimise the contamination of ready-to-eat foods, as well as the verification of the controls by developing an environmental and product sampling plan.

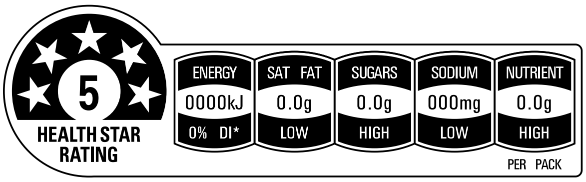
In addition to the workshops, MPI provided support for territorial authorities, district health boards, risk management plan evaluators and others throughout the year.

MPI's guidance for the control of *Listeria monocytogenes* in ready-to-eat foods is available online and was developed as part of the MPI strategy for listeria risk management.

Health star food rating system

Over the past 18 months, MPI has been working with food safety and public health officials and experts, consumer groups and the food industry in New Zealand and Australia to develop ideas for improved nutrition labelling on foods. Trends in the New Zealand and global consumer markets are showing there is a growing interest in making informed food choices as part of an overall healthier lifestyle.

In June 2014, it was announced that New Zealand will be joining with Australia's Front-of-Pack Nutrition Labelling system. This voluntary rating system for packaged food products uses a star rating scale of half to five stars. It is intended to help people make better food choices. An example of a front of pack star rating system is shown here.



MPI carried out research that showed the health star rating system would have a positive effect on people's ability to correctly identify healthier food products. MPI has worked closely with industry to ensure these changes will work and will be running workshops to assist industry with the system. The system will be voluntary, and MPI plans to monitor uptake. For the public, there will be marketing and consumer education programmes to encourage and support consumer use of the system.

Marae Kai Masters

As the authority for food safety, reducing food-borne illness is one of MPI's goals. This focus recently saw MPI sponsor Marae Kai Masters (MKM), a prime-time competitive cooking show, which aired on Māori Television in 2013. The brainchild of Tūmanako Productions, the MKM competition is best described as an infusion of local marae cooking combined with Masterchef.

The production culminated in an entertaining and educational show that focused on healthy eating and food safety issues in the marae environment. It further celebrated the role of food within the marae and Māori communities, and highlighted the contribution of ringawera (kitchen workers).

The show's concept followed eight marae teams selected from across New Zealand as they competed in a series of culinary challenges.

In each challenge, traditional Māori cuisine from hangi to a range of kaimoana (seafood) dishes, was given a unique twist whereby each team produced the dish while demonstrating safe food handling practices.

MPI's sponsorship of the series provided an opportunity to promote the key food safety messages detailed in its marae food safety guide *Te Kai Manawa Ora*. This sets out step-by-step guidance on procedures to keep food safe while maintaining its sanctity from a tikanga Māori perspective. The MKM production team worked closely with MPI staff to tailor these food safety messages to each episode, ranging from food sourcing to meal preparation.

A second series is under development, aiming to build off the considerable success of the first season.

Establishing new food standards

MPI has collaborated with FSANZ to establish a maximum level for toxic tutin in honey. Tutin is highly toxic to humans. It is produced by the shrub *Coriaria arborea* (tutu), which is native to New Zealand. Sporadic human poisoning incidents have occurred in New Zealand and an incident in Coromandel in 2008 prompted MPI to conduct more research into tutin. As a result, MPI established a temporary maximum level for tutin in honey, which was incorporated into the Australia New Zealand Food Standards Code. This was intended as an interim protection measure while further research was undertaken.

MPI funded an extensive research programme to obtain more data to support a permanent food standard. The results of this research have enabled FSANZ to begin the process of public consultation on a permanent food standard for tutin in honey, presenting four options that emerged from the research. This new standard aims to protect consumer health while avoiding imposing requirements on the honey industry that cannot be met.

Progress indicators

Rates of foodborne disease are managed within agreed levels through effective risk management of priority pathogens

Rates of foodborne campylobacteriosis and listeriosis have been managed within agreed levels during 2013/14. The rate of foodborne salmonellosis was slightly higher than the target of 10.5 cases per 100,000 population.

The rate of foodborne campylobacteriosis in 2013 decreased from 2012, with 90.8 cases per 100,000 (4,058 cases) reported, a decline from 94.6 cases per 100,000 in 2012.

The rate of foodborne salmonellosis has increased slightly to 11.5 reported cases per 100,000 population (514 cases), from 10.9 cases per 100,000 in 2012.

The rate of foodborne listeriosis has decreased to 0.31 reported cases per 100,000 population (14 cases), from 0.48 cases per 100,000 in 2012.

Calculation of foodborne proportions of case numbers has changed, therefore, a direct comparison with previous year's data is not possible. Adjustments have been made to reverse-calculate the rates for 2012 and 2011 based on the method used for the 2013 data to make the estimates comparable.

Improving Organisational Capability

Developing people capability

MPI has a strong forward-looking people capability development focus. This is seen in the *People Capability Strategy*, our off-shore *Capability Development Plan*, the *Response Capability* work programme and the implementation of the WPC Inquiry recommendations relating to capability development.

Senior management is taking the lead to develop people capability through managing for performance, career management and succession planning, especially for critical roles. The Tier 3 Director's Forum and leadership development programmes are key elements of MPI's approach to strengthening its leadership at all levels of the organisation, which in turn aligns with work around staff engagement and being an adaptive organisation.

Six different leadership development programmes are on offer. They support people from across the leadership spectrum – those aspiring to be leaders through to those already working at senior levels. The focus is strongly on developing and leading high performing teams and working effectively across MPI and the sector.

A two-to-three year programme is also under way to significantly improve the capability and capacity of MPI's people to lead and manage responses.

A career structure and pathways framework for all MPI staff is being developed, as well as assessment development centres and career performance and development boards. These new initiatives will strengthen capability while making MPI a more attractive place to work. They will be implemented from July 2014 onwards.

A graduate programme was piloted in 2013/14 and, based on its success, MPI is running a full programme in 2014/15 for up to 18 graduate positions. MPI also continues to be proactive with its wellbeing programmes, union relationships and capability development partnerships with the natural resources sector and the Leadership Development Centre.

Work commenced in 2014 to develop a programme of work focused on building the capabilities required for off-shore and international-facing positions. This includes developing a pipeline of capability for international-facing positions, identifying skills gaps and developing customised training and succession planning. This work will progress in partnership with other key agencies, such as MFAT, NZTE and the Department of the Prime Minister and Cabinet.

2014 Alignment

MPI undertook a structural alignment in the first half of the 2014 calendar year. This was part of a wider initiative to align its structure, governance, people capability, and business processes to strengthen its core functions against a continuing background of tight fiscal constraints. MPI also recognised the need to improve its situational awareness and forge closer stakeholder links.

The 2014 alignment strengthened capability in a number of ways, including:

- greater alignment to core systems, a Regulation and Assurance branch now leads the food system and an Operations branch leads the biosecurity system;
- situational awareness and responses are strengthened with a larger response function to manage all food, biosecurity and animal welfare responses consistently;
- all trade functions are placed together alongside policy capability, growing overseas posts and a larger market access function;
- the profile of science is elevated and maintained with a cross-MPI perspective;
- ability to forge closer stakeholder links is strengthened by organising into branch groupings around the core areas of regulatory/food safety, government policy/market access, partnerships and investment, and biosecurity responses/border and compliance;
- new governance boards to complement the functional structure, charged with driving decision-making to a cross-MPI, whole of system perspective;
- a new service design function charged with

ensuring the lessons learnt are built into improved ways of doing things.

Equal employment opportunities

Equal employment opportunity principles are incorporated in all relevant documents and practices. MPI's work–life initiatives play a role in enabling its people to perform their best while at recognising their commitments outside of work.

Capability improvement achievements

Throughout the year, MPI continued to strive to provide the right environment and tools for staff.

Improving workspaces and providing specialist equipment, technology enablement and meeting information needs were key areas. In addition, work was undertaken to ensure MPI could continue to operate and provide services in times of natural disaster.

The figure below identifies some of the systems and work practice initiatives that were reviewed and modified, as well as the all-of-government (AoG) priorities adopted. This work ensures MPI continues to have an eye on the future of people capability requirements.

Several strategies and frameworks provide guidance and direction to enable better integrated and effective services. They are:

- People Capability Strategy;
- Information Systems Strategic Plan;
- Information Security Framework;
- Business Continuity Management Framework;
- National Property Strategy.

In addition to capability improvement initiatives, a number of initiatives were completed under a cross-organisational umbrella. They were:

- Systems upgrade for the Animal Products Electronic Certification (AP E-cert) system. This ensures the technology operating the systems is

Corporate service capability improvements

Established and embedded emergency response plans across all branches.

Delivered the Security Culture initiative that focused on applying leadership, education, awareness and assurance of the Information Security Framework.

Researched and designed an automated internal security clearance process with the view to integrating approved clearance levels information in the HR Kiosk.

Human resources

Continued to implement the *People Capability Strategy*, focusing on the development and introduction of MPI's Leadership Development Programme and Graduate Recruitment Programme.

Agreed the direction for a Learning Management System.

Continued enhancements of the HR Kiosk to ensure integration of services provided through a central source.

Information and communications technology

Future-proofed MPI computer systems by upgrading the standard operating systems to Window 8.1.

Approval to develop the business intelligence tool was gained. This includes the integration of key information and data repositories.

Commenced work on an integration hub to support the number of systems that require shared information.

Provided technology to support the organisation with the view to improving process functionality across MPI.

Finance, property and procurement

Continued the all-of-government approach to maximising process improvement efficiencies in procurement, property and finance processes.

Entered into preferred supplier contracts for all goods and services available under the purchasing contracts, for example, electricity, ICT services and hardware, data and mobile services, travel, office supplies and stationery, legal services, recruitment services, print devices and advertising.

fully supported and future proofed, as well as providing for the transition of dairy certification into a single system.

- The JBMS project saw a cross-agency approach being adopted where the New Zealand Customs Service took the lead. The first phase delivered was the TSW. Businesses can now process their export and import requirements through a single electronic method that ultimately improves the management of products at New Zealand borders.
- An enterprise-wide time recording system (TRS) was commissioned. The new system will consolidate a number of legacy time recording systems, standardise the recording of effort and activities across MPI, support management in decision-making and provide cost recovery information internally and externally.
- Upgrade of the desktop operating system to Windows 8.1.
- AoG procurement for an electronic content management system capability. MPI led this project to deliver a new document management and collaboration capability.

MPI also underwent a review of procurement effectiveness. The review is designed to assist agencies to understand what processes and skills they need and identify how to make the most of their procurement approaches. This was the first time MPI was reviewed. MPI received the highest rating of any agency's first review. Key findings were that staff at MPI:

- had a strong commercial focus and skills in purchasing good and services;
- built strong relationships with key suppliers;
- understood the markets they purchased from.

The review also identified future improvement areas, including how MPI could better manage multiple systems used for procurement, reporting and analysis, as well as supporting staff across the organisation to increase their procurement skills to build capability. These findings are being built into MPI's work programme.

Delivering better public services

The Government has set a strategic priority to deliver better public services for business and citizens within tight financial constraints. Key areas of engagement for MPI under the Better Public Services programmes centre on Result 9 – Better Public Services for Business, and the implementation of the ICT Strategy and Action Plan.

Result 9 aims to reduce the cost of effort to businesses of interacting with government by 25 percent by 2017. This means developing new online services, achieving better integration of services and creating services that are designed specifically for business.

MPI is currently involved in the following Result 9 projects:

- New Zealand business number;
- rating and feedback tool for customer satisfaction;
- targets and measures.

MPI has been involved in developing and supporting the Better Public Services Government priority through the delivery of key activities, such as:

- Rationalising current MPI websites into one new website on the Common Web Platform. The new website will be written in plain English and focused on the needs of MPI's customers, with particular focus on the needs of business and industry website users. The first phase of this work will be completed in November 2014.
- Contributing to MBIE's compliance matters website portal that, when launched, will enable businesses to access information about compliance quickly and easily.
- Passing the Food Act 2014.
- Release of the TSW as part of the JBMS.

Work was also undertaken to assess how well MPI engages with businesses. A survey was undertaken among MPI's main business users over July and August this year, assessing satisfaction with MPI's service delivery over the past 12 months. Three-quarters (76 percent) of respondents rated the overall quality of service delivery a four or a five (where five is very satisfied). As this is the first year of the survey, these results will form the baseline from which future performance will be assessed.

The ICT Strategy and Action Plan aims to unlock the value of government information and harness technology to deliver better public services. MPI actively supported the delivery of the ICT Strategy and Action Plan through the following services and innovations:

- transitioned internal telecommunication services to a service-based structure;
- led the process to select the AoG panel for the Electronic Content Management System as a service;
- adopted the model of cloud services, where practicable for internal systems;
- increased its commitment to the Open Data Programme, with the appointment of a specialist adviser and the development of a programme work plan;
- adopted the Government Chief Information Officer ICT Assurance Framework in relation to operational and project risks.

Asset management and capital intentions

An annual capital expenditure planning process is conducted to ensure MPI:

- invests in capital items that are of the highest priority;
- replaces assets at the optimum time;
- meets the needs of the organisation.

MPI's three core systems – biosecurity, food safety and sustainable economic development and trade – will drive the focus of MPI's capital programme over the next four years, particularly:

- rationalising ICT infrastructure, including investment into security infrastructure;
- developing systems that meet the future needs of the organisation, including aligning with the AoG ICT Strategy and Action Plan;
- constructing biocontainment laboratory facilities at Wallaceville;
- continuing review and rationalisation of leasehold and property upgrade requirements.


ULA
3401

STATEMENT OF SERVICE PERFORMANCE

Vote
Primary Industries

Output Class – Administration and Management of Crown Forestry Assets

Scope of appropriation

The scope of this appropriation is limited to administration and management of the Crown's interest in forests and forestry-related assets.

Description of activities

Crown Forestry administers the Crown's interest in forestry leases on Māori land, residual Crown forest and other forestry assets. Crown Forestry's role is to prudently manage and administer this portfolio of forestry assets to achieve the best return for stakeholders whilst meeting contractual and other legal obligations.

Consistent with government policy, Crown Forestry also seeks opportunities for the Crown to sell its interest in these assets, and it works with the Office of Treaty Settlements to resolve Treaty of Waitangi claims over the forestry assets it administers.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE*
Number of hectares and percentage of the Crown Forestry managed estate surrendered or sold	5,382 (21%)	2,000 (4%)	169%
Average stumpage (net profit) per cubic metre of logs sold	$46	$35	31%
Percentage of forest management activities that comply with all statutory requirements, lease agreements and other contractual arrangements as assessed by annual independent review of a sample of forests	100%	100%	0%
Percentage of costs and revenues are consistent with industry norms as assessed by annual independent review of a sample of forests	100%	100%	0%

Comment

Performance standards were met for all areas. Due to high commodity prices for the first part of the financial year the net profit on average stumpage per cubic metre of logs sold was exceeded. The major sale of the West Coast plantations (trees only) to Ngāi Tahu (22,000 hectares) was due for settlement on 30 April 2014, but a severe storm on 17 April 2014 triggered the material damage clause in the sale agreement and settlement of the sale was delayed beyond the end of the financial year. Final settlement was completed on 31 August 2014.

*Variance in this section was calculated using the following formula: (f–a/f) whereby f = standard and a = actual.

The calculated result has been rounded to the nearest whole number. Positive variances reflect favourable results compared to the standard, while negative variances represent unfavourable results.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
2,043	Revenue Crown	1,584	2,182	1,592	1,571
13	Revenue Other	99	14	36	36
2,056	Total Revenue	1,683	2,196	1,628	1,607
2,018	Total Expenses	1,592	2,196	1,628	1,607
38	Surplus/(Deficit)	91	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of $1.592 million, which is $36,000 (2.2 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $8,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for organisation-wide improvement initiatives and corporate legal and prosecution costs. The remaining $28,000 under spend represents cost savings. These cost savings, along with $63,000 higher than expected third-party income resulted in a $91,000 operating surplus for this output class.

Output Class – Administration of Grants and Programmes

Scope of appropriation

This appropriation is limited to the administration of government-approved schemes, grants and assistance to the land-based sectors.

Description of activities

MPI employs a range of funding schemes to encourage and incentivise activity, alongside private sector investment, to ensure policy objectives around innovation and sustainable resource management are achieved. MPI also has funds that provide assistance and support after adverse climatic events.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Percentage of applications processed within agreed standards and timeframes.	100%	100%	0%

Comment

Applications for both the Primary Growth Partnership (PGP) fund and the Sustainable Farming Fund (SFF) were assessed against an agreed process and within agreed timeframes. During 2013/14, the SFF received 84 applications requesting a total of $21.4 million in grant funding, of which 31 applications were successful, totalling $9.9 million over the next three years. The PGP received 19 applications during 2013/14 requesting a total of $126 million in Crown funding. Three applications from the September 2013 round, totalling $33 million in Crown funding, were approved for business case development and a further four from the June 2014 round, totalling $9.3 million, were going through the assessment process at year-end.

For further information about the PGP and the SFF, see pages 17–19 of this report.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
7,983	Revenue Crown	8,386	9,963	8,409	6,452
22	Revenue Other	70	18	8	8
8,005	Total Revenue	8,456	9,981	8,417	6,460
7,178	Total Expenses	6,543	9,981	8,417	6,460
827	Surplus/(Deficit)	1,913	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of $6.543 million, which is $1.874 million (22.3 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $23,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for organisation-wide improvement initiatives and corporate legal and prosecution costs. The remaining $1.851 million under spend represents cost savings. These cost savings together with $62,000 higher than expected third-party income resulted in a $1.913 million operating surplus for this output class.

Output Class – Animal Welfare and Enforcement

Scope of appropriation

This appropriation is limited to education and enforcement intended to improve animal welfare in New Zealand.

Description of activities

MPI leads and facilitates the management of animal welfare policy and practice. It promotes policies for the humane treatment of animals and is a key participant in ongoing animal welfare discussions.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Percentage of complaints received are recorded and responded to within agreed timeframes	89%	95%	–6%
By June 2020, MPI aims to reduce the rate of re-offending by 20% from where it was at June 2013	4%	15%	N/A
Percentage of the milestones met for the review and development of codes of welfare in accordance with the National Animal Welfare Advisory Committee work programme agreed by the Minister	90%	80%	13%
Percentage of complex investigations completed within legislative requirements and meet prima facie test	95%	100%	–5%

Comment

There were 629 animal welfare complaints made during the year and all were responded to by MPI staff. Eighty-nine percent of Grade One (animal down and dying, comatose/recumbent, broken limb, severe injury, aggravated/severe ill treatment) complaints were responded to within one day. Most milestones in the codes of welfare work programme were achieved during the year. Final recommendations around Housing of Dairy Cattle (part of the National Animal Welfare Advisory Committee work on changes to the Animal Welfare (Dairy Cattle) Code of Welfare) are currently being discussed with industry. New milestones will be recommended to the Minister by December 2014.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
3,547	Revenue Crown	3,995	3,722	4,010	3,930
20	Revenue Other	29	38	11	11
3,567	Total Revenue	4,024	3,760	4,021	3,941
3,585	Total Expenses	3,924	3,760	4,021	3,941
(18)	Surplus/(Deficit)	100	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of $3.924 million, which is $97,000 (2.4 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $15,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for organisation-wide improvement initiatives and corporate legal and prosecution costs. The remaining $82,000 under spend represents cost savings. These cost savings and $18,000 higher than expected third-party income, resulted in a $100,000 operating surplus for this output class.

Output Class – Border Biosecurity Risk Management MCOA

Scope of appropriation

Border biosecurity monitoring and clearance – this output class is limited to biosecurity monitoring and clearance programmes that manage the biosecurity risk associated with international trade and travel.

Border biosecurity systems and development maintenance – this output class is limited to the development and maintenance of standards and systems that manage biosecurity risk associated with imports and exports.

Description of activities

This multi-class output appropriation (MCOA) contains output classes that contribute to preventing harmful organisms from crossing New Zealand's borders, with the assurance that trade and tourism are maintained.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Percentage of international air passengers who comply with biosecurity requirements by the time they leave the airport	98%	98.5%	–1%
Percentage of international mail that complies with biosecurity requirements by the time it leaves the International Mail Centre	99.9%	99%	1%
Percentage of import clearance processes completed within agreed timeframes	29%	80%	–64%
Number of identified and mitigated biosecurity risks resulting from targeted evaluations of imported goods	11,869	10,000–12,000 (of 49–52,000 inspections)	19%
Percentage of cost-recovered external stakeholders that rate overall service as four or higher	82%	80%	2%
Percentage of milestones met for the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	80%	75%	7%
Percentage of World Organisation for Animal Health, International Plant Protection Convention and Alimentarius Codex standards that are accepted by New Zealand	100%	90%	11%
Percentage of certificates issued covering the export of live animals and plant products (including fruit, vegetables, herbs, spices, nuts, cereal grains, seeds, fungi, grasses and plant extracts), which meet importing country technical requirements as specified by the overseas competent authority	Live Animals: 99.9% Plant Products: 99.8%	95% 95%	5% 5%

Comment

The international air passenger biosecurity standard was not achieved; however, this was a 1.1 percent increase on the 2012/13 result. Achievement of the 98.5 percent standard remains a priority, and improvement work is ongoing. The target for completion of import clearance processes within agreed timeframes was also not met. This was due to the volume of biosecurity applications exceeding MPI's existing application processing capacity. MPI is addressing this problem through assessment of resourcing levels and working with stakeholders on the service level agreement. A total of 62,022 plant product export certificates and 5,448 live animal export certificates were processed during 2013/14, with 99.9 percent of these certificates being accepted by trading partners.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP* ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
	Revenue Crown				
53,276	Border biosecurity monitoring and clearance	47,655	47,592	47,763	50,222
12,699	Border biosecurity systems development and maintenance	11,209	13,342	11,567	11,462
65,975	Total Revenue Crown	58,864	60,934	59,330	61,684
	Revenue Other				
24,653	Border biosecurity monitoring and clearance	31,524	25,302	31,601	31,601
4,105	Border biosecurity systems development and maintenance	4,620	4,936	4,852	4,852
28,758	Total Revenue Other	36,144	30,238	36,453	36,453
94,733	Total Revenue	95,008	91,172	95,783	98,137
	Expenses				
78,389	Border biosecurity monitoring and clearance	79,256	72,894	79,364	81,823
16,788	Border biosecurity systems development and maintenance	15,967	18,278	16,419	16,314
95,177	Total Expenses	95,223	91,172	95,783	98,137
	Surplus/(Deficit)				
(460)	Border biosecurity monitoring and clearance	(77)	–	–	–
16	Border biosecurity systems development and maintenance	(138)	–	–	–
(444)	Total Surplus/(Deficit)	(215)	–	–	–

* Adjusted for $2 million transfer to Domestic Biosecurity Risk Management MCOA under section 26A of the Public Finance Act 1989.

Financial comment

This MCOA was provided at a cost of $95.223 million, which is $560,000 (0.6 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $466,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for the Joint Border Management System (JBMS) work programme ($108,000) and organisation-wide improvement initiatives and corporate legal and prosecution costs ($358,000). There are activities under this MCOA that are operated on a full cost recovery basis from third parties. Two memorandum accounts are used to keep track of the accumulated surpluses and deficits to enable the Ministry to take a long-run perspective to fee setting and cost recovery. The Border Biosecurity Clearance Fees memorandum account covers: levies imposed on all importations of goods for which a document is lodged with the New Zealand Customs Service under regulation 26(2) of the Customs and Excise Regulations 1996; and all other fees collected under the Biosecurity Costs Regulations 2006 including inspection of risk goods, off-shore inspection of ships, and approval and audit of transitional containment facilities and facility operators. The Phytosanitary Exports memorandum account covers fees for certification of plant and forestry exports. An operating deficit of $700,000 was made jointly under these memorandum accounts. This deficit was offset by an operating surplus of $485,000 from other activities, resulting in an overall $215,000 operating deficit for this MCOA.

Output Class – Development of Policy Advice MCOA

Scope of appropriation

Agriculture and forestry policy advice – this output class is limited to the provision of advice (including second opinion advice and contributing to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to agriculture and forestry, animal welfare and climate change.

Biosecurity policy advice – this output class is limited to the provision of advice (including second opinion advice and contributing to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to biosecurity.

Fisheries policy advice – this output class is limited to the provision of advice (including second opinion advice and contributing to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to the development of standards and guidelines for the sustainable and efficient utilisation of New Zealand's fisheries and promotion of New Zealand's interests in an international context.

Operational advice on sustainability and management controls in fisheries – this output class is limited to operational advice (including second opinion, advice and contributing to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to operational advice on sustainability and management controls for New Zealand's fisheries.

Description of activities

Agriculture and forestry policy advice – this appropriation covers analysis and decision-making support underpinning policy advice to Ministers and the Government in relation to the land-based sectors. It includes analysis and advice on legislation, institutional arrangements, and on policy and operational initiatives in relation to the sector, rural communities and other stakeholders.

Biosecurity policy advice – this covers the provision of analysis and advice on, and development of, policies, legislation and organisational arrangements to be applied to: implementing the *Biosecurity Strategy*; developing the biosecurity system and managing operational responses, the provision of biosecurity advice to Ministers and participation in biosecurity and consultative forums, Māori responsiveness and ongoing business support.

Fisheries policy advice – this covers the provision of analysis and advice on fisheries and aquaculture, covering the:

- impact of changes in economic and environmental conditions on the fisheries and aquaculture sector, which may present potential opportunities;
- progress of the sector in implementing *Fisheries 2030*, particularly the overarching goal of "New Zealanders maximising benefits from the use of fisheries within environmental limits";
- delivery of the Crown's obligations to Māori for fisheries and aquaculture;
- effective and efficient management of fisheries and aquaculture resources;
- impact of the International Fisheries Strategy for positive engagement of fisheries and aquaculture, particularly in the Pacific region.

Operational advice on sustainability and management controls in fisheries – this covers the provision of analysis and advice on the sustainable use of New Zealand fisheries.

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Agriculture and Forestry Policy Advice			
Percentage of agreed policy work priorities met	100%	85%	18%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.3	7	4%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	8	8	0%
Total cost per output hour	$139	$138	1%
Biosecurity Policy Advice			
Percentage of agreed policy work priorities met	96%	85%	13%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.3	7	4%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	8	8	0%
Total cost per output hour	$139	$138	1%
Fisheries Policy Advice			
Percentage of agreed policy work priorities met	96%	85%	13%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.3	7	4%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	8	8	0%
Total cost per output hour	$139	$138	1%
Quarterly assessment of international engagement outcomes against set criteria to ensure they maintain or advance New Zealand's interest	97% yes rating	70% yes rating	39%
Operational Advice on Sustainability and Management Controls in Fisheries			
Percentage of research projects completed	100%	95%	5%
Percentage of research projects meet MPI Research and Science Information Standard	95%	95%	0%

Comment

The quality and delivery of policy advice to Ministers met all of the agreed performance standards. All objectives were fully achieved for research projects in the area of sustainability and management controls in Fisheries during 2013/14. All completed science research projects were assessed by expert review in the Fisheries Assessment Working Groups and against MPI's Research and Science Information Standard, with 95 percent meeting the required standard.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
	Revenue Crown				
17,635	Agriculture and forestry policy advice	24,229	19,510	24,229	25,899
2,890	Biosecurity policy advice	3,421	2,937	3,421	3,190
3,699	Fisheries policy advice	3,934	3,661	4,200	4,077
31,791	Operational advice on sustainability and management controls in fisheries	34,690	27,623	35,363	32,475
56,015	Total Revenue Crown	66,274	53,731	67,213	65,641
	Revenue Other				
305	Agriculture and forestry policy advice	388	443	416	262
24	Biosecurity policy advice	22	18	9	9
341	Fisheries policy advice	256	211	143	143
505	Operational advice on sustainability and management controls in fisheries	182	661	171	171
1,175	Total Revenue Other	848	1,333	739	585
57,190	Total Revenue	67,122	55,064	67,952	66,226
	Expenses				
17,940	Agriculture and forestry policy advice	25,410	19,953	24,645	26,161
2,767	Biosecurity policy advice	3,641	2,955	3,430	3,199
4,206	Fisheries policy advice	3,961	3,872	4,343	4,220
32,296	Operational advice on sustainability and management controls in fisheries	33,969	28,284	35,534	32,646
57,209	Total Expenses	66,981	55,064	67,952	66,226
	Surplus/(Deficit)				
–	Agriculture and forestry policy advice	(793)	–	–	–
147	Biosecurity policy advice	(198)	–	–	–
(166)	Fisheries policy advice	229	–	–	–
–	Operational advice on sustainability and management controls in fisheries	903	–	–	–
(19)	Total Surplus/(Deficit)	141	–	–	–

Financial comment

This predominately revenue Crown-funded MCOA was provided at a cost of $66.981 million which is $971,000 (1.4 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $939,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for the fisheries research programme ($673,000) and organisation-wide improvement initiatives and corporate legal and prosecution costs ($266,000). The remaining $32,000 under spend represents cost savings. These cost savings, and $109,000 higher than expected third-party income, resulted in a $141,000 operating surplus for this MCOA.

Output Class – Domestic Biosecurity Risk Management

Scope of appropriation

Biosecurity incursion response and long term pest management – this output class is limited to the assessment, containment and possible eradication of suspected risk organisms within New Zealand.

Domestic biosecurity surveillance – this output class is limited to domestic surveillance activities.

Description of activities

This MCOA contains output classes that contribute to reducing the unwanted harm caused by organisms already established in New Zealand.

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Domestic Biosecurity Surveillance			
Percentage of key cost recovered customers satisfied with laboratory services	83%	80%	4%
Percentage of incursion investigations that reach an outcomes decision within specified timeframes	70%	80%	–13%
Percentage of surveillance programmes that reflect international standard or best practice	100%	100%	0%
Biosecurity Incursion Response and Long-Term Pest Management			
Industry sign up of Government Industry Agreements	1	7	–86%
Percentage of responses achieve agreed outcomes	93%	95%	–2%

Comment

Domestic biosecurity surveillance

Most key cost-recovered customers were satisfied with MPI's laboratory services. The time taken to carry out an investigation did not meet the agreed performance standard – however, there was a 9 percent increase in the number of incursion investigations from last year. Due to the complexity and variation of the testing required at the laboratories it is often difficult to reach a decision within 30 days, as samples might be insufficient or require testing off-shore. MPI's surveillance programmes continue to meet international standards.

Biosecurity incursion response and long-term pest management

The number of industry groups signing the Government Industry Agreement (GIA) Deed in 2013/14 did not reach the agreed target. This is largely because the GIA Deed was not approved until December 2013 and the length of time required for industry groups to achieve a mandate of the merit of joining the GIA was not thoroughly taken into account. Positive progress is being made in this area – New Zealand Pork signed the GIA in July 2014, and negotiations of two operational agreement pilots to test systems and processes (equine industry and industries impacted by fruit fly) are continuing.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP* ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
	Revenue Crown				
24,731	Biosecurity incursion response and long-term pest management	33,721	26,790	33,743	33,124
24,175	Domestic biosecurity surveillance	24,831	24,283	24,831	25,586
48,906	Total Revenue Crown	58,552	51,073	58,574	58,710
	Revenue other				
1,700	Biosecurity incursion response and long-term pest management	1,554	1,276	875	875
586	Domestic biosecurity surveillance	518	169	540	540
2,286	Total Revenue Other	2,072	1,445	1,415	1,415
51,192	**Total Revenue**	**60,624**	**52,518**	**59,989**	**60,125**
	Expenses				
26,431	Biosecurity incursion response and long-term pest management	34,471	28,066	34,618	33,999
24,761	Domestic biosecurity surveillance	25,496	24,452	25,371	26,126
51,192	Total Expenses	59,967	52,518	59,989	60,125
	Surplus/(Deficit)				
–	Biosecurity incursion response and long-term pest management	804	–	–	–
–	Domestic biosecurity surveillance	(147)	–	–	–
–	Total Surplus/(Deficit)	657	–	–	–

* Adjusted for $2 million transfer from Border Biosecurity Risk Management MCOA under section 26A of the Public Finance Act 1989.

Financial comment

This predominately revenue Crown-funded MCOA was provided at a cost of $59.967 million, which is $22,000 less than the Supplementary Estimates. Approval has been obtained to carry forward this unspent revenue Crown-funded appropriation to 2014/15 for the Kauri Dieback Management Programme. The higher than expected third-party income resulted in a $657,000 operating surplus for this MCOA.

Output Class – Implementation of Policy Advice MCOA

Scope of appropriation

Aquaculture – this output class is limited to implementing, supporting and monitoring the aquaculture strategy, and ministerial servicing.

Fisheries enforcement and monitoring – this output class is limited to informing, assisting, directing and enforcing adherence to New Zealand fisheries laws, and ministerial servicing.

Fisheries management – this output class is limited to implementing ministerial decisions on sustainability and management controls for New Zealand fisheries, and ministerial servicing.

Implementation of agriculture and forestry policy advice – this output class is limited to implementing policy decisions, operational policy, and administering legislation relating to agriculture and forestry, animal welfare and climate change matters, and ministerial servicing.

Implementation of biosecurity policy advice – this output class is limited to implementing policy decisions, operational policy, and administering legislation relating to biosecurity matters, and ministerial servicing.

Description of activities

Aquaculture, fisheries enforcement and monitoring and fisheries management – these output classes contribute to the sustainable use of New Zealand fisheries.

Implementation of agriculture and forestry policy advice – this output class contributes to the implementation of policy in relation to the agriculture and forestry sectors, animal welfare and climate change.

Implementation of biosecurity policy advice – this output class contributes to the implementation of policy in relation to preventing harmful organisms from crossing New Zealand's borders and reducing the unwanted harm caused by such organisms.

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Aquaculture			
Percentage of project milestones for the annual aquaculture plan met	82%	90%	–9%
Fisheries Enforcement and Monitoring			
Percentage of commercial operators inspected that are found to be voluntarily compliant	84%	90%	–7%
By June 2020, MPI aims to reduce the rate of re-offending by 20% from where it was at June 2013	14%	20%	–6%
Percentage of complex investigations completed within legislative requirements and meet prima facie test	100%	100%	0%
Percentage of the Crown's obligations to Māori is delivered	85%	100%	–15%
Percentage of recreational fishers inspected that are found to be voluntarily compliant	95%	95%	0%
Fisheries Management			
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards	87%	95%	–8%
Percentage of Official Information Act (OIA), Privacy Act and Ombudsmen requests delivered within statutory timeframes	90%	95%	–5%
Implementation of Agriculture and Forestry Policy Advice			
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards	92%	95%	–3%
Percentage of OIA, Privacy Act and Ombudsman requests delivered within statutory timeframes	90%	95%	–5%

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Implementation of Biosecurity Policy Advice			
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards	92%	95%	–3%
Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes	94%	95%	–1%

Comment

There were ongoing issues around the timeliness and quality of ministerial requests, which impacted performance throughout the year. Prioritisation of work and quality of outputs not meeting the required standard were the main reasons for unmet standards. Improved models of reporting are being investigated to improve performance for 2014/15. Closer management attention resulted in a number of areas having a significant improvement in the second half of 2013/14; this should continue through 2014/15. A centralised Official Information Act team is being established for the 2014/15 year to improve performance.

Aquaculture

Eighty-two percent of milestones were achieved. The target was not met because greater than anticipated staff resources were required to investigate implications of the King Salmon Supreme Court case, and for development and negotiation of the national forecast of future anticipated space for the Aquaculture Settlement. A review of the strategy action plan has begun, to ensure actions support future growth.

Fisheries enforcement and monitoring

Recreational fisheries compliance rates met required standards, continuing a positive trend from last year. The most common breach for commercial operators (48 percent) was failure to comply with document requirements. Overall, the majority of breaches were found in the inshore commercial sector, with 84 breaches (62 percent). Efforts will be focused in the coming year to improve on these areas of non-compliance.

The target of meeting 100 percent of obligations to Māori was not met. Twenty work streams are being undertaken to meet these obligations. Seventeen work streams are being delivered to standard. Two of the work streams are not being delivered to standard, but efforts continue to meet these standards. Performance against one activity group cannot be fully determined due to incomplete reporting.

Implementation of biosecurity policy advice

Performance around the delivery of Official Information Act, Privacy Act and Ombudsmen requests improved significantly following a closer monitoring of performance standards from mid-year, which resulted in more requests meeting or exceeding the target standard.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
	Revenue Crown				
2,910	Aquaculture	2,394	3,123	2,394	3,838
38,219	Fisheries enforcement and monitoring	35,345	43,354	36,038	33,997
9,069	Fisheries management	8,937	9,371	9,329	9,510
11,618	Implementation of agriculture and forestry policy advice	12,578	13,726	12,578	15,629
3,956	Implementation of biosecurity policy advice	4,007	4,941	4,432	4,539
65,772	Total Revenue Crown	63,261	74,515	64,771	67,513
	Revenue Other				
20	Aquaculture	20	18	3	3
1,285	Fisheries enforcement and monitoring	1,907	1,378	2,520	2,520
209	Fisheries management	240	311	127	127
85	Implementation of agriculture and forestry policy advice	157	69	79	79
30	Implementation of biosecurity policy advice	29	21	14	14
1,629	Total Revenue Other	2,353	1,797	2,743	2,743
67,401	Total Revenue	65,614	76,312	67,514	70,256
	Expenses				
2,930	Aquaculture	2,670	3,141	2,397	3,841
38,994	Fisheries enforcement and monitoring	36,479	44,732	38,558	36,517
8,127	Fisheries management	9,064	9,682	9,456	9,637
12,099	Implementation of agriculture and forestry policy advice	13,284	13,795	12,657	15,708
4,377	Implementation of biosecurity policy advice	3,667	4,962	4,446	4,553
66,527	Total Expenses	65,164	76,312	67,514	70,256
	Surplus/(Deficit)				
–	Aquaculture	(256)	–	–	–
510	Fisheries enforcement and monitoring	773	–	–	–
1,151	Fisheries management	113	–	–	–
(396)	Implementation of agriculture and forestry policy advice	(549)	–	–	–
(391)	Implementation of biosecurity policy advice	369	–	–	–
874	Total Surplus/(Deficit)	450	–	–	–

Financial comment

This predominately revenue Crown-funded MCOA was provided at a cost of $65.164 million, which is $2.350 million (3.5 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $1.510 million unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for: implementation of the free trade agreements ($540,000); fisheries certification scheme ($392,000); international climate change research programme ($150,000); and organisation-wide improvement initiatives and corporate legal and prosecution costs ($428,000). The remaining $840,000 under spend represents cost savings. These cost savings, offset by $390,000 lower than expected third-party income, resulted in a $450,000 operating surplus for this MCOA.

Output Class – Implementation of the Emissions Trading Scheme and Indigenous Forestry

Scope of appropriation

This appropriation is limited to the implementation of the forestry provisions of the Climate Change Response Act 2002 and the indigenous forestry provisions of the Forests Act 1949.

Description of activities

Work under the Forests Act 1949 principally involves the administration of sustainable forest management plans and permits, controls on sawmills processing indigenous logs, administration of the Permanent Forest Sink Initiative, the export of indigenous forest produce and breaches of Part 3A of the Act.

This appropriation also covers MPI's operational involvement in the Emissions Trading Scheme (ETS). The ETS aims to reduce New Zealand's net greenhouse gas emissions below business-as-usual levels and help New Zealand's meet its international obligations. MPI administers the forestry aspects of the scheme under delegation from the Environmental Protection Authority.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Percentage of applicants that participate in the customer satisfaction survey who give the quality of MPI's ETS service delivery a rating of at least 4 out of 5 (where 1 represents poor performance and five represents excellent performance)	No result	75%	N/A
Percentage of draft sustainable forest management plans and sustainable forest management permit applications processed within 90 days	86%	100%	–14%
Percentage of post-harvest inspections that comply with harvest limits and management prescriptions under approved annual logging plans	80%	80%	0%
Percentage of registered sawmills inspected that comply with Part 3A of the Forests Act 1949 and the Forestry (Indigenous Timber Milling) Regulations	84%	80%	5%

Comment

Standards around post-harvest inspections and compliance rates for registered sawmills were met for 2013/14. The customer satisfaction survey has been postponed until late 2014. The reason for this is that running the survey at this point in time would not garner a fair reflection of customer satisfaction. The standard for time taken to process applications was not met. One Sustainable Forest Management (SFM) Plan and 13 SFM permit applications were approved. The time taken to process the SFM Plan exceeded 90 days due to consultation with landowners.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
10,057	Revenue Crown	12,732	11,395	13,157	12,491
57	Revenue Other	85	46	55	55
10,114	Total Revenue	12,817	11,441	13,212	12,546
10,103	Total Expenses	12,648	11,441	13,212	12,546
11	Surplus/(Deficit)	169	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of $12.648 million, which is $564,000 (4.3 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $425,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for ETS projects delayed due to the need to divert resources to process applications from post-1989 forest participants de-registering land in order to manage their future harvest liability by paying a portion of it now using cheaper international units and profit from the difference between the value of international units and NZUs ($375,000) and organisation-wide improvement initiatives and corporate legal and prosecution costs ($50,000). The remaining $139,000 under spend represents cost savings. These cost savings, and $30,000 higher than expected third-party income, resulted in a $169,000 operating surplus for this output class.

Total Departmental Outputs – Vote Primary Industries

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
260,448	Revenue Crown	273,648	267,515	277,056	277,992
34,715	Revenue Other	41,700	34,929	41,460	41,306
295,163	Total Revenue	315,348	302,444	318,516	319,298
293,894	Total Expenses	312,042	302,444	318,516	319,298
1,269	Surplus/(Deficit)	3,306	–	–	–

Vote
Food Safety

Output Class – Assurance

Scope of appropriation

This appropriation is limited to justifying and delivering assurances to consumers, members of the public, overseas authorities and other stakeholders that food, food-related products and inputs into the production of food (whether undertaken or produced in New Zealand or imported) are managed, audited, approved, registered and/or monitored in accordance with New Zealand legislation and, for exports, relevant importing countries' market access requirements.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE*
Access to overseas markets maintained after overseas audits	100%	100% access maintained	0%
Less than 2% of verification certificates issued rejected due to documentation errors	0.00247%	<2%	99%
Overall stakeholder satisfaction with MPI's verification services is increasing	78%	70%	11%

Comment

All performance standards were met or exceeded in the area of delivering food safety assurances to stakeholders. Two out of 80,852 export certificates were rejected by overseas authorities due to MPI error. No losses occurred as a result, as both lots of product were in transit and certificates were reissued.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
4,067	Revenue Crown	3,149	3,085	3,149	6,662
51,851	Revenue Other	48,059	50,693	52,999	52,999
55,918	Total Revenue	51,208	53,778	56,148	59,661
53,686	Total Expenses	57,532	53,778	56,148	59,661
2,232	Surplus/(Deficit)	(6,324)	–	–	–

Financial comment

This predominately third-party-funded output class was provided at a cost of $57.532 million, which is $1.384 million (2.5 percent) more than the Supplementary Estimates. This unappropriated expenditure is primarily due to unforeseen costs associated with the implementation and testing of the rebuilt Animal Products Electronic Certification (AP E-cert) system. AP E-cert is a critical system supporting government-to-

*Variance in this section was calculated using the following formula: (f–a/f) whereby f = standard and a = actual.

The calculated result has been rounded to the nearest whole number. Positive variances reflect favourable results compared to the standard, while negative variances represent unfavourable results.

government assurances for animal products exported to New Zealand. This unappropriated expenditure was met through savings in revenue Crown-funded activities in Vote Primary Industries. There are activities under this output class that are operated on a full cost recovery basis from third parties. Three memorandum accounts are used to keep track of the accumulated surpluses and deficits, to enable MPI to take a long-run perspective to fee setting and cost recovery. The Verification of the Food Regulatory Programme memorandum account covers verification and certification activities undertaken by MPI in accordance with section 7 of the Animal Products (Fees, Charges and Levies) Regulations 2007. The Approvals, Accreditations and Registrations memorandum account covers the provision of approval and registration services to regulated parties under the Agricultural Compounds and Veterinary Medicines Act 1997 and the Animal Products Act 1999. The Standards Setting for the Food Industry memorandum account covers MPI's standards setting activities under the Standards output class and fees for certification and reconciliation services under the Animal Products (Dairy Industry Fees and Charges) Regulations 2007 under this output class. This output class contributed $4.940 million towards the net $4.586 million operating deficit made under these memorandum accounts.

Output Class – Development and Implementation of Policy Advice MCOA

Scope of appropriation

Development of policy advice – this output class is limited to the provision of advice (including second opinion advice and contributing to policy advice led by other agencies) to support decision-making by Ministers on Government policy matters relating to food safety.

Implementation of policy advice – this output class is limited to implementing policy decisions, operational policy, and administering legislation relating to food safety matters, and ministerial servicing.

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Development of Policy Advice			
Percentage of agreed policy work priorities met	98%	85%	15%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.3	7	4%
Total cost per output hour	$139	$138	1%
The Minister for Food Safety rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	7.5	8	–6%
Implementation of Policy Advice			
Percentage of ministerial requests from the Minister for Food Safety completed to agreed standards	95%	95%	0%
Percentage of Official Information Act, Privacy Act and Ombudsmen requests delivered within statutory timeframes	83%	95%	–13%

Comment

Development of policy advice

The delivery and quality of policy advice met two of the three agreed performance standards. The quality of policy advice to the Minister has shown improvement from a rating of 7 in 2012/13 to 7.5 in 2013/14.

Implementation of policy advice

Performance around the delivery of Official Information Act, Privacy Act and Ombudsman requests improved significantly following a closer monitoring of performance standards from mid-year, which resulted in more requests meeting or exceeding the target standard.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
	Revenue Crown				
2,057	Implementation of policy advice	1,420	1,865	1,482	1,961
2,680	Policy advice	2,578	2,923	2,933	2,966
4,737	Total Revenue Crown	3,998	4,788	4,415	4,927
	Revenue other				
18	Implementation of policy advice	18	12	10	10
13	Policy advice	24	8	8	8
31	Total Revenue Other	42	20	18	18
4,768	Total Revenue	4,040	4,808	4,433	4,945
	Expenses				
1,788	Implementation of policy advice	1,413	1,877	1,492	1,971
2,091	Policy advice	2,491	2,931	2,941	2,974
3,879	Total Expenses	3,904	4,808	4,433	4,945
	Surplus/(Deficit)				
287	Implementation of policy advice	25	–	–	–
602	Policy advice	111	–	–	–
889	Total Surplus/(Deficit)	136	–	–	–

Financial comment

This predominately revenue Crown-funded MCOA was provided at a cost of $3.904 million, which is $529,000 (11.9 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $417,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for: implementation of the free trade agreements ($250,000); implementation of the Food Bill ($140,000); and organisation-wide improvement initiatives and corporate legal and prosecution costs ($27,000). The remaining $112,000 under spend represents cost savings. These cost savings, along with $24,000 higher than expected third-party income, resulted in a $136,000 operating surplus for this MCOA.

Output Class – Information

Scope of appropriation

This appropriation is limited to engagement of, and information for, stakeholders about food safety and suitability, to encourage participation in, and compliance with, the food regulatory programme, and to enable consumers to make appropriate food choices.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Food safety information is provided in line with agreed programmes	Achieved	Achieved	N/A

Comment

MPI distributed 40,466 food safety publications during 2013/14. Sixty-one thousand copies of *Food Safety in Pregnancy* were distributed through contract with *Bounty* (a parent magazine/information and education organisation) and an advertisement was run in the *Your Baby* publication (with an audited reach of 93 percent of new parents) focusing on food safety in the home.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
1,399	Revenue Crown	1,363	1,470	1,364	1,394
3	Revenue Other	6	3	4	4
1,402	Total Revenue	1,369	1,473	1,368	1,398
1,388	Total Expenses	1,367	1,473	1,368	1,398
14	Surplus/(Deficit)	2	–	–	–

Financial comment

This predominately revenue Crown-funded output expense appropriation was provided at a cost of $1.367 million, which is $1,000 (0.1 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward the entire unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for organisation-wide improvement initiatives and corporate legal and prosecution costs.

Output Class – Response

Scope of appropriation

This appropriation is limited to the investigation of, preparedness for, and response to, food-related events, incidents, emergencies, complaints and suspected breaches of legislation and taking appropriate sanctions and enforcement action.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Percentage of food recalls initiated and closed in accordance with agreed timeframes	87%	95%	–8%
By June 2020, MPI aims to reduce the rate of re-offending by 20% from where it was at June 2013	0%	15%	N/A
There were no prosecutions of re-offenders in 2013/14			
Percentage of complex investigations completed within legislative requirements and meet prima facie test	100%	100%	0%

Comment

The target for timeframes for completion of food recalls was not met. One food recall was completed outside the 60-day target due to a delayed upload of data to MPI's system. Three recalls were completed – one-to-two days outside the five-day target – and a further three recalls took significantly longer than the target. Any issues have since been addressed by MPI.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
4,981	Revenue Crown	4,153	5,396	4,192	4,243
14	Revenue Other	87	10	65	65
4,995	Total Revenue	4,240	5,406	4,257	4,308
4,976	Total Expenses	4,152	5,406	4,257	4,308
19	Surplus/(Deficit)	88	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of $4.152 million, which is $105,000 (2.5 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $39,000 unspent appropriation for revenue Crown-funded activities to 2014/15. This funding will be used for organisation-wide improvement initiatives and corporate legal and prosecution costs. The remaining $66,000 under spend represents cost savings. These cost savings, along with $22,000 higher than expected third-party income, resulted in an $88,000 operating surplus for this output class.

Output Class – Standards

Scope of appropriation

This appropriation is limited to the scientific inputs and development and implementation of food-related standards (including as appropriate international and joint Australia–New Zealand standards) and standards related to inputs into food production, imports, exports, new and emerging issues, and the domestic market.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2013/14	STANDARD 2013/14	VARIANCE
Percentage of milestones met from the Meat Inspection Reform Programme as agreed with the Meat Industry Strategic Directions Group	88%	80%	10%
Percentage of milestones met from the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	81%	75%	8%
Percentage of certificates issued covering the export of animal products (including meat, seafood, dairy, honey and bee products and eggs) and wine, which meet the importing country technical requirements, as specified by the overseas competent authority	Animal Products: 99.9% Wine: 99.9%	95% 95%	5% 5%
Percentage of World Organisation for Animal Healthy, International Plant Protection Convention and Alimentarius Codex standards that are accepted by New Zealand	100%	90%	11%

Comment

A total of 99.9 percent of animal products and wine export certificates were accepted by the competent authorities of New Zealand's trading partners during 2013/14.

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
11,016	Revenue Crown	11,429	11,487	11,429	11,042
7,451	Revenue Other	7,427	7,993	6,880	6,880
18,467	Total Revenue	18,856	19,480	18,309	17,922
17,891	Total Expenses	18,432	19,480	18,309	17,922
576	Surplus/(Deficit)	424	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of $18.432 million, which is $123,000 (0.7 percent) more than the Supplementary Estimates. This unappropriated expenditure is primarily due to one-off unbudgeted costs associated with the government inquiry into the whey protein concentrate contamination incident. This unappropriated expenditure was met through savings in revenue Crown-funded activities in Vote Primary Industries. There are activities under this output class that are operated on a full cost recovery basis from third parties. The Standards Setting for the Food Industry memorandum account is used to keep track of the accumulated surpluses and deficits, to enable MPI to take a long-run perspective to fee setting and cost recovery. This account covers MPI's standards setting activities (under this output class) and fees for certification and reconciliation services under the Animal Products (Dairy Industry Fees and Charges) Regulations 2007 against the Assurance output class. During 2013/14, a net operating surplus of $57,000 was made under this memorandum account. This output class contributed $354,000 towards the memorandum account surplus. A $193,000 higher than expected income from other third-party-funded activity resulted in a $424,000 operating surplus for this output class.

Total Departmental Outputs – Vote Food Safety

Revenue and output expenses

ACTUAL JUNE 2013 $(000)		ACTUAL JUNE 2014 $(000)	MAIN ESTIMATES JUNE 2014 $(000)	SUPP ESTIMATES JUNE 2014 $(000)	FORECAST JUNE 2015 $(000)
26,200	Revenue Crown	24,092	26,226	24,549	28,268
59,350	Revenue Other	55,621	58,719	59,966	59,966
85,550	Total Revenue	79,713	84,945	84,515	88,234
81,820	Total Expenses	85,387	84,945	84,515	88,234
3,730	Surplus/(Deficit)	(5,674)	–	–	–

FINANCIAL STATEMENTS

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Director-General of the Ministry for Primary Industries (MPI), for the preparation of MPI's financial statements, statement of service performance and non-departmental statements and schedules, and for the judgements made in them.

I have the responsibility for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, the financial statements and statement of service performance fairly reflect the financial position of MPI as at 30 June 2014 and its operations for the year ended on that date.

In my opinion, the forecast financial statements fairly reflect the forecast financial position and operations of MPI for the financial year ended 30 June 2015.

Martyn Dunne
Director-General
30 September 2014

Sean Mahony
Chief Financial Officer (Acting)
30 September 2014

Matters relating to the electronic presentation of the audited financial statements, statement of servic e performanc e an d schedules of non-departmental ac tivities

This audit report relates to the financial statements, statement of service performance and schedules of non-departmental activities of the Ministry for the year ended 30 June 2014 included on the Ministry for Primary Industries' website. The Ministry for Primary Industries' Chief Executive is responsible for the maintenance and integrity of the Ministry's website. We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements, statement of service performance and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, statement of service performance and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, statement of service performance and schedules of non-departmental activities as well as the related audit report dated 30 September 2014 to confirm the information included in the audited financial statements, statement of service performance and schedules of non-departmental activities presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Independent Auditor's Report

Building a better working world

TO THE READERS OF THE MINISTRY FOR PRIMARY INDUSTRIES' FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION AND SCHEDULES OF NON-DEPARTMENTAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of the Ministry for Primary Industries (the Department). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the Department on her behalf.

We have audited:

- the financial statements of the Department on pages 63 to 97, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the non-financial performance information of the Department that comprises the statement of service performance on pages 38 to 58;
- the schedules of non-departmental activities of the Department on pages 98 to 118 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2014, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, schedule of income and statement of trust monies, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department on pages 63 to 97:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the Department's:
    - financial position as at 30 June 2014;
    - financial performance and cash flows for the year ended on that date;
    - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2014;
    - unappropriated expenses and capital expenditure for the year ended 30 June 2014;
- the non-financial performance information of the Department on pages 38 to 58:
  - complies with generally accepted accounting practice in New Zealand;
  - fairly reflects the Department's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
    - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year;
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year;
- the schedules of non-departmental activities of the Department on pages 98 to 118 fairly reflect, in accordance with the Treasury Instructions:
  - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2014 managed by the Department on behalf of the Crown;
  - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Department on behalf of the Crown.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Director-General and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, the non-financial performance information and the schedules of non-departmental activities are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements the non-financial performance information and the schedules of non-departmental activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the Department's preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgments made by the Director-General;
- the appropriateness of the reported non-financial performance information within the Department's framework for reporting performance;
- the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities;
- the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. Also we did not evaluate the security and controls over the electronic publication of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Director-General

The Director-General is responsible for preparing:

- financial statements and non-financial performance information that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the Department's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure;
  - fairly reflect its service performance and outcomes;
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that fairly reflect those activities managed by the Department on behalf of the Crown.

The Director-General is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error. The Director-General is also responsible for the publication of the financial statements, non-financial performance information and schedules of non-departmental activities, whether in printed or electronic form.

The Director-General's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in the areas of corporate finance advisory, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Department.

Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Overview of Departmental Financial Results

For the year ended 30 June 2014

The following significant movements in actual results between the 2012/13 and 2013/14 years, and actual results against the 2013/14 adjusted Supplementary Estimates budget, are explained below.

ACTUAL 2013 $000		ACTUAL 2014 $000	SUPP ESTIMATES 2014 $000
380,872	Income (in total)	395,162	388,729
286,648	Revenue Crown	297,740	291,305
94,065	Revenue Other	97,321	97,379
375,869	Expenditure (in total)	397,254	384,731
192,651	Personnel costs	204,137	201,007
5,003	Operating surplus/(deficit)	(2,092)	3,998
11,368	Working capital	(2,464)	2,866
61,906	Non-current Assets	66,445	69,527
43,505	Creditors and other payables	40,354	31,560
80,010	Total Liabilities	78,653	67,300
64,062	Equity	54,539	63,393

Significant movements between 2012/13 and 2013/14

Revenue Crown

The $11.092 million increase in revenue was mainly because 2012/13 was low due to a $21.0 million under spend being carried forward from 2012/13 to 2014/15, 2015/16, and 2016/17. This was partially offset by:

- expense transfers from 2013/14 to 2014/15 of approximately $7 million;
- minor baseline changes in 2013/14 of approximately $3 million, including for the following:
  - the Emissions Trading Scheme funding;
  - the Joint Border Management System funding;
  - the disestablishment of output class Interim Secretariat South Pacific Regional Fisheries Organisation;
  - the response to a phytophthora affecting Kauri trees, and periodic collection of agriculture and horticulture statistics.

Expenditure

The $21.385 million increase in expenditure was made up of more personnel costs of $11.486 million and other operating costs of $9.899 million mainly due to:

- the increased response and surveillance activity, including the response to two single male Queensland fruit fly incursions in Whangarei;
- an increased presence in off-shore markets;
- increased software development costs;
- the commencement of the National Biosecurity Laboratory project;
- the costs associated with the government enquiry into the whey protein concentrate contamination incident.

Working capital

The $13.832 million decrease in working capital was mainly due to:

- the repayment of capital to the Crown of $3.095 million;
- unrecoverable fees of $5.286 million;

- an increase in capital expenditure of $5.110 million.

Equity

The $9.523 million decrease in equity was mainly due to:

- capital withdrawals of $3.995 million represented by:
  - the repayment of capital to the Crown of $3.095 million mentioned above;
  - the transfer of surplus property at Napier to Land Information New Zealand for disposal of $900,000;
- the current year deficit and the payments due to the Crown.

Significant variances between 2013/14 actual results and Supplementary Estimates

The financial statements present the forecast outturn prepared at the time of updating budget information for the Supplementary Estimates. The total forecast outturn differs from the total Supplementary Estimates to reflect anticipated expenditure transfers, underspends and forecast changes in third party funded activity.

Expenditure

Departmental outputs cost of $397.254 million was $12.523 million (3 percent) more than the adjusted Supplementary Estimates. This was mainly due to:

- $6.435 million of expense transfers that were lower than anticipated in the adjusted Estimates. This is also the reason for the difference in revenue from the Crown;
- $6.090 million for additional costs in both personnel and other operating costs for:
  - the response to two single male Queensland fruit fly incursions in Whangarei;
  - unforeseen costs associated with the implementation and testing of the rebuilt AP E-cert (animal products electronic certification) system;
  - additional costs associated with the government inquiry into the whey protein concentrate contamination incident.

Equity and non-current assets

Equity was $8.854 million lower than in the adjusted Supplementary Estimates mainly due to an operating deficit of $2.092 million, rather than the anticipated surplus of $3.998 million and the carry forward of capital contributions for the development of Joint Border Management System (JBMS) and the trans-Tasman transfer system for x-ray images of checked-in baggage.

The deferral of capital expenditure for these two projects resulted with non-current assets being lower than forecast in the adjusted Supplementary Estimates.

Creditors and other payables

Creditors and other payables at 30 June 2014 were higher than in the adjusted Supplementary Estimates due to the timing of payments but at a comparable level to 30 June 2013.

Statement of Comprehensive Income

For the year ended 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN[2] ESTIMATES 2014 $000	SUPP[2] ESTIMATES 2014 $000	FORECAST[1] 2015 $000
	Income					
286,648	Revenue Crown		297,740	303,960	291,305	315,834
94,065	Revenue Other	2	97,321	93,648	97,379	101,272
159	Gains	3	101	–	45	–
380,872	Total Income		395,162	397,608	388,729	417,106
	Expenditure					
192,651	Personnel costs	4	204,137	200,370	201,007	202,560
11,272	Depreciation and amortisation expense	10, 11	11,514	12,747	11,721	11,479
5,034	Capital charge	5	5,105	4,910	5,105	5,257
31	Finance lease interest		–	19	–	–
871	Restructuring costs		414	–	415	–
166,010	Other operating expenses	6	176,084	178,045	166,483	189,810
375,869	Total Expenditure		397,254	396,091	384,731	409,106
5,003	Net surplus/(deficit)		(2,092)	1,517	3,998	8,000
	Other comprehensive income					
	Items that will not be reclassified in surplus/(deficit)					
17	Gain on property revaluations	16	–	–	–	–
5,020	Total Comprehensive Income		(2,092)	1,517	3,998	8,000

Explanations of significant variances against budget are detailed in note 23.

The accompanying notes form part of these financial statements.

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
2 The amounts in Main Estimates and Supplementary Estimates have been adjusted for anticipated expense transfers, underspends and forecast changes in third party funded activity.

Statement of Financial Position

As at 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES 2014 $000	SUPP[2] ESTIMATES 2014 $000	FORECAST[1] 2015 $000
	Assets					
	Current assets					
45,574	Cash and cash equivalents		21,764	12,820	31,095	17,205
30,631	Debtors and other receivables	7	38,612	16,750	24,200	19,200
1,380	Prepayments		1,614	2,000	1,400	1,400
4,471	Inventory	8	4,647	4,500	4,471	4,471
110	Non-current assets held for sale	9	110	110	–	–
82,166	Total Current Assets		66,747	36,180	61,166	42,276
	Non-current assets					
35,543	Property, plant and equipment	10	34,737	42,661	35,969	49,427
26,363	Intangible assets	11	31,708	45,467	33,558	38,058
61,906	Total Non-Current Assets		66,445	88,128	69,527	87,485
144,072	Total Assets		133,192	124,308	130,693	129,761
	Liabilities					
	Current liabilities					
43,505	Creditors and other payables	12	40,354	30,981	31,560	31,560
2,137	Repayment of surplus	13	3,436	–	4,240	8,000
2,008	Provisions	14	1,590	550	1,000	1,000
23,130	Employee entitlements	15	23,831	15,600	21,500	21,500
18	Finance leases		–	–	–	–
70,798	Total Current Liabilities		69,211	47,131	58,300	62,060
	Non-current liabilities					
9,212	Employee entitlements	15	9,442	9,200	9,000	9,000
80,010	Total Liabilities		78,653	56,331	67,300	71,060
64,062	Net assets		54,539	67,977	63,393	58,701
	Equity					
63,782	Crown capital and retained earnings		54,042	66,755	67,311	57,954
(618)	Memorandum accounts (net position)		250	341	(4,665)	–
898	Property revaluation reserve		747	881	747	747
64,062	Total Equity	16	54,539	67,977	63,393	58,701

The accompanying notes form part of these financial statements.

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
2 The amounts in Main Estimates and Supplementary Estimates have been adjusted for anticipated expense transfers, underspends and forecast changes in third party funded activity.

Statement of Changes in Equity

For the year ended 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES 2014 $000	SUPP[2] ESTIMATES 2014 $000	FORECAST[1] 2015 $000
59,736	Balance at 1 July		64,062	63,487	64,062	59,346
2,038	Capital contributions		–	3,568	3,568	–
(595)	Capital withdrawals		(3,995)	(595)	(3,995)	(645)
5,003	Surplus/(deficit) for the year		(2,092)	1,517	3,998	8,000
17	Gain on property revaluations		–	–	–	–
(2,137)	Repayment of surplus to the Crown	13	(3,436)	–	(4,240)	(8,000)
64,062	Balance at 30 June	16	54,539	67,977	63,393	58,701

The accompanying notes form part of these financial statements.

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
2 The amounts in Main Estimates and Supplementary Estimates have been adjusted for anticipated expense transfers, underspends and forecast changes in third party funded activity.

Statement of Cash Flows

For the year ended 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES 2014 $000	SUPP[2] ESTIMATES 2014 $000	FORECAST[1] 2015 $000
	Cash flows from operating activities					
295,408	Receipts from the Crown		290,787	316,960	300,166	320,834
92,851	Receipts from Revenue Other		94,629	93,648	94,007	101,272
(191,396)	Payments to employees		(203,896)	(200,370)	(201,884)	(202,560)
(156,530)	Payments to suppliers		(176,548)	(178,045)	(178,800)	(189,810)
(5,034)	Payments for capital charge		(5,105)	(4,910)	(5,105)	(5,257)
3,435	Goods and services tax (net)		(1,284)	–	(989)	–
38,734	Net cash from operating activities	17	(1,417)	27,283	7,395	24,479
	Cash flows from investing activities					
1,318	Receipts from sale of property, plant and equipment		555	–	1,103	600
4,184	Receipts from sale of intangible assets		–	–	–	–
(5,401)	Purchase of property, plant and equipment		(7,764)	(9,304)	(8,395)	(21,100)
(12,134)	Purchase of intangible assets		(9,934)	(20,927)	(12,000)	(12,000)
(12,033)	Net cash from investing activities		(17,143)	(30,231)	(19,292)	(32,500)
	Cash flows from financing activities					
2,038	Capital injections from the Crown		–	3,568	2,668	–
(13,450)	Repayment of surplus to the Crown		(2,137)	(154)	(2,137)	(8,287)
(595)	Repayment of capital to the Crown		(3,095)	(595)	(3,095)	(645)
(499)	Payments of finance leases		(18)	(19)	(18)	–
(12,506)	Net cash from financing activities		(5,250)	2,800	(2,582)	(8,932)
14,195	Net increase/(decrease) in cash		(23,810)	(148)	(14,479)	(16,953)
31,379	Cash at the beginning of the year		45,574	12,968	45,574	34,158
45,574	Cash at the end of the year		21,764	12,820	31,095	17,205

During the period, MPI did not acquire property, plant and equipment and intangible assets by means of finance leases (2013: $nil).

The accompanying notes form part of these financial statements.

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
2 The amounts in Main Estimates and Supplementary Estimates have been adjusted for anticipated expense transfers, underspends and forecast changes in third party. funded activity.

Statement of Commitments

As at 30 June 2014

Capital commitments

Capital commitments represent capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been recognised as a liability at balance date. The most significant capital expenditure for MPI, over the period 2014/15 to 2017/18, is for the construction of a new national biocontainment facility at Wallaceville, to meet updated biocontainment standards and provide greater functionality and capacity.

Non-cancellable operating lease commitments

MPI leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises, which have a non-cancellable leasing period ranging from one to nine years.

The total minimum future sublease payments expected to be received under non-cancellable subleases at the balance date is $193,000 (2013: $1.512 million).

MPI's non-cancellable operating leases have varying terms, escalation clauses and renewal rights.

There are no restrictions placed on MPI by any of its leasing arrangements.

ACTUAL 2013 $000		ACTUAL 2014 $000
	Capital commitments	
–	Property, plant and equipment	4,950
–	Intangible assets	–
–	Total Capital Commitments	4,950
	Non-cancellable operating lease commitments	
8,980	Not later than one year	9,904
21,809	Later than one year and not later than five years	20,421
4,343	Later than five years	5,639
35,132	Total Non-Cancellable Operating Lease Commitments	35,964
35,132	Total Commitments	40,914

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2014

Quantifiable contingent liabilities – Legal proceedings and disputes

Kiwifruit vine disease

In July 2012 MPI released the findings of an independent review of import requirements and border processes following an outbreak of the kiwifruit vine disease, Psa-V, in New Zealand.

In September 2014 MPI was advised that kiwifruit growers would be commencing legal action, alleging that MPI's negligence resulted in the outbreak of the kiwifruit vine disease, Psa-V, in New Zealand. The kiwifruit growers have advised they will be seeking $885 million dollars in damages. MPI has not received the particulars of the claim yet; this is expected to be received by the end of October 2014. MPI will be defending the claim and believes it has acted appropriately.

This contingent liability was recorded as unquantifiable at 30 June 2013.

MPI has no contingent assets as at 30 June 2014 (2013: nil).

Statement of Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2014

	EXPENDITURE AFTER REMEASUREMENTS 2014 $000	APPROPRIATION VOTED 2014 $000	UNAPPROPRIATED EXPENDITURE 2014 $000
Vote Food Safety			
Appropriations for output expenses			
Assurance	57,532	56,148	1,384
Standards	18,432	18,309	123

This unappropriated expenditure requires validation (that is, retrospective approval) according to the Appropriation (2010/11 Financial Review) Act 2012 in compliance with section 26C of the Public Finance Act 1989.

The overexpenditure under the Assurance output class is primarily due to unforeseen costs associated with the implementation and testing of the rebuilt AP E-cert system. AP E-cert is a critical system supporting government-to-government assurances for animal products exported to New Zealand.

The over expenditure under the Standards output class is mainly due to one-off unbudgeted costs associated with the government inquiry into the whey protein concentrate contamination incident.

It was not clear that these appropriations would be exceeded until July 2014, too late for an appropriation to be included in the 2013/14 Supplementary Estimates or for prior approval to be sought to incur the expenses.

No unappropriated expenditure was incurred in the year ended 30 June 2013.

The accompanying notes form part of these financial statements.

Statement of Departmental

Expenses and Capital Expenditure Against Appropriations

For the year ended 30 June 2014

EXPENDITURE AFTER REMEASUREMENTS 2013 $000	ANNUAL APPROPRIATIONS	EXPENDITURE BEFORE REMEASUREMENTS 2014 $000	REMEASUREMENTS 2014 $000	EXPENDITURE AFTER REMEASUREMENTS 2014 $000	APPROPRIATION VOTED 2014[3] $000	FORECAST[1] 2015 $000
	Vote Primary Industries					
	Appropriations for output expenses					
2,018	Administration and management of Crown Forestry assets	1,592	–	1,592	1,628	1,607
7,178	Administration of grants and programmes	6,543	–	6,543	8,417	6,460
3,585	Animal welfare education and enforcement	3,924	–	3,924	4,021	3,941
95,177	Border biosecurity risk management MCOA	95,223	–	95,223	95,783	98,137
78,389	*Border biosecurity monitoring and clearance*	*79,256*	–	*79,256*	*79,364*	*81,823*
16,788	*Border biosecurity systems development and maintenance*	*15,967*	–	*15,967*	*16,419*	*16,314*
57,209	Development of policy advice MCOA	66,897	84	66,981	67,952	66,226
17,940	*Agriculture and forestry policy advice*	*25,410*	–	*25,410*	*24,645*	*26,161*
2,767	*Biosecurity policy advice*	*3,641*	–	*3,641*	*3,430*	*3,199*
4,206	*Fisheries policy advice*	*3,961*	–	*3,961*	*4,343*	*4,220*
32,296	*Operational advice on sustainability and management controls in fisheries*	*33,885*	*84*	*33,969*	*35,534*	*32,646*
51,192	Domestic biosecurity risk management MCOA	59,967	–	59,967	59,989	60,125
26,431	*Biosecurity incursion response and long-term pest management*	*34,471*	–	*34,471*	*34,618*	*33,999*
24,761	*Domestic biosecurity surveillance*	*25,496*	–	*25,496*	*25,371*	*26,126*
66,527	Implementation of policy advice MCOA	65,073	91	65,164	67,514	70,256
2,930	*Aquaculture*	*2,670*	–	*2,670*	*2,397*	*3,841*
38,994	*Fisheries enforcement and monitoring*	*36,388*	*91*	*36,479*	*38,558*	*36,517*
8,127	*Fisheries management*	*9,064*	–	*9,064*	*9,456*	*9,637*

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
3 This includes adjustments made in the Supplementary Estimates and transfers under section 26A of the Public Finance Act 1989.

EXPENDITURE AFTER REMEASUREMENTS 2013 $000	ANNUAL APPROPRIATIONS	EXPENDITURE BEFORE REMEASUREMENTS 2014 $000	REMEASUREMENTS 2014 $000	EXPENDITURE AFTER REMEASUREMENTS 2014 $000	APPROPRIATION VOTED 2014[3] $000	FORECAST[1] 2015 $000
12,099	*Implementation of agriculture and forestry policy advice*	*13,284*	–	*13,284*	*12,657*	*15,708*
4,377	*Implementation of biosecurity policy advice*	*3,667*	–	*3,667*	*4,446*	*4,553*
10,103	Implementation of the Emissions Trading Scheme and indigenous forestry	12,648	–	12,648	13,212	12,546
350	Interim Secretariat South Pacific Regional Fisheries Management Organisation	–	–	–	–	–
555	Support services and infrastructure to other agencies RDA	–	–	–	–	–
293,894	Total Output Expenses	311,867	175	312,042	318,516	319,298
	Appropriation for capital expenditure					
16,259	Ministry for Primary Industries – capital expenditure Permanent Legislative Authority	18,411	–	18,411	20,395	33,100
310,153	Total Vote Primary Industries	330,278	175	330,453	338,911	352,398
	Vote Food Safety					
	Appropriations for output expenses					
53,686	Assurance	57,532	–	57,532	56,148	59,661
3,879	Development and implementation of policy advice MCOA	3,904	–	3,904	4,433	4,945
1,788	*Implementation of policy advice*	*1,413*	–	*1,413*	*1,492*	*1,971*
2,091	*Policy advice*	*2,491*	–	*2,491*	*2,941*	*2,974*
1,388	Information	1,367	–	1,367	1,368	1,398
4,976	Response	4,152	–	4,152	4,257	4,308
17,891	Standards	18,432	–	18,432	18,309	17,922
81,820	Total Vote Food Safety	85,387	–	85,387	84,515	88,234
391,973	Total Annual Appropriations	415,665	175	415,840	423,426	440,632

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
3 This includes adjustments made in the Supplementary Estimates and transfers under section 26A of the Public Finance Act 1989.

Statement of Trust Monies

For the year ended 30 June 2014

Meat Levies Trust Account

The Meat Levies Trust Account holds levy funds received from meat works for the killing of animals that are payable to the Animal Health Board, Meat and Wool New Zealand Ltd and the Pork Industry Board.

ACTUAL 2013 $000		ACTUAL 2014 $000
5	Balance at 1 July	56
65,092	Contributions	64,027
(65,041)	Distributions	(64,084)
–	Revenue	1
–	Expenditure	–
56	Balance at 30 June	–

Forest Trust Account

The Forest Trust Account holds the proceeds from the sale of timber seized under the provisions of Part 3A of the Forests Act 1949.

ACTUAL 2013 $000		ACTUAL 2014 $000
1	Balance at 1 July	1
–	Contributions	–
–	Distributions	–
–	Revenue	–
–	Expenditure	–
1	Balance at 30 June	1

National Animal Identification Tracing Trust

The National Animal Identification Tracing Trust Account holds levy payments received under the National Animal Identification and Tracing Act 2012, and related regulations, and distributed proceeds to National Animal Tracing organisations.

ACTUAL 2013 $000		ACTUAL 2014 $000
–	Balance at 1 July	223
5,475	Contributions	4,091
(5,252)	Distributions	(4,030)
–	Revenue	–
–	Expenditure	–
223	Balance at 30 June	284

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Note 1: Statement of accounting policies for the year ended 30 June 2014

Reporting entity

The Ministry for Primary Industries (MPI) is a government department, as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

In addition, MPI has reported on Crown activities and trust monies that it administers.

The primary objective of MPI is to provide services to the public rather than making a financial return. Accordingly, MPI has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of MPI are for the year ended 30 June 2014. The financial statements were authorised for issue by the Director-General of MPI on 30 September 2014.

Basis of preparation

Statement of compliance

The financial statements of MPI have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP) and Treasury instructions. These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, buildings, artwork and derivative financial instruments.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of MPI is New Zealand dollars (NZ$).

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

There have been no revisions to accounting standards during the financial year that have had an effect on MPI's financial statements.

Standards, amendments and interpretations issued, but not yet effective, that have not been early adopted, and that are relevant to MPI, are:

> *NZ IFRS 9 Financial Instruments* will eventually replace *NZ IAS 39 Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, MPI is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB, based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means MPI expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, MPI is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue Crown

Revenue earned from the supply of outputs to the Crown is recognised as revenue when earned.

Third-party funded services

Fees for the supply of services to third parties on a cost recovery basis are recognised as revenue upon the provision of services. Revenue received in advance of the provision of services is recognised as unearned revenue to the extent that it relates to future accounting periods.

Statutory levies

Revenue from levies is recognised when the obligation to pay the levy is incurred.

Application fees

Revenue from application fees is recognised to the extent that the application has been processed by MPI.

Rental income

Rental income under an operating sub-lease is recognised as income on a straight-line basis over the lease term.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in MPI are recognised as income when control over the asset is obtained.

Capital charge

The capital charge is recognised as an expense in the period to which the charge relates.

Borrowing costs

MPI has deferred the adoption of *NZ IAS 23 Borrowing Costs (Revised 2007)* in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Finance leases

A finance lease is a lease that transfers to MPI substantially all of the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether MPI will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

Cash and cash equivalents

Cash includes cash on hand and funds on deposit with banks and is measured at its face value.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment is established as follows:

- For individual debtors outstanding up to 365 days and in excess of $20,000 – when there is objective evidence that MPI will not be able to collect all or part of the amount due.
- For all other debtors (including amounts in excess of $20,000 not included above), 20 percent of debts outstanding between 91 days and 365 days and 100 percent of debts outstanding over 365 days.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account and the amount of the loss is recognised in the surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Inventories

Inventories held for distribution or consumption in the provision of services, which are not supplied on a commercial basis, are measured at cost and adjusted when applicable for any loss of service potential. The loss of service potential of inventories held for distribution is determined on the basis of obsolescence.

The amount of any write-down for the loss of service potential is recognised in surplus or deficit in the period of the write-down.

Forward foreign exchange contracts

MPI uses forward foreign exchange contracts to manage exposure to foreign exchange movements. MPI does not hold these contracts for trading purposes. MPI has not adopted hedge accounting. Forward foreign exchange contracts are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit. The full fair value of a foreign exchange contract is classified as current if the contract is due for settlement within 12 months of balance date, otherwise foreign exchange contracts are classified as non-current.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes:

- land;
- non-residential buildings;

- residential buildings;
- leasehold improvements;
- office furniture and equipment;
- artwork;
- motor vehicles;
- vessels.

Land and artwork are measured at fair value and buildings are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

All computers are capitalised and all other assets costing more than $5,000 are capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to MPI and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost, less impairment, and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to MPI and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land and artwork, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings (including components)	8 to 40 years (2.5–12.5%)
Office furniture and equipment	3 to 12 years (8–33%)
Motor vehicles	5 years (20%)
Vessels	4 to 25 years (4–25%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset are reviewed and adjusted, if applicable, at each financial year-end.

Revaluation

Land, buildings and artwork are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every five years in the case of land and buildings and at least every three years for artwork. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

MPI accounts for revaluations of property, plant and equipment on a class of asset basis. The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value, recognised in the surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive income.

Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and use the specific software.

Costs directly associated with the development of software for internal use by MPI are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Expenditure incurred on research of internally generated software is expensed when it is incurred.

Staff training costs are recognised as an expense when incurred.

Individual assets, or groups of assets, are capitalised if their cost is greater than $50,000. The value of an individual asset that is less than $50,000 and is part of a group of similar assets is capitalised.

Website costs are only recognised as an intangible asset if they will provide future service potential.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	3 to 7 years (14–33%)
Developed computer software	5 to 10 years (10–20%)

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the depreciated replacement cost for an asset, where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where MPI would, if deprived of the asset, replace its remaining service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive income to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are generally settled within 30 days so are recorded at their face value.

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values, based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long-service leave entitlements expected to be settled within 12 months and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months of balance date in which the employee renders the related service, such as long-service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information;
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date – with terms to maturity that match, as close as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Salaries and wages accrued, sick leave, annual leave, vested long-service leave and non-vested long-service leave and retiring leave (expected to be settled within 12 months of the balance date) are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit, as incurred.

Provisions

MPI recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Restructurings

A provision for restructuring is recognised when MPI has approved a detailed formal plan for restructuring, which has either been announced publicly to those affected or for which implementation has already commenced.

Accident Compensation Corporation (ACC) Partnership Programme

MPI belongs to the ACC Partnership Programme whereby MPI accepts the management and financial responsibility of work-related illnesses and injuries of employees. Under the programme, MPI is liable for all its claims costs for a period of four years, up to a specified maximum amount. At the end of the four-year period, MPI pays a premium to ACC for the value of residual claims, and the liability for ongoing claims from that point passes to ACC.

The liability for the ACC Partnership Programme is measured at the present value of expected future payments to be made in respect of the employee injuries and claims up to balance date.

Equity

Equity is the Crown's investment in MPI and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as Crown capital and retained earnings, memorandum accounts (net position) and property revaluation reserves.

Memorandum accounts

Memorandum accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies or charges. The balance of each memorandum account is expected to trend toward zero over time.

Property revaluation reserves

These reserves relate to the revaluation of land, buildings and artworks to fair value.

Commitments

Future expenses and liabilities, yet to be incurred on non-cancellable contracts that have been entered into on or before balance date, are disclosed as commitments to the extent that there are equally unperformed obligations. Cancellable capital commitments that have penalty or exit costs explicit in the agreement, on exercising the option to cancel, are disclosed at the value of those penalty or exit costs. Information on non-cancellable operating lease commitments and non-cancellable capital commitments are disclosed in the Statement of Commitments.

Contingent liabilities and assets

Contingent liabilities and assets are recorded in the statement of contingent liabilities and contingent assets, at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for trade debtors and creditors, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are those included in the Performance Information for Appropriations for the Government of New Zealand for the year ending 30 June 2014, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the forecast outturn prepared at the time of updating budget information for the Mains and Supplementary Estimates. The total forecast outturn differs from the total Mains and Supplementary estimates to the extent of anticipated expenditure transfers, underspends and forecast changes in third party funded activity. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Forecast financial statements

The forecast financial statements are those submitted to Treasury for consolidation into the 2014 Budget Economic and Fiscal Update (2014 BEFU out-year one figures). The forecast financial statements are based on the new public benefit entity accounting standards. No significant impacts to accounting policies have been identified in transitioning to the new standards although some of the detailed assessment work has yet to be completed.

Forecast information has been included for the following financial year for the first time. In prior years, forecasts were published in the Performance Information for Appropriations. This is a new requirement under the Public Finance Amendment Act 2013. The aim of this is to increase transparency by providing further context of this year's results giving next year's forecast for comparison.

These forecast financial statements were authorised for issue by the Director-General of MPI on 28 March 2014. They were compiled on the basis of existing government policies and ministerial expectations.

The main assumptions are as follows:

- MPI's activities will remain substantially the same as the previous year;
- personnel and operating costs are based on historical experience. The general historical pattern is expected to continue after allowing for current and past policy initiatives;
- estimated year-end information for 2013/14 is used as the opening position for the 2014/15 forecasts.

Factors that could lead to material differences between the forecast financial statements and the 2014/15 actual financial statements include changes in activities required by the Government, demand for third-party funded activities, year-end revaluations and technical adjustments.

There are no significant post-BEFU accounting adjustments to actual balances as at 30 June 2014 that would have a material impact on the forecast financial statements.

The forecast financial statements provide for an increase in revenue Crown funding of just over $18 million from 2013/14 to 2014/15, mainly due to:

- the carry forward of 2012/13 under spend to meet staff remuneration cost pressures ($5.960 million);
- baseline funding increase in Budget 2014 to implement recommendations of the inquiry into the whey protein concentrate contamination incident, to strengthen the food safety system including increasing MPI's presence in overseas markets and increasing dairy capability ($5.930 million);
- funding in Budget 2014 to extend the Kauri Dieback Programme ($1.229 million);
- expense transfers that transfer funding for specific and discrete projects or work programmes over financial years (nearly $5 million).

Statement of cost accounting policies

MPI has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity/usage information. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Other indirect costs are assigned to outputs based on assessed usage, staff numbers, direct expenditure and estimated allocation of time.

There have been no changes in cost accounting policies since the date of the last audited financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, MPI has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to below.

Retirement and long-service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in note 15.

Note 2: Revenue other

ACTUAL 2013 $000		ACTUAL 2014 $000
87,240	Statutory fees, levies and charges	89,745
593	Rental income from sub-leased accommodation	330
6,232	Other goods and services	7,246
94,065	Total Revenue Other	97,321

Note 3: Gains

ACTUAL 2013 $000		ACTUAL 2014 $000
159	Net gain on disposal of property, plant and equipment	101
–	Net gain on foreign exchange contracts	–
159	Total Gains	101

During the period, MPI disposed of motor vehicles as part of the normal vehicle replacement programme. The net gain on motor vehicle disposals was $104,000 (2013: $130,000).

Note 4: Personnel costs

ACTUAL 2013 $000		ACTUAL 2014 $000
175,705	Salaries and wages	187,456
5,069	Employer superannuation contributions to defined contribution plans	6,063
2,155	Increase/(decrease) in employee entitlements	931
9,722	Other personnel costs	9,687
192,651	Total Personnel Costs	204,137

Employer superannuation contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund.

Note 5: Capital charge

MPI pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2014 was 8 percent (2013: 8 percent).

Note 6: Other operating expenses

ACTUAL 2013 $000		ACTUAL 2014 $000
	Fees to auditor Ernst & Young	
357	– audit of financial statements	367
16	– other services	81
8,920	Operating lease payments	9,732
861	Advertising and publicity	1,048
21,717	Fisheries and marine-related research contracts	23,215
7,590	Other research contracts	8,224
56,822	Other contracts for services	60,791
12,834	Travel	13,861
5,240	Property costs	4,884
8,345	Information technology	8,045
60	Inventory consumed (note 8)	144
152	Debt impairment (note 7)	31
213	Property, plant and equipment written off	235
585	Property, plant and equipment impairment	57
2,306	Intangible assets written off	105
–	Intangible assets impairment	365
–	Property revaluation loss	242
23,011	Consultancy	28,077
16,981	Other operating expenses	16,580
166,010	Total Other Operating Expenses	176,084

The fees to the auditor for other services were to build a model that will be used as the basis for negotiation between settlement of the Crown's obligation for new space under the Maori Commercial Aquaculture Claims Settlement Act 2004. Funding for aquaculture settlements is through a non-departmental appropriation under Vote Primary Industries.

Note 7: Debtors and other receivables

ACTUAL 2013 $000		ACTUAL 2014 $000
	Current debtors and other receivables	
6,552	Debtors	6,847
(259)	Less provision for impairment	(262)
6,293	Net debtors	6,585
18,861	Debtor Crown	25,814
5,477	Accrued revenue	6,213
30,631	Total Debtors and Other Receivables	38,612

The carrying value of debtors and other receivables approximates their fair value.

The aging profile of debtors at year-end is detailed below.

	2013			2014		
	GROSS $000	IMPAIRMENT $000	NET $000	GROSS $000	IMPAIRMENT $000	NET $000
Current	5,088	–	5,088	5,690	–	5,690
Greater than 30 days	562	–	562	460	–	460
Greater than 60 days	482	–	482	241	–	241
Greater than 90 days	420	(259)	161	456	(262)	194
Total	6,552	(259)	6,293	6,847	(262)	6,585

The provision for impairment has been calculated based on a review of specific overdue debtors and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

ACTUAL 2013 $000		ACTUAL 2014 $000
33	Individual impairment	75
226	Collective impairment	187
259	Total Provision for Impairment	262

Those specific debtors that are insolvent are fully provided for. MPI has identified 27 debtors that are insolvent, totalling $86,000, as at 30 June 2014 (2013: 15 debtors, totalling $38,000).

Movements in the provision for impairment of debts are as follows:

ACTUAL 2013 $000		ACTUAL 2014 $000
140	Balance at 1 July	259
152	Additional provisions made (note 6)	31
–	Unused amounts reversed during the year	–
(33)	Receivables written off during the year	(28)
259	Balance at 30 June	262

MPI holds no collateral as security or other credit enhancements over debts that are either past due or impaired.

Note 8: Inventory

ACTUAL 2013 $000		ACTUAL 2014 $000
	Inventory held for distribution	
4,394	Foot and Mouth Disease vaccine	4,394
77	Security items for the transport of goods overseas	218
–	Corporate branded material	35
4,471	Total Inventory	4,647

The loss in service potential of inventories held for distribution is determined on the basis of obsolescence.

No inventories are pledged as security for liabilities (2013: nil).

Note 9: Non-current assets held for sale

The MPI-owned storehouse property on Aerodrome Road, Omaka, Blenheim, has been classified as held for sale as part of the Kurahaupō historical Treaty of Waitangi settlement. The sale to Rangitane o Wairau (one of four Kurahaupō iwi) was completed on 1 August 2014.

ACTUAL 2013 $000		ACTUAL 2014 $000
	Non-current assets held for sale include	
25	Buildings	25
85	Land	85
110	Total Non-Current Assets Held for Sale	110

The accumulated property revaluation reserve recognised in equity for the Omaka storehouse property at 30 June 2014 is $54,000.

Note 10: Property, plant and equipment

	LAND $000	BUILDINGS $000	LEASEHOLD IMPROVEMENTS $000	FURNITURE, OFFICE EQUIPMENT AND ARTWORKS $000	MOTOR VEHICLES AND VESSELS $000	TOTAL $000
Cost or valuation						
Balance at 1 July 2012	2,194	12,988	12,964	20,030	13,376	61,552
Additions through purchase	–	181	1,628	1,818	1,548	5,175
Write-offs and disposals	–	–	(830)	(1,501)	(2,334)	(4,665)
Revaluation	–	–	–	17	–	17
Reclassification	–	(45)	45	(205)	3	(202)
Balance at 30 June 2013	2,194	13,124	13,807	20,159	12,593	61,877
Balance at 1 July 2013	2,194	13,124	13,807	20,159	12,593	61,877
Additions through purchase	–	472	2,461	3,194	1,890	8,017
Write-offs and disposals	(250)	(650)	(644)	(2,637)	(1,406)	(5,587)
Reversal of depreciation on revaluation	–	(58)	–	–	–	(58)
Revaluation	–	(242)	–	–	–	(242)
Reclassification	–	3	(3)	–	–	–
Balance at 30 June 2014	1,944	12,649	15,621	20,716	13,077	64,007

	LAND $000	BUILDINGS $000	LEASEHOLD IMPROVEMENTS $000	FURNITURE, OFFICE EQUIPMENT AND ARTWORKS $000	MOTOR VEHICLES AND VESSELS $000	TOTAL $000
Accumulated depreciation and impairment losses						
Balance at 1 July 2012	–	–	5,916	12,104	4,771	22,791
Depreciation expense	–	813	1,727	2,949	1,053	6,542
Write-offs and disposals	–	–	(617)	(1,498)	(1,469)	(3,584)
Impairment losses	–	–	585	–	–	585
Reclassification	–	–	–	(3)	3	–
Balance 30 June 2013	–	813	7,611	13,552	4,358	26,334
Balance at 1 July 2013	–	813	7,611	13,552	4,358	26,334
Depreciation expense	–	814	1,968	3,067	1,086	6,935
Write-offs and disposals	–	–	(452)	(2,595)	(951)	(3,998)
Impairment losses	–	–	57	–	–	57
Reversal of depreciation on revaluation	–	(58)	–	–	–	(58)
Balance 30 June 2014	–	1,569	9,184	14,024	4,493	29,270
Carrying amounts						
At 1 July 2012	2,194	12,988	7,048	7,926	8,605	38,761
At 30 June and 1 July 2013	2,194	12,311	6,196	6,607	8,235	35,543
At 30 June 2014	1,944	11,080	6,437	6,692	8,584	34,737

Valuation

The most recent valuation of land and buildings was performed by independently contracted registered valuers, CW Nyberg of Darroch Limited, P Schellekens of CBRE Limited, PA Albrecht of Darroch Limited and MW Lauchlan of Duke & Cooke Limited. The effective date for the valuations is 30 June 2012.

The most recent valuation of artwork was performed by Dunbar Sloane Limited for 30 June 2013.

Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the unencumbered land value for land where there is a designation against the land or the use of the land is restricted.

Buildings

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

Work in progress

The total amount of property, plant and equipment in the course of construction is $985,000 (2013: $624,000). Work in progress is included in the above figures at cost, less impairment, and is not depreciated.

Finance leases

The net carrying amount of computer equipment held under finance leases is $nil (2013: $17,000).

Note 11: Intangible assets

	ACQUIRED SOFTWARE $000	INTERNALLY GENERATED SOFTWARE $000	TOTAL $000
Cost			
Balance at 1 July 2012	12,772	46,392	59,164
Additions through purchase	456	10,628	11,084
Write-offs and disposals	(2,949)	(7,745)	(10,694)
Reclassification	498	(296)	202
Balance at 30 June 2013	10,777	48,979	59,756
Balance at 1 July 2013	10,777	48,979	59,756
Additions through purchase	2,081	8,313	10,394
Write-offs and disposals	(105)	(2,998)	(3,103)
Balance at 30 June 2014	12,753	54,294	67,047
Accumulated amortisation and impairment losses			
Balance at 1 July 2012	11,774	21,092	32,866
Amortisation expense	292	4,438	4,730
Write-offs and disposals	(2,898)	(1,305)	(4,203)
Impairment losses	–	–	–
Balance at 30 June 2013	9,168	24,225	33,393
Balance at 1 July 2013	9,168	24,225	33,393
Amortisation expense	388	4,191	4,579
Write-offs and disposals	(105)	(2,893)	(2,998)
Impairment losses	–	365	365
Balance at 30 June 2014	9,451	25,888	35,339
Carrying amounts			
At 1 July 2012	998	25,300	26,298
At 30 June and 1 July 2013	1,609	24,754	26,363
At 30 June 2014	3,302	28,406	31,708

There are no restrictions over the title of MPI's intangible assets, nor are any intangible assets pledged as security for liabilities.

Work in progress

The total amount of intangible assets in the course of construction is $11.249 million (2013: $11.223 million). Work in progress is included in the above figures at cost, less impairment, and is not amortised.

Details of material intangible assets (excludes work in progress) are as follows:

ACTUAL 2013 CARRYING AMOUNT $000	ACTUAL 2013 REMAINING AMORTISATION PERIOD (YEARS)		ACTUAL 2014 CARRYING AMOUNT $000	ACTUAL 2014 REMAINING AMORTISATION PERIOD (YEARS)
1,517	2.75	Farm property information database (FarmsOnLine)	965	1.75
2,447	8.97	Animal Products Electronic Certification application	5,752	10.01
543	3.08	Electronic phytosanitary certification generation system	367	2.08
5,364	4.92	Climate change information system	4,082	4.60
1,156	9.00	Laboratory information system	1,028	8.00
883	4.00	Financial management information system	662	3.00
–	–	JBMS interface	1,143	6.09
–	–	Applications performance management	1,061	6.00
–	–	Windows 8 operating system	2,049	4.97

Note 12: Creditors and other payables

ACTUAL 2013 $000		ACTUAL 2014 $000
4,779	Accounts payable	4,948
5,934	Unearned revenue	4,301
27,838	Accrued expenses	26,722
965	Creditor property, plant and equipment, and intangible assets	1,678
3,989	GST payable to IRD	2,705
43,505	Total Creditors and Other Payables	40,354

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximate their fair value.

Note 13: Return of operating surplus

ACTUAL 2013 $000		ACTUAL 2014 $000
5,003	Net surplus from statement of comprehensive income	(2,092)
–	Adjust for property revaluation losses/(gains) recognised in the surplus/(deficit)	242
(2,866)	Adjust for (surpluses)/deficits for services subject to memorandum accounts	5,286
2,137	Total Return of Operating Surplus	3,436

The repayment of surplus is required to be paid by 31 October of each year.

Note 14: Provisions

ACTUAL 2013 $000		ACTUAL 2014 $000
714	Restructuring	267
945	Compensation under the Biosecurity Act 1993	815
18	ACC Partnership Programme	232
331	Other provisions	276
2,008	Total Provisions	1,590

Note 14a: Provision for restructuring

ACTUAL 2013 $000		ACTUAL 2014 $000
1,291	Opening balance 1 July	714
400	Additional provisions made	487
(561)	Amounts used	(861)
(416)	Unused amounts reversed	(73)
714	Closing balance	267

The restructuring provision arises from the introduction of a new organisational structure to improve MPI's alignment. The provision represents MPI's best estimate of the cost of the restructuring and provides for equalisation allowances for nine employees (2013: 14) and severance payments for a further five employees (2013: 10). It is anticipated all remaining costs associated with the restructuring will be incurred over the next year.

During the financial year, severance was paid to 15 employees (2013: 29).

Note 14b: Provision for compensation under the Biosecurity Act 1993

ACTUAL 2013 $000		ACTUAL 2014 $000
624	Opening balance	945
349	Additional provisions made during the year	–
(28)	Charged against provision for the year	(130)
945	Closing balance	815

This provision provides for compensation payable under section 162A of the Biosecurity Act 1993, as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where the exercise of these powers causes verifiable losses as a result of the damage or destruction of a person's property or restrictions on the movement of a person's goods. The provision represents MPI's best estimate of the cost of settling current compensation claims. The compensation payments are expected to be settled by 30 June 2015.

Note 14c: Provision for ACC Partnership Programme

ACTUAL 2013 $000		ACTUAL 2014 $000
6	Opening balance	18
18	Additional provisions made	232
–	Charged against provision for the year	–
(6)	Unused amounts reversed during year	(18)
18	Closing balance	232

The liability for the ACC Partnership Programme is measured at the present value of expected future payments for work-related illnesses and injuries of employees up to the reporting date. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries.

MPI manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- induction training on health and safety;
- actively managing workplace injuries to ensure employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions;
- identifying workplace hazards and implementation of appropriate safety procedures.

To manage the extent of the ongoing financial liability for employees' claims under the Full Self Cover Plan, MPI has chosen a Stop Loss Limit of 160 percent of the risk and High Cost Claims Cover excess of $250,000. MPI is not exposed to any significant concentrations of insurance risk as work-related injuries are generally the result of an isolated event to an individual employee.

Note 15: Employee entitlements

ACTUAL 2013 $000		ACTUAL 2014 $000
	Current employee entitlements are represented by:	
5,528	Salaries and wages	5,875
13,906	Annual leave	13,981
646	Sick leave	675
1,284	Long-service leave	1,401
1,766	Retiring leave	1,899
23,130	Total Current Portion	23,831
	Non-current employee entitlements are represented by:	
2,066	Long-service leave	2,089
7,146	Retiring leave	7,353
9,212	Total Non-current Portion	9,442
32,342	Total Employee Entitlements	33,273

The measurement of retirement and long-service leave depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used match, as closely as possible, the estimated future cash outflows.

The discount rates used were: one year 3.70 percent; two year 4.04 percent; and three year-plus 5.50 percent (2013: 2.71 percent, 3.14 percent, 5.50 percent). A salary inflation factor of 3.50 percent has been used and is based on a 2.5 percent long-term inflation assumption plus 1 percent for long-term labour productivity growth for the public sector. The discount rates and salary inflation factor were provided by Treasury.

If the discount rates were to be 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $621,000 lower. If the discount rates were to be 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $698,000 higher.

If the salary inflation factor were to be 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $649,000 higher. If the salary inflation factor were to be 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $588,000 lower.

Note 16: Equity

ACTUAL 2013 $000		ACTUAL 2014 $000
	Crown capital and retained earnings	
62,339	Balance at 1 July	63,782
	Capital injections from the Crown for:	
800	– Development of National Animal Identification Tracing (NAIT) application	–
518	– Design and development of the JBMS with New Zealand Customs Service	–
720	– Development of electronic wine certification capability	–
	Repayment of capital to the Crown for:	
(595)	Part repayment of a capital injection in 2004/05 for head office leasehold improvements	(595)
–	Capital to operating swap for Electronic Content Management System	(2,500)
–	Transfer of surplus property at Napier to Land Information New Zealand for disposal	(900)
–	Transfers from revaluation reserves on disposal of property	151
–	Write-off irrecoverable memorandum account operating deficits	(5,654)
5,003	Net surplus/(deficit)	(2,092)
(2,866)	Transfer of memorandum accounts net surplus/(deficit)	5,286
(2,137)	Return of operating surplus to the Crown	(3,436)
63,782	Balance at 30 June	54,042
	Memorandum accounts	
(3,484)	Balance at 1 July	(618)
2,866	Net memorandum account surpluses/(deficits)	(5,286)
–	Write-off irrecoverable operating deficits due to fee adjustments not being made within statutory timeframe	5,654
(618)	Balance at 30 June	(250)
	Revaluation reserve – land	
709	Balance at 1 July	709
–	Revaluation gains	–
–	Transfer to retained earnings on disposal	(150)
709	Balance at 30 June	559
	Revaluation reserve – residential buildings	
69	Balance at 1 July	69
–	Revaluation gains	–
69	Balance at 30 June	69
	Revaluation reserve – artworks	
103	Balance at 1 July	120
17	Revaluation gains	–
–	Transfer to retained earnings on disposal	(1)
120	Balance at 30 June	119
64,062	Total Equity	54,539

Note 17: Reconciliation of net surplus/(deficit) to net cash flow from operating activities

ACTUAL 2013 $000		ACTUAL 2013 $000
5,003	Net surplus/(deficit)	(2,092)
	Add/(less) non-cash items classified as investing or financing activities	
7,036	Amortisation, impairment and write-off on intangible assets	5,049
7,128	Depreciation, impairment and write-off on property, plant and equipment assets	7,227
–	Property revaluation loss	242
14,164	Total Non-cash Items	12,518
	Add/(less) items classified as investing or financing activities	
(159)	Net loss/(gain) on sale of property, plant and equipment	(101)
31	Finance lease interest expense	–
(128)	Total Investing or Financing Activities	(101)
	Add/(less) movements in working capital items	
60	(Increase)/decrease in inventories	(176)
8,134	(Increase)/decrease in debtors and other receivables	(7,981)
(490)	(Increase)/decrease in prepayments	(234)
13,103	Increase/(decrease) in creditors and other payables	(3,864)
2,155	Increase/(decrease) in employee entitlements	931
(3,267)	Increase/(decrease) in provisions	(418)
19,695	Total Net Movement in Working Capital Items	(11,742)
38,734	Net Cash from Operating Activities	(1,417)

Note 18: Related parties

All related party transactions have been entered into on an arm's length basis.

MPI is a wholly owned entity of the Crown. The Government significantly influences the roles of MPI as well as being a major source of revenue.

Significant transactions with government-related entities

MPI has received funding from the Crown of $297.740 million (2013: $286.648 million) to provide services to the public for the year ended 30 June 2014.

MPI paid a capital charge to the Crown on its equity of $5.105 million (2013: $5.034 million) for the year ended 30 June 2014.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, MPI is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. MPI is exempt from paying income tax. During the year ended 30 June 2014, MPI paid IRD and ACC $88.437 million and $606,000 respectively (2013: $78.588 million and $642,000).

MPI also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled $54.217 million (2013: $50.079 million). These purchases included the purchase of specialist services and research capability from AgResearch, Landcare Research, the National Institute of Water and Atmospheric Research and AsureQuality, operating costs of JBMS from New Zealand Customs Service, air travel from Air New Zealand, legal services from the Crown Law Office and postal services from New Zealand Post.

Transactions with key management personnel and their close family members

Key management personnel compensation

ACTUAL 2013 $000		ACTUAL 2014 $000
2,599	Salaries and other short-term employee benefits	2,722
24	Other long-term benefits	24
158	Post-employment benefits	174
–	Termination benefits	–
2,781	Total key management personnel compensation	2,920

Key management personnel of MPI comprise the Minister for Primary Industries, the Director-General and eight Deputy Directors-General.

Key management personnel compensation excludes the remuneration and other benefits the Minister for Primary Industries receives. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of MPI. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority and not by MPI.

Related party transactions involving key management personnel (or their close family members)

During the year, MPI contracted with Waikato Tainui, in which the partner of the Deputy Director-General Sector Partnership and Programmes is the Chief Executive Officer. The value of the services provided under the contract during the year totalled $48,000 (2013: $84,000) and were supplied on normal commercial terms. There were no outstanding balances at year-end.

During the year MPI contracted with the Omapere Taraire E and Rangihamama X3A Ahuwhenua Trust, in which the mother of the Deputy Director-General Sector Partnership and Programmes is a shareholder. The value of the services provided under the contract during the year totalled $71,000 (2013: $nil) and were supplied on normal commercial terms. There were no outstanding balances at year-end.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Note 19: Financial instrument Risks

MPI's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. MPI has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

MPI purchases goods and services internationally and is exposed to currency risk arising from various exposures, primarily with respect to the US and Australian dollars. Currency risk arises from future purchases and recognised liabilities, which are denominated in a foreign currency.

MPI's foreign exchange management policy requires MPI to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts to hedge the entire foreign currency risk exposure. MPI's policy has been approved by Treasury and is in accordance with the requirements of the *Treasury Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure*.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates. MPI has no interest bearing financial instruments and, accordingly, has no exposure to interest rate risk.

Sensitivity analysis

MPI does not have significant exposure to market risks and has therefore not disclosed a sensitivity analysis.

Credit risk

Credit risk is the risk that a third-party will default on its obligation to MPI, causing MPI to incur a loss. In the normal course of MPI's business, credit risk arises from debtors, deposits with banks and derivative financial instrument assets.

MPI is only permitted to deposit funds with Westpac, a registered bank, and enter into foreign exchange forwards with the New Zealand Debt Management Office. These entities have high credit ratings. For its other financial instruments, MPI does not have significant concentrations of credit risk.

MPI's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors (note 7) and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Liquidity risk is the risk that MPI will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, MPI closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. MPI maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

The table below analyses MPI's financial liabilities that will be settled, based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	LESS THAN 6 MONTHS $000	BETWEEN 6 MONTHS AND 1 YEAR $000	BETWEEN 1 AND 5 YEARS $000
2013			
Creditors and other payables (note 12)	43,505	–	–
Finance leases	18	–	–
2014			
Creditors and other payables (note 12)	40,354	–	–
Finance leases	–	–	–

Note 20: Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each of NZ IAS 39 categories are as follows:

ACTUAL 2013 $000		ACTUAL 2014 $000
	Loans and receivables	
45,574	Cash and cash equivalents	21,764
30,631	Debtors and other receivables (note 7)	38,612
76,205	Total Loans and Receivables	60,376
	Financial liabilities measured at amortised cost	
43,505	Creditors and Other Payables (note 12)	40,354

Note 21: Capital management

MPI's capital is its equity, which comprises Crown capital and retained earnings, memorandum accounts (net position) and property revaluation reserves. Equity is represented by net assets.

MPI manages its revenues, expenses, assets, liabilities and general financial dealings prudently. MPI's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the Government budget processes and with Treasury instructions, and the Public Finance Act 1989.

The object of managing MPI's equity is to ensure MPI effectively achieves the goals and objectives for which it has been established, while remaining an ongoing concern.

Note 22: Memorandum accounts

These accounts summarise financial information relating to the accumulated surpluses and deficits incurred in the provision of outputs operating on a full cost recovery basis from third parties.

The accounts enable MPI to take a long-run perspective to fee setting and cost recovery.

These transactions are included as part of MPI's operating income and expenses in the surplus/deficit, however, these transactions are excluded from the calculation of MPI's return of operating surplus (refer note 13). The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer note 16).

The balance of each memorandum account is expected to trend towards zero over a reasonable period of time, with interim deficits being met either from cash from MPI's statement of financial position or by seeking approval for a capital injection from the Crown. Capital injections will be repaid to the Crown by way of cash payments throughout the memorandum account cycle.

ACTUAL 2013 $000		ACTUAL 2014 $000
(2,232)	Border Biosecurity Clearance Fees Account	–
1,395	Phytosanitary Exports Account	1,257
(946)	Verification of the Food Regulatory Programme	(2,705)
331	Approvals, Accreditations and Registrations	307
834	Standards Setting for the Food Industry	891
(618)	Total Memorandum Account Balances	(250)

Note 22a: Border Biosecurity Clearance Fees Account

ACTUAL 2013 $000		ACTUAL 2014 $000
(1,772)	Opening balance 1 July	(2,232)
23,654	Revenue	30,348
(23,342)	Expenses	(30,910)
(772)	Transfers	–
–	Write-off irrecoverable operating deficits because fee adjustments were not made within the time limit stipulated in section 135(2) of the Biosecurity Act 1993	2,794
(2,232)	Closing balance	–

This account covers:

- levies imposed on all importations of goods for which a document is lodged with the New Zealand Customs Service under regulation 26(2) of the Customs and Excise Regulations 1996;
- all other fees collected under the Biosecurity Costs Regulations 2006, including inspection of risk goods, off-shore inspection of ships, and approval and audit of transitional containment facilities and facility operators.

Note 22b: Phytosanitary Exports account

ACTUAL 2013 $000		ACTUAL 2014 $000
1,379	Opening balance 1 July	1,395
1,865	Revenue	2,278
(1,849)	Expenses	(2,416)
1,395	Closing balance	1,257

This account covers fees for certification of plant and forestry exports.

Note 22c: Verification of the Food Regulatory Programme account

ACTUAL 2013 $000		ACTUAL 2014 $000
(4,105)	Opening balance 1 July	(946)
37,672	Revenue	32,936
(35,285)	Expenses	(37,555)
772	Transfers	–
–	Write-off irrecoverable operating deficits because fee adjustments were not made within the time limit stipulated in section 115(4) of the Animal Products Act 1999	2,860
(946)	Closing balance	(2,705)

This account covers verification and certification activities undertaken by MPI in accordance with section 7 of the Animal Products (Fees, Charges and Levies) Regulations 2007.

Note 22d: Approvals, Accreditations and Registrations account

ACTUAL 2013 $000		ACTUAL 2014 $000
423	Opening balance 1 July	331
3,558	Revenue	3,407
(3,650)	Expenses	(3,431)
331	Closing balance	307

This account covers the provision of approval and registration services to regulated parties under the Agricultural Compounds and Veterinary Medicines Act 1997 and the Animal Products Act 1999.

Note 22e: Standards Setting for the Food Industry account

ACTUAL 2013 $000		ACTUAL 2014 $000
591	Opening balance 1 July	834
17,395	Revenue	18,822
(17,152)	Expenses	(18,765)
834	Closing balance	891

This account covers MPI's standards-setting activities and fees for certification and reconciliation services under the Animal Products (Dairy Industry Fees and Charges) Regulations 2007.

Action taken to address surpluses and deficits

MPI has initiated reviews of all fees/levies within the food and biosecurity sectors. These reviews will have regard to the balance of each memorandum account. Changes to existing fees/levies will be implemented with effect from 1 July 2015.

Note 23: Explanation of major variances against Budget

Explanations for major variances from MPI's budgeted figures in the Performance Information for Appropriations are as follows:

Statement of comprehensive income

Revenue Crown was $6.220 million (2 percent) less than the Budget day estimate primarily due to expense transfers to:

- 2014/15 ($7.240 million) offset by higher than forecast expense transfers from 2012/13 to 2013/14 ($10.219 forecast versus $11.219 realised).
- An unexpected operating surplus from revenue Crown-funded activities of $3.436 million was generated in 2013/14 despite the incurrence of $1.507 million unappropriated expenditure.

With respect to activities operating on a cost recovery basis from third parties, fees reviews were not undertaken in a timely manner, leading to an operating deficit of $5.286 million rather than forecast operating surplus of $1.517 million and, ultimately, to recognition and write-off of irrecoverable memorandum account balances of $5.654 million.

Statement of financial position (and cash flows)

The capital expenditure programme for 2013/14 was under spent primarily due a number of capital projects being delayed. This included expenditure on JBMS, x-ray imaging, and the Approvals Redevelopment programme. In addition, treatment of some previous capital expenditure items as operating costs has occurred (primarily in the technology area) as delivery moves towards an "as a service" model.

Note 24: Events after balance date

Other than as disclosed in the statement of contingent liabilities and contingent assets, there have been no significant events after balance date (2013: nil).

Non-departmental
Statements and Schedules

Introduction

The following non-departmental statements and schedules record the income, expenditure, capital receipts, assets, liabilities, commitments and trust accounts that MPI manages on behalf of the Crown.

MPI administered $266.755 million of expenditure, $8.150 million capital expenditure, $175.937 million of income, $4.178 million of capital receipts, $256.170 million of assets and $42.810 million of liabilities on behalf of the Crown for the year ending 30 June 2014. Further details of MPI's management of these Crown assets and liabilities are provided in the output performance sections of this report.

The financial information reported in these statements and schedules is consolidated into the Crown financial statements and, therefore, readers of these statements and schedules should also refer to the Crown financial statements for the year ended 30 June 2014.

Statement Of Non-Departmental

Expenditure and Capital Expenditure Appropriations

For the year ended 30 June 2014

EXPENDITURE AFTER REMEASUREMENTS 2013 $000	ANNUAL APPROPRIATION AND VOTE	EXPENDITURE BEFORE REMEASUREMENTS 2014 $000	REMEASUREMENTS 2014 $(000)	EXPENDITURE AFTER REMEASUREMENTS 2014 $000	APPROPRIATION VOTED 2014 $000	FORECAST[1] 2015 $000
	Vote Primary Industries					
	Appropriations for output expenses					
8,281	Climate change research[1]	5,203	–	5,203	7,819	5,000
30,850	Control of TB vectors[4]	30,000	–	30,000	30,000	30,000
94,682	Management of Crown Forestry assets[4]	118,097	(20,689)	97,408	107,985	73,927
1,789	Support for walking access	1,789	–	1,789	1,789	1,789
135,602	Total Appropriations for Output Expenses	155,089	(20,689)	134,400	147,593	110,716
	Appropriations for benefits and other unrequited expenses					
1,399	Rural Veterinarians Bonding Scheme	1,446	–	1,446	1,453	1,650
	Appropriations for other expenses					
595	Adverse Climatic Events	274	–	274	526	526
5,360	Afforestation Grants scheme	372	–	372	866	–
–	Aquaculture settlements[4]	–	–	–	62,848	9,500
1,072	Community Irrigation Fund and schemes	547	–	547	547	–
889	East Coast Afforestation Grants	–	–	–	–	–
–	Fisheries quota shares and annual catch entitlement administration costs	–	–	–	24	24
2,200	Hill Country Erosion Fund	1,717	–	1,717	2,200	2,200
(43)	Provision for fisheries debt write-downs	965	–	965	1,000	711
1,526	Response to kiwifruit disease *Pseudomonas syringae* pv. *actinidiae*	1,070	–	1,070	3,629	450
2,652	Subscriptions to international organisations	3,031	–	3,031	3,408	3,208
7,759	Sustainable Farming Fund[1]	7,939	–	7,939	8,941	8,600
22,010	Total Appropriations for Other Expenses	15,915	–	15,915	83,989	25,219
	Appropriations for capital expenditure					
–	Crown Irrigation Investments Limited	8,150	–	8,150	80,000	40,000[5]
–	Crown Forestry assets	–	–	–	–	500
159,011	Total Vote Primary Industries	180,600	(20,689)	159,911	313,035	178,085

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
4 This appropriation is subject to a report to Parliament under section 32A of the Public Finance Act 1989.
5 Established as a multi-year appropriation over four years from 1 July 2014 to 30 June 2018 in Budget 2014, with approval to include the unspent appropriation in 2013/14.

EXPENDITURE AFTER REMEASUREMENTS 2013 $000	ANNUAL APPROPRIATION AND VOTE	EXPENDITURE BEFORE REMEASUREMENTS 2014 $000	REMEASUREMENTS 2014 $(000)	EXPENDITURE AFTER REMEASUREMENTS 2014 $000	APPROPRIATION VOTED 2014 $000	FORECAST[1] 2015 $000
	Vote Food Safety					
	Appropriations for other expenses					
2,086	Joint food standards setting treaty	2,098	–	2,098	2,100	2,100
2,086	Total Vote Food Safety	2,098	–	2,098	2,100	2,100
161,097	Total all votes	182,698	(20,689)	162,009	315,135	180,185

Details of multi-year appropriations (MYA)

VOTE PRIMARY INDUSTRIES OTHER EXPENSE APPROPRIATION	ACTUAL 2013 $000	ACTUAL 2014 $000	FORECAST[1] 2015 $000
East Coast afforestation grants[4]			
Original appropriation – over four years from 1 July 2013 to 30 June 2017	–	18,460	18,460
Cumulative adjustments	–	4,495	4,495
Total Adjusted Appropriation	–	22,955	22,955
Cumulative actual expenditure 1 July	–	–	3,357
Current year actual expenditure	–	3,357	3,446
Cumulative actual expenditure 30 June	–	3,357	6,803
Appropriation remaining	–	19,598	16,152
Global Research Alliance on Agricultural Greenhouse Gases[4]	–		
Original appropriation – over four years from 1 July 2012 to 30 June 2016	38,253	38,253	38,253
Cumulative adjustments	442	(8,968)	(8,968)
Total Adjusted Appropriation	38,695	29,285	29,285
Cumulative actual expenditure 1 July	–	1,955	8,732
Current year actual expenditure	1,955	6,777	7,892
Cumulative actual expenditure 30 June	1,955	8,732	16,624
Appropriation remaining	36,740	20,553	12,661
Primary Growth Partnership[4]			
Original appropriation – over five years from 1 July 2012 to 30 June 2017	352,380	352,380	352,380
Cumulative adjustments	1,371	(25,629)	(25,629)
Total Adjusted Appropriation	353,751	326,751	326,751
Cumulative actual expenditure 1 July	–	36,729	78,724
Current year actual expenditure	36,729	41,995	77,476
Cumulative actual expenditure 30 June	36,729	78,724	156,200
Appropriation remaining	317,022	248,027	170,551
Water storage and irrigation investment proposals[4]			
Original appropriation – over four years from 1 July 2012 to 30 June 2016	32,500	32,500	32,500
Cumulative adjustments	725	725	725
Total Adjusted Appropriation	33,225	33,225	33,225
Cumulative actual expenditure 1 July	–	5,994	14,412
Current year actual expenditure	5,994	8,418	9,000
Cumulative actual expenditure 30 June	5,994	14,412	23,412
Appropriation remaining	27,231	18,813	9,813

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2014.

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.
4 This appropriation is subject to a report to Parliament under section 32A of the Public Finance Act 1989.

Statement of Non-Departmental

Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2014

There has been no unappropriated expenditure for the year ended 30 June 2014 (2013: $nil).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2014.

Schedule of

Non-Departmental Income

For the year ended 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES PROJECTION 2014 $000	SUPP ESTIMATES PROJECTION 2014 $000	FORECAST[1] 2015 $000
	Income					
124,382	Sale of forest produce		134,282	115,595	142,873	99,705
38,073	Fines, penalties and levies	2	33,978	32,650	36,127	33,150
314	Sale of Crown-owned quota and annual catch entitlement		265	100	267	100
4,620	Deemed value for over-fishing		5,109	2,500	4,200	2,500
749	Forestry encouragement loan interest	3	591	652	592	510
886	Gain on remeasurement of forestry encouragement loans	3	422	–	700	700
431	Emissions Trading Scheme fees		325	500	275	500
202	Forestry land rental		692	300	675	650
97	Miscellaneous revenue		273	50	30	50
452	Global Research Alliance funding from other countries		–	–	–	–
170,206	Total Non-departmental Income		175,937	152,347	185,739	137,865

1 The statement of accounting policies provides explanations for these figures which are not subject to audit.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES PROJECTION 2014 $000	SUPP ESTIMATES PROJECTION 2014 $000	FORECAST[1] 2015 $000
	Capital receipts					
3,194	Forestry encouragement loan repayments	3	1,829	1,811	1,756	1,756
957	Proceeds from sale of Crown Forestry assets		2,349	3,068	15,298	–
4,151	Total non-departmental capital receipts		4,178	4,879	17,054	1,756

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2014.

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.

Schedule of Non-Departmental Expenditure

For the year ended 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES PROJECTION 2014 $000	SUPP ESTIMATES PROJECTION 2014 $000	FORECAST[1] 2015 $000
	Expenditure					
64,210	Grants		67,787	111,914	72,371	72,772
127,857	Operating		129,312	209,524	171,367	136,385
1,399	Benefits		1,446	1,650	1,453	1,500
10,236	Research and development		11,980	18,648	17,103	12,892
1,789	New Zealand Walking Access Commission funding	8	1,789	1,789	1,789	1,789
271	Depreciation and impairment of property, plant and equipment		257	264	243	242
(43)	Impairment of receivables		1,638	711	1,000	711
5,200	Loss on revaluation of forests measured at fair value	5	17,419	–	–	–
444	Loss on impairment of forests measured at cost	5	283	–	–	–
–	Loss on revaluation of property, plant and equipment		170	–	170	–
–	Loss on non-current asset held for sale		2,987	–	–	–
56	Loss on disposal of property, plant and equipment		27	–	–	–
29,729	GST input expenses		31,660	39,925	33,204	28,149
241,148	Total Non-departmental Expenditure		266,755	384,425	298,700	254,440

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2014.

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.

Schedule of Non-Departmental

Assets

As at 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES PROJECTION 2014 $000	SUPP ESTIMATES PROJECTION 2014 $000	FORECAST[1] 2015 $000
	Current assets					
14,496	Cash and cash equivalents		13,898	13,348	10,000	10,000
25,402	Debtors and other receivables	6	24,831	25,000	25,000	25,000
1,529	Prepayments		1,621	1,800	1,547	1,547
15,468	Non-current assets held for sale	4	10,589	–	–	–
1,830	Forestry encouragement loans	3	1,686	1,886	1,756	1,686
58,725	Total Current Assets		52,625	42,034	38,303	38,233
	Non-current assets					
–	Debtors and other receivables	6	44	–	–	–
5,375	Forestry encouragement loans	3	4,703	4,464	4,985	4,509
191,501	Forestry assets	5	173,799	207,394	191,501	191,501
16,955	Property, plant and equipment	7	15,699	17,037	16,712	16,970
	Crown equity investment in Crown entities					
1,150	New Zealand Walking Access Commission	8	1,150	1,150	1,150	1,150
–	Crown Irrigation Investments Limited	9	8,150	–	4,900	120,000
214,981	Total Non-current Assets		203,545	230,045	219,248	334,130
273,706	Total Non-departmental Assets		256,170	272,079	257,551	372,363

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.

Schedule of Non-Departmental

Liabilities

As at 30 June 2014

ACTUAL 2013 $000		NOTES	ACTUAL 2014 $000	MAIN ESTIMATES PROJECTION 2014 $000	SUPP ESTIMATES PROJECTION 2014 $000	FORECAST[1] 2015 $000
	Current liabilities					
32,825	Creditors and other payables	10	22,983	31,200	31,600	31,600
7,498	Over- and under-recovered costs from fishing industry	11	9,405	10,000	7,000	7,000
2,148	Provisions	12	6,862	1,650	4,958	1,650
	Non-current liabilities					
8,875	Provisions	12	3,560	4,200	1,400	1,400
51,346	Total Non-departmental Liabilities		42,810	47,050	44,958	41,650

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2014.

Schedule of Non-Departmental

Contingent Liabilities and Contingent Assets

As at 30 June 2014

Contingent liabilities

MPI, on behalf of the Crown, has an unquantifiable contingent liability with respect to Central Otago irrigation schemes.

Contingent assets

MPI, on behalf of the Crown, has no contingent assets (2013: nil).

1 The statement of accounting policies provides explanations for these figures, which are not subject to audit.

Schedule of Non-Departmental Commitments

As at 30 June 2014

MPI, on behalf of the Crown, has entered into non-cancellable land leases for forestry purposes. The lease agreements commit the Crown to expenditure over the remaining term of the leases and have expiry dates ranging from 2014 to 2083. The commitments shown are MPI's best estimate of the minimum expenditure to be incurred over the remaining terms of the leases.

The non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on MPI by any of its leasing arrangements.

ACTUAL 2013 $000		ACTUAL 2014 $000
	Non-cancellable operating lease commitments	
66,175	Not later than one year	55,724
188,492	Later than one year and not later than five years	182,367
334,131	Later than five years	301,860
588,798	Total Non-departmental Operating Lease Commitments	539,951

The accompanying notes form part of these financial statements.
For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2014.

Statement of Trust Monies

For the year ended 30 June 2014

Declared Overfishing Trust account

Funds held in relation to the deemed value of fish taken in excess of quota under the quota management system.

ACTUAL 2013 $000		ACTUAL 2014 $000
1,771	Balance at 1 July	2,858
4,395	Contributions	6,561
(3,372)	Distributions	(6,463)
64	Revenue	79
–	Expenditure	–
2,858	Balance at 30 June	3,035

Forfeit Property Trust account

Proceeds received from the sale of seized/forfeited property that is disposed of in accordance with Ministerial/court direction.

ACTUAL 2013 $000		ACTUAL 2014 $000
774	Balance at 1 July	1,233
670	Contributions	641
(248)	Distributions	–
37	Revenue	39
–	Expenditure	–
1,233	Balance at 30 June	1,913

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2014.

Notes to the Non-Departmental Statements and Schedules

For the year ended 30 June 2014

Note 1: Statement of accounting policies

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by MPI on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government.

Accounting policies

The non-departmental schedules and statements have been prepared in accordance with the accounting policies of the Financial Statements of the Government and in accordance with relevant Treasury instructions and Treasury circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

There have been no changes in accounting policies during the financial year, as the current New Zealand equivalents to international Financial Reporting Standards (NZ IFRS) for public benefit entities have effectively been frozen since 2012.

The following particular accounting policies have been applied.

Budget figures

The budget figures are those included in the Performance Information for Appropriations for the Government of New Zealand for the year ending 30 June 2014, which are consistent with the financial information in the Main Estimates. In addition, these non-departmental schedules and statements also present the updated budget information from the Supplementary Estimates.

Forecast figures

The forecast figures are those submitted to Treasury for purposes of consolidation into the 2014 Budget Economic and Fiscal Update (2014 BEFU out-year one figures). The forecast statements and schedules are based on the new public benefit entity accounting standards. No significant impacts to accounting policies have been identified in transitioning to the new standards although some of the detailed assessment work has yet to be completed.

Forecast information has been included for the following financial year for the first time. In prior years, forecasts were published in the Performance Information for Appropriations. This is a new requirement under the Public Finance Amendment Act 2013. The aim of this is to increase transparency by providing further context of this year's results by providing next year's forecast for comparison.

These forecast financial statements and schedules were authorised for issue by the Director-General of MPI on 28 March 2014. They were compiled on the basis of existing government policies and Ministerial expectations.

The main assumptions are as follows:

- MPI's non-departmental activities conducted on behalf of the Crown will remain substantially the same as the previous year;
- estimated year-end information for 2013/14 is used as the opening position for the 2014/15 forecasts.

Factors that could lead to material differences between the forecast financial statements and schedules and the 2014/15 actual financial statements and schedules include changes in activities required by the Government, year-end revaluations and technical adjustments.

The only significant post-BEFU accounting adjustment that materially impacts on the forecast financial statements and schedules, was for the 30 June 2014 revaluation of Crown forests that resulted in revaluation loss of $20.689 million.

Revenue

Fines and penalties

Revenue from fines and penalties are recognised when the infringement notice is issued.

Interest income

Interest income is recognised using the effective interest method.

Sales of forest produce

Revenue from the sale of forest produce is recognised at the point of sale, for example, delivered to mill or port, on truck or on skid.

Cost recovery levies

Cost recovery levies recover the costs of fisheries-related conservation services and fisheries services:

- provided to manage the harvesting or farming of fisheries resources; or
- provided to avoid, remedy or mitigate a risk to, or an adverse effect on, the aquatic environment or the biological diversity of the aquatic environment.

The cost of fisheries services provided by MPI between 1 July 2013 and 30 June 2014 is primarily recovered from the commercial fishing sector during 1 October 2013 to 30 September 2014. Such revenue is reported in the financial period to which the revenue relates.

Deemed value charges

Revenue from deemed value charges is recognised three months after the end of the fishing year after completion of review processes.

Grant expenditure

Where grants are discretionary until payment, the expense is recognised when payment is made. Otherwise the expense is recognised when specified criteria have been fulfilled.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for debtors and creditors, which are stated on a GST inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the government financial statements.

Cash and cash equivalents

Cash includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that MPI will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debt is uncollectable, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Forestry encouragement loans

Forestry encouragement loans issued at below-market interest rates are initially recognised at fair value, which is determined as the present value of their expected future cash flows, discounted using an interest rate for loans of a similar term and credit risk. They are subsequently measured at amortised cost using the effective interest method to reflect actual and revised estimated cash flows. The difference between the face value and present value of the expected future cash flows of the loans on initial recognition and for subsequent carrying value changes are recognised in the schedule of non-departmental expenditure or income.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the schedule of non-departmental expenses.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consists of land, buildings, roads, bridges, fencing, motor vehicles, plant and equipment. Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than $5,000. The value of an individual asset that is less than $5,000 and is part of a group of similar assets is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Crown and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the schedule of non-departmental income or expenses.

When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Crown and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	5 to 45 years (2.2–20%)
Roads	20 to 25 years (4–5%)
Bridges and fencing	5 to 25 years (4–20%)
Motor vehicles	5 to 10 years (10–20%)
Plant and equipment	3 to 5 years (20–33%)

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year-end.

Revaluation

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every five years. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

The Crown accounts for revaluations of property, plant and equipment on a class of asset basis. The results of revaluing are credited or debited to an asset revaluation reserved for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is expensed. Any subsequent increase on revaluation that offsets a previous decrease in value expensed will be recognised first as income up to the amount previously expensed, then credited to the asset revaluation reserve for that class of asset.

Forestry assets

Forestry assets are independently revalued annually at their fair value, less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of future cash flows discounted at a current, market-determined rate. Where market-determined prices or values are not available, forestry assets are measured at cost less any accumulated depreciation and impairment losses.

Gains or losses arising on initial recognition of forestry assets are recognised in the schedule of non-departmental income or expenses, valued at fair value less estimated point of sale costs and from a change to fair value less estimated point of sale costs.

The costs to maintain the forestry assets are included in the schedule of non-departmental expenses.

Derivative financial instruments and foreign currency transactions

MPI, on behalf of the Crown, uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its foreign-exchange policy, MPI does not hold or issue derivative financial instruments for trading purposes. MPI has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the schedule of non-departmental income or expenses.

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the schedule of non-departmental income or expenses.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised for future expenditure of uncertain amount or timing. When there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Onerous contracts

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

Contingent liabilities and assets

Contingent liabilities and assets are recorded in the Statement of Contingent Liabilities and Contingent Assets at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Non-cancellable operating lease commitments

Future expenses and liabilities to be incurred on non-cancellable operating lease contracts, which have been entered into at balance date, are disclosed as commitments to the extent that there are equally unperformed obligations.

Critical accounting estimates and assumptions

In preparing these financial statements, MPI, on behalf of the Crown, has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- forestry asset valuations (see note 5);
- onerous contract provisions (see note 12b);
- non-cancellable operating lease commitments (see Statement of Commitments).

The judgements and assumptions MPI has made on behalf of the Crown regarding the above assets and liabilities are disclosed in the Statement of Accounting Policies and the other notes to the financial statements.

Note 2: Fines, penalties and levies

ACTUAL 2013 $000		ACTUAL 2014 $000
34,153	Cost recovery levies from fishing industry – fisheries services	29,850
1,249	Cost recovery levies from fishing industry – conservation services	1,560
1,534	Biosecurity Act 1993 fines	1,735
164	Forfeitures for fisheries offences	–
841	Dairy industry levy	618
132	Fisheries Act 1996 infringement notices	215
38,073	Total Fines, Penalties and Levies Income	33,978

Note 3: Forestry encouragement loans

ACTUAL 2013 $000		ACTUAL 2014 $000
8,764	Balance at 1 July	7,205
749	Interest	591
(3,194)	Repayments	(1,829)
886	Unwind and present value adjustments	422
7,205	Balance at 30 June	6,389
1,830	Current	1,686
5,375	Non-current	4,703
7,205	Balance at 30 June	6,389

These are loans advanced to local authorities between 1981 and 1986 at interest rates ranging from 4.5 percent to 7.0 percent under the Forestry Encouragement Loan Regulations 1967 to encourage afforestation. Loans become repayable when either 30 or 40 years has passed from the first loan advance or when clear felling in the loan forest commences.

Forestry encouragement loans were initially recoded at fair value, based on the projected future cash flows discounted using market rates for loans of similar terms and credit risk. To ascertain comparable market rates at the time the loans were advanced, MPI used variable first mortgage housing rates sourced from the Reserve Bank historical series. Interest rates used to calculate fair value ranged from 15.38 percent to 17.28 percent. The loans have subsequently been remeasured at amortised cost using the effective interest method to reflect actual and revised estimated cash flows.

The face value of forestry encouragement loans outstanding is $8,951,000 (2013: $10,189,000) as at 30 June 2014; comprising four loans (2013: six) held by one local authority (2013: two). All outstanding loans are projected to repaid by 30 June 2021.

The Crown holds no collateral over forestry encouragement loans.

Note 4: Non-current assets held for sale

Non-current assets held for sale consist of the Crown's interest in forests and associated property, plant and equipment that are subject to Treaty of Waitangi settlements or other Treaty of Waitangi obligations.

The accumulated property revaluation reserve recognised in equity for these assets at 30 June 2014 is $205,796 (2013: $228,000).

Note 5: Forestry assets

ACTUAL 2013 $000		ACTUAL 2014 $000
	Forest measured at fair value	
203,891	Opening balance 1 July	188,442
23,846	Changes in fair value	15,233
(29,046)	Decrease due to harvesting	(32,652)
1,860	Cancellation of sale of forestry right due to (Resource Consent conditions) constraint in harvesting	–
(12,109)	Decreases due to reclassification as held for sale	–
188,442	Balance at 30 June	171,023
	Forest measured at cost, less impairment (special purpose species)	
7,211	Opening cost 1 July	7,211
–	Decreases due to harvesting	–
7,211	Closing cost 30 June	7,211
(3,708)	Opening accumulated impairment 1 July	(4,152)
(444)	Impairment	(283)
(4,152)	Closing accumulated impairment 30 June	(4,435)
3,059	Balance at 30 June	2,776
191,501	Total Forestry Assets	173,799

MPI manages the Crown's interest in forests established on Crown-owned land, leased Māori land and freehold land (under forestry rights). At 30 June 2014 the net stocked area of trees was 41,850 hectares (2013: 46,698 hectares).

During the year ending 30 June 2014:

- 8,010 hectares (2013: 7,640 hectares) of silvicultural tending were completed;
- 1,248,186 cubic metres of logs (2013: 1,257,287 cubic metres) were produced from harvesting operations;
- no forests were purchased (2013: nil);
- no stocked forest area was sold (2013: nil).

Forests measured at fair value

The valuations at 30 June 2013 and 30 June 2014 were carried out by Alan Bell and Associates, registered forestry consultants specialising in forest valuation. The following valuation assumptions (unchanged from 2013) have been adopted in determining the fair value of forestry assets:

- a discount rate of seven percent has been used in discounting the present value of expected post-tax cash flows;
- the prevailing company tax rate applied to pre-tax cash flows was 28 percent;
- notional land rental costs have been included for freehold land and actual rents for leased land and forestry rights;
- the forest has been valued on a going concern basis and only includes the value of the existing crop on a single rotation basis;
- no allowance for inflation has been provided except in calculating the cost-of-bush taxation effect;
- costs are current average costs;
- log prices are based on a start point of current prices (adjusted March 2014 quarter) then moving on a straight-line basis to trend prices (12 quarter unadjusted average prices) after five years and then remaining constant at trend prices. A sharp export log price correction occurred in April 2014, such that current prices from the March 2014 quarter were adjusted downwards to more accurately reflect actual June 2014 prices.

Special purpose species forest

On 1 January 2009 (2008/09 year), MPI purchased 5,300 hectares of special purpose species (SPS) forest from Timberlands West Coast Limited (TWC). The SPS forest consists of a forestry right on Ngāi Tahu land and was planted between 1993 and 2007 under an agreement between TWC and the Crown.

The fair value of the SPS forest cannot be reliably measured as market-determined prices are not available for significant quantities of cypress or blackwood logs, the relevant species in the SPS areas. The forest has therefore been valued at cost less impairment. An impairment assessment was carried out using a discounted cash flow analysis to model a net present value. Yield and log price assumptions are best estimates only and the resulting value is highly sensitive.

Financial risk management strategies

The Crown is exposed to financial risks arising from changes to international log prices and currency fluctuations. Movements in the log market are normally cyclical, with a sharp decline in export log prices in April 2014. MPI expects prices to decline further (slightly) in the short term, in line with reduced credit conditions in China. MPI's marketing strategy is based on a spread of domestic and export sales, and a spread of customers within both of these markets. During periods of oversupply, MPI revises its harvesting strategy in respect of those forests where there are no ongoing domestic supply contracts.

Note 6: Debtors and other receivables

ACTUAL 2013 $000		ACTUAL 2014 $000
29,548	Debtors and other receivables	30,659
(4,146)	Less provision for impairment	(5,784)
25,402	Total Debtors and Other Receivables	24,875

The carrying value receivables approximate their fair value.

The aging profile of debtors and other receivables at year-end is detailed below.

	GROSS $000	IMPAIRMENT $000	2013 NET $000	GROSS $000	IMPAIRMENT $000	2014 NET $000
Not past due	23,508	–	23,508	23,825	–	23,825
Greater than 30 days	1,181	–	1,181	527	–	527
Greater than 60 days	115	–	115	456	–	456
Greater than 90 days	4,744	(4,146)	598	5,851	(5,784)	67
Total	29,548	(4,146)	25,402	30,659	(5,784)	24,875

The provision for impairment has been calculated based on expected losses for the Crown's pool of debtors. Expected losses have been determined based on a review of individual debtors.

At 30 June 2014, MPI has identified 33 debtors (2013: 39), totalling $1,362,000, that are insolvent (2013: $1,043,000).

Movement in the provision for impairment of receivables is as follows:

ACTUAL 2013 $000		ACTUAL 2014 $000
8,881	Balance at 1 July	4,146
–	Additional provisions made	1,699
(43)	Unused amounts reversed	(61)
(4,692)	Receivables written off	–
4,146	Balance at 30 June	5,784

Note 7: Property, plant and equipment

	LAND $000	BUILDINGS $000	ROADS, FENCES AND EQUIPMENT $000	MOTOR VEHICLES $000	TOTAL $000
Cost or valuation					
Balance 1 July 2012	19,125	256	5,650	437	25,468
Additions	–	–	–	–	–
Revaluations	(319)	–	–	–	(319)
Reversal of accumulated depreciation on revaluation	–	–	–	–	–
Disposals	–	–	(96)	–	(96)
Transfer to held for sale	(3,248)	(116)	(30)	(35)	(3,429)
Balance 30 June 2013	15,558	140	5,524	402	21,624
Balance 1 July 2013	15,558	140	5,524	402	21,624
Additions	–	–	–	–	–
Revaluations	(345)	–	–	–	(345)
Reversal of accumulated depreciation on revaluation	–	–	–	–	–
Disposals	(27)	–	(1)	–	(28)
Transfer to held for sale	(627)	–	–	–	(627)
Balance 30 June 2014	14,559	140	5,523	402	20,624
Accumulated depreciation and impairment losses					
Balance at 1 July 2012	–	2	4,186	321	4,509
Depreciation expense	–	11	245	15	271
Reversal of accumulated depreciation on revaluation	–	–	–	–	–
Eliminate on disposal	–	–	(40)	–	(40)
Transfer to held for sale	–	(10)	(29)	(32)	(71)
Balance 30 June 2013	–	3	4,362	304	4,669
Balance at 1 July 2013	–	3	4,362	304	4,669
Depreciation expense	–	3	246	8	257
Reversal of accumulated depreciation on revaluation	–	–	–	–	–
Eliminate on disposal	–	–	(1)	–	(1)
Transfer to held for sale	–	–	–	–	–
Balance 30 June 2014	–	6	4,607	312	4,925
Carrying amounts					
at 1 July 2012	19,125	254	1,464	116	20,959
At 30 June and 1 July 2013	15,558	137	1,162	98	16,955
At 30 June 2014	14,559	134	916	90	15,699

Land and buildings have been valued at fair value as at June 2012 by independent registered valuers, JL Hancock of Crighton Anderson Property Infrastructure Ltd, C Hawkey of PGG Wrightson Real Estate Ltd, D Armstrong of Forest Land Consultants Ltd, GW Banfield of Veitch Morison Valuers Ltd, J Dunckley of Crighton Anderson Property Infrastructure Ltd and MH Morice of Morice Ltd.

Note 8: New Zealand Walking Access Commission

The New Zealand Walking Access Commission is a Crown entity established under the Walking Access Act 2008 to provide leadership and co-ordination of walking access, the negotiation and funding of new access over private land and the creation of a code of responsible conduct in respect of walking access.

Note 9: Crown Irrigation Investments Limited

The Crown Irrigation Investments Limited is a Crown-owned company incorporated under the Companies Act 1993 on 1 July 2013 to facilitate the Crown's investments in regional water storage and off-farm irrigation infrastructure schemes. The shares in the company are owned by the Minister for Primary Industries and the Minister of Finance. The company is also listed in Schedule 2 of the Crown Entities Act 2004.

Note 10: Creditors and other payables

ACTUAL 2013 $000		ACTUAL 2014 $000
4,008	Creditors	1,659
18,012	Grants payable	8,178
9,213	Other accrued expenses	11,583
1,592	GST payable	1,563
32,825	Total Creditors and Other Payables	22,983

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore, the carrying value of creditors and other payables approximate their fair value.

Note 11: Over- and under-recovered costs from fishing industry

Section 265 of the Fisheries Act 1996 creates a mandatory obligation on the Minister for Primary Industries to have regard to under- and over-recovery of costs of any conservation service or fisheries service in a previous financial year when recommending a cost recovery levy order for a current-future year.

This liability reflects the balance of the net over- and under-recovery of cost recovery levies for the period 1 October 1995 to 30 June 2014 to be applied against future cost recovery levy orders.

Note 12: Provisions

ACTUAL 2013 $000		ACTUAL 2014 $000
	Current	
1,551	Rural Veterinarians Bonding Scheme	1,053
597	Commercial Aquaculture Claims Settlement	5,809
2,148	Total Current Provisions	6,862
	Non-current provisions	
172	Rural Veterinarians Bonding Scheme	660
3,395	Onerous contracts	2,900
5,308	Commercial Aquaculture Claims Settlement	–
8,875	Total Non-current Provisions	3,560
11,023	Total Provisions	10,422

Note 12a: Rural Veterinarians Bonding Scheme

ACTUAL 2013 $000		ACTUAL 2014 $000
1,269	Opening balance	1,723
1,400	Additional provisions made	1,496
(946)	Amounts used	(1,456)
–	Unused amounts reversed	(50)
1,723	Closing Balance	1,713

The Rural Veterinarians Bonding Scheme provides payments to veterinary professionals agreeing to work in understaffed rural areas. Payments are for a maximum of $11,000 per annum for five years and are made after the third, fourth and fifth year. The scheme commenced on 1 January 2009, and this provision represents MPI's liability at balance date for the 77 veterinarians currently in the scheme.

Note 12b: Onerous contracts

ACTUAL 2013 $000		ACTUAL 2014 $000
4,271	Opening balance	3,395
–	Additional provisions made	–
(876)	Increase/(decrease) for passage in time and change in discount rate	(495)
3,395	Closing Balance	2,900

This provision relates to non-cancellable contracts for the lease of land for forestry purposes on the east coast of the North Island and in South Westland. Based on current market conditions, the unavoidable costs of meeting the contracts exceed the economic benefits to be received from them. The provision has been measured at the present value of the expenditures expected to be required to settle the obligations. A market-determined discount rate of seven percent has been used that reflects the time value of money and the risks specific to the obligation. The contracts expire in 2030 and 2079 respectively.

Note 12c: Commercial Aquaculture Claims Settlement

ACTUAL 2012 $000		ACTUAL 2013 $000
5,905	Opening balance	5,905
–	Additional provisions made	–
–	Amounts used	(96)
5,905	Closing Balance	5,809

The Maori Commercial Aquaculture Claims Settlement Act 2004 provides a full and final settlement of Māori contemporary claims to commercial aquaculture space created since 21 September 1992. The Act establishes the Crown's obligation to provide iwi with the equivalent of 20 percent of the aquaculture space created between 21 September 1992 and 31 December 2004 (pre-commencement space), plus an additional obligation to provide 20 percent of all new space created. If the pre-commencement settlement cannot be achieved through a transfer of space then it must be resolved through a financial transfer to iwi.

Note 13: Explanations of major variances

Explanations for major variances from MPI's non-departmental estimated figures in the Main Estimates are as follows.

Non-Departmental income

Income from the sale of forest produce was $19.079 million (14 percent) higher than budgeted due to increased harvesting to take advantage of favourable export log prices and strong demand from China over the first nine months of the financial year.

Non-Departmental operating expenditure

The annual revaluation of Crown forests resulted in a revaluation loss of $20.689 million due to a reduction in log price trends (used in the valuation model), which meant the value of growing stock diminished. The fall in value of Crown forests also reflects the level of harvesting undertaken during 2013/14 and progressive surrender of forests consistent with government policy to exit from forestry leases on commercial terms. The Crown accounting policy is to not budget for annual revaluation movements.

Grants expenditure of $41.995 million against the PGP multi-year appropriation was $37.045 million less than forecast but at a comparable level to that incurred in the previous two financial years (2013: $36.729 million; 2012: $37.161 million). The multi-year appropriation provides flexibility to incur expenditure up to the total of the appropriation at the time the government–industry initiatives are ready to be implemented and across financial years.

The Crown has a legislative obligation under the Maori Commercial Aquaculture Claims Settlement Act 2004 to settle pre-commencement and new space obligations to iwi. The Crown has discharged a significant component of its pre-commencement space obligations in the South Island and Coromandel regions (payment of $100 million under a deed of settlement between the Crown and South Island and Coromandel iwi). Pre-commencement space negotiations are in progress for the remaining regions, covered by the residual $10.848 million appropriation that is being carried forward to 2014/15 (after first being carried forward from 2012/13 to 2013/14 in the Supplementary Estimates) and the remaining $5.809 million in the Commercial Aquaculture Claims Settlement liability provision. In Budget 2012, $74.500 million funding was appropriated to meet the Crown's new space obligations. New space settlement is complex due to the forecast nature of estimating growth and valuation of space, which requires technical expertise and stakeholder engagement to progress negotiations. While some progress has been made, the entire $65 million appropriation for 2013/14 is being carried forward to 2014/15 and 2015/16.

Non-departmental capital expenditure

The Government approved $80 million in Budget 2013 to facilitate the Crown's investment in regional water storage and off-farm irrigation infrastructure in 2013/14. This funding was appropriated upon the incorporation of Crown Irrigation Investments Limited on 1 July 2013. During 2013/14, $8.150 million was paid to Crown Irrigation Investments Limited. Approval has been obtained to carry forward the unspent appropriation to a multi-year appropriation established in Budget 2014.

OTHER INFORMATION

Legislation

Administered by MPI as at 30 June 2014

MPI administers approximately 52 statutes and 360 sets of regulations.

Public Acts

- Agricultural and Pastoral Societies Act 1908
- Agricultural Compounds and Veterinary Medicines Act 1997
- Airports (Cost Recovery for Processing of International Travellers) Act 2014
- Animal Control Products Limited Act 1991
- Animal Products Act 1999
- Animal Welfare Act 1999
- Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- Biosecurity Act 1993
- Commodity Levies Act 1990
- Dairy Industry Restructuring Act 2001
- Driftnet Prohibition Act 1991
- Fisheries Act 1983
- Fisheries Act 1996
- Fisheries (Quota Operations Validation) Act 1997
- Food Act 1981
- Food Act 2014
- Forestry Encouragement Act 1962
- Forestry Rights Registration Act 1983
- Forests Act 1949
- Forests (West Coast Accord) Act 2000
- Hazardous Substances and New Organisms Act 1996 (in respect of new organisms by virtue of section 97A)
- Hop Industry Restructuring Act 2003
- Irrigation Schemes Act 1990
- Kiwifruit Industry Restructuring Act 1999
- Meat Board Act 2004
- Maori Commercial Aquaculture Claims Settlement Act 2004
- Maori Fisheries Act 2004
- Ministry of Agriculture and Fisheries (Restructuring) Act 1995
- Ministries of Agriculture and Forestry (Restructuring) Act 1997
- Ministry of Agriculture and Forestry (Restructuring) Act 1998
- National Animal Identification and Tracing Act 2012
- New Zealand Horticulture Export Authority Act 1987
- Plants Act 1970
- Pork Industry Board Act 1997
- Primary Products Marketing Act 1953
- Public Works Act 1981 (Part 19)
- Royal New Zealand Institute of Horticulture Act 1953
- Taratahi Agricultural Training Centre (Wairarapa) Act 1969
- Treaty of Waitangi (Fisheries Claims) Settlement Act 1992
- Veterinarians Act 2005
- Walking Access Act 2008
- Wine Act 2003
- Wool Industry Restructuring Act 2003

Private Acts

- Auckland Agricultural Pastoral and Industrial Shows Board Act 1972
- Canterbury Agricultural and Pastoral Association Empowering Act 1982
- Clevedon Agricultural and Pastoral Association Empowering Act 1994
- Kumeu District Agricultural and Horticultural Society Act 1991
- Marlborough Agricultural and Pastoral Association Empowering Act 1974
- Telford Farm Training Institute Act 1963
- Tokoroa Agricultural and Pastoral Association Empowering Act 1968
- United Wheatgrowers Act 1936
- Waikato Show Trust Act 1965

Grants Approved

1 July 2013 – 30 June 2014

MPI administers several grant programmes to help land managers and rural communities manage New Zealand's natural resources in a sustainable manner. The table on the next page provides information on the number of grants approved in the 2013/14 budgeting round.

Adverse Climatic Events

This grant programme covers adverse climatic events or natural disasters affecting the rural community. It includes floods, storms, droughts, snow storms, frosts, tsunamis, volcanic eruptions, earthquakes and hailstorms. The Government's role in adverse events is to help citizens, where government involvement is justified by benefit to the wider community.

Government responds to situations beyond the capacity of the wider community to cope, but not to individual requests for assistance. After an adverse event, the Government has a role in restoring public infrastructure and protecting the health and safety of its citizens. The Government may also assist primary producers, who can feel the effect of an adverse event acutely.

Community Irrigation Fund

The Community Irrigation Fund aims to build resilience and ensure long-term economic growth within sustainable environmental limits by reducing the risks rural businesses and communities face from water shortages caused by climate change. The fund achieves this by providing grants to assist promoters of community water storage and/or irrigation schemes to generate investor and/or community support; local government to undertake activities contributing to a strategic plan for water management and that consider the potential for rural irrigation-related infrastructure.

Irrigation Acceleration Fund

The primary focus of the Irrigation Acceleration Fund is to support the development of rural water infrastructure proposals to the investment-ready prospectus. It provides $35 million over five years from 2011/12 to support the development. The fund also continues support for strategic water management studies and strategies and community irrigation schemes.

East Coast Forestry Project

The East Coast Forestry Project was established to deal with the wide-scale erosion problem in the Gisborne district. Since 1992, MPI has provided funding to landholders to control erosion on the worst eroding or erosion-prone land in the district.

Primary Growth Partnership

The Primary Growth Partnership is a government–industry partnership that invests in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary and food sectors, including forestry.

Sustainable Farming Fund

The purpose of the Sustainable Farming Fund is to support the financial, environmental and social performance of New Zealand's primary industries, including aquaculture. It does this by funding projects that are:

- based on solving problems, or taking up opportunities that deliver economic, environmental and social benefits;
- defined and driven by a farmer, grower or forester.

Sustainable Land Management Hill Country Erosion Programme

The Sustainable Land Management Hill Country Erosion Fund, through regional initiatives, provides targeted government support to communities that need to protect erosion-prone hill country. It recognises that, wherever possible, farmers seek to retain the maximum practical production from their land.

Rural Veterinarian Bonding Scheme

To deal with shortages of veterinarians in rural areas, the Government has committed to a voluntary bonding scheme for vets. The scheme gives veterinarians a taxable payment of $11,000 for every year they work in an eligible area, for up to five years.

MPI PROGRAMME	NUMBER OF GRANTS APPROVED IN 2013/14	ALLOCATED AMOUNT APPROVED (EXCL GST) (TOTAL LIFE OF GRANT)
Adverse Climatic Events	17	$1,123,965
Community Irrigation Fund	6	$438,950
Irrigation Acceleration Fund	10	$13,521,082
East Coast Forestry Project	25	$757,417
Primary Growth Partnership	5	$56,400,000
Sustainable Farming Fund	31	$9,883,000
Sustainable Land Management Hill Country Erosion Programme	4	$ 2,063,000
Rural Veterinarian Bonding Scheme*	30	$1,650,000
Total	133	$85,788,579

* Each applicant is bonded for a minimum of three years and for a maximum of five years as long as he or she continues to meet the eligibility criteria under the bonding scheme. For each completed year of bond, the applicant receives $11,000. The bonding period commences on the first date of employment in an eligible practice (the commencement date). The first payment ($33,000) is made at the end of three years from the commencement date. A veterinarian can be bonded for three, four or five years, depending on whether they decide to stay working in an eligible practice and continue to meet the scheme's other eligibility criteria. It is also possible applicants may decide to leave the scheme before receiving their first payment.

MPI's
Organisational Structure