

Ministry for Primary Industries
Manatū Ahu Matua



Ministry for Primary Industries Manatū Ahu Matua

Annual Report 2019/20

Incorporating the Ministers' reports
on non-departmental appropriations

Who we are and what we do

Ko wai mātau, he aha ā mātau mahi

The Ministry for Primary Industries (MPI) is the lead government agency for the food and primary industries in Aotearoa New Zealand. These industries underpin the daily lives of many New Zealanders and make a significant contribution to our country's prosperity. Together with our Ministers, we act as stewards of the food and primary industries on behalf of New Zealanders. In 2019/20, our Ministers were:

- + Hon Damien O'Connor – Minister of Agriculture, Minister for Biosecurity, Minister for Food Safety, Minister for Rural Communities and the Responsible Minister for the Ministry for Primary Industries;
- + Hon Stuart Nash – Minister of Fisheries;
- + Hon Shane Jones – Minister of Forestry.

Our work spans the food and primary industries to support businesses, farmers, fishers, foresters, growers, manufacturers and processors to ensure prosperity and wellbeing for New Zealanders. Bringing together six regulatory systems that underpin the food and primary industries, we use our networks and international market presence to expand New Zealand's export of food and primary industry products in an integrated way.

Our core functions include:

- + managing the agriculture, animal welfare, biosecurity, fisheries, food safety, and forestry regulatory systems to:
 - enable the development of sustainable agricultural products and systems;
 - ensure animals' needs are provided for;
 - prepare and respond to harmful pests and diseases;
 - set sustainable commercial catch, and recreational and customary fishing allowances;
 - ensure our food is safe and suitable for consumers;

- support a productive, safe, innovative and sustainable forestry sector.
- + providing policy advice on our regulatory and related systems, including environmental policy;
- + providing information and tools on the rules, and ensuring these are followed;
- + bringing enforcement actions together in an integrated approach across systems;
- + developing international relationships to build export markets and remove trade barriers;
- + supporting New Zealand exporters by making it easier to understand exporting requirements;
- + ensuring robust science and risk assessment underpin our regulations, advice and standards for trade;
- + ensuring the national science system works to address the food and primary industries' core needs;
- + funding investment programmes to support businesses and organisations to maximise exports and improve productivity;
- + building capability in the food and primary industries and growing the workforce;
- + providing support to people and animals in emergency situations and adverse events;
- + supporting rural communities to build resilience for the future.

Through our work with the food and primary industries, we support sustainable development – we balance economic, social and environmental objectives for the best overall outcomes for New Zealanders. Our vision is that New Zealand will be the world's most sustainable provider of high-value food and primary products.

Our 2019/20 operations at a glance

He tirohanga ki ā mātau mahi i 2019/20

The statistics below represent the diversity of MPI's activities as we work to support sustainable economic growth and the wellbeing of New Zealanders. All numbers are accurate as at 30 June 2020.

MPI during COVID-19 Alert Level 4 lockdown

11,652

businesses registered with MPI

were considered to be essential for primary sector production and processing

7,796

businesses, essential to primary sector production and processing, checked

by MPI to verify they were operating safely during Alert Level 4, after being prioritised based on risk assessment

632.4 tonnes

of surplus pork purchased and donated

to support New Zealand communities

Over the year

1,088

Mycoplasma bovis-related compensation claims

paid in full or in part as at 30 June 2020

\$27.3m

in Sustainable Food and Fibre Futures funding committed

in the 2019/20 year



19,195ha

of land approved for tree planting

through the One Billion Trees programme in the 2019/20 year

73% fewer

live brown marmorated stink bugs found

made possible by tighter regulations, strong border and post-border actions, and working with industry

26.6m

international mail items checked for biosecurity issues

and cleared for delivery



58,823

imported cargo consignments inspected

to check for biosecurity risks

1,438

businesses and individuals received tailored advice

from MPI's Exporter Regulatory Advice Service



3,000

food businesses worked with annually

to find out what they need to produce safe food



100%

of high-priority food safety complaints responded to

within 24 hours





A vineyard in Marlborough – one of New Zealand's iconic wine-producing regions.

01 About our organisation

Mō tō mātau tari

"Over the last year, we have witnessed first-hand the resilience of the primary industries and the value they provide to our country and economy. With drought conditions throughout much of New Zealand and the emergence of the most significant global pandemic since 1918, we have faced huge disruption, and we have persevered to help get New Zealanders through."

— Ray Smith, Director-General
Ministry for Primary Industries



Director-General's foreword

Kupu whakataki a te Tumuaki

Responding to COVID-19

Our people have demonstrated extraordinary professionalism and resilience at an incredibly challenging time. We are the Ministry for Primary Industries, and our team have shown their commitment to supporting our stakeholders, the food and primary industries and New Zealanders throughout lockdown and beyond. I am really proud of what they have done to get us through.

Early on in Aotearoa New Zealand's COVID-19 response, the team at MPI made sure many of our food and beverage producers and processors could stay open as essential services, keeping the food supply chain operating and New Zealanders fed. Our border staff were a key part of our early response, taking action to ensure people travelling through the border and our own staff were safe. During COVID-19 Alert Level 4, MPI registered 11,652 food and primary industry businesses as essential. Of these, 7796 businesses were visited, remotely checked or provided guidance and educational visits. The strong collaboration between MPI and industry on sector-specific COVID-19 protocols kept essential food and primary industries operating safely and protected against the spread of COVID-19.

Drought impacts

Many parts of New Zealand were also affected by significant drought during the 2019/20 summer. The effects of this on our rural communities and the sector were further compounded by the far-reaching consequences of the COVID-19 pandemic. We took a range of actions to support those affected. We set up a response and recovery team to monitor drought effects. We acted as a co-ordination point between vets, animal welfare and industry groups, farmers and lifestyle block owners. We also established a feed working group to address shortages and developed budgeting and co-ordination services for farmers.

Other sector support

We launched the Māori Agribusiness Extension Programme (MABx) to help empower landowners

and trustees to achieve more from their whenua (land) economically, culturally and environmentally. We also began our Stakeholder Connection Series in Auckland and Nelson, where we brought industry representatives together, shared our strategic priorities and showcased the regions' most innovative producers. We were also pleased to share the *Mycoplasma bovis* Technical Advisory Group report in October 2019, which signalled the eradication of the disease is well on track.

Looking ahead

The food and primary industries will remain at the heart of New Zealand's economic recovery as we work to accelerate the sector's economic potential through investment over the next 10 years. This is reflected in the *Fit for a Better World* roadmap, developed in consultation with industry and launched by the Prime Minister in July 2020.

The world we live in has changed due to COVID-19. With this change comes opportunity, and we must build on all the great work already under way. The organisational change MPI went through over a year ago now has been bedded in, our business units have matured, and there is a greater sense of purpose and direction across the organisation. I'd like to see us continue on this path – looking outward and putting those we serve at the very centre of what we do. I have every confidence that MPI will continue to work right alongside the food and primary industries to realise New Zealand's economic potential.

Ngā mihi nui

Ray Smith
Director-General



Contents

Ngā ihirangi

Who we are and what we do	i
Our 2019/20 operations at a glance	ii
01 About our organisation	iii
Director-General's foreword	iv
We responded quickly to COVID-19 to protect our food and primary industries	01
Our structure	04
Good governance and science underpin our work	05
Our strategy sets our direction	07
People are at the centre of our work	08
Our staff and their locations	10
We want a diverse workforce and inclusive workplace	12
Keeping our staff healthy and safe	14
02 Our performance story	15
Prosperity – Tōnuitanga	16
Sustainability – Kauneke Tauwhiro	22
Protection – Whakangūngū	28
Visible Leadership – Ngā Manukura	35
03 Our performance measures	42
04 Our financial statements	64
05 Our non-departmental statements and schedules	135
06 Ministers' reports on non-departmental appropriations	140
Abbreviations	156



MPI Verifier Francesca Harris undertook on-site checks in Blenheim and Nelson to ensure essential services could continue during the COVID-19 lockdown.

We responded quickly to COVID-19 to protect our food and primary industries

I aro tere mātau ki te mate KOWHEORI-19 hei tiaki i o mātau ahumahi matua, kai hoki

On 28 February 2020, the first case of COVID-19 was announced in New Zealand. However, MPI had been alert to the global disruptive effects of COVID-19 since early January 2020. We knew it could threaten the health of our border biosecurity staff as well as our overseas-based staff. We had also been keeping a watchful eye on its effect on the market in China and preparing to support our food and primary industry exporters in case trade was restricted.

This was a once-in-a-century event – there was no textbook to follow. We learned as we went and regularly refined our approach. The initiative we took in managing the escalating risks early led other government agencies to seek our support and guidance to inform their own responses.

Our early response to the COVID-19 pandemic protected our staff and the food and primary industries

In January 2020, MPI set up its own response to the emerging pandemic. At this stage, biosecurity staff

at the border were seeing around 20,000 incoming passengers each day. We acted early to ensure the health and safety of our staff by limiting interaction with passengers, installing social-distancing markings and plastic screens, providing masks and gloves, and ensuring thorough hygiene practices were being followed. We kept in close contact with other border agencies as we managed the welfare of our international staff and developed business continuity plans for the emerging pandemic.

In terms of the food and primary industries, our initial focus was on managing the impact of the slowdown of China's ports and food services on some of our key export industries, such as logs and crayfish. This coincided with the Chinese New Year period, which is normally the peak time for crayfish exports from New Zealand to China. We helped the industry by arranging for a proportion of unused catch entitlement to be used at a future date and introduced fisher welfare initiatives.

This was a once-in-a-century event – there was no textbook to follow.



Bedford Riini helping with the distribution of pork bought by MPI at Taneātua.

We helped keep New Zealanders fed

When the country went into lockdown, normal food processing was interrupted and a backlog of raw goods developed. This threatened the viability of food suppliers and processors, the food supply chain and the welfare of the animals. In response, the Government purchased pork, fruit and vegetables while MPI co-ordinated the distribution of the food to vulnerable communities through charitable networks such as foodbanks, missions and community groups.

We made sure that the essential services of the food and primary industries could keep going through the lockdown

Food and beverage producers, processors and transporters, and some services and retailers stayed open throughout the lockdown. These were considered essential services, providing the necessities for human life and the welfare and health of animals, and this meant that a large part of the economy was able to keep going.

Our immediate focus was on ensuring providers of essential food and primary industry services could remain open and operate safely. We also worked closely with the food and primary industries to help them navigate COVID-19 operating restrictions, with our senior leaders also holding regular video conferences with key representatives to maintain open dialogue and a collaborative approach throughout the highest alert levels. We provided advice to

Ministers to help with decision making and to support industry producers affected by the lockdown. We also fast-tracked a new digital Customer Relationship Management system to address the large surge in customer enquiries received during both the COVID-19 lockdown and the 2019/20 drought.

We moved swiftly to develop a safe practice registration and verification process for essential businesses operating during the lockdown. We also joined forces with industry representatives to develop safe operating protocols for businesses where staff usually worked closely together, such as meat plants, dairy companies and horticultural pack houses. For example, we collaborated with the Meat Industry Association, unions and AsureQuality to build confidence that safe ways of working could be developed and maintained. These protocols and visits were highly effective at preventing the spread of the virus within these workplaces. For those food and primary industry producers who could not continue operating, for instance wool, forestry and flower growers and exporters, we supported them through the shutdown and enabled them to safely restart.

MPI's science has been front and centre of its COVID-19 response. We worked closely with industry and other government agencies to ensure modified work practices kept essential workers safe and minimised the risk of community transmission from the food and primary industries. We closely monitored all globally available international scientific evidence on potential human-to-human transmission pathways in food businesses and other primary industry settings and factored that into our advice to industry. In limiting the potential for human-to-human transmission, we were also able to ensure animal health and welfare were not compromised.

During the restrictions, MPI staff completed more than 600 industry education visits and verified 7,796 businesses remotely and on site to ensure workers were safe, while supporting businesses to implement essential safe-practice protocols. These safe working practices protected MPI staff and people in the food and primary industries from contracting COVID-19. In a few cases where industry employees were diagnosed with COVID-19, none were found to be related to their work, and the impact on industry and food supply was minimal.

We maintained our core activities and kept working towards our strategic goals

While we were supporting New Zealand's food and primary industry exporters and keeping domestic services going as normally as possible, we were also fulfilling our core functions for industry and all New Zealanders. These included protecting the country from pests and diseases, and ensuring that pets and other animals were cared for.

Because of MPI's flexible working style, staff were largely able to continue progressing strategically important programmes as planned, including efforts to eradicate *M. bovis*.

MPI staff completed over 600 industry education visits and verified 7,796 businesses remotely and on site to ensure workers were safe.

The food and primary industries will be front and centre of New Zealand's economic recovery

With the economy severely threatened, we were able to draw on the work we had already been doing with food and primary industry stakeholders during 2019/20 on ways to boost the value of New Zealand products, seize export opportunities and create jobs. We met with stakeholders in virtual meetings during the COVID-19 lockdown to identify a collective way forward that would enable these industries to thrive. Through this shared knowledge, MPI developed a

roadmap for the next 10 years: *Fit for a Better World – Accelerating our economic potential*. The roadmap is a government strategy, and was launched by the Prime Minister, the Minister of Agriculture and the Minister of Fisheries in July 2020. Its foundations are the Primary Sector Council's vision and values. It is also underpinned by the three principles of "te taiao" (respect for our natural environment – see page 8 for more information on this), "a zero carbon future" and "quality products and a confident sector".

We met with stakeholders through virtual meetings during the COVID-19 lockdown to identify a collective way forward that would enable the food and primary industries to thrive.

The *Fit for a Better World* roadmap includes a mix of short, medium and long term actions that will increase the productivity of the food and primary industries and support New Zealand's recovery from the effects of COVID-19 while respecting environmental limits. The roadmap provides extra investment in the year ahead for a range of existing MPI programmes, including One Billion Trees, Sustainable Food and Fibre Futures (SFF Futures), and our efforts to support the fisheries sector to transition to new fishing methods. Some initiatives in the plan are being developed further so they can be considered for future funding, such as our plans to encourage the development of small-scale water storage and renewable energy options for farms.

Did you know...?

New Zealand's primary industry exports were worth \$48 billion in 2019/20 – an increase of \$1.6 billion compared with the previous year.



Veterinary Technical Supervisor Emma Reedy (left) practising social distancing with Michelle Kelly while undertaking an essential business check.

The performance story section of this annual report highlights the foundational work we have progressed to position the food and primary industries to accelerate New Zealand's economic potential in response to the COVID-19 pandemic.



Our senior leadership team (from left): Karen Adair, Bryan Wilson, Vincent Arbuckle, John Roche, Ruth Fairhall, Neil Cherry, Ray Smith, Dan Bolger, Penny Nelson, Gillon Carruthers and Julie Collins.

Our structure

Ko tō mātau hanga

MPI's structure consists of five business units and four functional areas to organise our people and manage resources effectively as we carry out our work programme. We are also supported by two professional leads who provide advice to the organisation within their respective fields of expertise.

Director-General

Ray Smith

Our cross-cutting groups

Compliance and Governance
Vincent Arbuckle

Corporate Services
Neil Cherry

Policy and Trade
Ruth Fairhall

Public Affairs
Gillon Carruthers

Our business units

Agriculture and Investment Services
Karen Adair

Te Uru Rākau
Julie Collins

New Zealand Food Safety
Bryan Wilson

Biosecurity New Zealand
Penny Nelson

Fisheries New Zealand
Dan Bolger

Our professional leads

Chief Departmental Science Adviser
John Roche

Inspector General Regulatory Systems
Debby Butler

Good governance and science underpin our work

Ko te pai o te mana whakahaere me te pūtaiao te pūtakeo ā mātau mahi

In July 2019 we changed our structure to strengthen accountability and leadership across the organisation. We also established a governance framework to support this new structure and guide us as we work to deliver our outcomes for New Zealanders.

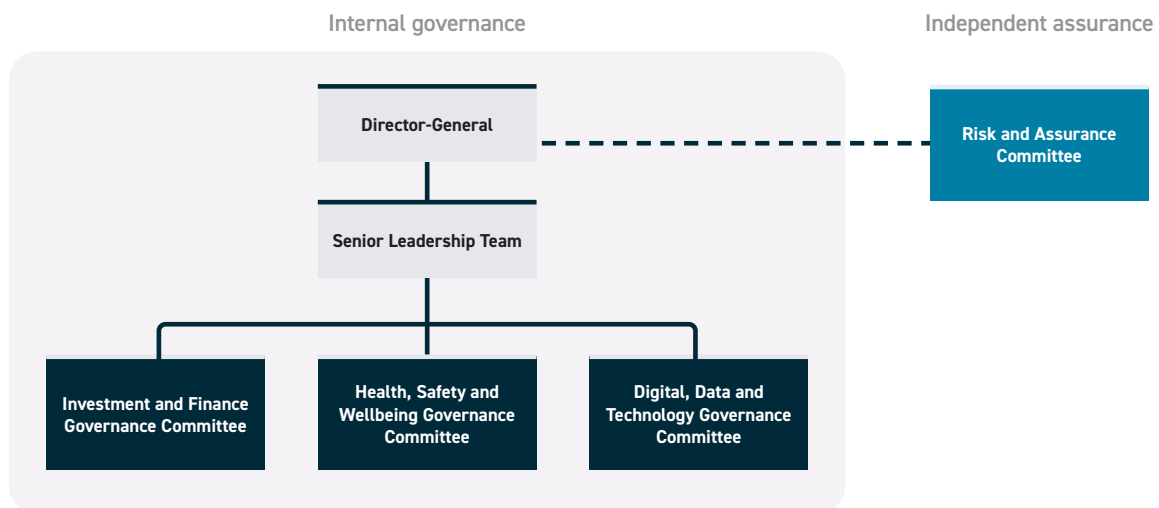
Through our governance system, we:

- + **set our strategy and purpose** – understanding and responding to the needs of stakeholders and partners as we set our direction, now and for the future;
- + **hold ourselves to account** – promoting the transparency and accountability of our operational, financial, risk management and reporting processes, and ensure compliance with legal requirements;

- + **shape our organisational culture** – driving positive change through visible leadership, developing our capable and diverse workforce, following robust work practices and overseeing results.

In 2019/20 we focused on embedding our new structures and systems. We will continue to review our progress and make improvements as needed.

Our governance structure



Our internal governance committees

Our internal committees ensure MPI carries out its legislative duties and functions, provides advice to Ministers, and is run efficiently and effectively.

Our committees consist of senior leadership team members as well as other staff with the relevant responsibilities and expertise. All of our senior leaders serve on our governance committees.

- + The **Investment and Finance Governance Committee** oversees our financial strategy, ensuring our financial resources are allocated appropriately and align with our strategy.
- + The **Digital, Data and Technology Governance Committee** oversees our technology and digital strategies to ensure our systems and capabilities are developed and maintained to support us to deliver on our priorities.

- + The **Health, Safety and Wellbeing Governance Committee** oversees and promotes the health, safety and wellbeing of our people.
- + In addition, establishment work for a **Property Governance Committee** was completed during 2019/20. This new committee, which began operating in August 2020, oversees the strategic management of properties both owned and leased by MPI in New Zealand, including associated physical security and safety needs.

Our independent assurance

The **Risk and Assurance Committee** provides impartial oversight and advice to MPI to ensure we are managing key risks to the effective operation of the organisation. The Committee meets four times a year to review our main strategic risks. All five of the members are independent, external experts with a mixture of skills in assurance, financial management, risk management and organisational change. Our senior leaders also participate.

Our risk management and internal audit

Risk management

We aim to deepen our understanding, management and reporting of major business risks as part of our approach to strengthening organisational resilience. Our Risk Management Policy outlines risk principles and accountabilities, and the requirements for managing and reporting risk within the business. Our Risk Management Framework is based on a “three lines of defence” model:

1. Business units and functional areas have day-to-day ownership of risks and controls and are accountable for identifying and managing their risks.
2. The central risk management function provides independent oversight of the work undertaken to manage the risk, as well as developing and maintaining the Risk Management Framework.
3. Internal Audit provides independent assurance of the adequacy and effectiveness of our risk management approaches.

This year, we have continued to strengthen our risk management capabilities, focusing on:

- + introducing a Professional Standards Unit to raise employee awareness about our whistle-blower processes and to make it easier for staff to speak up about any actions that affect MPI’s integrity or require investigation;
- + redesigning our Risk Management Framework, including enhancing the proactive management of our strategic risks;
- + reviewing our risk framework documentation, including clarifying the roles and responsibilities of all staff to manage risk.

Internal audit

Our Internal Audit team provides advice on the effectiveness of MPI’s internal control framework. The team carries out reviews designed to ensure that the systems and processes supporting MPI are robust and key risks are being addressed. Findings and recommendations from these reviews are reported to the senior leadership team and the Risk and Assurance Committee.

Internal Audit has a co-source partnership with Deloitte. This was put in place in April 2020 to complement the in-house team with additional expertise and capacity and, by sharing insights and findings, to ensure comprehensive assurance coverage.

Our science

Taking an evidence-based approach through science underpins everything MPI does, from our operations to our policy and regulations. Science protects New Zealand’s economic prosperity, way of life and precious natural taonga (treasures) in numerous ways. It helps us make good decisions as we work to manage the risks and benefits associated with the constant movement of goods, travellers and vessels across the border. MPI also funds a significant body of scientific research that helps us better understand and address the economic, social and environmental effects that the activities of the food and primary industries could have on future generations.

Our strategy sets our direction

Ka whakarite tā mātau rautaki i tā mātau aronga

Our strategy sets the direction we need to take to achieve our vision and ensure the success of the food and primary industries for the benefit of New Zealanders. In 2019/20 we had 12 priority areas and 52 action points under four outcomes: Prosperity, Sustainability, Protection and Visible Leadership.

The structure of our Strategic Plan for 2019/20

Vision

New Zealand will be the world's most sustainable provider of high-value food and primary products.

Outcomes



Prosperity Tōnuitanga

Food and primary industries that generate a thriving and sustainable economy for all New Zealanders



Sustainability Kauneke Tauwhiro

Future generations will benefit from improved environmental performance by New Zealand's food and primary industries



Protection Whakangūngū

Consumers know and trust that our products are safe, healthy and ethical, and that we protect New Zealand from pests and diseases



Visible Leadership Ngā Manukura

We work in partnership to enable the food and primary industries to thrive

Priorities

13 Actions
Focus our expertise on resources to support innovation
Partner with the food and primary sectors for their success
Help New Zealand producers increase the value of their goods


13 Actions
Support farmers and growers to adopt more sustainable land use practices
Rejuvenate the forestry sector to improve environmental outcomes
Advance fisheries practices for a healthier marine environment

13 Actions
Protect New Zealand from harmful pests and diseases
Demonstrate New Zealand's food safety system is world class
Partner to preserve New Zealand's native plant and animal life

13 Actions
Have a diverse and capable workforce
Take a visible leadership role wherever we work
Grow our partnership with iwi and Māori

The senior leadership team regularly monitored progress against our four strategic outcomes and, as highlighted in the "Our performance story" section, we have continued to make good progress despite the disruption of COVID-19. Recently, our strategy was reviewed and found to be enduring in a COVID-19 environment, with New Zealand depending now, more

than ever, on the success of the food and primary industries to create thriving communities and economic prosperity.

To find stories that relate to our 52 strategic actions for 2019/20, please look for this icon  in the "Our performance story" section (pages 15 to 41).

People are at the centre of our work

Ko te tangata kei te pūtahi o ā mātau mahi katoa

Our Treaty of Waitangi partners

Māori and the Crown work together as kaitiaki (guardians) of the natural resources important for the sustainability of the food and primary industries.

MPI continues to grow its capability so that we meet our commitments under the Treaty of Waitangi (te Tiriti o Waitangi) and foster relationships that will facilitate the growth of the Māori economy and protect New Zealand's taonga. MPI acknowledges the importance of Māori tikanga (customs), mātauranga (knowledge) and te reo (language) and the concept of "te taiao". Te taiao refers to a deep relationship of respect and reciprocity with the natural world, where the health and welfare of New Zealand's water, climate, whenua (land) and living beings are all interconnected across each other and through generations.

Our customers

MPI's customers range from individuals to businesses and are located within New Zealand and around the world. More than 120,000 businesses and 7 million New Zealanders and travellers interact with us each year. We help people to understand how to carry out their activities – whether customary, business or recreational – within the legal requirements. This ranges from recreational fishers who need to know fishing limits, to international travellers who need to know what products can be brought into the country. We support businesses – small and large – to follow our regulations when growing and exporting food and primary industry products to over 150 countries around the world.

Our industry bodies and stakeholders

Developing strong partnerships with our stakeholders, both within New Zealand and overseas, is important to us. Our stakeholders include bodies representing the interests of specific food and primary industries, members of the public, Crown research institutes, other government agencies and our trading partners.

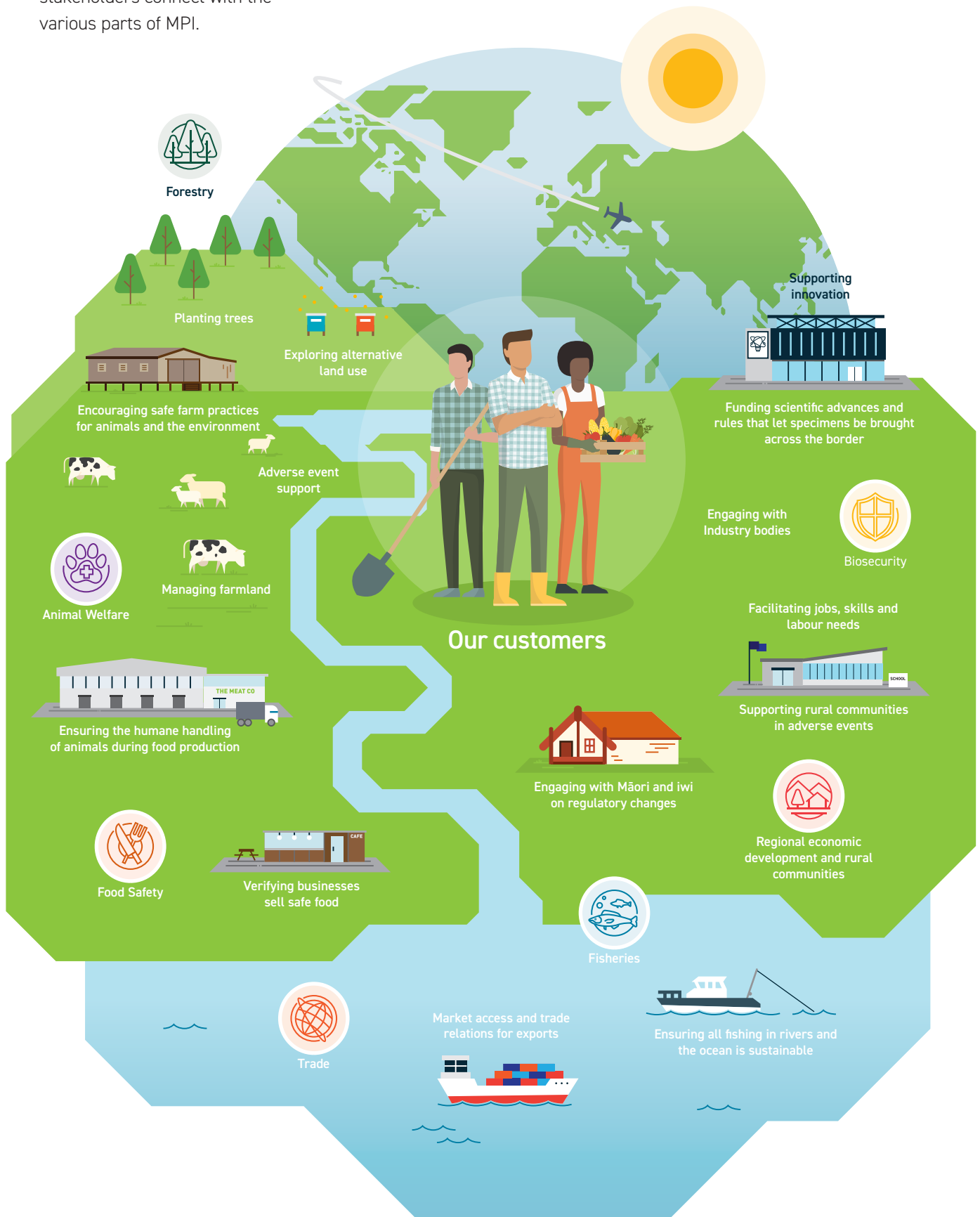
We work with groups to develop better ways to deliver our services and consult regularly through various working groups and forums. This helps us to gather information to inform decision making and improve compliance with regulatory requirements. It also ensures we meet our statutory and Treaty of Waitangi obligations, and fulfil our role with respect to agreements we are party to.

In November 2019, we established the Industry Sector and Engagement Team to provide a critical link between the Director-General and key industry stakeholders.

Developing strong partnerships with our stakeholders, both within New Zealand and overseas, is important to us.

How we connect with our customers

This figure shows how our customers, industry bodies and stakeholders connect with the various parts of MPI.



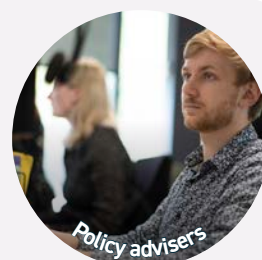
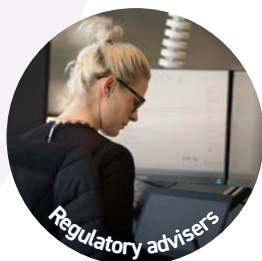
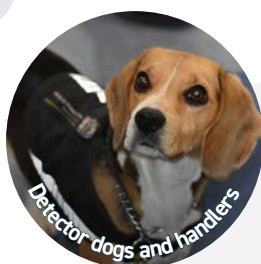
Our staff and their locations

Ko ō mātau tāngata me ō mātau tari

MPI operates across the whole chain of primary production – from the paddock, orchard, forest and ocean, through the processing, packaging and transportation system, all the way to market and the customer.

With about 3,300 staff in a broad range of roles throughout New Zealand and internationally, we have an agile and connected network of specialists ready to respond where they are needed most.

The variety of our work is reflected by the diverse skills our people bring to our organisation – the collective expertise of our people is our greatest asset. We employ a wide range of food and primary industry professionals, including scientists, veterinarians, economists, technology experts and policy advisers.



Our global locations



London, Brussels, Beijing, Jakarta, Hanoi, Washington DC, Geneva, Dubai, Tokyo, Rome, New Delhi, Mexico City

In 2019/20, we were based at over 50 sites across more than 25 towns and cities in New Zealand, and at 12 sites overseas, supporting all of the areas that touch the food and primary industries. We operated in a variety of environments, from offices to international airports and ports, to fishing vessels out at sea, in transitional storage facilities, in processing plants and on farms.



We want a diverse workforce and inclusive workplace

He kanorau tā mātau ohu mahi, he tauawhi te wāhi mahi

We want MPI to be a place where people are treated fairly and with manaaki (respect), where they feel their uniqueness and contribution are valued and heard, and where they feel that they belong. The work to embed a diverse and inclusive culture at MPI is an organisational priority and is included in our strategy.

Empowering people to work flexibly

We support flexible working for all of our roles and have a comprehensive programme of work in place to ensure this works for employees, managers, teams and the organisation.

Based on extensive internal engagement and research with over 300 of our people, in 2019/20 we created an intranet information hub to cover topics such as flexible working options, rights and obligations, and employee toolkits, policies and guides. This is supported by an e-learning page with practical behaviour-change tools, including a template for a team charter on flexible working, guidance for managing remote teams and information on how to arrange a peer-to-peer learning session. We also ran an internal video campaign, featuring a range of our people, highlighting flexible working in practice and further normalising it as a viable option.

This flexibility served MPI well during the nationwide lockdown period from March to May 2020. We were able to provide additional, COVID-related support to the people of New Zealand while largely operating as normal and continuing with our business-as-usual activities.

Our holistic approach is well regarded throughout the public sector, and in 2019/20 we worked closely with Te Kawa Mataaho – Public Service Commission (formerly the State Services Commission) when it was developing its new flexible workplace guidance. This is based on MPI's approach and tools.

Progressing women's careers at MPI

We are actively working to increase the number of MPI women in more senior roles.

We have mandated gender-inclusive recruitment processes for all roles. This includes using gender-neutral terms in job descriptions and advertisements. We are also trialling a gender-balanced shortlisting process and gender-balanced interview panels for all management roles.

In addition, the MPI Women's Network (Ngā Wāhine Toa) promotes a regular programme of events and opportunities, such as our mentoring programme, designed to support, empower and develop women within MPI.

Addressing our gender pay gap

Another way we are lifting workplace equality is through our commitment to ensuring our people are paid fairly for their work. Our gender pay gap in 2020 is 10.3 percent. Significant analysis into the source of this gap points to an over-representation of women in less senior roles. In 2019/20 we worked with our unions to raise the incomes of these staff, setting a strong foundation for continuing to reduce the pay gap in the future.

Equity at Work 2020 is MPI's plan for continuing our work to close the gap. It is based on improving the transparency of our systems and processes, reducing the impact of bias and continuing to embrace flexibility in the ways that we work.

Did you know...?

At MPI, 49.6% of people leaders are women.

Making our workplaces and roles accessible

MPI is a signatory of the Accessibility Charter, a programme of work to ensure the public sector is accessible for everyone and inclusive of disabled people. We have appointed a sponsor on our senior leadership team to champion accessibility challenges, and work continues in this space as we review the accessibility of information available through all of our channels to ensure MPI publications can be accessed by anyone.

The Accessibility and Wellbeing Employee Network also advocates accessibility across the organisation and, in December 2019, it hosted attendees from across the public sector for a presentation from the Department of Internal Affairs on web accessibility.

Growing and supporting our employee network groups

In addition to the Accessibility and Wellbeing Employee Network, we have active groups representing our Māori, Pasifika, Asian, women and rainbow staff. Our employee network groups amplify the diverse range of voices within our MPI whānau. Our networks have been at the forefront of promoting Māori and Pasifika language weeks, introducing initiatives to show unity with the LGBTQIA+ community, supporting staff through the COVID-19 response and in times of organisational change, enhancing the visibility and experience of women and advocating on accessibility issues for our staff.

Each group is sponsored by a member of the senior leadership team.

Growing cultural capability

Increasing the participation of Māori and Pasifika both within our organisation and in the food and primary industries has been a particular focus this year.

We have raised the profile of MPI and the visibility of our roles within Māori and Pasifika communities through engagement with student and leadership networks, as well as attending cultural events in collaboration with members of our employee networks.



In 2019/20 we progressed work on a cultural app, Te Kākano Puāwai – “nurturing the seed to blossom”. This app is designed to help our people improve their understanding of te ao Māori (the Māori world) so we can engage more effectively when working with Māori. The app was launched in July 2020.

Promoting and embedding inclusion

We have developed a suite of training opportunities and resources to help our people in becoming more inclusive as individuals, teams and leaders.

Our unconscious bias peer learning sessions and resources help to break old thinking habits and act to reduce bias in our processes. We also cover the topic in our staff induction programme, which reached around 600 people last year. In addition, we’re developing an inclusion framework and diagnostic tool to gather our people’s experiences of inclusion at MPI.

We continue to offer training and resources that build the foundations of inclusive thinking, such as Inclusion at MPI, Emotional Agility and Discover your Strengths courses. Our workplace coaching and mentoring programmes provide further development, with a focus on increasing the number of female leaders we have and supporting Māori and Pasifika staff.

We want MPI to be a place where people are treated fairly and with manaaki (respect), where they feel their uniqueness and contribution are valued and heard, and where they feel that they belong.

Keeping our staff healthy and safe

Kia noho hauora, haumaru hoki ō mātau tāngata

Our staff work in diverse environments and situations, from our fishery officers to our border staff, to those in offices and to our vets in meat works. Each environment brings different challenges and risks, both physical and psychological.

Our Director-General is Chair of MPI's Health, Safety and Wellbeing Governance Committee and is championing continuous improvement in our business processes, practices and culture to keep our people healthy and safe, and improve their wellbeing. Our work programme focuses on our high-risk activities, changing work environments, and areas where we are working with others in the food and primary industries. For example, we have made improvements to our Safe Driving Programme and set up a health and safety pre-qualification process for our suppliers.

This year, we also developed our first organisation-wide Health, Safety and Wellbeing Strategy. This involved carrying out a stocktake of our critical

health and safety risks, holding workshops with staff across MPI and examining our high-risk contracts and business-as-usual and operational activities. It includes a critical-risk framework to improve overall visibility of critical risks across MPI and inform our risk-management decisions.

In the face of COVID-19, and as we moved through the different alert levels, we actively ensured that our people were able to stay connected and informed. We emailed staff twice a week during lockdown to provide essential information, and updated our intranet daily with people stories, educational videos and wellbeing articles. We received a huge amount of feedback from our people about the positive impact our communications had on their wellbeing.

In 2020/21 we intend to improve our incident and risk management system to ensure consistent and visible health and safety risk management across MPI.

Critical risks across MPI that we manage



Fatigue



Aggressive interactions



Biological hazards and unknown organisms



Hazardous substances



Working around moving vehicles and equipment



Driving



Working with animals



Using aircraft for work activities




Remote and isolated working



Psychological risk



Working in or over water



Navel oranges are the main orange variety grown in New Zealand, with most fruit consumed locally.

02 Our performance story

Ko te kōrero mō ā mātau mahi

*Sharing our achievements for the
2019/20 year*



Prosperity Tōnuitanga

Food and primary industries that generate a thriving and sustainable economy for all New Zealanders.

We focus our expertise to support innovation and help producers create higher-value goods that are in demand worldwide. Our partnerships recognise the benefit that mātauranga Māori brings to building a more productive and sustainable sector. We work alongside industry and agencies to attract more people into the sector, create more fulfilling career opportunities and grow our regional communities.

To lift prosperity for New Zealand, this year we have been:

Developing the *Fit for a Better World* roadmap and supporting the Primary Sector Council



MPI developed the *Fit for a Better World – Accelerating our economic potential* roadmap, launched by the Prime Minister, the Minister of Agriculture and the Minister of Fisheries in July 2020.

The roadmap is the Government's way forward

for accelerating the economic potential of the food and primary industries over the next 10 years as New Zealand recovers from the effects of the COVID-19 pandemic. Over the coming year, MPI is focused on implementing the roadmap, designed to drive the shift towards a more productive, sustainable and inclusive sector (see page 3 for further details).

The roadmap has its foundations in the Primary Sector Council's vision, which was released in December 2019. MPI supported the Minister of Agriculture to establish the Primary Sector Council by connecting the Council with subject-matter experts and relevant

groups and providing information on trends and forecasts in the food and primary industries.

Working alongside our primary producers during adverse events

As well as having to deal with the effects of COVID-19, New Zealand's primary producers faced serious floods and droughts in many areas during 2019/20.

Floods in South Canterbury and the West Coast in December 2019, and in Southland and Clutha in February 2020, caused significant damage to farms in the affected river catchments. MPI helped by deploying staff to be part of local Emergency Operations Centre responses and working closely with Rural Advisory Groups to support recovery efforts in the rural communities. Government relief funding included \$50,000 for South Canterbury, \$55,000 for the West Coast and \$100,000 for the Southland and Otago floods.

In March 2020, widespread droughts covered all of the North Island, the top of the South Island down to North Canterbury and the Chatham Islands. This placed considerable pressure particularly on pastoral farms, compounded by the COVID-19 lockdown restrictions. Reducing stock numbers became difficult due to capacity constraints at meat works, and sourcing stock feed was a challenge due to transport issues.

The Government provided immediate funding of \$2.16 million for drought recovery and a further \$4 million to continue recovery support through 2020/21. MPI, with Beef + Lamb New Zealand and DairyNZ, set up a feed planning and budget service to provide advice. Four feed co-ordinators helped to arrange stock feed donations and sales to farmers in need. Eight extra animal welfare co-ordinators provided advice and information in the regions. Additional recovery co-ordinators were appointed

JOBS ARE HERE.

Opportunity grows here

MPI launched a campaign to provide information about careers, training and jobs available in our primary industries.

in the Manawatū-Whanganui region and the South Island. These support services helped farmers and growers to protect their animals and livelihoods, and prepare their businesses to recover from these events.

◆ Growing the food and primary industries' workforce and providing job transition support

Launched in October 2019 by the MPI-established Primary Industries Skills Leaders Working Group, the Food and Fibre Skills Action Plan 2019–2022 aims to attract skilled workers into the food and primary industries. The Action Plan has identified four main opportunities to strengthen the workforce: maintaining sector knowledge, providing attractive education, training and employment opportunities, shaping a fit-for-purpose education and training system, and improving workplace employment practices to attract and retain staff.

Good progress has been made throughout the year on the Action Plan to strengthen vocational education in the food and primary industries. This enabled the launch of the “Opportunity grows here” campaign in July 2020. Through this campaign, MPI is supporting industry to provide employment for workers displaced from other industries as a result of the COVID-19 pandemic. The focus is on placing workers into jobs in the food and primary industries by providing job transition support and promoting positive working conditions. This campaign is just one part of a wider MPI workforce programme established to encourage New Zealanders to work in the food and primary industries.

The Action Plan has also resulted in the launch of the Food and Fibre Centre of Vocational Excellence at the Hawke's Bay's Eastern Institute of Technology in September 2020.

◆ Building a skilled and qualified forestry and wood processing workforce

The Forestry and Wood Processing Workforce Action Plan 2020–2024 was announced in May 2020. As a joint project between MPI and the forestry and wood-processing sector, the plan aims to support New Zealand to have a skilled and sustainable workforce in the future. This builds on work already under way in the sector to develop a capable, safe and diverse forestry workforce and existing partnership projects under One Billion Trees. MPI established the Forestry and Wood Processing Workforce Council in May 2020 to oversee the implementation of the Action Plan. The Council members represent industry, training organisations, forest owners, Māori and MPI. The Council is also contributing to the food and fibre element of the Tertiary Education Commission's Reform of Vocational Education project, in which the Commission is working with industry groups to attract and grow a workforce with the right skills to meet the current and future needs of the food and fibre industries.

◆ Improving market access opportunities with China

Negotiations to upgrade New Zealand's existing free trade agreement (FTA) with China concluded in November 2019. MPI led the agricultural co-operation

negotiations and worked with the Ministry of Foreign Affairs and Trade (MFAT) on the goods negotiations (dairy and forestry). The existing FTA is currently in place, but, once the new agreement is ratified, it will result in new market access opportunities and decrease the costs of exporting primary products to China across a number of sectors. New market access for several New Zealand wood and paper products will result in preferential access for 99 percent of our \$3 billion wood and paper trade to China, once fully implemented.

Existing conditions have been maintained for the dairy sector, with all safeguard tariffs to be eliminated within just over one year for most products and three years for milk powder. This means that, by January 2024, New Zealand will have better market access to China for dairy products than many countries do. This will be critical to the economy following the disruption of the COVID-19 pandemic.

◆ Helping food businesses to make the most of export opportunities

MPI supports domestic food businesses to realise food export opportunities. Our Exporter Regulatory Advice Service engages with food businesses early in their export journey to help them understand and negotiate complex export regulatory requirements.

Did you know...?

The food New Zealand produces is consumed in 199 countries around the world.

In late 2019 and early 2020 we ran a series of regional "exporting 101" workshops for food businesses new to or thinking about exporting. Ninety-eight percent of attendees found the workshops relevant, informative, and an opportunity to learn from direct engagement



Consultation with the food industry supports the development of food safety guidelines – Chetan Pangam, Executive Chef (left) and Katie Watson, MPI.

with MPI staff. During the COVID-19 restrictions, our Exporter Regulatory Advice Service continued to provide these workshops via webinars.

◆ Supporting Provincial Growth Fund to invest in New Zealand's food and primary industries

The Provincial Growth Fund (PGF), administered by the Ministry of Business, Innovation and Employment (MBIE), invests in regional economic development. MPI regional staff help businesses navigate local, regional and national requirements, and play an important role in the identification of potential projects and the assessment of funding applications. Since the PGF was launched in early 2018, \$424.86 million has been committed to the primary sector (excluding the One Billion Trees programme and funding for Ōpōtiki Harbour). In 2019/20, the food and primary industries made a total of 100 successful applications for PGF funding, including:

- + \$20 million for the expansion of Coromandel's Te Ariki Tahi Sugarloaf Wharf. This will enable the development of the local aquaculture industry;
- + \$7 million to upgrade the Wairarapa water infrastructure and ensure that the area's water supply is sustainable;
- + \$6 million to help the Cawthron Institute establish a National Algae Centre in Nelson, which will explore potential commercial applications for algae;
- + \$4.3 million for the Hineuru iwi to develop its Hawke's Bay cherry orchard. This joint venture with Cherri Global will provide benefits to the iwi, the horticulture industry and the region.

MPI also runs two major programmes that received funding from the PGF in 2019/20: see page 25 for information on One Billion Trees and page 28 for information on the National Wilding Conifer Control Programme.

◆ Supporting a thriving Māori economy by developing Māori agribusinesses

MPI has two programmes that directly support the environmentally sustainable increase of productivity of Māori-owned land: the Māori Agribusiness

Continued on page 20

◆ Fostering innovation for sustainable development in New Zealand's food and primary industries

Our aim

Sustainable Food and Fibre (SFF) Futures is MPI's flagship fund for problem solving and innovation in the food and primary industries. Applications are open to all innovative ideas, from small grassroots community projects to large-scale industry developments.

Our role

We work with applicants early to develop potential projects and applications for SFF Futures. The fund has been very successful in its first year of operation, with 55 percent of applications coming from people who have never applied to MPI's innovation funding programmes before.

The outcome

During the 2019/20 year, SFF Futures approved 62 projects and committed \$27.3 million of funding. The following are examples of approved projects.

Turning seaweed "gorse" into gourmet: \$75,200 over six months was provided to Coromandel-based Wakame Fresh to investigate the commercial viability of turning a pest seaweed known as "the gorse of the sea" into a high-value export product. There is huge

potential for this product in the Japanese market, where seaweed is a diet staple.

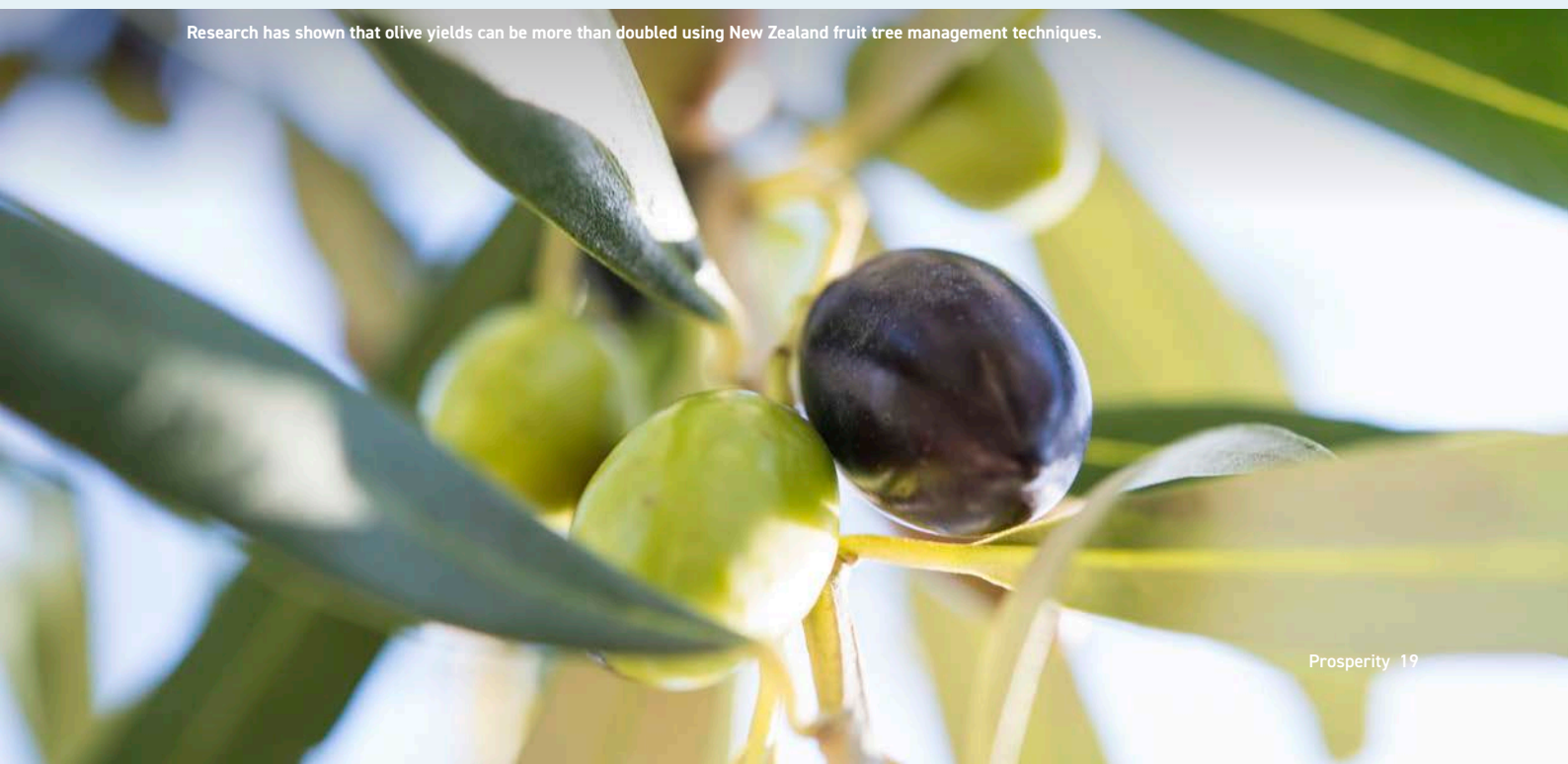
A lighter touch: \$10.8 million over seven years was provided to Horticulture New Zealand to research how crop protection can be achieved using biological products instead of chemicals.

Redefining great food: \$147,000 over two years was provided to Food Nation to work in partnership with New Zealand producers to develop a diverse range of plant-based foods using mushroom waste and other nutritious and sustainable plant matter.

Biological control of the giant willow aphid: \$260,000 over one year was provided to Apiculture New Zealand to trial a sustainable biological method of controlling the giant willow aphid, an exotic pest with a particularly devastating impact on bee colonies.

Increasing olive yields: research completed in 2019 by Olives New Zealand showed that olive yields could be more than doubled by employing New Zealand fruit tree management techniques instead of typical olive grove management methods. A further three years of funding, totalling \$43,520, was granted in October 2019 for a follow-up project focusing on organic farming methods for olives, which leads to a higher fruit premium.

Research has shown that olive yields can be more than doubled using New Zealand fruit tree management techniques.



Pathway to Increased Productivity (MAPIP) and Māori Agribusiness Extension (MABx) programmes.

MAPIP offers one-on-one support to Māori landowners and agribusinesses to help them bring to life tangible, on-the-ground projects. MAPIP supports Māori landowners to move along the pathway from building governance and capability to investment readiness and beyond. In 2019/20, through MAPIP, we supported 49 Māori entities to apply for PGF backing. One of these was the Northland-based Whangaroa Ngaiotonga Trust. We helped the Trust to obtain information on land-use options. This has enabled the Trust to secure a grant of up to \$1 million for farm revitalisation. As a result of this investment, the Trust is on track to increase its revenue by 500 percent by year five of its plan.

Six MABx projects were launched in 2019/20, involving 94 participating groups that represent a spectrum of Māori landowners, trusts, and other iwi (tribe) and hapū entities. MABx focuses on providing group sharing and learning opportunities. It enables Māori landowners or agribusinesses to connect with each other and get the information they need to confidently undertake change with their primary assets. An example of what this achieves is shown by our work with Te Whānau a Maruhaeremuri Hapū Trust. The Trust led a collective approach to developing high-value, sustainable horticulture on 41 Māori-owned land blocks in Raukōkore (East Cape) in a way that enhances the welfare and prosperity of hapū and whānau. Land-use and feasibility studies enabled the group to access nearly \$16 million in PGF investment for irrigation infrastructure, a 50-hectare kiwifruit orchard and a macadamia plantation.

Did you know...?

In 2018, Māori-owned farming businesses generated \$97 million for the New Zealand economy.



A beekeeper tending to beehives in the Wairarapa.

Setting a pathway for sustainable economic growth through aquaculture

In September 2019 the Government launched a new aquaculture strategy, setting a pathway to sustainably grow this sector five-fold to \$3 billion in revenue by 2035. The strategy sets outcomes for a sustainable, productive, resilient and inclusive aquaculture industry. It recognises that demand for premium seafood is high, well-managed aquaculture is a sustainable activity, and there is a significant sustainable growth opportunity for this sector that will benefit regional New Zealand.

It is vital the outcomes of the strategy are realised, to maximise the value of existing marine farms through innovation, unlock existing marine farming opportunities through enabling shore-based infrastructure and extend aquaculture into the open ocean. Since the launch of the strategy, over \$140 million has been invested by the Government in initiatives to deliver on this opportunity.

Working in partnership with other agencies to achieve these objectives, MPI will publish annual implementation plans setting key actions for the year and identifying which agency is responsible for each action. The strategy will be reviewed in 2025 to ensure it remains relevant to the industry's growth and development, community aspirations and global change.

◆ Research on tree planting to support bees

In November 2019, the Trees for Bees NZ Research Trust released the findings of research co-funded by MPI on strategic planting to feed bees. In New Zealand, the number of beehives has increased from 350,000 to almost 1 million over the past seven years following the growth of the mānuka honey industry. Strategic and targeted planting will ensure enough plants are flowering throughout the year to feed the bees, and that there are no competing plants to distract bees.

Launching a new approach to support farmers facing financial challenges

The Farm Debt Mediation Act became law in December 2019. This Act has enabled MPI to establish a new farm debt mediation scheme for farmers facing financial challenges. The scheme promotes the long-term viability and resilience of farm businesses, and

positive mental health and resilience for members of New Zealand's rural communities. Such initiatives provide important support as the agricultural sector recovers from the impacts of COVID-19 and other adverse events.

MPI worked with MBIE to develop the scheme and get it passed into law. Since the passing of the Act, MPI has been ensuring that mediators are trained in the new scheme, which became operational on 1 July 2020.

Prosperity key progress indicators

We track a number of impact indicators so we can monitor whether the work we do is having the desired effect and achieving the longer-term impacts we want to see for New Zealand's food and primary industries. The following indicators track our progress against the Prosperity outcome.

These impact indicators show us that, despite the impact of COVID-19, revenue from food and primary industry exports for 2019/20 exceeded revenue from the previous year – this is a continuation of the upwards trend in export values in these sectors. The shift towards developing new, high-value food and primary products continues, but statistics show that commodities are still New Zealand's biggest exports. The trend towards entering new, high-value export markets has slowed slightly in the past year for most sectors, with the notable exception of food manufacturing businesses, which showed an increase of six percentage points from last year.

Indicator	Desired change	Trend information		
		2017/18	2018/19	2019/20
The value of primary industry exports is increased	The value of primary industry exports to overseas markets increases after the FTA comes into force	Primary industry exports to China: \$11.08 billion Primary industry exports to FTA partners: \$16.05 billion	Primary industry exports to China: \$13.52 billion Primary industry exports to FTA partners: \$16.59 billion	Primary industry exports to China: \$15.71 billion Primary industry exports to FTA partners: \$17.08 billion
	China continues to be one of the key export partners for New Zealand's food and primary industries. Exports to China grew 16 percent in 2020, with particular increases in dairy and meat products. Exports to the other countries with which New Zealand has an FTA grew 2.9 percent in 2020, also with particular increases in dairy and meat products. (Data source: Statistics New Zealand (2020) <i>Overseas Merchandise Trade March 2020</i> .)			
A higher proportion of businesses enter new and high-value export markets	Increased percentage of businesses entering new markets	Agriculture 5% Fishing 6% Forestry 4% Agricultural Services 2% Food Manufacturing 20% Wood Processing 2%	Agriculture 7% Fishing 6% Forestry 3% Agricultural Services 2% Food Manufacturing 21% Wood Processing 3%	Agriculture 4% Fishing 6% Forestry 2% Agricultural Services 1% Food Manufacturing 27% Wood Processing 2%
	The trend of an increasing proportion of primary industry companies reporting entry to new markets in agriculture, agricultural services, forestry and wood processing reversed in 2019, with these sectors reporting a slight decline. There was no change for the fishing sector. In contrast, food manufacturing showed a 6 percentage point increase in exports to new, high-value markets compared with 2018. (Data source: Statistics New Zealand (2020) <i>Business Operations Survey 2019</i> .)			
Primary industry businesses develop new and more high-value products and services	Increased percentage of businesses developing new and more high-value products and services	Agriculture 29% Fishing 47% Forestry 42% Agricultural Services 36% Food Manufacturing 47% Wood Processing 34%	Agriculture 27% Fishing 31% Forestry 35% Agricultural Services 38% Food Manufacturing 50% Wood Processing 41%	Agriculture 28% Fishing 29% Forestry 32% Agricultural Services 32% Food Manufacturing 48% Wood Processing 37%
	The development of new products and processes in the food and primary industries continued, but at a slower pace than in previous years. (Data source: Statistics New Zealand (2020) <i>Business Operations Survey 2019</i> .)			



Sustainability Kauneke Tauwhiro

Future generations will benefit from improved environmental performance by New Zealand's food and primary industries.

We support the food and primary industries to adopt more sustainable land use practices, enhance biodiversity, restore freshwater environments, lower carbon emissions and create a healthier marine environment. Through enhanced sustainability, we will improve the resilience of rural communities and the wider sector to potential disruptions, and show consumers worldwide the importance we place on the planet's future.

To safeguard New Zealand's natural resources for future generations, this year we have been:

◆ Establishing He Waka Eke Noa: a climate action partnership

The food and primary industries, the Government and Māori are working together to develop He Waka Eke Noa – a framework that will equip farmers and growers to reduce on-farm agricultural greenhouse gas emissions and adapt to climate change. This will help enable sustainable food and fibre production for future generations.

This year, MPI has worked with other He Waka Eke Noa partners, such as the Ministry for the Environment (MfE), to establish a five-year work programme and a steering group to deliver the work.

He Waka Eke Noa aims to see all farmers and growers factoring climate change into their farm business and environment plans by 2025. They will be able to calculate their greenhouse gas emissions footprint at the farm gate, and will have the right price incentives to act on their emissions. The framework came into law through the Climate Change Response (Emissions Trading Reform) Amendment Act in June 2020.

Helping grow the Global Research Alliance on Agricultural Greenhouse Gases

New Zealand established the Global Research Alliance on Agricultural Greenhouse Gases (GRA) in 2009 to address the challenges of increasing food production without growing greenhouse gas emissions. MPI has actively supported the GRA to grow in membership, partners and influence. Sixty-two member countries and networks have accelerated international research, connected international farmers and created training opportunities. In the past year, the GRA provided opportunities for 88 doctoral students from developing countries to learn alongside world-leading scientists.

With the success of the GRA, the New Zealand Government committed another \$34 million over four years for MPI's continued leadership of New Zealand's GRA programme. This funding will ensure New Zealand remains a strong contributor to global climate change research collaboration through creating partnerships for farmers, scientists and policy makers to share knowledge and advance agriculture.

◆ Simplifying forestry in the Emissions Trading Scheme

Reforms to New Zealand's Emissions Trading Scheme (ETS) were passed into law in June 2020 to support New Zealand's move to a low-emissions, climate-resilient economy. These changes to the Climate Change Response Act 2002 (the Act) introduced a 'cap' on greenhouse gas emissions covered by the ETS. The cap will be lowered over time to help set



A healthy freshwater ecosystem is essential to the viability of New Zealand's food and primary industries, biodiversity and human health.

New Zealand on a trajectory towards meeting its emissions reduction targets.

The ETS puts a cost on emissions to encourage environmentally sustainable behaviour and enhance the use of carbon sinks. It encourages forest owners to manage these in a way that increases carbon storage.

Changes to the forestry provisions in the ETS included the introduction of a new carbon accounting approach called averaging. This will be easier to use. It will mean that participants will have more units at a lower risk than the current approach and will not have to worry about finding units to repay when they harvest. A new option for permanent forests has also been introduced to the ETS. These changes ensure that the ETS provides the right incentives for planting new forests.

In 2019/20, MPI began work to improve our guidance and tools to make it easier for landowners to take part in the ETS and meet ETS requirements. This includes developing a new online platform to make it quicker and simpler for foresters and farmers to register and manage their forests in the ETS. The first version of the new system is scheduled to be available by mid-2022.

Did you know...?

It is estimated that recent changes to the Emissions Trading Scheme will see 89 million more trees planted over the coming years, and an extra 45 million tonnes of carbon dioxide will be stored in New Zealand's forests.

◆ Consulting to improve protection for highly productive land

MPI and MfE carried out extensive consultation on a proposed national policy statement (NPS) under the Resource Management Act 1991 (RMA) to improve protection for highly productive land and promote its sustainable management. Public meetings were hosted around the country to answer questions about the proposal. MPI and MfE then developed a proposed NPS based on public submissions.

The proposed NPS aims to strengthen the requirements under the RMA for local authorities to manage New Zealand's most versatile and productive land. This will ensure its long-term availability for primary production and will improve the way highly productive land is managed and protected from inappropriate use, subdivision or other development. Together, these proposals will help protect the environment and ensure a sustainable future for all New Zealanders.

Restoring freshwater ecosystem health

In September 2019, MfE and MPI consulted on the Action for Healthy Waterways package. This package aims to stop further degradation of New Zealand's freshwater resources, reverse past damage and restore the health of freshwater ecosystems within a generation. It consists of a new NPS for Freshwater Management, a National Environmental Standard for Freshwater, and regulations for stock exclusion and water-take



limits. These measures will exclude livestock from waterways, control nutrients entering streams, halt further wetland loss, and set controls for high-risk farming practices like intensive winter grazing.

MfE and MPI worked extensively to refine the policies, following feedback received during public consultation. Changes were made to address submitters' concerns and increase the workability of the policies. These instruments were gazetted to be brought into force on 3 September 2020. A cross-sector group representing regional councils, primary industries, central government and Māori expertise has been set up to ensure the new regulations are implemented successfully.

◆ Helping farmers address the challenges of using land sustainably

With our extension services, we support farmers as they face the challenges of adopting more sustainable land use practices, helping them to improve economic, environmental and wellbeing outcomes for themselves and their communities. As a farmer-led approach, it enables farmers to share and exchange knowledge, ask tough questions in trusted circles and come up with practical solutions to sustainability issues.

In July 2019, we launched our extension services in Southland. In June 2020, local partnerships of farmers and growers in two regions (Southland and King Country) signed delivery contracts to enable water

catchment groups to work with farmers and growers on cleaning up waterways and using more sustainable farming practices. MPI will fund up to \$7 million into Thriving Southland, a three-year regional initiative. We also invested \$844,000 into King Country River Care, a group that helps farmers lift freshwater quality and farming practices.

◆ Encouraging students to develop sustainable water use in farming

In November 2019, MPI held an Innovation Challenge for Year 10 Young Enterprise students. "The Challenge – Mission: Sustainable" was held at Lincoln University and was supported by B.linc Innovation. The students were challenged to develop an idea to help farmers ensure their use of water is sustainable, and were mentored by staff from MPI, Lincoln University and Manaaki Whenua – Landcare Research. Through the Challenge, MPI introduced young entrepreneurs to the opportunities available in the food and primary industries.

Partnering with others to encourage innovative solutions

In October 2019, MPI partnered with ChristchurchNZ to support the delivery of the New Zealand Aerospace Challenge. This challenge recognises one of the biggest issues facing the food and primary industries – sustainability. MPI's interest in the Challenge was to seek ways to improve outcomes for farmers, with unmanned aircraft and space satellite technology emerging as an innovative solution to monitoring water quality and soil pollution. The winner was Christchurch-based Seequent, with its cloud-based, global remote-sensing solution for monitoring lake water health. This has the potential to monitor lakes at a regional level.

In April 2020, MPI partnered with The Factory in Palmerston North to deliver the first online Agritech Hackathon. Participants had a short amount of time to research their chosen food and primary industry challenge and find relevant solutions.

This year, 13 teams competed. Each team was matched with an industry mentor from PF Olsen, Amazon, Microsoft, Zespri or the Livestock

Continued on page 26

◆ One Billion Trees Fund marks the end of a successful year

Our aim

The One Billion Trees programme began in November 2018 and aims to plant 1 billion trees by 2028, with the right trees, in the right place, for the right purpose. Through this programme, we aim to deliver employment, economic and environmental benefits throughout New Zealand and support Māori aspirations for their whenua. Tree planting also helps the country meet its emissions reduction targets and climate change commitments.

Our role

Our purpose is to encourage tree planting efforts and build forestry industry capability. We do this by providing funding through the One Billion Trees Fund to farmers, iwi/Māori and community groups to plant trees, encourage innovation and support forestry projects that improve land productivity or reduce erosion. Through the Joint Ventures Programme, we also enter into commercial forest-planting agreements with private landowners.

Outcomes

In 2019/20, the One Billion Trees Fund funded 26,734,670 trees to be planted. Grants of \$39.9 million were approved for 384 direct landowners to plant trees on 19,195 hectares of land. This will enable landowners to integrate trees into farms, reducing erosion, protecting catchment areas and improving the land. Fifty-five partnership grants totalling \$26 million were also administered to support projects that will improve the long-term success of tree planting in

New Zealand. Sixteen percent of the funding has been allocated to Māori landowners or Māori-led projects.

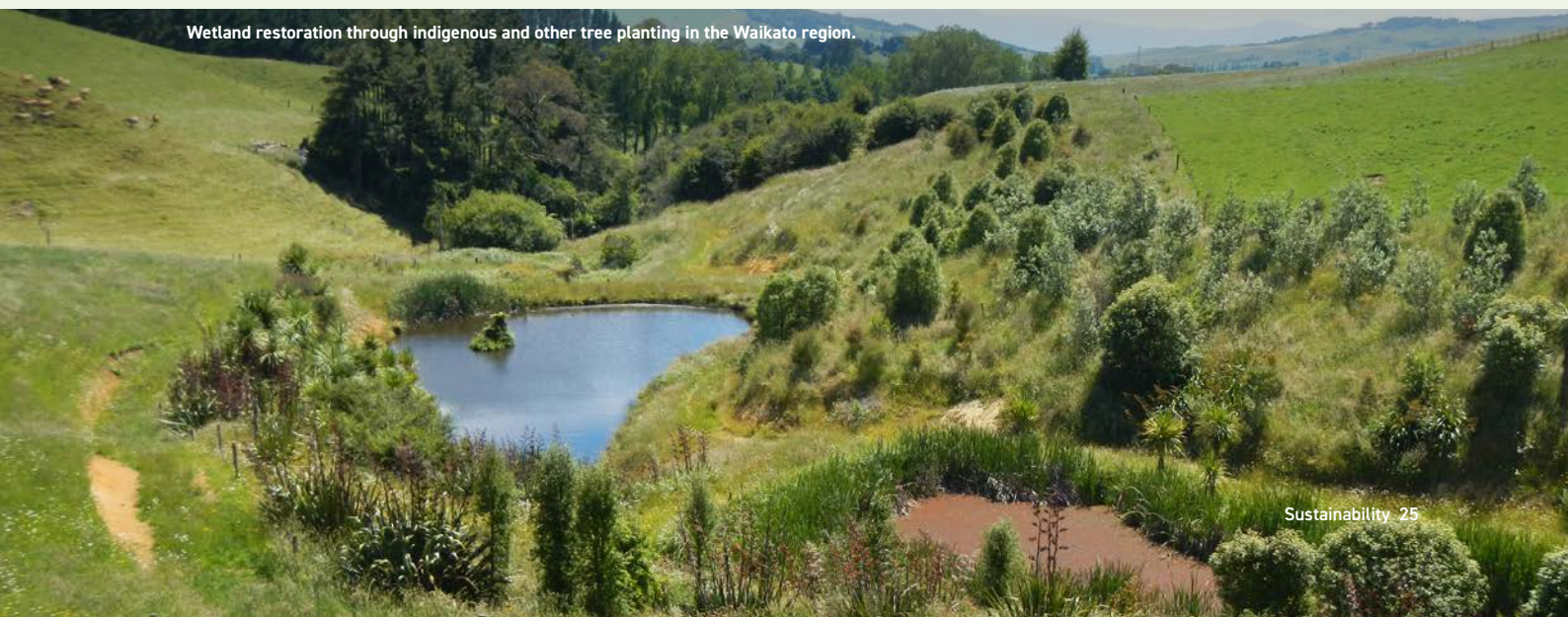
During the winter 2019 planting season, Crown Forestry ventures planted 12.5 million seedlings – nearly 15 percent of all commercial forest tree stock sales and around 40 percent of all new forest planting in New Zealand. Around 250 to 270 jobs were provided to job seekers over the 2019 planting season. In addition, Crown Forestry entered into joint-venture agreements with private landholders to plant trees on 5,158 hectares of land, 30 percent of which is Māori owned.

At 30 June 2020, over 34 million trees had been funded for planting (58 percent indigenous species), an estimated 994 jobs created or funded, and a total of \$108.5 million allocated over the life of the Fund. In this report, you will find output performance measures relating to the One Billion Trees programme on pages 54, 55 and 56. For more information, the *One Billion Trees Fund 18 Month Monitoring and Evaluation Report* can be found at www.teururakau.govt.nz/dmsdocument/41848-One-Billion-Trees-Fund-18-month-monitoring-and-evaluation-report.

What this means for New Zealanders

One Billion Trees continues to stimulate the regional economy, create jobs and improve the environment. Through tree planting, One Billion Trees is creating a solid foundation for long-lasting economic, employment and environmental sustainability that will be felt by generations to come.

Wetland restoration through indigenous and other tree planting in the Waikato region.





Fishery Compliance Officers Taylor Lansdown (left) and Luis Moresco (right) aboard the Royal New Zealand Navy Offshore Patrol Vessel *HMNZS Otago* for a "work up" on the Hauraki Gulf.

Improvement Corporation. Bugkillla came away as the overall winner, receiving \$1,000 and three months of acceleration services from The Factory, business coaching and mentoring, and access to Zespri's supply chain. Developed by a Manawātū-based team, Bugkillla combines technologies that draw on pest control and artificial intelligence technologies to attract, monitor, and eradicate the brown marmorated stink bug (BMSB) in real-time for growers. This win has led to Biosecurity New Zealand considering Bugkillla's solution for further trials.

Partnering to reduce plastic waste from packaging

In May 2020, MPI and Aquaculture New Zealand co-hosted the Addressing Plastic Waste in New Zealand Aquaculture virtual workshop. Facilitated by the Sustainable Business Network, participants explored the barriers to sustainability and identified practical steps to minimising plastic waste in the sector. The workshop provided guidance to businesses on how to meet the New Plastics Economy Global Commitment (an Ellen MacArthur Foundation and United Nations Environment Programme initiative). This aims to ensure that, by 2025, 100 percent of plastic packaging can be easily and safely reused, recycled or composted.

Attendees included suppliers of packaged goods, recyclers, materials experts, circular economy and lifecycle experts, local councils, the Office of the Prime Minister's Chief Science Advisor and

representatives from MfE. The event helped us identify tangible actions to reduce the food and primary industries' environmental footprint.

Rolling out electronic reporting to more fisheries activities

By December 2019, MPI had completed a staged roll-out of electronic reporting across all commercial fishery vessels. Over 80 percent of the commercial fishing fleet has fully transitioned to electronic reporting, and nearly 90 percent of those are now reporting their catch information electronically to MPI. Early indications show an increase in efficiency with fewer errors reported, which reduces the need for MPI and fishers to follow up and correct information that has been provided.

The electronic catch and position reporting system provides real-time information on where fishing is taking place, and provides reliable data on what is being caught. The information collected can be used by MPI and the industry to make better fisheries management decisions. The electronic catch and position reporting system also means that fishers can spend less time on paperwork.

Did you know...?

MPI can track the position of New Zealand's entire commercial fishing fleet in real time.

Implementing new protections for Hector's and Māui dolphins

Following public consultation, in June 2020 the Minister of Fisheries and the Minister of Conservation jointly announced an updated threat management plan for Hector's and Māui dolphins. Hector's and Māui dolphins are found only in New Zealand, and are among the world's rarest dolphins. The new protections take effect on 1 October 2020 and are

aimed at ensuring the long-term survival of these unique marine mammals while also developing a business advice and financial support package for fishers and licensed fish receivers affected by the change.

Did you know...?

MPI's 110 fisheries observers spent a combined total of more than 11,500 days at sea this year.

Sustainability key progress indicators

We track a number of impact indicators so we can monitor whether the work we do is having the desired effect and achieving the longer-term impacts we want to see for New Zealand's food and primary industries. The following indicators track our progress against the Sustainability outcome.

These impact indicators show us that our activities are contributing to a more sustainable future for New Zealand. The greenhouse gas emissions per kilogram of milk solids and per kilogram of beef continue to decrease, indicating that more sustainable practices are being implemented by farmers and producers throughout New Zealand. For the marine environment, a sustainable level of fish stocks is being maintained through the Quota Management System, with over 80 percent of assessed fish stocks remaining at over 80 percent of the soft limit.

Indicator	Desired change	Trend information		
		2017/18	2018/19	2019/20
Greenhouse gas emission intensity of the production of milk solids and beef decreases	Emissions intensity decreases each year, compared with 2013 levels	Between 2013 and 2016 the emissions intensity of milk solids (emissions per kilogram of milk solids) decreased by 3.5%, and the emissions intensity of beef (emissions per kilogram of meat) decreased by 4.7%	Between 2013 and 2017 the emissions intensity of milk solids (emissions per kilogram of milk solids) decreased by 3.2%, and the emissions intensity of beef (emissions per kilogram of meat) decreased by 5.0%	Between 2013 and 2018 the emissions intensity of milk solids (emissions per kilogram of milk solids) decreased by 3.8%, and the emissions intensity of beef (emissions per kilogram of meat) decreased by 7.8%
	Over the past few decades, farmers have made significant improvements in productivity through innovations in feed and nutrition, animal genetics, animal health and pasture management. Between 2013 and 2018, the emissions intensity of milk solids (emissions per kilogram of milk solids) decreased by 3.8 percent, and the emissions intensity of beef (emissions per kilogram of beef) decreased by 7.8 percent. (Data source: Ministry for the Environment (2020) <i>New Zealand's Greenhouse Gas Inventory 1990–2018</i> .)			
Percentage of scientifically evaluated fish stocks with no sustainability issues	Value is at or above 80%	84%	84%	82%
	Numbers will fluctuate between years due to several factors: the cost of stock assessments (different assessments happen in different years and costs vary between them) and the available budget, the number of years since the last assessment for a stock, natural variability in stock size, and factors like habitat modification (e.g., for eels) and, for highly migratory species, catch of stocks outside of New Zealand waters (e.g., tuna and striped marlin). Stocks with sustainability issues are subject to corrective management actions to enable rebuilding such as cutting domestic catches to enable rebuilding of stocks within specified time frames and working with international fisheries organisations to try to achieve this internationally, where applicable. (Data source: MPI (2020) <i>The Status of New Zealand's Fisheries 2019</i> .)			



Protection Whakangūngū

Consumers know and trust that our products are safe, healthy and ethical, and that we protect New Zealand from pests and diseases.

MPI's world-class standards for food safety and animal welfare ensure that New Zealand's food and primary products are valued by consumers for being safe and healthy, as well as ethically and sustainably produced. We help to build strong supply chains so New Zealand's communities have reliable sources of quality food. Our border protection ensures that the food and primary industries and the environment are safeguarded from biosecurity risks. Science is the foundation of our food safety and biosecurity standards and recommendations.

To strengthen the protection of New Zealand's food and primary industries, environment, food safety and animals, this year we have been:

◇ Controlling the spread of wilding pines

Wilding pines are self-seeded pest trees found throughout New Zealand. These introduced plant species were originally planted for forestry, shelter and erosion control. They spread quickly, to the point where they now cover more than 1.8 million hectares. These trees threaten the environment because they can quickly form impenetrable forests of little economic value, making farmland unusable, taking over native ecosystems, using up water and altering New Zealand's unique landscapes. Controlling their spread is important if we are to protect New Zealand's ecosystems, iconic landscapes, sensitive water catchments and food-production land.

Did you know...?

Since it began in 2016, the National Wilding Conifer Control Programme has protected 3 million hectares (at 30 June 2020) of New Zealand's most vulnerable land by controlling the spread of wilding pines.

Before 2016, wilding pines were spreading at a rate of around 5 percent a year – that's about 90,000 hectares. Therefore, in 2016, MPI partnered with the Department of Conservation, Land Information New Zealand and the Defence Force to deliver the National Wilding Conifer Control Programme, working with local authorities, forestry and farming representatives, landowners, researchers and communities.

In 2019/20 the programme completed more than \$13 million of control work across 410,000 hectares, including in Southland, Otago, Canterbury, Marlborough and the Kaimanawa Ranges. We also began expanding the programme, launching eleven new community-focused wilding pine projects throughout New Zealand.



Sherman Smith from MPI's Biosecurity New Zealand pulls out a juvenile wilding pine.

In May 2020, we identified the opportunity to support sectors affected by the COVID-19 downturn. We established an additional five new COVID-19 “shovel ready” worker redeployment projects that delivered \$3 million of wilding pine control work in Northland and Canterbury by the end of the 2019/20 year and offered employment to 111 people from the forestry and tourism sectors.

◆ Launching and implementing the Food Safety Strategy to safeguard food export success

In December 2019, the New Zealand Food Safety Strategy and associated action plan was launched at the New Zealand Food Safety Summit. We responded to the needs of our stakeholders across New Zealand, through multiple consultations with industry, Māori, co-regulators and consumers through public lectures and science seminars.

Did you know...?

There are 95,000 food-related businesses in New Zealand.

New Zealand's food safety system protects domestic and international consumers to enable the domestic and export food trade – New Zealand's biggest export earner and the cornerstone of the economy. The domestic food system, underpinned by rigorous science, is the foundation for the country's success on the world export market.

The New Zealand Food Safety Strategy provides a clear direction for what we need to focus on over the next five years to ensure New Zealand's food continues to be safe and meets the expectations of consumers and overseas governments. It explores changes to our working environment, and how we need to amend the rules and use technology to improve public health and fulfil customer expectations.

◆ Refreshing the *Campylobacter* Action Plan to reduce foodborne illness

In March 2020, we kick started the implementation of the New Zealand Food Safety Strategy Action Plan, with a reinvigorated public health focus on campylobacteriosis (a foodborne illness caused

by *Campylobacter* bacteria). We announced an initial new target: to reduce the rates of foodborne campylobacteriosis by 20 percent over the next five years. If achieved, this will reduce the cost of lost productivity associated with people removed from the workforce by an estimated \$20 million per year.

Since 2006, our joint strategies with industry have already reduced campylobacteriosis rates by over 50 percent. However, New Zealand still has a relatively high rate of reported foodborne campylobacteriosis, and MPI is committed to reducing it further. We are now working on several fronts to bring about further improvements in food safety-related public health. For example, we are evaluating more stringent regulatory controls in poultry slaughterhouses to work alongside our continuing “Clean, Cook, Chill” summer campaign, which educates New Zealand consumers about safe food handling.

Successfully eradicating the pea weevil from New Zealand

In February 2020, we announced the successful eradication of the pea weevil from the Wairarapa area. Found worldwide, the pea weevil *Bruchus pisorum* is a small insect that can damage growing peas and weaken future stocks, making them prone to disease. First found in an area of the Wairarapa in 2016, the pea weevil had the potential to harm New Zealand's \$130 million pea seed export and processed green pea industries.

Did you know...?

New Zealand is the only country in the world to have successfully eradicated the pea weevil.

In collaboration with the pea industry and local communities, MPI moved quickly to identify the level of infestation and contain it by establishing perimeters and a network of traps. Further controls were added through implementing a total ban on growing peas within a specified area and placing controls on moving pea material (seed and untreated pea straw) in this area for almost four years. While a challenging time for local growers, the efforts of all involved and affected were rewarded when eradication was achieved, protecting all of New Zealand's crops.

Successfully eradicating the mosquito *Culex sitiens* from New Zealand

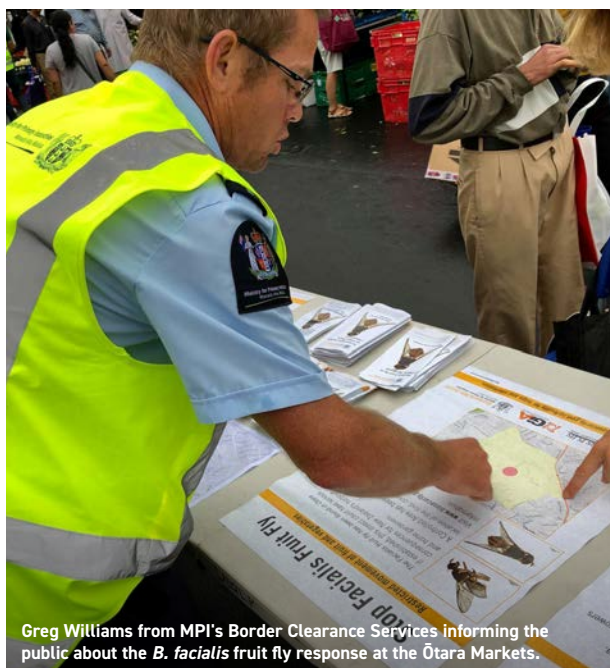
In June 2020, we successfully eradicated the exotic *Culex sitiens* mosquito from New Zealand. This saltmarsh mosquito is widespread in Southeast Asia, the South Pacific and Australia. If established in New Zealand, it could transmit diseases such as the Ross River virus and would pose a human health issue. A small population of *C. sitiens* larvae was detected in March 2018 in the Kawau Parua Inlet near Kaipara Harbour. To stamp it out, MPI carried out extensive surveillance and several rounds of aerial spraying, leading to a successful result. It is only the second time in the world that any saltmarsh mosquito has been eradicated from a country, and it was made possible by the community's positive engagement and support.

Did you know...?

New Zealand is the first country in the world to entirely eradicate two introduced mosquito species – *C. sitiens* in 2020 and *Aedes camptorhynchus* in 2010.

Stamping out Queensland and *Bactrocera facialis* fruit flies in Auckland

In early 2019, MPI's surveillance traps detected 11 Queensland and three *Bactrocera facialis* fruit flies, located in the Auckland region across Devonport, Northcote, Birkenhead and Ōtara suburbs. MPI, in



Greg Williams from MPI's Border Clearance Services informing the public about the *B. facialis* fruit fly response at the Ōtara Markets.

partnership with Government–Industry Agreement partners, launched a response with the aim of eliminating the fruit flies and protecting the country's \$6 billion horticulture industry. In January 2020, after 11 months of extensive baiting, trapping, fruit collections, movement restrictions, and liaison with affected parties, freedom from Queensland and *B. facialis* fruit flies was declared, resulting in the removal of all restrictions.

◆ Making risk management plans easier for small abattoirs

In February 2020, the very first abattoir was registered using a new Risk Management Programme template designed for micro-abattoirs. Under the Animal Products Act 1999, all abattoirs need to have a Risk Management Programme that shows they are managing food safety risks effectively. Risk Management Programmes are complex, and businesses need to have specialist knowledge to create their own food safety controls. This is much easier to achieve in large slaughterhouses with in-house technical resources than it is in the case of a small business, such as a micro-abattoir – a small, local abattoir that processes animals from nearby lifestyle blocks.

In 2018 we started working with meat industry representatives to make this process easier for smaller operators. Now, with the new template, small abattoirs can meet the food safety rules without having to spend a lot of time and money developing food safety controls.

◆ Developing new regulations to strengthen animal welfare

In 2019/20, we developed new regulations to strengthen New Zealand's animal welfare system, which became law in July 2020. The regulations, called the Animal Welfare (Care and Procedures) Amendment Regulations 2020, clarify who can perform some painful or surgical procedures on animals and in what circumstances. They relate to a wide variety of animals and to procedures performed for diverse reasons, including for:

- + animal health;
- + breeding;

Continued on page 32

◆ *Mycoplasma bovis* is being eradicated

Background

May 2020 marked two years since the Government's decision to pursue the eradication of *M. bovis*, a bacterial disease that affects cattle, from New Zealand. This programme, led by Biosecurity New Zealand, in partnership with DairyNZ and Beef + Lamb New Zealand, has seen outstanding success over the past 12 months. This disease does not pose any food safety risks for consumers, but it is an animal welfare issue. It can lead to serious conditions in cattle, such as untreatable mastitis, severe pneumonia, ear infections and arthritis, and would have severely affected New Zealand's highly productive dairy industry had eradication not been pursued.

The *M. bovis* programme has been challenging for farmers, and we have worked hard to provide support and improve our processes to help them get through.

Aims

The *M. bovis* programme has three aims:

1. to eradicate *M. bovis* from New Zealand;
2. to reduce the impact of the disease and the eradication programme for everyone affected;
3. to leave New Zealand's biosecurity system stronger.

Outcomes and successes

After much hard work by all involved, we are making good progress towards achieving these goals. In 2019/20 we saw the lowest number of properties subject to cattle movement controls at any one time

since late 2017, and the queue of possible cases that need investigating is at an all-time low. Potential at-risk properties are being identified earlier than in 2018/19, and controls placed on farms restricting the movement of cattle have been issued more quickly. This has significantly reduced the likelihood of the disease continuing to spread.

The eradication programme has also established a range of activities designed to make New Zealand's biosecurity system stronger, including integrating biosecurity activities into wider farm management practices, and providing further investment in rural support. To further bolster our biosecurity, food safety and market assurances systems, the National Animal Identification and Tracing Amendment Bill was passed in December 2019 after successful consultation with industry, transporters, sector experts and veterinarians.

Based on data gathered, the programme's Technical Advisory Group is confident that there was only one introduction of *M. bovis* into New Zealand and that eradication of this disease is feasible. We are continuing our work to contain the disease for the next 12 months. We are also increasing our surveillance and tracking activities to confirm that we have found every case as we prepare to move into a long-term monitoring phase. The extensive coverage of our surveillance programmes, combined with containment activities, will enable us to be confident we have not missed any significant source of the disease.

As at 23 September 2020, three properties had active cases of *M. bovis*.

At the end of 2019/20, only 10 properties had active cases of *M. bovis*

Number of:	2018	At 30 June 2019	At 30 June 2020
Properties with active cases of <i>M. bovis</i>	37*	28	10
Properties cleared of <i>M. bovis</i>	34*	150	239
Farmers' compensation claims closed	67	927	2,015

*These two numbers are as at 14 September 2018 – this is when we started reporting on these statistics to our stakeholders. All other numbers are at 30 June.

- + animal or farm management purposes, for example, castration;
- + identification, for example, branding;
- + harvesting products from animals; and
- + aesthetics, for example, cropping dogs' ears.

Most of the regulations reflect current practice, but some raise the standards under which procedures can be performed. For example, some regulations require that pain relief be provided to the animal throughout the procedure. To give people time to understand their new obligations under the regulations, many of them will come into force on 9 May 2021. Most of the regulations include prosecutable offences, which could result in fines and criminal convictions. In circumstances when an animal is severely affected, a prosecution may be made directly under the Animal Welfare Act 1999, which has substantially higher penalties than the regulations.

Improving animal welfare during winter grazing

In August 2019, in response to concerns about the impacts of some intensive winter grazing practices on animal welfare, the Minister of Agriculture established the independently chaired Winter Grazing Taskforce. The Taskforce made 11 recommendations for how to improve animal welfare during winter grazing.

Following this, in February 2020, MPI set up the Winter Grazing Action Group, made up of 15 representatives from industry, government, the veterinary profession and farming and other rural professions, to put the Taskforce's recommendations into action.

The Action Group has worked with farmers and industry groups to ensure they have the support they need in order to follow the recommendations and prioritise animal welfare during winter grazing – the whole way along the pastoral supply chain.

Furthermore, MPI collaborated with AgResearch to develop a tool for assessing animal welfare in winter grazing systems. This provides farmers with feedback on specific areas for improvements. The tool was successfully trialled by MPI animal welfare inspectors during the winter of 2020.

Improving the tagging and registration of cattle and deer

This year, our National Animal Identification and Tracing (NAIT) Compliance team focused on improving tagging and registration rates for cattle and deer. The failure of farmers to register tags for each animal in the NAIT system has been identified as a significant area of non-compliance within the NAIT scheme. This causes problems because the movement of animals is much harder to trace if tags have not been registered – and this information is critical to effectively manage a disease outbreak such as *M. bovis*.

Did you know...?

Eradicating *M. bovis* will protect New Zealand's highly valuable beef and dairy exports market.

Over the course of 2019/20, we issued 1,025 infringements for NAIT offences and more than 1,660 warnings for failing to register animals. Undertaking compliance work such as this helps to ensure that animals can be tracked when necessary.

Building the capability of Pacific Island countries to detect non-compliance in commercial fisheries

During the year, we have been building the capability of fisheries officers in Pacific Island countries to detect non-compliance of commercial fisheries. For many Pacific Island countries, revenue from commercial fisheries is their main earner and has become even more important due to the impact of COVID-19 on their tourism industry.

A capacity-building programme, named Te Pātuitanga Ahumoana a Kiwa, was created to help organisations in Pacific nations grow their ability to sustainably manage their offshore and coastal fisheries. This five-year programme is focused on ensuring a high level of compliance by fishers. It is fully funded by MFAT and delivered by MPI.

MPI also runs a training programme aimed specifically at building compliance capacity in Tokelau, a dependent territory of New Zealand. This training programme teaches a number of compliance-



A fishery officer on patrol overlooking Fitzroy Bay, Wellington.

related skill sets, such as evidence collection and management, interview techniques, case file development, and the development of port-side inspection programmes.

Travel to carry out training has not been possible due to COVID-19, but MPI has continued to deliver training remotely to more than 100 local officers in at least seven Pacific Island administrations. More e-learning modules are currently in development.

Conducting successful compliance operations to protect our kaimoana (seafood)

We carried out several successful compliance operations during 2019/20 to protect New Zealand's native kaimoana. Between October 2019 and February 2020, Fisheries Compliance conducted more than 10 search warrants across the North Island, which resulted in:

- + shutting down a long-running East Coast black market crayfish ring;
- + stopping a number of commercial fishers in Auckland from overfishing and under-reporting quantities of snapper;
- + releasing 650 illegally caught pāua back into the sea in Taranaki.

◆ Gaining recognition for our work in novel pest management

In November 2019, MPI senior scientist Dr Rebijith K Balan won international recognition and US\$5,000 for his ground-breaking work in identifying pest insect species and laying the foundation for novel pest management strategies. Dr Balan, a molecular entomologist at MPI's Plant Health and Environment Laboratory in Auckland, travelled to Tsukuba City as one of the three international recipients of the 2019 Japan International Award for Young Agricultural Researchers.

Did you know...?

Using DNA markers developed by MPI scientist Dr Rebijith K Balan, we can now identify potentially invasive pest insects in a matter of hours.

Amongst his achievements, Dr Balan has successfully developed over 1,000 DNA barcodes and several species-specific markers for various insect pests of agricultural crops. DNA barcoding is a robust, reliable and cost-effective tool that enables fast and accurate identification of insect species independent of their life stage, sex or colour morphs (colour variation).

Feeding hoiho (yellow-eyed penguins) during the COVID-19 lockdown

COVID-19's effects have been felt by not only the people of New Zealand but also our native species.

During the lockdown period, MPI was approached by the Wildlife Hospital Trust for support to overcome fish supply challenges for the eight hoiho being cared for at its facility, as well as 28 more at the Penguin Place rehabilitation centre. With their usual suppliers operating at only limited capacity, we did not hesitate to help, putting out a call to the wider fishing industry in New Zealand.

Sealord offered to donate 37 boxes (1 tonne) of southern blue whiting, which was the perfect solution, because the hospital feeds the hoiho only certain types of small, thin, whole fish. This cross-sector collaboration is one example of many conservation efforts supported by MPI to preserve New Zealand's endangered native species.

Protection key progress indicators

We track a number of impact indicators so we can monitor whether the work we do is having the desired effect and achieving the longer-term impacts we want to see for New Zealand's food and primary industries. The following indicators track our progress against the Protection outcome.

These impact indicators show us that our actions continue to enable consumers to have safe food and we are protecting the country from pests and diseases. The rate of foodborne campylobacteriosis cases in New Zealand has continued to drop over several years. This has led to New Zealand Food Safety setting a new target, to start next year, to reduce foodborne *Campylobacter* by a further 20 percent by the end of 2024. Our inspections of consignments coming across the border are finding higher levels of compliance with rules and regulations. This demonstrates the effectiveness of our targeting system and efforts we make to ensure biosecurity risks are dealt with before they can reach New Zealand.

Indicator	Desired change	Trend information		
		2017/18	2018/19	2019/20
Rates of foodborne illness are maintained or reduced	<p>MPI has a five-year performance target to reduce the number of human cases of foodborne campylobacteriosis by 10 percent from 88.4 cases per 100,000 in 2014 to 79.6 cases per 100,000 by the end of 2020</p> <p>Foodborne campylobacteriosis is the most commonly notified foodborne disease in New Zealand. MPI's current five-year performance target (2014–2020) has been to reduce the number of human cases by 10 percent, from 88.4 cases per 100,000 in 2014 to 79.6 cases per 100,000. We have already met this target – at the end of 2019 there were 69.1 cases of foodborne campylobacteriosis per 100,000 people. (Please see page 29 for more information.) (Data source: MPI (2020) <i>Annual Report Concerning Foodborne Disease in New Zealand 2019</i>. ESR Client Report FW20013 (unpublished).)</p>	78.7 campylobacteriosis cases per 100,000 of the population	78.3 campylobacteriosis cases per 100,000 of the population	69.1 campylobacteriosis cases per 100,000 of the population
Compliance of targeted import consignments	<p>Increase in compliance rate</p> <p>Of the high-risk consignments that required inspection, 77.6 percent were compliant with the appropriate standard. Inspections identified potential risk in the other consignments, which was mitigated before any goods were released into New Zealand. This shows the effectiveness of our targeting system and the work we do pre-border to ensure risk is dealt with off shore. There was a 3.8 percentage point increase in the compliance rate from last year. (Data source: MPI internal data.)</p>	75.0%	73.8%	77.6%



Visible Leadership Ngā Manukura

We work in partnership to enable the food and primary industries to thrive.

We invest in our people so we can continue growing a diverse and capable workforce that is open, agile, engaging and proactive in how we interact with stakeholders and treat each other. We are focused on developing more meaningful partnerships with Māori and industry to accelerate the productivity, sustainability and inclusiveness of the food and primary industries.

To enable New Zealand's food and primary industries to thrive, this year we have been:

◆ Developing guidance for food and primary industry businesses so they could stay safe during the COVID-19 lockdown

MPI developed a practical generic guide for COVID-19 safety requirements to enable essential primary industry businesses to operate at Alert Levels 4 and 3, which was consistent with Ministry of Health, WorkSafe and international guidelines. Over 26 protocols and supporting collateral were reviewed and aligned with MPI guidance. User-friendly checklists were developed to help verification staff in the field and ensure consistency with the guidance on appropriate safety measures.

This meant essential food businesses had best-practice guidance to keep operating safely through the lockdown, and verifiers had consistent tools to confirm they were doing so. Our guidance allowed essential services to keep operating safely during lockdown, so food supplies and production volumes were largely maintained. We received complimentary feedback from businesses on how this enabled them to continue operating at Alert Levels 4 and 3.

Did you know...?

During the COVID-19 lockdown, MPI kept in contact with 67 councils and 500 restaurant and cafe owners through weekly webinars.

◆ Strengthening our science by recognising the benefit of mātauranga Māori

This year we increased our efforts to complement the approach of traditional science with mātauranga Māori, and produce a more inclusive evidence base for our work and engagement with our partners.

Mātauranga Māori (Māori knowledge) in the physical realm originates from customary practices based on the way Maori interact with the environment. We recognise the benefit that mātauranga Māori brings to our decision-making and service-delivery models.

Some of the main science-related highlights include:

- + creating a principal adviser role in the Office of the Chief Science Adviser to focus on mātauranga Māori, and establishing an MPI mātauranga Māori network;
- + establishing a science governance committee to provide strategic oversight of MPI's science requirements and work programme. The committee includes MPI science and policy leaders as well as external science and mātauranga Māori representatives;
- + providing scientific advice, in conjunction with our independent strategic science advisory groups, to help accelerate the eradication of *M. bovis*, protect our taonga plant species (like rātā, mānuka and pōhutukawa) and support the One Billion Trees programme;

- + partnering with iwi to incorporate a Māori perspective into our decision making, and building iwi capability. For example, MPI scientists worked alongside the Patuharakeke people in Northland to understand why, from mātauranga Māori and science perspectives, the pipi numbers were declining;
- + creating the MPI Mātauranga Māori Scholarship to encourage high school students to apply their knowledge of te ao Māori (the Māori world) to benefit the food and primary industries;
- + running a series of workshops at local marae, in partnership with the New Zealand Cycle Trail Inc. and the people of Te Rito, to support safe food-preparation practices and environmental sustainability at commercial noho marae (marae-stays) along the Pou Herenga Tai – Twin Coast Cycle Trail. This cycle trail, which runs from Ōpua to Kaikohe, now includes overnight stays at marae, featuring whakatau (a welcome and storytelling), accommodation and home-cooked kai (food). By developing marae-based food verification models and with local food safety champions, MPI supports iwi throughout New Zealand to develop their own commercial marae stays.

Did you know...?

On average, Māori-owned farms are four times larger than other New Zealand farms, with three times more stock.

Supporting Māori and industry to position New Zealand's mānuka honey industry in world markets

Over many years, New Zealand mānuka honey producers have established an internationally recognised premium brand for their products. To protect this brand, in 2018, the Mānuka Honey Appellation Society applied for PGF funding to pursue certification trademarks for exclusive use of the term "mānuka honey" by New Zealand honey producers in key export markets. Because Māori have such a strong interest in how the term "mānuka" is used, MPI worked closely with Te Puni Kōkiri to ensure expectations of both Māori and the Crown were met through the PGF application. This partnership supported the transition of the Mānuka Honey Appellation Society to the Mānuka Charitable Trust

in December 2019. This new trust (with 100 percent Māori representation on the board) is responsible for governing the use of the term "mānuka honey". The initiative is widely regarded as a bold and innovative approach to establishing collective governance between Māori, industry and the Government.

The funding will enable the Trust to undertake a three-year science programme to ensure that the evidence base for authentication of mānuka honey meets the sector's needs. MPI has a formal role in the science advisory group, building on our own mānuka honey research programme while broadening our involvement with the honey industry.

Protecting crayfish exports during the COVID-19 lockdown

COVID-19 had a significant impact on the crayfish industry (called rock lobsters when exported), with exports declining by nearly \$38 million in 2019/20. The COVID-19 outbreak and lockdown in China heavily disrupted the export of crayfish for Chinese New Year celebrations in January and February 2020, resulting in between 150 and 180 tonnes of crayfish being held in storage in anticipation for export.

MPI worked alongside the industry to mitigate the economic impact of COVID-19 in an environmentally sustainable way, which included allowing some live crayfish to be released back into the wild. This response was supported by legislative changes that allowed commercial fishers to carry forward up to 10 percent of their uncaught annual catch entitlement to the next fishing year. These changes were progressed rapidly to help mitigate the financial burden for fishers and enable them to catch returned crayfish in the new fishing year.

Innovating to reduce the cost of compliance for food businesses

In 2019/20, we introduced three new innovations to help food businesses manage food safety and suitability while reducing costs: My Food Rules, My Food Plan and remote verification.

- + The My Food Rules tool makes it easy for food businesses to understand which rules need to be followed by providing information in one easy-to-use tool.

Continued on page 38

Engaging with stakeholders through our Connections Series events

Our aim

MPI launched its Primary Industries Connection Series in 2019, with the aim of proactively strengthening stakeholder relationships through targeted and personalised regional engagement. The first two events were held in Auckland in October 2019 and in Nelson in March 2020. These events provided an opportunity for our senior leaders to meet with our many and varied stakeholders to hear their concerns and discuss MPI's strategy. Further regional events were planned for 2020, but have been postponed due to COVID-19 restrictions.

The outcome

We were pleased with the strong turnout of producers and organisations from across the food and primary industries as well as local leaders, educators and iwi representatives from each region. The inaugural event held in Auckland had around 100 attendees from the Auckland, Northland and Waikato regions. The follow-up event in Nelson had around 140 attendees from across the top of the South Island.

Both events had a theme of regional innovation and sustainability in the food and primary industries. This was reflected by the keynote speaker – food expert and sustainability champion Martin Bosley – as well as through a showcase of innovative, small local

producers and their products in Auckland and Nelson. Products that were showcased included gelato, sheep's milk gin, fermented foods, yoghurt, ice cream and freeze-dried fruit.

The events also gave our senior leaders the opportunity to visit with regional MPI staff and to see our operations in action, such as at the Auckland Airport and mail centre. A number of site visits were also made to local businesses in conjunction with the Nelson event, such as to the iconic Pic's peanut butter factory and A2 milk producer Oakland Farms.

What this means for New Zealanders

Many of the stakeholders who attended these events told us that they found them an excellent forum for connecting with MPI and also for making more industry connections. They also found it useful to hear about what MPI's strategy meant for them in practical terms. Likewise, our senior leaders were able to learn more about what's important for industry stakeholders and build our relationships across the food and primary industries.

MPI Director-General Ray Smith (at right) meeting with food and primary industry producers Julian Raine and Kristy Giles to build industry knowledge and relationships – Nelson.



- + My Food Plan is a tool to help food businesses produce a food safety plan that is tailored to reflect the product a business makes and enables management of any common food safety risks. Because My Food Plan has been checked by MPI, using it saves food businesses time and money associated with checking plans. As at 30 June 2020, My Food Plan had been used by 100 businesses, with total estimated savings to businesses of over \$62,000.
- + Remote verification uses a teleconference call on a smartphone or other device to enable MPI to remotely check that food-related risks are being managed by food businesses. Remote verification is believed to be a world-first for regulatory food safety. It can save food businesses substantial time and reduce costs by up to \$1,500 per verification. An adaptation of the remote verification programme enabled continued verification of food businesses during the COVID-19 lockdown. Due to its success, we are now working on a wider roll-out to a broader range of food businesses and sharing our learnings with those interested in our innovations.

deal with critical food supply shortages affecting New Zealand's most vulnerable communities. This involved two main initiatives:

- + Delivering surplus pork to food banks: Under COVID-19 Alert Levels 4 and 3, independent butchers and restaurants were unable to operate, which led to a backlog of around 37,000 pigs. This threatened to overcrowd farms and create animal welfare issues. To ensure surplus pork was not wasted, the Government agreed to purchase a maximum of 2,000 pig carcasses per week from mid-May though to the end of June 2020. MPI co-ordinated the delivery of pork products across the country and redirected the excess to food bank charities. We partnered with New Zealand Pork, food rescue charity KiwiHarvest and the Ministry of Social Development to overcome the significant logistical challenges over the COVID-19 lockdown period. We ensured successful deliveries to priority groups: iwi, hapū, families and communities affected by COVID-19 in even the most remote rural areas.
- + Fruit and vegetable deliveries: Fresh produce boxes were delivered to those in need, starting during a time when open-air markets and independent retailers (an important source of lower cost produce) were unable to operate, putting produce at risk of being wasted. To address these issues, we worked with United Fresh to procure 100,000 boxes of fresh produce that were then distributed through charity networks, such as food banks, missions and community groups.

Supporting communities hit by the COVID-19 lockdown by supplying food

As part of the COVID-19 response, MPI devised an innovative solution to address the short-term challenge of dealing with an oversupply of pork, fruit and vegetables moving through supply chains and

We help people into the primary industries through scholarships, training, work placements and additional investment. MPI representatives with the Onuku Māori Lands Trust – Mount Tarawera, Rotorua.





GirlBoss mentors (from left): Samra Rizvi, Kaavya Benjamin, Lorraine Kamo, Toni Wi, Peggy Koutsos, Tasha Williams, Rebekah Speake.

Did you know...?

During the COVID-19 lockdown, MPI checked over 400 businesses producing wine, plants, and organic and animal products so they could continue to export.

◆ Partnering with GirlBoss New Zealand to attract young women into the food and primary industries

In 2019/20, MPI and GirlBoss New Zealand, a network for young women, established a partnership to help attract young Māori and Pasifika women to work at MPI and in the food and primary industries. The partnership has enabled the breadth of opportunities within these industries to be showcased through summits within high schools across the country and a 10-day online career accelerator programme called GirlBoss Edge: Primary Industries. These events have provided exposure to the leading female role models in the primary industries, mentoring sessions with MPI people, opportunities to share ideas on a current issue with MPI policy writers, and a forum where likeminded young women can share their passion for a career in the food and primary industries.

On completion of the GirlBoss Edge: Primary Industries programme, 99 percent of the 120 participants reported an increased confidence in pursuing a career in the food and primary industries.

Supporting rural women to launch new business ideas

Through its strategic partnership with Rural Women New Zealand, MPI held an Innovation Activator in November 2019 to help rural women develop and commercialise their innovative ideas. The Activator provided space and support for female entrepreneurs in rural areas to test and develop their business ideas. Some of the business ideas that were developed during the Activator included freeze-dried honey, essential oils and wool clothing. MPI also sponsored the Love of the Land Award part of the NZI Rural Women New Zealand Business Awards 2019, which was held at Parliament.

◆ Helping graduates start a career in the food and primary industries

MPI provides an annual graduate programme to foster innovative thinking in the food and primary industries. In the past 12 months we have rotated 22 graduates through 30 work placements across MPI in a range of locations.

Our 2019/20 graduates had opportunities to get involved in a number of exciting areas, such as:

- ✦ organising the Australia and New Zealand Ministerial Forum on Food Regulation in Christchurch;
- ✦ heading to Antarctica and the Subantarctic Islands of New Zealand as an observer to monitor

commercial tourist operators (cruise vessels) running tours;

- + gaining a full warrant as a Fisheries and Forestry Compliance Officer;
- + being mentors at the Innovation Challenge held at Lincoln University for 80 Young Enterprise Scheme Year-10 students from eight different schools;
- + arranging the 2019 GRA Council meeting in Bali.

Did you know...?

MPI is New Zealand's largest employer of veterinarians, with 200 vets working around the country.

◆ Providing scholarships to grow the food and primary industries

MPI is a major supporter of national and international science efforts through our research funds and involvement in national science challenges and other national science collectives, relationships with Crown research institutes, universities and independent research organisations, and continued funding and support for the GRA.

We are committed to developing the next generation of scientists in the food and primary industries, offering postgraduate science scholarships for master's and doctoral candidates doing primary industry research. The scholarships aim to address current skills and science gaps, and candidates must propose to undertake research relevant to the needs of the food and primary industries.

In 2018, the Minister of Forestry agreed to MPI establishing a forestry scholarship programme to encourage women and Māori to study towards a Bachelor of Forestry Science (BForSc) or a Bachelor of Engineering (Hons) in Forest Engineering. Each year, the Ngā Karahipi Uru Rākau Forestry Scholarships provide recipients with \$8,000 plus a four to 10 week paid internship with Te Uru Rākau or an appropriate forestry sector employer. Six scholarships were awarded in 2019/20, bringing the number of recipients selected since the programme's establishment to 14. The COVID-19 pandemic has not affected the selection of recipients or awarding of scholarships, and a further eight scholarships are available in 2020/21.

Did you know...?

As at 30 June 2020, 11 doctoral and master's students were undertaking research through scholarships awarded by MPI.

◆ Encouraging the creation of positive workplace cultures across government

On 1 July 2019, the Government Health and Safety Lead (GHSL) was formalised as a directorate within MPI, completing its move from the Department of Corrections. The GHSL's role is to increase health and safety capability across government agencies.

In December 2019, our Director-General, in his role as the Government's functional lead for health and safety, launched the Positive Workplace Cultures programme for the public sector, accompanied by the release of an agency planning workbook and change framework. Co-led by MPI and the New Zealand Security Intelligence Service, the programme is aimed at creating workplace cultures that are positive, safe and diverse in the state sector. The framework sets a pathway for government agencies and provides a useful resource that aligns to the model standards of Te Kawa Mataaho – the Public Service Commission.

Over the summer of 2019/20, the GHSL held its third annual summer internship programme, which placed 20 interns across 19 agencies. Following the completion of the programme, six interns secured employment in the public service.



Anna Gordon, MPI Forest and Landuse Senior Adviser, inspecting the Mānuka AGS block in Gore Bay, Canterbury.

Throughout the COVID-19 response, the GHSL supported government agencies as they responded to different COVID-19 alert levels. This included guidance to public service agencies on working from home during the COVID-19 lockdown, managing mental health risks during COVID-19 and returning to work under Alert Level 2.

Teaching young people about the importance of biosecurity

In 2019/20, MPI made efforts to teach New Zealand children about the importance of a strong biosecurity system and the role that all New Zealanders play in protecting the natural environment.

- ✦ In August 2019, over 400 students from Te Papapa School in Ōnehunga spent the day with five MPI Quarantine Officers learning about the importance of the biosecurity system. Following discussions, the children were able to view a display of some of the more interesting seizures of goods made at the border, to understand why the seizures were made.
- ✦ We ran an interactive teaching session on the importance of the Coordinated Incident Management System (CIMS) for attendees of the 22nd New Zealand Scout Jamboree held at Mystery Creek. Jamboree attendees learned how MPI uses CIMS to quickly and effectively respond to biological threats found in New Zealand. Following their participation in the session, and in true Scout spirit, attendees earned themselves a biosecurity protection badge.

Visible Leadership key progress indicators

We track a number of impact indicators so we can monitor whether the work we do is having the desired effect and achieving the longer-term impacts we want to see for New Zealand's food and primary industries. The following indicator tracks our progress against the Visible Leadership outcome.

MPI continues to work in partnership with others to enable the food and primary industries to thrive. This includes working with the public, which is effectively illustrated by a Biosecurity New Zealand goal to encourage more people and businesses to play their part to protect New Zealand from pests and diseases. The success of the brown marmorated stink bug (BMSB) awareness programme in the spring and summer of 2019/20 is a great example. A record number of calls from the public to report findings of BMSB were made to the MPI pest and disease hotline this year helping us in our work to intercept and eradicate these destructive insects.

Indicator	Result
More target groups engage with our preparedness and responsiveness programmes	<p>Strategic Direction 1 of Biosecurity 2025 aims to make every New Zealander a biosecurity risk manager and to get every business to manage its own biosecurity risk. A key example of this with the general public is the success of the BMSB spring–summer 2019/20 awareness programme. This encourages New Zealanders to keep watch for and report any potential sightings of one of the country's most unwanted pests. If the BMSB were to arrive and establish in New Zealand, it would have devastating effects on the horticulture industry (up to \$3.6 billion loss to gross domestic product). The awareness campaign targets the public through digital, print and social media advertising, alongside partnerships with the horticulture industry. The 2019/20 campaign saw a record 1,400 calls to the MPI pest and disease hotline along with the BMSB web page being viewed nearly 45,000 times (an increase of 30 percent on the previous campaign).</p> <p>For businesses, Biosecurity New Zealand, alongside industry, launched the Biosecurity Business Pledge. This encourages businesses to take a more proactive approach to biosecurity by improving the partnership between the Government and businesses. Members pledge to integrate proactive biosecurity practices into their activities and supply chains. The pledge was launched in October 2019 and, as of 30 June 2020, 46 businesses and 20 industry associations had signed it.</p> <p>(Data source: Horticulture New Zealand (2017) <i>Quantifying the economic impacts of a Brown Marmorated Stink Bug incursion in New Zealand: A dynamic Computable General Equilibrium modelling assessment</i>. New Zealand Institute of Economic Research report for Horticulture New Zealand.)</p>

The minimum legal size for black-foot pāua is 125 millimetres for most New Zealand waters, and for yellow-foot pāua it is 80 millimetres. A fisheries officer measuring pāua – Petone, Wellington.

03 Our performance measures Ko ā mātau inenga mahi



Statement of service performance

Ko te tauākī taumata mahi

Vote Agriculture, Biosecurity, Fisheries and Food Safety

Final year-end non-financial performance is recorded in the tables below for MPI's departmental and multi-class appropriations, and in the Ministers' reports for non-departmental appropriations, which are appended to this document (see pages 140–155).

A list of appropriations exempt from non-financial reporting is provided on page 53.

For the financial result by appropriation, go to page 57.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
Development and Implementation of Primary Industries Policy Advice MCA This appropriation is intended to achieve the development and implementation of policies and programmes that support the agriculture sector in being competitive and sustainable.	Reporting on an annual basis	Achieved	Achieved	✓	Achieved
Departmental Output Expenses					
<i>Agriculture: Administration of Grants and Programmes</i> This category is intended to achieve the effective administration of MPI's agricultural grants and programmes activities.	Percentage of funding applications processed within timelines	100%	100%	✓	100%
<i>Animal Welfare: Education and Enforcement</i> This category is intended to achieve the effective provision of education and enforcement to improve animal welfare in New Zealand.	Percentage of priority 1 (Grade 1 – significant/acute) complaints are recorded and responded to within 24 hours Grade 1 complaints refer to the situation where animals are comatose/recumbent, having broken limb, severely injured, receiving aggravated/severe ill treatment, or dying.	95–100%	100%	✓	99%
	Percentage of complex investigations completed within legislative requirements (animal welfare) The result was negatively affected by limited resources at times when we received high volumes of complaints. The number of investigated complex cases increased from 37 in 2018/19 to 49 in 2019/20. More Animal Welfare Inspectors are being recruited to manage the increased workload.	100%	93%	✗	99%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
	<p>Percentage of non-complex investigations completed within 6 months (animal welfare)</p> <p>The result was negatively affected by limited resources at times when we received high volumes of complaints in 2019/20. The number of all cases increased from 1,613 in 2018/19 to 1,822 in 2019/20. More Animal Welfare Inspectors are being recruited to manage the increased workload.</p>	98%	92%	✗	95%
Non-departmental Output Expenses					
<p><i>Agriculture: Climate Change Research</i></p> <p>This category is intended to achieve increased knowledge of agricultural and forestry emissions, mitigation practices, technologies and business opportunities.</p>	<p>Percentage of contracts completed in the financial year that met their contracted outcomes/deliverables</p>	100%	100%	✓	New measure for 2019/20
	<p>Percentage of contracts that are meeting their milestones towards delivering the intended outcomes/deliverables</p>	100%	100%	✓	New measure for 2019/20
	<p>Total number of contracts in place for the financial year</p> <p>This includes all active contracts in 2019/20.</p>	8–15	19	✓	New measure for 2019/20

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
Biosecurity: Border and Domestic Biosecurity Risk Management MCA This appropriation is intended to achieve effective management of biosecurity monitoring and clearance programmes, the development and maintenance of biosecurity risk processes associated with imports and exports and the assessment, containment and possible eradication of suspected organisms. This includes the management of domestic biosecurity surveillance activities.	Reporting on an annual basis	Achieved	Achieved	✓	Achieved
Departmental Output Expenses					
<i>Biosecurity Incursion Response and Long-term Pest Management</i> This category is intended to achieve effective management of the leadership and co-ordination of all activities relating to all biosecurity and food responses, in order to mitigate the adverse impacts of risk organisms.	Industry sign-up of Government Industry Agreements (GIAs) deeds We did not meet the standard for this measure because most industry groups have already signed the GIA Deed. Therefore, this measure is no longer fit for purpose, and has been replaced with a new measure for 2020/21.	5	2	✗	4
<i>Border Biosecurity Monitoring and Clearance</i> This category is intended to achieve the effective clearance of passengers, vessels, mail and goods arriving in New Zealand to prevent exposure of the community and environment to a range of biosecurity risks.	Percentage of international air passengers who comply with biosecurity requirements by the time they leave the airport COVID-19 and the associated border restrictions have seriously affected volumes in the passenger pathway. As a result, the annual compliance monitoring survey that was planned to be delivered in April and May 2020 had to be suspended. If the compliance monitoring survey had continued, the necessary requirements of a random and representative sample would have been compromised. This would also have necessitated our staff spending extended periods of time interacting with passengers and their baggage to carry out the survey, which would also have exposed our staff to further unnecessary health risks.	98.50%	Not assessed	—	99%
	Percentage of international mail that complies with biosecurity requirements by the time it leaves the International Mail Centre	99%	99.4%	✓	99.78%
	Percentage of import clearance processes completed within agreed timeframes Industry standard timeframes are: Air Cargo 80% processed within 3 hours and 95% processed within 5 hours. Sea Cargo 80% processed within 21 hours and 95% processed within 30 hours.	80%	78%	✗	32%
	Number of identified and mitigated biosecurity risks resulting from targeted evaluations of imported goods	10,000–12,000	11,052	✓	13,543

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
<p><i>Border Biosecurity Systems Development and Maintenance</i></p> <p>This category is intended to achieve the effective maintenance of New Zealand's biosecurity system that prevents the introduction and establishment of serious notifiable organisms through manageable pathways.</p>	<p>From a total of around 68,000 export certificates issued annually, the percentage of certificates issued that meet biosecurity and phytosanitary technical requirements of overseas competent authorities</p> <p>"Overseas competent authorities" is a World Trade Organization term that defines a specific group of authorities.</p>	99%	99.3%	✓	99.70%
	<p>Percentage of World Organisation for Animal Health and International Plant Protection Convention standards that are adopted by New Zealand</p>	90%	100%	✓	100%
<p><i>Domestic Biosecurity Surveillance</i></p> <p>This category is intended to achieve effective management of the information received from the public, industry and the scientific community about suspected exotic pests or diseases. It also includes the collection, sampling and testing of organisms suspected of carrying or being infected with a potential biosecurity risk.</p>	<p>ISO 17025 accreditation maintained for all laboratory processing, testing and reporting</p>	100%	100%	✓	100%
	<p>Percentage of incursion investigations reach an outcomes decision within specified timeframes</p> <p>The timeframe is 30 days.</p>	80%	81%	✓	74%
	<p>With any suspected high-risk or serious pest or disease notification, the investigation starts within 24 hours of notification</p>	100%	99.75%	✗	100%
	<p>No export markets are closed due to the standard of MPI's active surveillance programmes</p>	Nil	Nil	✓	Nil
	<p>Specifically targeted pests or diseases are detected early enough to enable effective risk management interventions</p>	100%	100%	✓	100%
<p><i>Response to Mycoplasma bovis</i></p> <p>This category is intended to achieve the effective eradication and long-term management of <i>Mycoplasma bovis</i>.</p>	<p>Percentage of farms whose Restricted Place notices are revoked within 140 days of placement</p> <p>This measure excludes all farms that are under phased eradication or have restricted the ability for MPI to revoke the Restricted Place notice, for example, refusing testing.</p>	80%	89%	✓	79%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
Non-departmental Output Expenses					
<i>Biosecurity: Control of Bovine tuberculosis</i> This category is intended to achieve the effective management of the Crown's contribution to TBfree's vector control programme.	Number of cumulative hectares (within +/- 5%) where eradication has been achieved reclassified as vector-free from vector risk The reduction of 0.44 million hectares is due primarily to a more conservative approach being taken with the proof-of-freedom evaluation process, which is used for reclassifying land as vector-free from vector risk. The reason for taking a more conservative approach was the result of the 2019/20 Hawke's Bay tuberculosis outbreak. This measure will be reviewed in 2020/21. Cumulative hectares refer to the number of hectares that were revoked of Vector Risk Area status from the vector control zones in 2019/20. As both the target and the result are annual, we will remove the word "cumulative" from the title wording through the Supplementary Estimates 2020/21 process to avoid misinterpretation.	1.2 million	0.44 million	✗	2.29 million
	Annual period prevalence of infected cattle and deer herds as a % of herds	0.30%	0.08%	✓	0.07%
Non-departmental Other Expenses					
<i>Biosecurity: Compensation and Ex Gratia Following a Biosecurity Event</i> This category is intended to achieve the financing of expenditure incurred by MPI as a result of compensation and ex gratia payments arising from biosecurity events.	All claims are acknowledged within 3 working days of receipt	90%	90%	✓	98.50%
<i>Compensation in Response to Mycoplasma bovis</i> This category is intended to achieve compensation and ex gratia payments relating to actions taken to manage <i>Mycoplasma bovis</i> under the Biosecurity Act 1993.	Percentage of non-complex compensation claims where a payment has been made within 30 working days of receipt of a claim Non-complex claims include those for stock destruction (surveillance/testing purposes, or depopulation of an infected property) where an exercise of power has directed the destruction of a claimant's cattle.	80%	89%	✓	67%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
Development and Implementation of Primary Industries Policy Advice MCA This appropriation is intended to achieve the development, provision and implementation of policy advice relating to agriculture, biosecurity, fisheries management and food safety.	The average satisfaction of the Ministers with MPI policy advice services, on a scale of 1 to 10, will be equal to or greater than	8	8.69	✓	New measure for 2019/20
Departmental Output Expenses					
<i>Agriculture: Implementation of Policy Advice and Ministerial Servicing</i> This category is intended to achieve the implementation of policy advice relating to agriculture matters and ministerial servicing.	The number of new Māori-focused extension clusters in the financial year under the Productive and Sustainable Land Use programme will be	Minimum 2	6	✓	New measure for 2019/20
	The number of farmers involved in extension clusters in the financial year under the Productive and Sustainable Land Use regional extension projects will be between	500–1,000	800	✓	New measure for 2019/20
<i>Implementation of Policy Advice and Ministerial Servicing (Agriculture, Animal Welfare, Biosecurity, Food Safety)</i> This category is intended to achieve the implementation of policy advice relating to agriculture/animal welfare, biosecurity and food safety matters and ministerial servicing.	Percentage of ministerial requests from the Minister of Agriculture/Biosecurity/Food Safety completed to agreed standards	Agriculture 95%	96%	✓	98%
		Animal Welfare 95%	100%	✓	96%
		Biosecurity 95%	93%	✗	92%
		Food Safety 95%	95%	✓	97%
	The impact of COVID-19 caused delays in the collation of information and in the sign-out process. The agreed standards for ministerial requests are: + Ministerial Letters (20 working days); + Written Parliamentary Questions (four working days); + Ministerial Official Information Act (OIA) requests (draft to the Minister in 15 working days); + Minister-requested briefing papers and memos (timeframes differ on request).				
	Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes	Agriculture 95%	91%	✗	88%
		Animal Welfare 95%	95%	✓	92%
		Biosecurity 95%	95%	✓	94%
		Food Safety 95%	96%	✓	99%
	The impact of COVID-19 caused delays in the collation of information and in the sign-out process.				

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
<p><i>Policy Advice (Agriculture, Animal Welfare, Biosecurity, Fisheries, Food Safety)</i></p> <p>This category is intended to achieve the development and provision of policy advice relating to agriculture/animal welfare/biosecurity (including contributing to policy advice led by other agencies)/fisheries/food safety matters.</p>	The technical quality assessment for MPI policy advice papers, on a scale of 1 to 10, will be equal to or greater than	Agriculture 7	7.58	✓	7.7
		Animal Welfare 7	7.58	✓	7.7
		Biosecurity 7	7.58	✓	7.7
		Fisheries 7	7.58	✓	7.7
		Food Safety 7	7.58	✓	7.7
	Please note that the survey has been changed from a 10-point to a 5-point scale, to align with the recommended public service wide approach led by Department of the Prime Minister and Cabinet (DPMC). We have adjusted the 2019/20 results to allow comparisons with previous years using a 10-point scale. For reporting on 2020/21, the new 5-point scale and standard will be amended through the Supplementary Estimates 2020/21.				
	The satisfaction of the Minister of Agriculture/Biosecurity/Fisheries/Food Safety with the policy advice service, on a scale of 1 to 10, will be equal to or greater than	Agriculture 8	8.17	✓	8.5
		Animal Welfare 8	8.67	✓	8
		Biosecurity 8	8.22	✓	8
		Fisheries 8	9.56	✓	7
Food Safety 8		8.84	✓	8	
Please note that the survey has been changed from a 10-point to a 5-point scale to align with the recommended public service wide approach led by the DPMC. We have adjusted the 2019/20 results to allow comparisons with previous years using a 10-point scale. For reporting on 2020/21, the new 5-point scale and standard will be amended through the Supplementary Estimates 2020/21.					
<p><i>Operational Advice on Sustainability and Management Controls in Fisheries</i></p> <p>This category is intended to achieve the development and provisions of operational advice for the sustainable management of New Zealand's fisheries.</p>	The Minister of Fisheries rates the quality of fisheries operational advice provided as 8 or better on the scale of 1 to 10 via discussion with MPI officials	Achieved	Achieved	✓	New measure for 2019/20
<p><i>Trade and Market Access Primary Industries</i></p> <p>This category is intended to achieve the development and implementation of government interventions and arrangements that influence and facilitate trade in primary products.</p>	Percentage of priority items progressed for the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	75%	87%	✓	90%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
Fisheries: Managing the Resource Sustainably MCA This appropriation is intended to achieve the sustainable use of fisheries resources and protection of the aquatic environment.	The percentage of scientifically evaluated fish stocks with no sustainability issues are at or above 80%	Achieved	Achieved (82%)	✓	New measure for 2019/20
Departmental Output Expenses					
<i>Fisheries Enforcement and Monitoring</i> This category is intended to achieve the adherence to New Zealand fisheries law.	Percentage of commercial operators inspected are found to be voluntarily compliant We completed 1,459 commercial inspections in 2019/20.	80–90%	89.6%	✓	89.7%
	Percentage of recreational fishers inspected are found to be voluntarily compliant	90–95%	95%	✓	94%
	Percentage of serious offenders do not reoffend within the next year	95%	93%	✗	99%
	Percentage of complex investigations completed within legislative requirements Due to the new processes of digital and electronic monitoring, we were able to better detect non-compliance. This led to an increase in workload, in both case number and case complexity.	100%	97%	✗	99%
	Percentage of non-complex investigations completed within 6 months The standard was not met because the cases included the first cases received through the new electronic monitoring system. These have taken longer than other types of cases where the process has already been tested.	95%	93%	✗	89%
	Percentage of Planned Days that Fisheries Observers are at sea Fisheries New Zealand places observers on vessels commercially fishing in New Zealand waters and the high seas, if landing to New Zealand. COVID-19 has affected the number of observers on boats in the April–June 2020 period. However, because we were well above the year-to-date target in April, we still met the standard at the end of the year.	90%	96%	✓	New measure for 2019/20
<i>Fisheries Management</i> This category is intended to achieve the implementation of policy advice relating to fisheries matters and ministerial servicing.	Percentage of ministerial requests from the Minister of Fisheries completed to agreed standards The agreed standards for ministerial requests are: + Ministerial Letters (20 working days); + Written Parliamentary Questions (four working days); + Ministerial OIAs (draft to the Minister in 15 working days); + Minister-requested briefing papers and memos (timeframes differ on request).	95%	98%	✓	98%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20			2018/19
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
	<p>Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes</p> <p>The impact of COVID-19 caused delays in the collation of information and in the sign-out process.</p>	95%	90%	✗	95%
	<p>Percentage of the Crown's obligations to Māori is delivered</p> <p>This measure was not met due to delays relating to COVID-19, for example, iwi forums were postponed/not attended, notification in the <i>New Zealand Gazette</i> was delayed, or we were unable to monitor customary fisheries to the same extent as under non-COVID-19 conditions.</p> <p>MPI has established work programmes to meet the Crown's obligations to Māori. The standard will be met if all work programmes are carried out.</p>	100%	92%	✗	97%
	<p>Ministerial decisions made on sustainability rounds are implemented within agreed timeframes</p> <p>Fisheries New Zealand provides advice to the Minister of Fisheries, who then makes the decisions on allowable catch levels for the coming year. The formal Gazette notice of these decisions needs to happen before 1 April and 1 October respectively (the start of the respective fishing seasons).</p>	Achieved	Achieved	✓	New measure for 2019/20
<i>Fisheries: Administration of Grants and Programmes</i>	<p>Percentage of funding applications processed within timelines</p> <p>This category is intended to achieve the effective administration of MPI's fisheries grants and programme activities.</p>	100%	n/a	—	n/a
<i>Fisheries: Aquaculture</i>	<p>The annual Aquaculture Strategy Implementation Plan is completed</p> <p>Progress and publication of the first Aquaculture Strategy Implementation Plan was paused in March 2020 due to the impacts of COVID-19, and work was prioritised on helping the aquaculture sector to adjust and manage through the lockdown period. An updated implementation plan for the 2020/21 financial year is now being finalised.</p> <p>The Aquaculture Strategy Implementation Plan is a multi-agency plan that includes MPI deliverables for the year ahead. To achieve this standard, the first plan should have been completed in 2019/20. A new plan will be developed for each subsequent year.</p>	Achieved	Not Achieved	✗	New measure for 2019/20
	<p>Percentage of annual Aquaculture Strategy Implementation Plan deliverables for MPI completed</p> <p>Progress and publication of the first Aquaculture Strategy Implementation Plan was paused in March 2020 due to the impacts of COVID-19, and work was prioritised on helping the aquaculture sector to adjust and manage through the lockdown period. An updated implementation plan for the 2020/21 financial year is now being finalised. Because the Aquaculture Strategy Implementation Plan was not completed (published), we did not measure delivery against that plan in 2019/20.</p>	80%	0%	✗	New measure for 2019/20
	<p>Aquaculture obligations to Māori are delivered by statutory deadline</p> <p>The Aquaculture obligations to Māori in 2019/20 were: a signed Māori Commercial New Space Aquaculture Regional Agreement for the Southland Region for completion by 31 May 2020, and the conclusion of a review of the Māori Commercial Aquaculture New Space Plan by 30 June 2020.</p>	Achieved	Achieved	✓	New measure for 2019/20

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20			2018/19
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
Food Safety: Protecting Consumers MCA This appropriation is intended to provide assurances, standards, information and response activities that protect consumers from foodborne diseases, as well as maintaining and enhancing New Zealand's reputation as a trusted supplier of safe and suitable food.	Reporting on an annual basis	Achieved	Achieved	✓	Achieved
Departmental Output Expenses					
<i>Food Safety: Assurance</i> This category is intended to achieve effective administration and management of New Zealand's food assurance systems.	Percentage of overseas markets maintained after overseas audits	100%	100%	✓	100%
	From a total of nearly 200,000 export certificates issued annually, the number rejected due to verification error	5 or fewer	2	✓	4
	Percentage of customers who participate in a satisfaction survey rate overall verification service as 4 or higher (satisfaction rating –1 represents very dissatisfied to 5, which represents very satisfied)	80%	Not assessed	—	81%
<i>Food Safety: Information</i> This category is intended to achieve effective provision of information programmes related to general food safety and the food regulations.	Food safety information is provided, in line with programmes	Achieved	Achieved	✓	Achieved
<i>Food Safety: Response</i> This category is intended to achieve the effective administration and management of responsibilities linked to food-related incidents, emergencies, complaints and suspected breaches of food legislation.	Percentage of complex investigations completed within legislative requirements	100%	100%	✓	100%
	Percentage of non-complex investigations completed within 6 months	95%	97%	✓	92%
	Percentage of food recalls completed and closed within 60 days The standard for food recalls completed within 60 days was not met due to delays in getting the required information (e.g., how recalled product has been disposed of) from food businesses. These delays occurred due to unavailability over the Christmas holiday period and during the national COVID-19 lockdown.	100%	94%	✗	91%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
	Percentage of serious complaints that are recorded and responded to within 24 hours of notification to MPI The Food Safety Compliance team responded to 87 serious food complaints in 2019/20. We received a total of 751 food complaints over the year.	95–100%	100%	✓	100%
<i>Food Safety: Standards</i> This category is intended to achieve the effective administration of food standards, including those related to food production – ensuring standards are in place to manage industry compliance.	From a total of nearly 200,000 export certificates issued annually, the percentage of certificates issued that meet food safety technical requirements of overseas competent authorities "Overseas competent authorities" is a World Trade Organization term that defines a specific group of authorities.	99%	100%	✓	100%
<i>Food Safety: Trade and Market Access</i> <i>Food Safety</i> This category is intended to achieve the development and implementation of activities, frameworks and arrangements that influence and facilitate the food-related safety aspects of trade in primary products.	Percentage of priority items progressed for the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	75%	87%	✓	90%

Exempt appropriations in Vote Agriculture, Biosecurity, Fisheries and Food Safety

The following non-departmental appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(ii) of the Public Finance Act 1989, as this information is unlikely to be informative because this appropriation is solely for payments made in accordance with statutory requirements:

- + Fisheries: Aquaculture Settlements.

The following non-departmental appropriations are exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act 1989 because their annual amount is less than \$5 million:

- + Agriculture: Programmes Supporting Sustainability – Agriculture: Adverse Climatic Events;
- + Agriculture: Rural Veterinarians Bonding Scheme;
- + Fisheries: Managing the Resource Sustainably – Fisheries Quota Shares and Annual Catch Entitlement Administration Costs;
- + Fisheries: Provision for Fisheries Debt Write Downs;
- + Food Safety: Protecting Consumers – Food Safety Science and Research;
- + Food Safety: Protecting Consumers – Joint Food Safety Setting Treaty;
- + Subscriptions to International Organisations;
- + Support for Walking Access.

Statement of service performance

Ko te tauākī taumata mahi

Vote Forestry

Final year-end non-financial performance is recorded below for MPI's departmental and multi-class appropriations, and in the Ministers' reports for non-departmental appropriations, which are appended to this document (see pages 140–155).

Vote Forestry		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
Growth and Development of the Forestry Sector MCA	Reporting on an annual basis	Achieved	Achieved	✓	Achieved
This appropriation is intended to support the growth and development of the forestry sector.					
Departmental Output Expenses					
Forestry: Administration of Grants and Programmes	Percentage of One Billion Trees funding applications processed within timelines	100%	49%	✗	100%
This category is intended to achieve the effective administration and management of the Crown's interest in forests and forestry-related assets, and the purchase of forestry operation, management services and related forest asset expenditure for the Crown Forest Estate.		This standard was not met because applications took longer to process and assess than originally anticipated. Applications can involve multiple iterations and several assessments. Several processes have been improved, which is intended to result in reduced time to make decisions. These include: boosting Geographic Information System capacity, having two teams provide technical forestry assessments of applications, and streamlining the recommendation process. We expect to see an improvement to processing times in 2020/21 due to these improvements.			
Forestry: Implementation of Policy Advice and Ministerial Servicing	Percentage of ministerial requests from the Minister of Forestry completed to agreed standards	95%	96%	✓	92%
This category is intended to achieve the implementation of policy advice relating to forestry matters and Ministerial services.		The agreed standards for ministerial requests are: + Ministerial Letters (20 working days); + Written Parliamentary Questions (four working days); + Ministerial OIAs (draft to the Minister in 15 working days); + Minister-requested briefing papers and memos (timeframes differ on request).			
	Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes	95%	91%	✗	94%
		The impact of COVID-19 caused delays in the collation of information and in the sign-out process.			
	Percentage of emissions returns for post-1989 forest land registered in the ETS are verified for accuracy of the unit being claimed	100%	100%	✓	100%

Vote Forestry		2019/20			2018/19
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
	Percentage of pre-approval inspections are undertaken to verify the information submitted in annual logging plans	100%	100%	✓	100%
<p><i>Forestry: Management of the Crown's Forestry Assets</i></p> <p>This category is intended to achieve the effective administration and management of the Crown's interest in forests and forestry-related assets.</p>	<p>The number of hectares of the Crown's forestry assets divested via a surrender or sale process</p> <p>This standard was not met because the surrender area at Rotoaira Forest (one of the Crown's Māori lease forests) was lower than anticipated. We had planned to surrender up to 400 hectares of this forest in 2019/20, but some areas had not been logged, and therefore it was not ready for surrender in time. We expect to meet the standard in 2020/21.</p>	1,300ha	986ha	✗	1,388ha
	Percentage of forest management activities comply with all statutory requirements, lease agreements and other contractual arrangements as assessed by annual independent review of a sample of forests	100%	100%	✓	100%
	<p>Percentage of costs and revenues are consistent with industry norms as assessed by annual independent review of a sample of forests</p> <p>An independent management review takes place every year. The purpose is to demonstrate to stakeholders via an independent third-party review that Crown Forestry is meeting its required forest management performance measures in respect of the forests subject to review.</p>	100%	100%	✓	100%
	<p>Number of hectares contracted under commercial forest leases or forestry joint ventures as part of the One Billion Trees programme</p> <p>We have experienced delays in times required to conclude joint ventures on Māori land and due to the COVID-19 pandemic.</p> <p>The Minister of Forestry and Minister of Finance have since extended the timeframe to complete the Joint Venture Programme to 30 June 2021. Consistent with this, Crown Forestry will be targeting the remaining 3,342 hectares (8,500 minus 5,158) of forestry joint ventures for the 2020/21 financial year.</p>	8,500ha	5,158ha	✗	11,844ha
<p><i>Forestry: Policy Advice</i></p> <p>This category is intended to achieve the development and provision of policy advice relating to forestry matters.</p>	<p>The technical quality assessment level for MPI policy advice papers, on a scale of 1 to 10, will be equal to or greater than</p> <p>Please note that the survey has been changed from a 10-point to a 5-point scale to align with the recommended public service wide approach led by the DPMC. We have adjusted the 2019/20 results to allow comparisons with previous years using a 10-point scale. For reporting on 2020/21, the new 5-point scale and standard will be amended through the Supplementary Estimates 2020/21.</p>	7	7.58	✓	7.7

Vote Forestry		2019/20		2018/19	
Appropriations	Output performance measures	Standard	Actual	Standard met?	Actual
	<p>The satisfaction of the Minister of Forestry with the policy advice service, on a scale of 1 to 10, will be equal to or greater than</p> <p>Please note that the survey has been changed from a 10-point to a 5-point scale to align with the recommended public service wide approach led by the DPMC. We have adjusted the 2019/20 results to allow comparisons with previous years using a 10-point scale. For reporting on 2020/21, the new 5-point scale and standard will be amended through the Supplementary Estimates 2020/21.</p>	8	8	✓	8.5
Non-departmental Output Expenses					
<p><i>Forestry: Operational Management of the Crown's Forests</i></p> <p>This category is intended to achieve the effective purchase of forestry operations, management services, research and related forest asset expenditure including expenditure related to asset divestment.</p>	<p>Cubic metres (m³) of logs harvested and sold, on behalf of the Crown, from the Crown Forestry Estate, to within +/-10% in 2019/20</p> <p>Our ability to meet the standard for this measure was significantly affected by the COVID-19 pandemic, which led to difficult trading conditions in export log markets and harvest operations being restricted during Alert Level 4. We plan to recommence normal logging operations during 2020/21.</p>	852,000m³	733,972m³	✗	772,222m³
Non-departmental Other Expenses					
<p><i>Forestry: Grants and Partnerships Programmes</i></p> <p>The category is intended to achieve effective provision of grant funding and partnership agreements to stimulate growth in the forestry sector and promote sustainable land use.</p>	<p>The number of hectares of trees contracted for planting through One Billion Trees grants</p> <p>The value of partnerships committed</p> <p>The standard was not met due to \$6.5 million projects being amended and renegotiated in June 2020 (change to scope and scale that required further approval) and delays in obtaining approval for a small number of other projects in the same month. These approvals were made up in July and August and the fund is back on target. We are replacing this measure next year to better align with the output reporting of the direct landowner grants.</p>	14,000ha \$35 million	17,121ha \$26 million	✓ ✗	751ha \$35 million
<p><i>Forestry: Hill Country Erosion Fund</i></p> <p>This category is intended to achieve effective provision of projects that protect erosion-prone hill country.</p>	<p>The number of hectares treated through Hill Country Erosion Funding in 2019/20</p>	4,700ha	5,452ha	✓	New measure for 2019/20
Non-departmental Capital Expenditure					
<p><i>Forestry: Capital Investment in the Crown's Forestry Assets</i></p> <p>This category is intended to achieve the effective purchase or planting of the Crown's forestry assets.</p>	<p>Hectares of Crown Forestry contracted for planting over the 2020 planting season</p> <p>Planting operations generally take place during the winter months of June, July and August. Reporting on the area contracted for planting can be challenging, given the planting season spans two financial years.</p> <p>For example: the 2018/19 SPM target for the 2019 planting season was 7,000 hectares. As at 30 June 2019, 7,019 hectares were contracted and reported. However, by the end of the 2019 season, a total of 10,220 hectares were contracted and planted.</p> <p>The 2019/20 SPM target for the 2020 planting season was 4,000 hectares. As at 30 June 2020, 3,176 hectares were contracted and a shortfall of 824 hectares was reported. Contributing to this shortfall was the impact of COVID-19 on operations as well as the fact that the 2019 season target was exceeded by 3,200 hectares. Prioritising this land for planting in 2019 reduced the area contracted and available for planting during the 2020 season.</p>	4,000ha	3,177ha	✗	7,019ha

Vote Agriculture, Biosecurity, Fisheries and Food Safety

Output Class – Agriculture: Programmes Supporting Sustainability

Revenue and output expenses				
Actual June 2019 \$000		Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
Revenue Crown				
7,186	Agriculture: Administration of Grants and Programmes	12,362	7,834	12,362
6,774	Animal Welfare: Education and Enforcement	15,701	10,352	15,701
13,960	Total revenue Crown	28,063	18,186	28,063
Revenue other				
158	Agriculture: Administration of Grants and Programmes	52	117	59
153	Animal Welfare: Education and Enforcement	144	6	46
311	Total revenue other	196	123	105
14,271	Total revenue	28,259	18,309	28,168
Expenses				
6,748	Agriculture: Administration of Grants and Programmes	5,874	7,951	12,421
6,735	Animal Welfare: Education and Enforcement	15,344	10,358	15,747
13,483	Total expenses	21,218	18,309	28,168
Surplus/[deficit]				
596	Agriculture: Administration of Grants and Programmes	6,540	–	–
192	Animal Welfare: Education and Enforcement	501	–	–
788	Total surplus/[deficit]	7,041	–	–

Output Class – Biosecurity: Border and Domestic Biosecurity Risk Management

Revenue and output expenses				
Actual June 2019 \$000		Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
Revenue Crown				
3,942	Border Biosecurity Monitoring and Clearance	7,187	4,116	7,187
13,365	Border Biosecurity Systems Development and Maintenance	16,708	18,789	16,708
46,642	Biosecurity Incursion Response and Long Term Pest Management	53,442	39,741	53,442
50,060	Domestic Biosecurity Surveillance	44,423	55,814	44,423
140,332	Response to <i>Mycoplasma bovis</i>	138,462	68,500	138,462
254,341	Total revenue Crown	260,222	186,960	260,222
Revenue other				
104,637	Border Biosecurity Monitoring and Clearance	90,558	128,908	127,107
6,434	Border Biosecurity Systems Development and Maintenance	7,795	6,362	7,568
1,026	Biosecurity Incursion Response and Long Term Pest Management	379	775	1,026
2,216	Domestic Biosecurity Surveillance	2,387	1,360	4,836
11,261	Response to <i>Mycoplasma bovis</i>	200	–	9
125,574	Total revenue other	101,319	137,405	140,546
379,915	Total revenue	361,541	324,365	400,768
Expenses				
127,497	Border Biosecurity Monitoring and Clearance	129,418	133,024	134,294
21,584	Border Biosecurity Systems Development and Maintenance	21,220	25,151	24,276
46,626	Biosecurity Incursion Response and Long Term Pest Management	48,294	40,516	54,468
52,740	Domestic Biosecurity Surveillance	46,529	57,174	49,259
137,451	Response to <i>Mycoplasma bovis</i>	148,935	68,500	138,471
385,898	Total expenses	394,396	324,365	400,768
Surplus/[Deficit]				
(18,918)	Border Biosecurity Monitoring and Clearance	(31,673)	–	–
(1,785)	Border Biosecurity Systems Development and Maintenance	3,283	–	–
1,042	Biosecurity Incursion Response and Long Term Pest Management	5,527	–	–
(464)	Domestic Biosecurity Surveillance	281	–	–
14,142	Response to <i>Mycoplasma bovis</i>	(10,273)	–	–
(5,983)	Total surplus/[deficit]	(32,855)	–	–

Output Class – Development and Implementation of Primary Industries Policy Advice

Revenue and output expenses				
	Actual June 2019 \$000	Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
Revenue Crown				
4,586	Biosecurity Policy Advice	4,590	5,597	4,590
11,026	Fisheries Policy Advice	13,637	13,594	13,637
34,204	Operational Advice on Sustainability and Management Controls in Fisheries	37,813	31,935	37,813
13,269	Implementation of Biosecurity Policy Advice	18,529	20,007	18,529
14,459	Trade and Market Access Primary Industries	16,603	17,206	16,603
4,112	Animal Welfare: Implementation of Policy Advice and Ministerial Servicing	4,218	3,782	4,218
1,358	Animal Welfare Policy Advice	1,398	1,489	1,398
17,044	Agriculture: Implementation of Policy Advice and Ministerial Servicing	31,838	26,294	31,838
25,923	Agriculture: Policy Advice	28,931	28,166	28,931
4,891	Food Safety: Development of Policy Advice	6,721	6,442	6,721
2,258	Food Safety: Implementation of Policy Advice and Ministerial Servicing	2,045	3,020	2,045
133,130	Total revenue Crown	166,323	157,532	166,323
Revenue other				
29	Biosecurity Policy Advice	29	10	13
616	Fisheries Policy Advice	698	122	592
161	Operational Advice on Sustainability and Management Controls in Fisheries	245	194	294
27	Implementation of Biosecurity Policy Advice	23	4	8
1,221	Trade and Market Access Primary Industries	1,243	–	106
65	Animal Welfare: Implementation of Policy Advice and Ministerial Servicing	49	3	17
18	Animal Welfare Policy Advice	22	5	19
1,145	Agriculture: Implementation of Policy Advice and Ministerial Servicing	570	82	997
542	Agriculture: Policy Advice	372	102	431
67	Food Safety: Development of Policy Advice	177	27	282
163	Food Safety: Implementation of Policy Advice and Ministerial Servicing	463	27	30
4,054	Total revenue other	3,891	576	2,789
137,184	Total revenue	170,214	158,108	169,112
Expenses				
4,337	Biosecurity Policy Advice	4,035	5,607	4,603
10,644	Fisheries Policy Advice	11,680	13,716	14,229
30,614	Operational Advice on Sustainability and Management Controls in Fisheries	36,629	32,129	38,107
11,860	Implementation of Biosecurity Policy Advice	7,187	20,011	18,537

Revenue and output expenses

Actual June 2019 \$000		Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
14,448	Trade and Market Access Primary Industries	16,002	17,206	16,709
3,912	Animal Welfare: Implementation of Policy Advice and Ministerial Servicing	4,260	3,785	4,235
1,326	Animal Welfare Policy Advice	1,495	1,494	1,417
16,633	Agriculture: Implementation of Policy Advice and Ministerial Servicing	29,959	26,376	32,835
24,286	Agriculture: Policy Advice	25,465	28,268	29,362
5,160	Food Safety: Development of Policy Advice	6,108	6,469	7,003
3,058	Food Safety: Implementation of Policy Advice and Ministerial Servicing	2,185	3,047	2,075
126,278	Total expenses	145,005	158,108	169,112
Surplus/[deficit]				
278	Biosecurity Policy Advice	584	-	-
998	Fisheries Policy Advice	2,655	-	-
3,751	Operational Advice on Sustainability and Management Controls in Fisheries	1,429	-	-
1,436	Implementation of Biosecurity Policy Advice	11,365	-	-
1,232	Trade and Market Access Primary Industries	1,844	-	-
265	Animal Welfare: Implementation of Policy Advice and Ministerial Servicing	7	-	-
50	Animal Welfare Policy Advice	(75)	-	-
1,556	Agriculture: Implementation of Policy Advice and Ministerial Servicing	2,449	-	-
2,179	Agriculture: Policy Advice	3,838	-	-
(202)	Food Safety: Development of Policy Advice	790	-	-
(637)	Food Safety: Implementation of Policy Advice and Ministerial Servicing	323	-	-
10,906	Total surplus/[deficit]	25,209	-	-

Output Class – Fisheries: Managing the Resource Sustainably

Revenue and output expenses				
	Actual June 2019 \$000	Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
Revenue Crown				
47 Fisheries: Administration of Grants and Programmes		265	290	265
3,865 Fisheries: Aquaculture		3,675	4,181	3,675
37,711 Fisheries Enforcement and Monitoring		46,330	43,410	46,330
11,567 Fisheries Management		12,179	13,852	12,179
53,190 Total revenue Crown		62,449	61,733	62,449
Revenue other				
– Fisheries: Administration of Grants and Programmes		–	1	1
140 Fisheries: Aquaculture		57	74	74
2,603 Fisheries Enforcement and Monitoring		2,692	1,912	2,903
101 Fisheries Management		156	875	875
2,844 Total revenue other		2,905	2,862	3,853
56,034 Total revenue		65,354	64,595	66,302
Expenses				
50 Fisheries: Administration of Grants and Programmes		228	291	266
3,632 Fisheries: Aquaculture		3,254	4,255	3,749
41,326 Fisheries Enforcement and Monitoring		46,968	45,322	49,233
10,801 Fisheries Management		11,564	14,727	13,054
55,809 Total expenses		62,014	64,595	66,302
Surplus/[deficit]				
(3) Fisheries: Administration of Grants and Programmes		37	–	–
373 Fisheries: Aquaculture		478	–	–
(1,012) Fisheries Enforcement and Monitoring		2,054	–	–
867 Fisheries Management		771	–	–
225 Total surplus/[deficit]		3,340	–	–

Output Class – Food Safety: Protecting Consumers

Revenue and output expenses				
Actual June 2019 \$000		Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
Revenue Crown				
4,763	Food Safety: Assurance	4,500	744	4,500
3,547	Food Safety: Information	4,722	4,281	4,722
5,260	Food Safety: Response	7,512	4,930	7,512
11,655	Food Safety: Standards	9,929	10,377	9,929
3,975	Food Safety: Trade and Market Access Food Safety	3,939	5,304	3,939
29,200	Total revenue Crown	30,602	25,636	30,602
Revenue other				
59,943	Food Safety: Assurance	59,136	73,823	68,243
147	Food Safety: Information	166	2	2
134	Food Safety: Response	61	360	360
9,457	Food Safety: Standards	8,707	10,947	12,484
1,422	Food Safety: Trade and Market Access Food Safety	1,127	2,066	2,207
71,103	Total revenue other	69,197	87,198	83,296
100,303	Total revenue	99,799	112,834	113,898
Expenses				
68,464	Food Safety: Assurance	68,613	74,567	72,743
3,828	Food Safety: Information	3,790	4,283	4,724
5,575	Food Safety: Response	6,643	5,290	7,872
18,797	Food Safety: Standards	19,394	21,324	22,413
5,418	Food Safety: Trade and Market Access Food Safety	5,162	7,370	6,146
102,082	Total expenses	103,602	112,834	113,898
Surplus/[deficit]				
(3,758)	Food Safety: Assurance	(4,977)	–	–
(134)	Food Safety: Information	1,098	–	–
(181)	Food Safety: Response	930	–	–
2,315	Food Safety: Standards	(758)	–	–
(21)	Food Safety: Trade and Market Access Food Safety	(96)	–	–
(1,779)	Total surplus/[deficit]	(3,803)	–	–

Vote Forestry

Output Class – Forestry: Administration of Grants and Programmes

Revenue and output expenses				
	Actual June 2019 \$000	Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
Revenue Crown				
12,315 Forestry: Administration of Grants and Programmes		10,837	15,238	10,837
9,685 Forestry: Implementation of Policy Advice and Ministerial Servicing		19,889	17,234	19,889
2,353 Forestry: Management of the Crown's Forestry Assets		2,478	2,596	2,478
9,182 Forestry: Policy Advice		10,852	8,098	10,852
33,535 Total revenue Crown		44,056	43,166	44,056
Revenue other				
163 Forestry: Administration of Grants and Programmes		68	104	104
166 Forestry: Implementation of Policy Advice and Ministerial Servicing		239	32	76
5 Forestry: Management of the Crown's Forestry Assets		23	116	116
166 Forestry: Policy Advice		458	19	217
500 Total revenue other		788	271	513
34,035 Total revenue		44,844	43,437	44,569
Expenses				
10,855 Forestry: Administration of Grants and Programmes		10,145	15,342	10,941
9,014 Forestry: Implementation of Policy Advice and Ministerial Servicing		16,987	17,266	19,965
2,197 Forestry: Management of the Crown's Forestry Assets		1,838	2,712	2,594
8,819 Forestry: Policy Advice		9,648	8,117	11,069
30,885 Total expenses		38,618	43,437	44,569
Surplus/[deficit]				
1,623 Forestry: Administration of Grants and Programmes		760	–	–
837 Forestry: Implementation of Policy Advice and Ministerial Servicing		3,141	–	–
161 Forestry: Management of the Crown's Forestry Assets		663	–	–
529 Forestry: Policy Advice		1,662	–	–
3,150 Total surplus/[deficit]		6,226	–	–

Our plant health and environment laboratories deal with pests and diseases that affect plants and the environment, and identify exotic and invasive plants found at the border.

04 Our financial statements Ko ā mātau pānui pūtea

Statement of responsibility

Ko te tauākī kawenga

I am responsible, as Chief Executive of the Ministry for Primary Industries (MPI), for:

- + the preparation of MPI's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- + having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- + ensuring that end-of-year performance information on each appropriation administered by MPI is provided, in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- + the accuracy of any end-of-year performance information prepared by MPI, whether or not that information is included in the annual report.

In my opinion:

- + the financial statements fairly reflect the financial position of MPI as at 30 June 2020 and its operations for the year ended on that date; and
- + the forecast financial statements fairly reflect the forecast financial position of MPI as at 30 June 2021 and its operations for the year ending on that date.

Signed



Ray Smith

Director-General

30 September 2020

Countersigned



Neil Cherry

Deputy Director-General

Corporate Services

30 September 2020

Independent auditor's report

Te pūrongo a te kaitātari kaute motuhake

To the readers of the Ministry for Primary Industries' Annual Report for the year ended 30 June 2020

The Auditor-General is the auditor of the Ministry for Primary Industries (the Ministry). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out, on his behalf, the audit of:

- + the financial statements of the Ministry on pages 72 to 107, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity, statement of cash flows, and statement of trust monies for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- + the performance information prepared by the Ministry for the year ended 30 June 2020 on pages 43 to 63; and
- + the statement of departmental expenses and capital expenditure against appropriations for the year ended 30 June 2020 on pages 79 to 81; and
- + the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 108 to 134 that comprise:
 - the schedules of assets; liabilities; contingent liabilities and contingent assets; and commitments as at 30 June 2020;
 - the schedules of revenue; expenses and capital expenditure for the year ended 30 June 2020;
 - the statement of expenditure and capital expenditure against appropriations for the year ended 30 June 2020;
 - the statement of trust monies for the year ended 30 June 2020; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- + the financial statements of the Ministry on pages 72 to 107:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- + the performance information of the Ministry on pages 43 to 63:
 - presents fairly, in all material respects, for the year ended 30 June 2020:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- + the statement of expenses and capital expenditure against appropriations of the Ministry on pages 79 to 81 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- + the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 108 to 134 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; contingent liabilities and contingent assets and commitments as at 30 June 2020;

- revenue; expenses and capital expenditure for the year ended 30 June 2020;
- the statement of expenditure and capital expenditure against appropriations for the year ended 30 June 2020; and
- the statement of trust monies for the year ended 30 June 2020.

Our audit was completed on 30 September 2020. This is the date at which our opinion is expressed.

The basis of our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Director-General and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Impact of COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Ministry as set out in note 1.29 to the financial statements on page 91 and the impact of COVID-19 on the schedules of Non-Departmental Statements and Schedules on page 108.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Director-General for the information to be audited

The Director-General is responsible on behalf of the Ministry for preparing:

- + financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- + performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- + statement of expenses and capital expenditure and statement of unappropriated expenditure and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- + schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

The Director-General's is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Director-General is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Director-General is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's information on strategic intentions.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- + We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- + We obtain an understanding of internal control relevant to the audit 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 Ministry's internal control.
- + We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director-General.
- + We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.
- + We conclude on the appropriateness of the use of the going concern basis of accounting by the Director-General and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- + We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Director-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Director-General is responsible for the other information. The other information comprises the information included on pages i to 41, 65, 70 to 71, and 136 to 158, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Ministry in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2020 and subsequently, the independent Chair of the Ministry's Risk and Assurance Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it provides independent advice to the Auditor-General and does not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the Ministry.

In addition to the audit we have carried out independent quality assurance over an economic impact assessment, which is compatible with those independence requirements. Other than the audit, the relationship with the Auditor-General's Audit and Risk Committee and this engagement, we have no relationship with, or interests in, the Ministry.



Stuart Mutch

Ernst & Young

On behalf of the Auditor-General

Wellington, New Zealand

Overview of departmental financial results

For the year ended 30 June 2020

Actuals 2019 \$000		Actuals 2020 \$000	Unaudited estimates of appropriations 2020 \$000
722,979	Revenue – in total	773,479	721,648
517,700	Revenue Crown	591,882	493,213
205,279	Revenue other	181,597	228,435
714,543	Expenditure – in total	767,769	723,483
302,634	Personnel costs	363,182	322,096
388,797	Other operating expenses	379,253	370,524
12,383	Depreciation and amortisation expense	13,379	19,433
10,694	Capital charge	10,850	11,130
35	Restructuring costs	1,105	300
8,436	Operating surplus/(deficit)	5,710	(1,835)
22,530	Repayment of surplus (current liability)	30,872	–
17,386	Working capital	66,323	21,089
178,442	Non-current assets	183,870	175,045
19,470	Non-current liabilities	19,743	1,000
176,358	Equity	230,450	195,134

Significant movements between 2018/19 actuals and 2019/20 actuals

Revenue Crown

The \$74.2 million increase in Revenue Crown is mainly due to:

- + the contingency drawdowns of \$58.2 million to fund *M. bovis* eradication;
- + \$5 million to fund the Queensland fruit fly response;
- + \$7 million impact of a government policy change to no longer collect Goods and Service Tax (GST) on imported goods valued at or below \$1,000.

Revenue other

The \$23.7 million decrease in Revenue other is mainly due to:

- + the impact of COVID-19 on:
 - Border Clearance Levy for Air Passengers (\$5.8 million);

- Imported Goods (\$4 million);
- Red Meat Levies (\$1.5 million).

- + A new GST Government policy for low-value imports that reduced the Biosecurity System Entry Levy (\$7 million).

Personnel costs

MPI employs 3,358 (2019: 3,030) full-time equivalent (FTE) staff, excluding staff on parental leave and special leave without pay, mainly based in New Zealand but has a small offshore presence. The \$60.5 million increase in personnel costs is due to:

- + an increase in FTE of 328 staff, primarily in Biosecurity (138), Policy and Trade (51), Forestry (41), Compliance and Governance (27), Agriculture and Investment Services (22), Fisheries (20), Public Affairs (15), and other (14);
- + annual salary movements and progression, including inflation adjustments;

- + an increase in annual leave liability, which has been compounded by a reduction in leave being taken in 2019/20 as a result of COVID-19.

Other operating expenses

The \$9.5 million decrease is mainly due to:

- + reduced travel due to the effect of COVID-19 restrictions (\$4.8 million);
- + decreased property costs and a one-off make-good provision included in 2018/19 (\$7.3 million);
- + offset by an increase in contract spend mainly due to increased research and Fisheries projects such as on-board cameras and Hector's and Maui Dolphin Threat Management Plan (\$6 million).

Non-current assets

The \$5.4 million increase is mainly due to the capital spending in the current year on the National Biocontainment Laboratory Project.

Equity

The \$54.1 million increase in equity is primarily due to a capital injection of \$60 million to supplement the loss of Border Levy revenue as a result of COVID-19 border restrictions.

Significant variances between 2019/20 actual results and the estimates of appropriations

Revenue other

Revenue other is \$46.8 million lower than budgeted mainly due to the impact of COVID-19 on:

- + Border Clearance Levy for Air Passengers (\$17.2 million);
- + Imported Goods (\$4.5 million);
- + Red Meat Levies (\$392,000).

Revenue Crown

The \$98.7 million increase in Crown Revenue is mainly due to:

- + The contingency drawdowns of:
 - \$58.2 million to fund *M. bovis* eradication;

- \$7 million for low value goods;
- \$5 million to fund the Queensland fruit fly response;

- + New funding to mitigate the impact of COVID-19:

- \$9 million for the Worker Redeployment Package;
- \$4.5 million to enable food businesses to operate; and

- + \$3.6 million for the management of wilding conifers.

Personnel costs

The \$41.1 million increase in personnel costs against budget is a result of the increase to FTE, which exceeds historical trends. In determining forecast personnel costs, MPI uses historical data as a best estimate of future costs that will be incurred.

Working capital

Working capital is \$45.2 million higher than budgeted primarily due to higher cash and cash equivalents over budget by \$85.9 million, mainly due to the drawdown of a \$60 million capital injection and the \$58.2 million *M. bovis* contingency. The repayment of surplus provision is higher than budgeted by \$30.9 million because forecasts at the time of setting the budget assume expenditure is in line with appropriation.

Non-current assets

Non-current assets are \$8.8 million higher than budgeted. This is primarily due to the change in the expenditure and timing profile of the National Biocontainment Laboratory Project, and the implementation of information technology projects, for example, Customer Relationship Management and On-Board Cameras for Commercial Fishing Vessels.

Equity

The \$35.3 million higher than budgeted equity balance is mainly due to the capital injection to supplement the loss of border levy revenue as a result of COVID-19 border restrictions and subsequent \$25 million increase to memorandum account deficits. MPI also retained \$11.2 million of the prior year's surplus.

Statement of comprehensive revenue and expense

For the year ended 30 June 2020

Actuals 2019 \$000		Note	Actuals 2020 \$000	Unaudited estimates of appropriations 2020 \$000	Unaudited forecast 2021 \$000
Revenue					
517,700	Revenue Crown		591,882	493,213	598,346
205,279	Revenue other	2	181,597	228,435	218,602
722,979	Total revenue		773,479	721,648	816,948
Expenditure					
302,634	Personnel costs	3	363,182	322,096	290,702
12,383	Depreciation and amortisation expense	8,9	13,379	19,433	18,861
10,694	Capital charge	4	10,850	11,130	11,772
35	Restructuring costs		1,105	300	–
388,797	Other operating expenses	5	379,253	370,524	577,678
714,543	Total expenditure		767,769	723,483	899,013
8,436	Net surplus/(deficit)		5,710	(1,835)	(82,065)
8,436	Total comprehensive revenue and expense		5,710	(1,835)	(82,065)

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2020

Actuals 2019 \$'000		Note	Actuals 2020 \$'000	Unaudited estimates of appropriations 2020 \$'000	Unaudited forecast 2021 \$'000
Assets					
Current assets					
53,879	Cash and cash equivalents		113,473	27,619	2,181
75,761	Debtors and other receivables	6	67,145	63,590	61,290
2,236	Prepayments		5,172	3,000	2,000
5,071	Inventories	7	4,998	5,000	5,000
136,947	Total current assets		190,788	99,209	70,471
Non-current assets					
154,825	Property, plant and equipment	8	157,374	148,326	159,805
23,617	Intangible assets	9	26,496	26,719	39,621
178,442	Total non-current assets		183,870	175,045	199,426
315,389	Total assets		374,658	274,254	269,897
Liabilities					
Current liabilities					
65,979	Creditors and other payables	10	51,208	43,620	58,620
22,530	Repayment of surplus	11	30,872	-	-
185	Provisions	12	1,587	1,500	1,501
30,867	Employee entitlements	13	40,798	33,000	32,000
119,561	Total current liabilities		124,465	78,120	92,121
Non-current liabilities					
4,252	Creditors and other payables	10	3,847	-	-
3,145	Provisions	12	3,343	-	-
12,073	Employee entitlements	13	12,553	1,000	10,000
19,470	Total non-current liabilities		19,743	1,000	10,000
139,031	Total liabilities		144,208	79,120	102,121
176,358	Net assets		230,450	195,134	167,776
Equity					
175,327	Crown capital and retained earnings	14	254,418	189,071	161,713
(5,032)	Memorandum accounts (net position)	14	(30,031)	-	-
6,063	Property revaluation reserves	14	6,063	6,063	6,063
176,358	Total equity		230,450	195,134	167,776

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2020

Actuals 2019 \$'000		Note	Actuals 2020 \$'000	Unaudited estimates of appropriations 2020 \$'000	Unaudited forecast 2021 \$'000
180,696	Balance at 1 July		176,358	181,113	220,850
8,436	Total comprehensive revenue and expense		5,710	(1,835)	(82,065)
Owner transactions					
16,601	Capital injections	14	68,054	15,856	28,991
(9,296)	Capital withdrawals	14	–	–	–
2,451	Retention of prior year surplus	14	11,200	–	–
(22,530)	Return of operating surplus to the Crown	11	(30,872)	–	–
176,358	Balance at 30 June		230,450	195,134	167,776

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2020

Actuals 2019 \$000		Note	Actuals 2020 \$000	Unaudited estimates of appropriations 2020 \$000	Unaudited forecast 2021 \$000
Cash flows from operating activities					
522,570	Receipts from Crown		579,495	498,213	612,346
192,126	Receipts from Revenue other		203,604	228,360	218,602
(304,505)	Payments to employees		(353,875)	(331,246)	(290,852)
(320,277)	Payments to suppliers		(350,429)	(371,324)	(578,253)
(10,694)	Payments for capital charge		(10,850)	(11,130)	(11,772)
(65,854)	Goods and services tax (net)		(46,404)	-	-
13,366	Net cash from operating activities	15	21,541	12,873	(49,929)
Cash flows from investing activities					
2,736	Receipts from sale of property, plant and equipment		246	-	-
(44,016)	Purchase of property, plant and equipment		(10,721)	(9,991)	(13,384)
(3,996)	Purchase of intangible assets		(8,196)	(10,230)	(17,504)
(45,276)	Net cash from investing activities		(18,671)	(20,221)	(30,888)
Cash flows from financing activities					
16,601	Capital injections from the Crown		68,054	15,856	28,991
-	Repayment of surplus to the Crown		(11,330)	-	-
(9,296)	Repayment of capital to the Crown		-	-	-
7,305	Net cash from financing activities		56,724	15,856	28,991
(24,605)	Net increase (decrease) in cash		59,594	8,508	(51,826)
-	Net foreign exchange difference		-	-	-
78,484	Cash at the beginning of the year		53,879	19,111	54,007
53,879	Cash at the end of the year		113,473	27,619	2,181

The accompanying notes form part of these financial statements.

Statement of commitments

As at 30 June 2020

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or recognised as a liability at balance date. The most significant commitment is related to the motor vehicle replacement programme and the construction of a new national biocontainment facility at Wallaceville, Upper Hutt, 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. Most of these leases are for premises that have a non-cancellable leasing period ranging from 1 to 18 years.

MPI also subleases property, plant and equipment in the normal course of its business. The total minimum future sublease payments expected to be received under non-cancellable subleases at the balance date are \$1.2 million (2019: \$1.5 million).

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

Actuals 2019 \$000		Actuals 2020 \$000
Capital commitments		
10,948	Buildings	1,396
189	Motor vehicles	2,534
11,137	Total capital commitments	3,930
Non-cancellable operating lease commitments		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
18,184	Not later than one year	19,047
53,421	Later than one year and not later than five years	60,915
103,174	Later than five years	121,814
174,779	Total non-cancellable operating lease commitments	201,776
185,916	Total commitments	205,706

Statement of contingent liabilities and contingent assets

As at 30 June 2020

Unquantifiable contingent liabilities – Legal proceedings and disputes

Kiwifruit vine disease Psa-V

Strathboss Kiwifruit Limited

Nearly 210 growers, represented by Strathboss Kiwifruit Limited, filed a claim against MPI alleging it is legally liable for damages they have suffered from a biosecurity incursion of the kiwifruit vine disease, Psa-V, in New Zealand.

The total losses have not been quantified, but previous media reports claim it is in the vicinity of \$450 million (and cite total industry losses of \$885 million). MPI defended the claim.

On 27 June 2018, the High Court found that MPI owed a duty of care to Strathboss and claimants; that it breached its duty at the import permit stage; and that the breach caused the Psa-V incursion.

On 9 April 2020, the Court of Appeal overturned the High Court's decision, finding that the relevant personnel were protected by the statutory immunity under the Biosecurity Act 1993 and the Crown benefited from that immunity and that MPI did not owe a duty of care to Strathboss and claimants. However, if a duty had been found to be owed, that duty would have been breached at both the pre-border and border stages, but only actions at the pre-border stage would have caused the Psa-V incursion.

Strathboss is appealing the decision to the Supreme Court. The Supreme Court has given leave to appeal.

MPI is still unable to quantify Strathboss' claim because the extent of any loss will be dealt with at a second trial in the High Court. That second trial about the amount of compensation will not occur, and the claim will not be quantified, unless the Supreme Court finds the Crown is liable.

Harpers Gold Limited and Eastern Bay Orchards Limited

Two growers, Harpers Gold Limited and Eastern Bay Orchards Limited, have filed a claim on the same basis as the Strathboss proceedings. These proceedings have been put on hold until the Supreme Court makes a decision. As with the Strathboss proceedings, the liability for the new proceedings are also unquantified.

Quantifiable contingent liabilities – Legal proceedings and disputes

Kiwifruit vine disease Psa-V

Seeka Kiwifruit Limited

In the same case as Strathboss, a post-harvest operator, Seeka Kiwifruit Limited (the second plaintiff) filed a claim against MPI alleging MPI is legally liable for damages they have suffered from a biosecurity incursion of the kiwifruit vine disease, Psa-V, in New Zealand.

In September 2016, Seeka filed a notice of particulars of loss that quantified its loss as \$92.7 million. MPI defended the claim. On 27 June 2018, the High Court found that MPI did not owe a duty of care to Seeka. Seeka had cross-appealed the High Court's finding that MPI did not owe a duty of care to Seeka. The Court of Appeal dismissed that cross-appeal.

Seeka is appealing the decision to the Supreme Court as well as the issues being appealed by Strathboss on immunity and liability. The Supreme Court has given leave to appeal.

WorkSafe New Zealand: Health and Safety at Work Act 2015

MPI's involvement in the *M. bovis* response required cleansing of farms to mitigate the spread of the disease. MPI contracted AsureQuality, which in turn subcontracted out to another firm. Those activities were again contracted out further to another firm.

Workers undertaking the cleaning at the end of this contractual chain received chemical burns.

MPI has been charged by WorkSafe under the Health and Safety at Work Act 2015 for failing to comply with its duty to ensure the safety of its workers (or workers it had a degree of control over). Another charge relates

to MPI's alleged failure to confer with other parties about the health and safety of those workers.

MPI's main insurer, QBE, has agreed to indemnify MPI for legal costs in this matter, though insurance cannot cover any fine imposed by the Court.

Quantifiable contingent liabilities

Actuals 2019 \$000		Actuals 2020 \$000
92,700	Kiwifruit vine disease Psu-V	92,700
1,500	WorkSafe New Zealand	600
94,200	Total quantifiable contingent liabilities	93,300

Contingent assets

MPI has one contingent asset of \$851,000 relating to a value added tax (VAT) refund from UK Her Majesty's Revenue and Customs (HMRC), the value of which is disclosed in New Zealand dollars using the spot rate as at 30 June 2020. A claim was filed with HMRC in July 2020, the outcome of which is uncertain.

The above contingent liabilities and contingent assets have not been recognised in the financial statements.

Statement of departmental expenses and capital expenditure against appropriations

For the year ended 30 June 2020

Expenditure after remeasurements ¹ 2019 \$000	Annual Appropriations	Expenditure before remeasurements 2020 \$000	Remeasurements 2020 \$000	Expenditure after remeasurements 2020 \$000	Appropriation voted ² 2020 \$000	Forecast ³ 2021 \$000
Vote Agriculture, Biosecurity, Fisheries and Food Safety						
Biosecurity: Border and Domestic Biosecurity Risk Management – MCA						
127,497	Border Biosecurity Monitoring and Clearance	129,318	100	129,418	134,294	132,909
21,584	Border Biosecurity Systems Development and Maintenance	21,204	16	21,220	24,276	24,798
46,626	Biosecurity Incursion Response and Long Term Pest Management	48,279	15	48,294	54,468	44,159
52,740	Domestic Biosecurity Surveillance	46,508	21	46,529	49,259	54,421
137,451	Response to <i>Mycoplasma bovis</i>	148,906	29	148,935	138,471	140,348
385,898	MCA total	394,215	181	394,396	400,768	396,635
Agriculture: Programmes Supporting Sustainability – MCA						
6,748	Agriculture: Administration of Grants and Programmes	5,870	4	5,874	12,421	7,351
6,735	Animal Welfare: Education and Enforcement	15,334	10	15,344	15,747	18,882
13,483	MCA total	21,204	14	21,218	28,168	26,233
Development and Implementation of Primary Industries Policy Advice – MCA						
10,644	Fisheries Policy Advice	11,673	7	11,680	14,229	9,728
30,614	Operational Advice on Sustainability and Management Controls in Fisheries	36,620	9	36,629	38,107	33,645
14,448	Trade and Market Access Primary Industries	15,990	12	16,002	16,709	16,901
40,919	Agriculture: Policy Advice and Ministerial Servicing	55,394	30	55,424	62,197	66,925
5,238	Animal Welfare: Policy Advice and Ministerial Servicing	5,751	4	5,755	5,652	5,339
16,197	Biosecurity: Policy Advice and Ministerial Servicing	11,214	8	11,222	23,140	14,243
8,218	Food Safety: Policy Advice and Ministerial Servicing	8,287	6	8,293	9,078	10,027
126,278	MCA total	144,929	76	145,005	169,112	156,808

Expenditure after remeasurements ¹ 2019 \$000	Annual Appropriations	Expenditure before remeasurements 2020 \$000	Remeasurements 2020 \$000	Expenditure after remeasurements 2020 \$000	Appropriation voted ² 2020 \$000	Forecast ³ 2021 \$000
Food Safety: Protecting Consumers – MCA						
68,464	Food Safety: Assurance	68,555	58	68,613	72,743	71,585
3,828	Food Safety: Information	3,787	3	3,790	4,724	3,116
5,575	Food Safety: Response	6,638	5	6,643	7,872	6,825
18,797	Food Safety: Standards	19,383	11	19,394	22,413	25,385
5,418	Food Safety: Trade and Market Access Food Safety	5,157	5	5,162	6,146	7,449
102,082	MCA total	103,520	82	103,602	113,898	114,360
Fisheries: Managing the Resource Sustainably – MCA						
50	Fisheries: Administration of Grants and Programmes	228	-	228	266	244
3,632	Fisheries: Aquaculture	3,252	2	3,254	3,749	3,422
41,326	Fisheries Enforcement and Monitoring	46,931	37	46,968	49,233	49,631
10,801	Fisheries Management	11,558	6	11,564	13,054	13,620
55,809	MCA total	61,969	45	62,014	66,302	66,917
683,550	Total Multi-category Expenses	725,837	398	726,235	778,248	760,953
51,423	Capital Expenditure – PLA	18,830	-	18,830	23,927	30,888
734,973	Total Multi-category Expenses and Capital Expenditure	744,667	398	745,065	802,175	791,841

Expenditure after remeasurements ¹ 2019 \$000	Annual Appropriations	Expenditure before remeasurements 2020 \$000	Remeasurements 2020 \$000	Expenditure after remeasurements 2020 \$000	Appropriation voted ² 2020 \$000	Forecast ³ 2021 \$000
Vote Forestry						
Growth and Development of the Forestry Sector – MCA						
10,855	Forestry: Administration of Grants and Programmes	10,138	7	10,145	10,941	9,236
2,197	Forestry: Management of the Crown's Forestry Assets	1,836	2	1,838	2,594	2,562
17,833	Forestry: Policy Advice and Ministerial Servicing	26,618	17	26,635	31,034	44,197
30,885	Total Multi-category Expenses	38,592	26	38,618	44,569	55,995

Notes:

- 1 Prior year comparatives have been restated because the multi-category appropriations Development and Implementation of Primary Industries Policy Advice, and Growth and Development of the Forestry Sector were affected following amendments to the Vote structure as part of the Public Finance System Modernisation Work Programme.
- 2 The 2020 Appropriation Voted figures are those submitted to Treasury for the 2020 Budget Economic Fiscal Update.
- 3 Statement of accounting policies provides explanations for these figures, which are not subject to audit. The forecast figures represent the restated Budget 2020 estimates for the 2020/21 financial year.

Statement of trust monies

For the year ended 30 June 2020

Meat Levies Trust Account

The Meat Levies Trust Account holds levies from meat works payable to TBfree, Beef and Lamb New Zealand and the New Zealand Pork Industry Board

Actuals 2019 \$000		Actuals 2020 \$000
174	Balance at 1 July	1
63,223	Contributions	63,303
(63,395)	Distributions	(63,310)
-	Revenue (interest)	13
(1)	Expenditure (interest)	-
1	Balance at 30 June	7

National Animal Identification and Tracing Trust Account

The National Animal Identification and Tracing Trust Account holds levies received under the National Animal Identification and Tracing Act 2012 and related regulations, to distribute to national animal tracing organisations.

Actuals 2019 \$000		Actuals 2020 \$000
255	Balance at 1 July	135
2,493	Contributions	2,343
(2,613)	Distributions	(2,478)
135	Balance at 30 June	-

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 2020

1.1 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 and is a public benefit entity (PBE) for financial reporting purposes.

MPI is the end-to-end agency for New Zealand's primary sector, and it works with a broad range of stakeholders from producers to retailers and consumers.

MPI supports the sustainable growth of the New Zealand economy and the wellbeing of everyone in New Zealand.

MPI's operations and principal activities include:

- + providing policy advice and programmes that support the sustainable development of New Zealand's primary industries;
- + advising on fisheries and aquaculture management;
- + providing services to maintain the effective management of New Zealand's fisheries;
- + providing "whole-of-system" leadership of New Zealand's biosecurity system;
- + managing forestry assets for the Crown;
- + protecting the border;
- + protecting animal welfare;
- + protecting consumers of New Zealand food, whether here or overseas; and

- + providing effective food regulation, including imported and exported products.

The financial statements of MPI are for the year ended 30 June 2020. They were authorised for issue by the Director-General of MPI on 30 September 2020.

1.2 Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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.

The financial statements have been prepared in compliance with PBE accounting standards Tier 1.

These financial statements comply with PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective and not early adopted

There have been no standards and amendments that have been early adopted.

1.3 Changes in accounting policies

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

1.4 Revenue

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

1.5 Revenue – Non-exchange transactions

Revenue Crown

Revenue from the Crown is measured based on MPI's funding entitlement for the reporting period and is recognised once entitlement is established. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved before balance date.

Revenue Crown has been accounted for based on the funding being non-exchange in nature with no use or return conditions attached. However, MPI can incur expenses only within the scope and limits of its appropriations.

The fair value of revenue Crown has been determined to be equivalent to the funding entitlement.

1.6 Revenue – Exchange transactions

Revenue – Other

Third-party funded services

Fees for the supply of services to third parties on a cost-recovery basis are recognised as income in the period when the service was provided. 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

Payment of the levy does not directly entitle the levy payer to an equivalent value of services or benefits, and there is no direct relationship between paying the levy and receiving a service from MPI. Revenue from levies is recognised on receipt or the issue of a levy invoice, whichever is earlier.

Application fees

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

Rental income

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

1.7 Capital charge

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

1.8 Leases

Operating leases

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

Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start 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 and 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 reasonable 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.

1.9 Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars (the functional currency) using the spot exchange rates 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.

1.10 Cash and cash equivalents

Cash and cash equivalents 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.

MPI is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

1.11 Debtors and other receivables

Expected credit losses on trade receivables are recognised initially at fair value and subsequently at amortised cost, less any provision for impairment. Due to their short-term nature, debtors and other receivables are not discounted.

Impairment is established when:

- + for individual debtors outstanding beyond 30 days and in excess of \$20,000 – 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, 100 percent of debts that are outstanding over 365 days.

1.12 Inventories

Inventories held for distribution or consumed in the provision of services, which are not supplied on a commercial basis, are measured at cost and adjusted 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 the surplus or deficit in the period of the write-down.

1.13 Derivative financial instruments

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. Movements in the fair value are recognised in the surplus or deficit. Foreign exchange contracts are classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of foreign exchange contracts is classified as non-current.

1.14 Property, plant and equipment

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

- + land;
- + buildings (non-residential and residential);
- + leasehold improvements;
- + office furniture and equipment;
- + artwork;
- + motor vehicles; and
- + 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 assets with a cost over \$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 and useful lives of major classes of assets

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 leasehold improvements)
6 to 49 years (2–16.6 percent);
- + furniture, office equipment and artworks
3 to 20 years (5–33 percent);
- + motor vehicles
5 to 7 years (14–20 percent);
- + vessels
4 to 20 years (5–25 percent);

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 is reviewed, and adjusted if applicable, at each financial year-end.

Revaluation

Land, buildings and artworks are revalued with sufficient regularity to ensure that their carrying

amount does not differ materially from their 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 from 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.

1.15 Intangible assets

Capitalisation threshold

Individual assets, or groups of assets, are capitalised if their cost is greater than \$50,000.

Software acquisition and development

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

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

Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

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

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 stops at the date that the asset is derecognised. The amortisation charge for each period is recognised in the 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 percent);
- + internally generated software
3 to 15 years (7–33 percent).

1.16 Impairment of property, plant and equipment and intangible assets

MPI does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is 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.

For revalued assets, the impairment loss is recognised in other comprehensive revenue and expense 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 impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense 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.

1.17 Creditors and other payables

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

1.18 Employee entitlements

Short-term employee entitlements

Employee entitlements 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 entitlements 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; and
- + the present value of the estimated future cash flows.

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.

1.19 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.

1.20 Provisions

MPI recognises a provision for future expenditure of uncertain timing or amount. There must be a present obligation, either legal or constructive, as a result of a past event and a probable outflow of future economic benefits. A reliable estimate must also be possible. Provisions are not recognised for net deficits from future operating activities.

Restructuring

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

Make-good provision

MPI is required at the expiry of some of its leases to make-good any damage caused and remove any fixture or fittings installed by it. In many cases, MPI

has the option to renew these leases, which may change the timing of the expected cash outflows to make-good the premises.

1.21 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.

1.22 Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into on or before balance date. Information on non-cancellable operating lease commitments and non-cancellable capital commitments are disclosed in the statement of commitments.

Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising the option to cancel are reported in the statement of commitments at the lower of the remaining contractual commitment and the value of those penalty or exit costs (that is, the minimum future payments).

1.23 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.

1.24 Goods and services tax

All items in the financial statements, including appropriation statements, are stated exclusive of goods and services tax (GST), except for trade debtors and creditors, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, 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.

1.25 Income tax

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

1.26 Budget and forecast figures

Basis of the budget and forecast figures

The 2020 Estimates of Appropriations figures are for the year ended 30 June 2020 and were published in the 2018/19 annual report. They are consistent with MPI's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2020. The 2021 forecast figures are for the year ending 30 June 2021, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU 2020 for the year ending 30 June 2021. These values therefore do not reflect changes made for PREFU.

The forecast financial statements have been prepared as required by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2021 forecast figures were prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The forecast financial statements were authorised by the Director-General of MPI on 30 March 2020. The Director-General is responsible for the financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While MPI regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2021 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect MPI's purpose and activities and are based on a number of assumptions on what may occur during the 2020/21 financial year. They were compiled on the basis of existing government policies and Ministerial expectations at the time the Main estimates were finalised.

The main assumptions, which were adopted, are as follows:

- + MPI's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities;
- + personnel and other operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are MPI's best estimate of future costs that will be incurred;
- + remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes; and
- + estimated year-end information for 2019/20 was used as the opening position for the 2020/21 forecasts.

Factors that could lead to material differences between the forecast financial statements and the

2020/21 actual financial statements include impacts of COVID-19 (note 1.30), changes in activities required by the Government, demand for third-party funded activities, year-end revaluations and technical adjustments.

There are no significant accounting adjustments to actual balances as at 30 June 2020 that would have a material impact on the forecast financial statements.

1.27 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 and 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.

1.28 Standards and interpretations issued but not yet effective

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

PBE IPSAS 41 Financial Instruments

The External Reporting Board (XRB) issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although MPI has not assessed the effect of the new standard, it does not expect any significant changes because requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. MPI has not yet determined how application of PBE FRS 48 will affect its statement of performance.

1.29 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.

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.

Fair value of land and buildings

The significant assumptions applied in determining the fair value of land and buildings are disclosed in note 8.

Useful lives of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which MPI will receive benefits from the software, but not exceeding the licence term. For internally generated software developed by MPI, the life is based on historical experience with similar systems as well as anticipation of future events that may affect their useful life, such as changes in technology.

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 (note 13).

Provisions

An analysis of the exposure in relation to estimates and uncertainties surrounding the provisions recognised in accordance with MPI's provision policy is disclosed (note 12).

Holidays Act 2003 pay remediation

In 2016/17 MPI estimated its liability arising from non-compliance with the Holidays Acts 2003 based on analysis of all employees. In recognition of this, a provision was raised for \$10 million. Since the establishment of this provision, \$4.5 million in remediation payments have been made.

In 2018/19 MPI completed a review of its expected future liability. An outcome of this review was a further adjustment to reduce the provision by \$3.4 million. In 2019/20 the provision was increased by \$240,650

to reflect likely remediation payments to reflect the January to June 2020 period. Overall, the provision has reduced from \$10 million to \$2.4 million in 2019/20.

This balance is included in the annual leave balance reported in note 13: Employee entitlements.

Impact of COVID-19 on financial reporting

The impact of COVID-19 on activities administered by MPI in 2019/20 led to a reduction in other revenue, primarily border clearance and biosecurity systems entry levies. Cabinet agreed to a capital injection of \$60 million to the MPI in 2019/20 to allow the Ministry to meet its 2019/20 cash-flow requirements. Further disclosures on this impact is provided in notes 17a, 19a and 19h.

Note 2: Revenue other

Actuals 2019 \$'000		Actuals 2020 \$'000
Exchange revenue		
39,047	Verification services (food safety)	40,332
35,781	Biosecurity systems entry levy	31,778
51,101	Miscellaneous statutory fees and charges	49,108
51,542	Border clearance levy	45,138
3,666	Rental income from sub-leased accommodation	1,211
(280)	Net gain/(loss) on sale of property, plant and equipment	136
6,238	Goods and services funded by external party	7,854
11,200	Industry funding for <i>Mycoplasma bovis</i> response	-
6,984	Other goods and services	6,040
205,279	Total revenue other	181,597

Note 3: Personnel costs

Actuals 2019 \$'000		Actuals 2020 \$'000
279,958	Salaries and wages	328,403
8,679	Employer superannuation contributions to defined contribution plans	10,010
1,836	Increase/(decrease) in employee entitlements including Holidays Act 2003 provision	10,411
12,161	Other personnel costs	14,358
302,634	Total personnel costs	363,182

Note 4: 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 2020 was 6 percent (2019: 6 percent).

Note 5: Other operating expenses

Actuals 2019 \$000		Actuals 2020 \$000
	Fees paid to auditor Ernst and Young	
425	– audit of financial statements	408
40	– other services	20
24,170	Operating lease expenses	23,607
3,023	Advertising and publicity	1,626
20,349	Fisheries and marine-related research contracts	22,491
11,126	Other research contracts	11,275
219,910	Other contracts for services	211,097
19,897	Travel	14,994
9,947	Property costs	4,564
16,206	Information technology	16,587
(1,371)	Net (gain)/loss on foreign exchange derivatives	(2,162)
298	Expected credit loss (note 6)	67
1,977	Property, plant and equipment impairment and written-off	–
3,534	Consultancy and professional specialist services	16,021
18,923	Response consumables	21,462
40,343	Other operating expenses	37,196
388,797	Total other operating expenses	379,253

Other fees paid to Ernst and Young were for a peer review of Price Waterhouse Cooper's Economic Impact Assessment of New Zealand salmon farms (2019: \$40,000 for a review of MPI's aquaculture settlement model).

Note 6: Debtors and other receivables

Actuals 2019 \$000		Actuals 2020 \$000
Exchange transactions		
16,444	Debtors	14,599
(433)	Less expected credit loss	(366)
16,011	Net debtors	14,233
7,207	Border clearance levy	1,279
5,093	Biosecurity systems entry levy	3,635
2,307	Accrued revenue	1,668
11,200	Industry funding for <i>Mycoplasma bovis</i> response	–
Non-exchange transactions		
33,943	Debtor Crown	46,330
75,761	Total debtors and other receivables	67,145

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

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

	2019			2020		
	Gross \$000	Expected credit loss \$000	Net \$000	Gross \$000	Expected credit loss \$000	Net \$000
Current	12,068	–	12,068	10,679	–	10,679
Greater than 30 days	1,942	–	1,942	2,191	–	2,191
Greater than 60 days	559	–	559	772	–	772
Greater than 90 days	1,875	(433)	1,442	957	(366)	591
Total	16,444	(433)	16,011	14,599	(366)	14,233

The expected credit loss has been calculated based on a review of specific overdue debtors and a collective assessment. The collective expected credit loss is based on an analysis of past collection history and debt write-offs. The expected credit loss is \$366,000 (2019: \$433,000).

Movements in the provision for impairment of debts are listed below.

Actuals 2019 \$000		Actuals 2020 \$000
177	Balance at 1 July	433
341	Additional provisions made	307
(43)	Unused amounts reversed during the year	(249)
(42)	Receivables written off during the year	(125)
433	Balance at 30 June	366

Note 7: Inventories

Actuals 2019 \$000		Actuals 2020 \$000
Held for distribution inventories		
4,880	Foot and mouth vaccine	4,880
191	Other	118
5,071	Total inventories	4,998

No inventories are pledged as security for liabilities (2019: nil).

Note 8: 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 2018	2,123	66,989	49,343	22,369	16,725	157,549
Additions through purchase	–	27,751	12,209	3,257	4,209	47,426
Write-offs and gain/(loss) disposals	–	–	(9,400)	(1,393)	(2,097)	(12,890)
Balance at 30 June 2019	2,123	94,740	52,152	24,233	18,837	192,085
Balance at 1 July 2019	2,123	94,740	52,152	24,233	18,837	192,085
Additions through purchase	–	5,002	1,362	2,451	1,907	10,722
Write-offs and gain/(loss) disposals	–	–	–	(589)	(690)	(1,279)
Balance at 30 June 2020	2,123	99,742	53,514	26,095	20,054	201,528
Accumulated depreciation and impairment losses						
Balance at 1 July 2018	–	2,417	15,075	16,096	6,729	40,317
Depreciation expense	–	909	3,262	1,485	1,161	6,817
Write-offs and gain/(loss) disposals	–	–	(9,285)	(1,392)	803	(9,874)
Balance 30 June 2019	–	3,326	9,052	16,189	8,693	37,260
Balance at 1 July 2019	–	3,326	9,052	16,189	8,693	37,260
Depreciation expense	–	731	4,161	1,897	1,274	8,063
Write-offs and gain/(loss) disposals	–	–	–	(584)	(585)	(1,169)
Balance 30 June 2020	–	4,057	13,213	17,502	9,382	44,154

	Land \$000	Buildings \$000	Leasehold improvements \$000	Furniture office equipment and artworks \$000	Motor vehicles and vessels \$000	Total \$000
Carrying amounts (Net Asset Value)						
At 1 July 2018	2,123	64,572	34,268	6,273	9,996	117,232
At 30 June and 1 July 2019	2,123	91,414	43,100	8,044	10,144	154,825
At 30 June 2020	2,123	95,685	40,301	8,593	10,672	157,374

The most recent valuation of land and buildings was performed by independently registered valuers CW Nyberg of Darroch Limited; P Schellekens of CBRE Limited; MW Lauchlan of Duke & Cooke Limited. The effective date for the valuations is 30 June 2017.

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. Restrictions on MPI's ability to sell land would normally not impair the value of the land because MPI has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

Buildings

Specialised buildings, such as biocontainment labs, are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- the replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for optimisation due to over-design or surplus capacity;

- the replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information;
- for earthquake-prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted from the depreciated replacement cost in estimating fair value;
- the estimated remaining useful life; and
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

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

Work in progress is included in the above figures at cost, less impairment, and is not depreciated.

Buildings in the course of construction for 2020 total \$87.5 million (2019: \$82.6 million). Leasehold improvements for 2020 total \$728,165 (2019: \$1.5 million). No other asset classes have assets in the course of construction.

Note 9: Intangible assets

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost			
Balance at 1 July 2018	16,498	65,877	82,375
Additions	655	3,341	3,996
Write-offs and gain/(loss) disposals	(1)	(1,509)	(1,510)
Balance at 30 June 2019	17,152	67,709	84,861
Balance at 1 July 2019	17,152	67,709	84,861
Additions	488	7,707	8,195
Write-offs and gain/(loss) disposals	(694)	(750)	(1,444)
Balance at 30 June 2020	16,946	74,666	91,612
Accumulated amortisation			
Balance at 1 July 2018	13,376	43,812	57,188
Amortisation expense	1,130	4,436	5,566
Write-offs and gain/(loss) disposals	(1)	(1,509)	(1,510)
Balance at 30 June 2019	14,505	46,739	61,244
Balance at 1 July 2019	14,505	46,739	61,244
Amortisation expense	719	4,597	5,316
Write-offs and gain/(loss) disposals	(694)	(750)	(1,444)
Balance at 30 June 2020	14,530	50,586	65,116
Carrying amounts (net asset value)			
At 1 July 2018	3,122	22,065	25,187
At 30 June and 1 July 2019	2,647	20,970	23,617
At 30 June 2020	2,416	24,080	26,496

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

Work in progress for the year ended 30 June 2020 has been tested for material impairment and is included in the above figures at cost, less impairment, and is not amortised. Impairment in work in progress was \$nil (2019: \$nil).

The total amount of intangible assets in the course of development for the year ended 30 June 2020 is \$4.6 million (2019: \$3.8 million).

Note 10: Creditors and other payables

Actuals 2019 \$000		Actuals 2020 \$000
Current liabilities		
Exchange transactions		
4,944	Creditors	1,511
6,203	Unearned revenue	7,344
1,466	Lease incentive	1,466
532	Auckland kennel lease	549
48,457	Accrued expenses	32,714
Non-exchange transactions		
4,377	GST payable to Inland Revenue Department	7,624
65,979	Total current liabilities	51,208
Non-current liabilities		
Exchange transactions		
4,252	Auckland kennel lease	3,847
4,252	Total non-current liabilities	3,847
70,231	Total creditors and other payables	55,055

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 approximates their fair value.

Note 11: Return of operating surplus

Actuals 2019 \$000		Actuals 2020 \$000
8,436	Net surplus/(deficit)	5,710
-	Adjust for unrealised losses/(gains) on forward foreign exchange contracts recognised in the surplus/(deficit)	163
14,094	Adjust for (surpluses)/deficits for services subject to memorandum accounts	24,999
22,530	Total return of operating surplus	30,872

Memorandum accounts are disclosed separately within equity. These 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 repayment of surplus is required by 31 October of each year.

Note 12: Provisions

Actuals 2019 \$'000		Actuals 2020 \$'000
Current		
47	Other provisions	603
138	Restructure provision	984
185	Total current provisions	1,587
Non-current		
3,145	Lease make-good	3,343
3,145	Total non-current provisions	3,343
3,330	Total provisions	4,930

Note 12a: Restructure provision

Actuals 2019 \$'000		Actuals 2020 \$'000
1,168	Opening balance 1 July	138
136	Additional provisions made	1,107
(1,057)	Amounts used	(261)
(109)	Unused amounts reversed	–
138	Closing balance	984

Note 12b: Lease make-good provision

Actuals 2019 \$'000		Actuals 2020 \$'000
34	Opening balance 1 July	3,145
3,121	Additional provisions made during the year	198
(10)	Amounts used	–
3,145	Closing balance	3,343

MPI has leased premises and a Ministry-owned building on leased land, where it is required to make-good the property at the expiry of the lease.

Note 13: Employee entitlements

Actuals 2019 \$'000		Actuals 2020 \$'000
Current employee entitlements represented by:		
2,108	Salaries and wages	5,387
22,937	Annual leave	28,582
595	Sick leave	940
1,749	Long service leave	1,745
3,478	Retiring leave	4,144
30,867	Total current employee entitlements	40,798
Non-current employee entitlements represented by:		
2,983	Long service leave	3,493
9,090	Retiring leave	9,060
12,073	Total non-current employee entitlements	12,553
42,940	Total employee entitlements	53,351

Long service leave and retiring leave

The measurement of retirement and long-service leave entitlements is determined on an actuarial basis using a number of factors and assumptions. Two key figures used are the discount rate and the salary inflation factor. Any changes in these assumptions will affect 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: 1 year 0.22 percent; 2 year 0.25 percent; and 3 year-plus 1.63 percent (2019: 1.26 percent, 1.03 percent, 2.23 percent). A salary inflation factor of 2.72 percent (2019: 2.92 percent) has been used and is based on a 1.72 percent medium-term inflation assumption. The discount rates and salary inflation factor were provided by the Treasury.

If the discount rates were to differ by 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$865,864 lower. If the discount rates were to differ by 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$721,231 higher.

If the salary inflation factor were to differ by 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$1 million higher. If the salary inflation factor were to differ by 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$933,291 lower.

Note 14: Equity

Actuals 2019 \$'000		Actuals 2020 \$'000
Crown capital and retained earnings		
165,571	Balance at 1 July	175,327
16,601	Capital injections from the Crown	8,054
	Capital injection to supplement impact to border levy revenue due to COVID-19	60,000
	Repayment of capital to the Crown for:	
(9,296)	Part repayment of capital injection	-
8,436	Net surplus/(deficit)	5,710
14,094	Transfer of memorandum accounts net surplus/(deficit)	24,999
2,451	Retention of prior year surplus	11,200
(22,530)	Return of operating surplus to the Crown	(30,872)
175,327	Balance at 30 June	254,418
Memorandum accounts (note 19)		
9,062	Balance at 1 July	(5,032)
(14,094)	Net memorandum account (surpluses)/deficits	(24,999)
(5,032)	Balance at 30 June	(30,031)
Revaluation reserve – land		
684	Balance at 1 July	684
684	Balance at 30 June	684
Revaluation reserve – residential buildings		
5,260	Balance at 1 July	5,260
5,260	Balance at 30 June	5,260
Revaluation reserve – artworks		
119	Balance at 1 July	119
119	Balance at 30 June	119
6,063	Total revaluation reserve	6,063
176,358	Total equity	230,450

Note 15: Reconciliation of net surplus/(deficit) to net cash flow from operating activities

Actuals 2019 \$'000		Note	Actuals 2020 \$'000
8,436	Net surplus/(deficit)		5,710
	Add/(less) non-cash items classified as investing or financing activities		
5,566	Amortisation and impairment of intangible assets	9	5,316
8,794	Depreciation and impairment of property, plant and equipment	8	8,063
14,360	Total non-cash items		13,379
	Add/(less) items classified as investing or financing activities		
280	Net (gain)/loss on sale of property, plant and equipment	2	(136)
280	Total investing or financing activities		(136)
	Add/(less) movements in working capital items		
56	(Increase)/decrease in inventories		73
(7,566)	(Increase)/decrease in debtors and other receivables		8,616
(307)	(Increase)/decrease in prepayments		(2,936)
(1,679)	Increase/(decrease) in creditors and other payables		(15,176)
(1,836)	Increase/(decrease) in employee entitlements		10,411
1,622	Increase/(decrease) in provisions		1,600
(9,710)	Total net movement in working capital items		2,588
13,366	Net cash from operating activities		21,541

Note 16: Related parties

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.

Related party transactions with other government agencies (for example, government departments and Crown entities) are not disclosed because they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel compensation

Actuals 2019 \$'000		Actuals 2020 \$'000
3,995	Leadership team, including the Director-General remuneration	4,090
9	Full-time equivalent staff numbers	10

Key management personnel of MPI comprise the Minister of Agriculture, Minister of Forestry, Minister of Fisheries, the Director-General and nine deputy directors-general. The figures for 2019/20 exclude the Deputy Director-General China Relations who is on secondment to the Ministry of Foreign Affairs and Trade.

The above key management personnel compensation disclosure excludes the Minister of Agriculture, Minister of Forestry and Minister of Fisheries. The Ministers' remuneration and other benefits are not received only for their role as a member of key management personnel of MPI. The Ministers' remuneration and

other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority and not by MPI.

MPI's key personnel remuneration includes benefits for long service and retiring leave. See note 13 for assumptions.

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

A three year co-source internal audit contract was procured during the financial year. The contract was awarded through MPI's standard tender process.

Deloitte was the successful tenderer, and the procurement panel's recommendation was approved by a member of MPI's senior leadership team (SLT).

The SLT member disclosed a conflict of interest at the time, because a family member is a partner at Deloitte.

The Chair of MPI's Risk and Assurance Committee reviewed the conflict of interest declaration and approved the mitigations set out in the declaration.

Related party transactions with other government agencies (for example, government departments and Crown entities) are not disclosed because they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Note 17: Financial instruments

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows.

Actuals 2019 \$000	Financial instrument categories	Actuals 2020 \$000
Financial assets		
53,879	Cash and cash equivalents	113,473
75,761	Financial assets at amortised cost (note 6)	67,145
129,640	Total financial assets	180,618
Financial liabilities		
53,401	Financial liabilities at amortised cost (excluding unearned revenue and leases) (note 10)	34,225
53,401	Total financial liabilities	34,225

Cash and cash equivalents

Cash and cash equivalents includes balances denominated in foreign currencies translated to New Zealand dollars at the foreign exchange rate at balance date.

MPI is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Derivative financial instruments

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. Movements in the fair value are recognised in the statement of comprehensive revenue and expense.

Note 17a: Financial instrument risks

MPI's activities expose it to a variety of financial instrument risks, including currency 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 for any transactions that are speculative in nature to be entered into. Any financial instruments held are carried at approximate fair value.

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. Currency risk arises from future purchases and recognised liabilities, which are denominated in a foreign currency.

MPI purchases goods and services internationally and is exposed to currency risk arising from various exposures, primarily with respect to the Euro, British Pound, US and Australian dollars. MPI's Foreign Exchange Management Policy requires MPI to manage currency risk arising from future transactions and recognised liabilities by entering into foreign spot or exchange forward contracts when the total transaction exposure to an individual currency exceeds NZD\$100,000. MPI's policy has been approved by the Treasury and is in accordance with the requirements of the Treasury's Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure. As at 30 June 2020, MPI's exposure to interest rate risk, and its sensitivity to that risk, is not considered material.

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 exposure to interest rate risk because it has no interest-bearing financial instruments.

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 its business, credit risk arises from debtors and deposits with banks.

MPI is only permitted to deposit funds with Westpac (Standard and Poor's credit rating of AA-), a registered bank, and enter into foreign exchange forwards with the New Zealand Debt Management Office (Standard and Poor's credit rating of AA). 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 6), and derivative financial instrument assets (note 17). 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.

Impact due to COVID-19

Cabinet agreed to a capital injection of \$60 million to MPI in 2019/20 to allow the Ministry to meet its 2019/20 cash-flow requirements as a result of the loss of third party revenue. This is reflected in note 19.

Note 18: 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 and in a manner that promotes the current and future interests of the New Zealand public. MPI's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, and compliance with the

Government budget processes and with Treasury instructions, and the Public Finance Act 1989.

The objective of managing MPI's equity is to ensure MPI effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

Note 19: Memorandum accounts

These accounts summarise financial information relating to the accumulated surpluses and deficits incurred in the provision of statutory information and performance of accountability reviews by MPI to third parties on a full cost-recovery basis.

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, however, these transactions are excluded from the calculation of MPI's return of operating surplus (refer note 11). The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer note 14).

The balance of each memorandum account is expected to trend toward 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.

Impact due to COVID-19

The impact of COVID-19 in 2019/20 was modelled on forecast revenue and expenditure. As a result of these projections, Cabinet agreed to a capital injection of \$60 million to MPI in 2019/20 to allow the Ministry to meet its 2019/20 cash-flow requirements following the loss of passenger revenue due to COVID-19 border restrictions (refer notes 19a, 19h).

The collectability of the Border Clearance Levy is dependent upon the duration of the border restrictions and the subsequent speed of recovery in passenger volumes. The uncertain timing and extent of this decline in passenger volumes means that the longer term collectability of the deficit cannot be determined at this time.

Actuals 2019 \$000		Actuals 2020 \$000
(4,020)	Border biosecurity clearance fees account	(7,811)
829	Phytosanitary exports account	295
(6,027)	Verification of the food regulatory programme account	(5,147)
3,331	Approvals, accreditations and registrations	3,135
3,382	Standards setting for the food industry account	3,892
3,221	Wine standards management – Wine Act 2003	4,097
(244)	Food standards and assurance – Food Act 2014	(428)
(5,504)	Border biosecurity traveller clearance levy	(28,064)
(5,032)	Total memorandum account balances	(30,031)

Note 19a: Border biosecurity clearance fees account

Actuals 2019 \$000		Actuals 2020 \$000
(1,877)	Opening balance 1 July	(4,020)
50,527	Revenue	46,052
(52,670)	Expenses	(56,460)
	– Revenue from the Crown from low value goods	6,993
	– Transfer from the food regulatory programme account	(376)
(4,020)	Closing balance	(7,811)

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; and
- + all other fees collected under the Biosecurity (Costs) Regulations 2006 including inspection of risk goods, offshore inspection of ships, and approval and audit of transitional containment facilities and facility operators.

Note 19b: Phytosanitary exports

Actuals 2019 \$000		Actuals 2020 \$000
873	Opening balance 1 July	829
2,311	Revenue	2,297
(2,355)	Expenses	(2,831)
829	Closing balance	295

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

Note 19c: Verification of the food regulatory programme account

Actuals 2019 \$000		Actuals 2020 \$000
(1,284)	Opening balance 1 July	(6,027)
38,510	Revenue	40,370
(43,760)	Expenses	(41,422)
	– Write-off accumulated operating deficits	92
	– Transfer from the Crown	330
507	Transfer to the Standards Setting for the food industry account	1,134
	– Transfer to the border biosecurity clearance fees account	376
(6,027)	Closing balance	(5,147)

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

Note 19d: Approvals, accreditations and registrations

Actuals 2019 \$'000		Actuals 2020 \$'000
2,811	Opening balance 1 July	3,331
4,653	Revenue	4,552
(4,133)	Expenses	(4,748)
3,331	Closing balance	3,135

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 19e: Standards setting for the food industry account

Actuals 2019 \$'000		Actuals 2020 \$'000
395	Opening balance 1 July	3,382
26,253	Revenue	23,760
(22,759)	Expenses	(22,116)
(507)	Transfer from verification of the food regulatory programme account	(1,134)
3,382	Closing balance	3,892

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 and the Animal Products (Fees, Charges, and Levies) Regulations 2007.

Note 19f: Wine standards management – Wine Act 2003

Actuals 2019 \$'000		Actuals 2020 \$'000
2,337	Opening balance 1 July	3,221
2,630	Revenue	2,631
(1,746)	Expenses	(1,755)
3,221	Closing balance	4,097

This account covers certification, assurance, standard setting, market access, systems implementation and monitoring services provided under the Wine Act 2003.

Note 19g: Food standards and assurance – Food Act 2014

Actuals 2019 \$000		Actuals 2020 \$000
(43)	Opening balance 1 July	(244)
1,020	Revenue	1,043
(1,221)	Expenses	(1,227)
(244)	Closing balance	(428)

This account covers services provided by MPI under the Food Act 2014.

Note 19h: Border biosecurity traveller clearance levy

Actuals 2019 \$000		Actuals 2020 \$000
5,850	Opening balance 1 July	(5,504)
51,551	Revenue	45,197
592	Revenue from the Crown for exempt travellers	592
(65,172)	Expenses	(68,349)
1,675	Expense adjustment	–
(5,504)	Closing balance	(28,064)

This account covers fees and costs associated with the biosecurity clearance costs of travellers coming into New Zealand.

Non-departmental statements and schedules

For the year ended 30 June 2020

Introduction and overview

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

On behalf of the Crown for the year ending 30 June 2020, MPI administered \$349.6 million of expenses. This represents an increase of \$27.5 million from the prior year and is largely reflective of the work under way to implement COVID-19 initiatives, the impairment of the Crown's equity investment in Crown Irrigation Investments Limited and a loss on revaluation for forests measured at fair value.

Income for the year is \$259.2 million, an increase of \$35.9 million from the previous year, driven mainly by a \$38.8 million dividend from Crown Irrigation and an increase of \$8.6 million in fines, penalties and levies. This increase has been offset by a decline of \$11.5 million in the sale of forest produce.

Non-departmental assets are \$599.1 million, a decrease of \$16 million from the prior year. This has been driven by a decrease in the Crown's investment in Crown Irrigation Investment Limited, and a decrease in the value of Crown forests, partially offset by an increase in receivables for industry contributions to the *M. bovis* programme.

Non-departmental liabilities are \$79.3 million, a decrease of \$37.3 million from the prior year. This is primarily as a result of a decrease in the provision for *M. bovis* compensation due to processing of claim

payments, improvements in the quality of information to assess provisions, lower than expected claims and updated assessments for larger claims nearing completion.

The \$30 million capital expenditure, a decrease of \$35.6 million for the prior year, is mainly due to a decrease in the drawdown of funds available for the Crown's investment in Crown Irrigation Investment Limited and an underspend for the purchase and development of Crown Forestry assets.

Further details of MPI's management of these Crown assets and liabilities are provided in the Output Performance sections of this report.

Impact due to COVID-19

The full fiscal impact over the longer term of COVID-19 on non-departmental activities administered by MPI is not yet known. Revenue generated from Crown Forestry assets may be affected over time as a result of unexpected price volatility and industry ability to harvest during movement restrictions. Further disclosure on this impact is provided in note 6a.

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 2020.

Statement of non-departmental expenditure and capital expenditure against appropriations

For the year ended 30 June 2020

Actual 2019 \$'000	Annual appropriations	Expenditure before remeasurements 2020 \$'000	Expenditure after remeasurements 2020 \$'000	Appropriation voted ¹ 2020 \$'000	Unaudited forecast 2021 \$'000
Vote Forestry					
APPROPRIATIONS FOR OUTPUT EXPENSES					
Growth and Development of the Forestry Sector MCA					
78,563	Operational Management of the Crown Forestry Estate	76,621	76,621	89,675	87,026
Vote Agriculture, Biosecurity, Fisheries and Food Safety					
Agriculture: Programmes Supporting Sustainability					
1,918	Agriculture: Recovery Assistance	4,701	4,701	5,287	1,526
2,015	Agriculture: Climate Change Research	1,682	1,682	2,260	8,567
Biosecurity: Border and Domestic Biosecurity Risk Management					
24,000	Biosecurity: Control of Bovine TB	24,000	24,000	24,000	24,000
1,789	Support for Walking Access	1,789	1,789	1,789	3,561
Food Safety: Protecting Consumers					
–	Food Safety Science and Research	–	–	1,850	1,150
108,285	Total output expenses	108,793	108,793	124,861	125,830
APPROPRIATIONS FOR BENEFITS OR RELATED EXPENSES					
1,548	Agriculture: Rural Veterinarians Bonding Scheme	1,376	1,376	1,650	1,650
1,548	Total benefits or related expenses	1,376	1,376	1,650	1,650
APPROPRIATIONS FOR OTHER EXPENSES					
Vote Forestry					
Growth and Development of the Forestry Sector MCA					
3,501	Hill Country Erosion Fund	5,198	5,198	6,111	8,000
10,110	Forestry Grants and Partnership Programmes	17,233	17,233	30,901	103,866
Vote Agriculture, Biosecurity, Fisheries and Food Safety					
1,263	Fisheries: Aquaculture Settlements	92	92	5,199	16,288
Food Safety: Protecting Consumers					
2,100	Joint Food Standards Setting Treaty	2,100	2,100	2,100	2,100
Agriculture: Programmes Supporting Sustainability					
10,000	Agriculture: Sustainable Farming Fund ¹	1,632	1,632	1,632	–
505	Adverse Climatic Events	–	–	–	–
41	Fisheries: Provision for Fisheries Debt Write Downs	153	153	1,000	1,000

Actual 2019 \$000	Annual appropriations	Expenditure before remeasurements 2020 \$000	Expenditure after remeasurements 2020 \$000	Appropriation voted ¹ 2020 \$000	Unaudited forecast 2021 \$000
	Biosecurity: Border and Domestic Biosecurity Risk Management				
2,638	Compensation and ex-gratia payments following a biosecurity event	9,095	9,095	995	–
77,918	Compensation and ex-gratia payments in response to <i>Mycoplasma bovis</i>	53,793	53,793	83,639	53,200
3,177	Subscriptions to International Organisations	3,318	3,318	3,338	3,208
	Fisheries: Managing the Resource Sustainably				
–	Fisheries Quota Shares and ACE Administration Costs	69	69	149	149
–	COVID-19 Assistance²	5,658	5,658	–	–
111,253	Total other expenses	98,341	98,341	135,064	187,811
	APPROPRIATIONS FOR CAPITAL EXPENDITURE				
	Growth and Development of the Forestry Sector MCA				
6,802	Capital Investment in the Crown's Forestry Assets	14,899	14,899	25,698	16,000
6,802	Total capital expenses	14,899	14,899	25,698	16,000
227,888	Total Annual Appropriation Expenditure	223,409	223,409	287,273	331,291

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 2020.

Notes:

- 1 The Sustainable Farming Fund and Primary Growth Partnership were transferred to a new multi-year appropriation, the Sustainable Food and Fibre Futures, established in 2019/20.
- 2 The COVID-19 Assistance appropriation established in 2019/20 enables MPI to support, or help, the primary sector as part of addressing the impact of COVID-19.

Statement of non-departmental expenditure and capital expenditure against appropriations continued

For the year ended 30 June 2020

Actuals 2019 \$000	Multi-year appropriations	Actuals 2020 \$000
Vote Forestry		
APPROPRIATIONS FOR OUTPUT EXPENSES		
Afforestation Grant Scheme		
10,363	Original appropriation – over three years from 1 July 2018 to 30 June 2021	10,363
3,249	Adjustments for 2018/19	3,249
13,612	Adjusted appropriation	13,612
2,765	Actual expenses to 2018/19	688
–	Actual expenses for 2019/20	3,321
10,847	Appropriation remaining	9,603
Forestry and Other Economic Development and Erosion Control		
26,950	Original appropriation – over three years from 1 July 2018 to 30 June 2021	26,950
1,150	Adjustments for 2018/19	1,150
28,100	Adjusted appropriation	28,100
2,139	Actual expenses to 2018/19	311
–	Actual expenses for 2019/20	5,481
25,961	Appropriation remaining	22,308
\$000	Multi-year appropriations	\$000
Vote Agriculture, Biosecurity, Fisheries and Food Safety		
APPROPRIATIONS FOR OUTPUT EXPENSES		
Global Research Alliance on Agricultural Greenhouse Gases		
26,960	Original appropriation – over four years from 1 July 2016 to 30 June 2020	26,960
15,608	Cumulative adjustments	15,608
–	Adjustments for 2019/20	(439)
42,568	Adjusted appropriation	42,129
21,937	Actual expenses to 2018/19	21,937
–	Actual expenses for 2019/20	7,923
20,631	Appropriation remaining	12,269
New Zealand Agricultural Greenhouse Gas Research¹		
–	Original appropriation – over five years from 1 October 2019 to 30 June 2024	23,050
–	Actual expenses for 2019/20	3,637
–	Estimated appropriation remaining	19,413

Notes:

1. Funds remaining in the Primary Growth Partnership were transferred to a new multi-year appropriation, the New Zealand Agricultural Greenhouse Gas Research, established in 2019/20.

Actuals 2019 \$000	Multi-year appropriations	Actuals 2020 \$000
Primary Growth Partnership²		
244,312	Original appropriation – over five years from 1 July 2017 to 30 June 2022	244,312
(80,892)	Adjustments to 2018/19	(80,892)
	– Adjustments for 2019/20	(88,022)
163,420	Adjusted appropriation	75,398
68,128	Actual expenses to 2018/19	68,128
	– Actual expenses for 2019/20	7,270
95,292	Appropriation remaining	-
Sustainable Food and Fibre Futures³		
	– Original appropriation – over five years from 1 October 2019 to 30 June 2024	255,491
	– Actual expenses for 2019/20	25,035
	– Estimated appropriation remaining	230,456
Water Storage and Irrigation Investment Proposals		
25,000	Original appropriation – over five years from 1 July 2016 to 30 June 2021	25,000
(3,863)	Cumulative adjustments to 2017/18	(3,863)
21,137	Adjusted appropriation	21,137
20,168	Actual expenses to 2018/19	20,168
969	Appropriation remaining	969
APPROPRIATIONS FOR CAPITAL EXPENDITURE		
Crown Irrigation Investments Limited		
63,000	Original appropriation – over four years from 1 July 2017 to 30 June 2021	63,000
17,400	Adjustments to 2018/19	17,400
80,400	Adjusted appropriation	80,400
58,700	Actual expenses to 2018/19	58,700
	– Actual expenses for 2019/20	15,000
21,700	Appropriation remaining	6,700
173,837	Total multi-year appropriation expenditure	52,667
	– Total Vote Agriculture, Biosecurity, Fisheries and Food Safety 2020	43,865
	– Total Vote Forestry 2020	8,802
	– Total annual expenditure for 2020	208,510
	– Total Vote Agriculture, Biosecurity, Fisheries and Food Safety 2020	109,458
	– Total Forestry 2020	99,052
	– Total capital expenditure for 2020	29,899
	– Total Vote Agriculture, Biosecurity, Fisheries and Food Safety 2020	15,000
	– Total Forestry 2020	14,899
	– Total expenditure for 2020	261,177
	– Total Vote Agriculture, Biosecurity, Fisheries and Food Safety 2020	153,323
	– Total Forestry 2020	107,854

Notes:

- Funds remaining in the Primary Growth Partnership were transferred to a new multi-year appropriation, the New Zealand Agricultural Greenhouse Gas Research, established in 2019/20.
- Funds remaining in the Primary Growth Partnership were transferred to a new multi-year appropriation, the Sustainable Food and Fibre Futures, established in 2019/20.

Schedule of non-departmental revenue

For the year ended 30 June 2020

Actual 2019 \$000		Note	Actual 2020 \$000	Unaudited estimates of appropriations 2020 \$000	Unaudited forecast 2021 \$000
106,110	Sale of forest produce		94,638	114,757	101,654
35,405	Fines, penalties and levies	2	44,099	38,838	40,424
	– Dividend income from Crown Irrigation Investment Limited		38,871	–	–
3,451	Sale of Crown quota and annual catch entitlement		4,250	100	225
8,011	Deemed value for over-fishing		6,941	5,000	5,000
	– Emissions Trading Scheme fees		–	150	150
	– Forestry land rental		37	19	19
143	Miscellaneous revenue	3	8,691	50	50
70,184	Industry contribution for compensation and response costs – <i>Mycoplasma bovis</i>	4	61,691	–	61,920
223,304	Total non-departmental revenue		259,218	158,914	209,442

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 2020.

Schedule of non-departmental expenses

For the year ended 30 June 2020

Actual 2019 \$000		Note	Actual 2020 \$000	Unaudited estimates of appropriations 2020 \$000	Unaudited forecast 2021 \$000
66,570	Grants		81,267	152,895	172,257
106,852	Operating		103,762	135,799	128,886
80,556	Compensation for biosecurity incursions	14	62,888	17,000	53,200
1,548	Benefits		1,376	1,650	1,650
11,672	Research and development		9,605	24,140	21,778
1,789	New Zealand Walking Access Commission funding	9	1,789	1,789	3,561
151	Depreciation and impairment of property, plant and equipment	8	151	162	135
41	Impairment of receivables	7a	339	1,000	1,000
16,074	Loss on revaluation of forests measured at fair value	6a	24,586	–	–
10,045	Impairment of the Crown's equity investment in Crown Irrigation Investments Limited	10	32,042	–	–
26,856	GST input expenses		31,800	44,141	45,911
322,154	Total non-departmental expenses		349,605	378,576	428,378

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 2020.

Schedule of non-departmental capital expenditure

For the year ended 30 June 2020

Actual 2019 \$000		Note	Actual 2020 \$000	Unaudited estimates of appropriations 2020 \$000	Unaudited forecast 2021 \$000
58,700	Investment in Crown Irrigation Investments Limited	10	15,000	14,313	6,700
6,802	Purchase and development of Crown Forestry assets	6	14,812	35,400	16,000
–	Purchase and development of Crown Forestry assets not valued		87	–	–
65,502	Total non-departmental expenses		29,899	49,713	22,700

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 2020.

Schedule of non-departmental assets

As at 30 June 2020

Actual 2019 \$000		Note	Actual 2020 \$000	Unaudited estimates of appropriations 2020 \$000	Unaudited forecast 2021 \$000
Current assets					
250,727	Cash and cash equivalents		221,363	41,228	46,218
38,925	Forests – for harvest in 12 months	6	30,369	–	–
71,881	Debtors and other receivables	7	103,001	25,475	25,475
2,631	Prepayments		7,163	2,000	2,000
550	Non-current forestry assets held for sale	5	550	–	–
364,714	Total current assets		362,446	68,703	73,693
Non-current assets					
18,471	Debtors and other receivables	7	23,091	25	25
112,188	Forests	6	111,057	208,885	192,811
19,103	Property, plant and equipment	8	18,952	18,930	18,806
Crown equity investment in Crown entities					
1,150	New Zealand Walking Access Commission		1,150	1,150	1,150
99,396	Crown Irrigation Investments Limited	10	82,354	140,409	152,800
250,308	Total non-current assets		236,604	369,399	365,592
615,022	Total non-departmental assets		599,050	438,102	439,285

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 2020.

Schedule of non-departmental liabilities

As at 30 June 2020

Actual 2019 \$000		Note	Actual 2020 \$000	Unaudited estimates of appropriations 2020 \$000	Unaudited forecast 2021 \$000
Current liabilities					
36,881	Creditors and other payables	11	35,015	18,700	18,700
9,280	Over and under recovered costs from fishing industry	12	3,735	12,500	12,500
68,971	Provisions	13	37,690	3,462	68,971
115,132	Total current liabilities		76,440	34,662	100,171
Non-current liabilities					
1,418	Provisions	13	2,811	1,328	1,418
1,418	Total non-current liabilities		2,811	1,328	1,418
116,550	Total non-departmental liabilities		79,251	35,990	101,589

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 2020.

Schedule of non-departmental contingent liabilities and contingent assets

As at 30 June 2020

Contingent liabilities

Unquantified

Aquaculture settlements

Under the Maori Commercial Aquaculture Claims Settlement Act 2004, the Crown is obligated to provide regional iwi with 20 percent of future aquaculture growth.

This settlement is unusual because it is an ongoing and prospective settlement. As aquaculture in New Zealand grows, settlement obligations arise. Iwi may choose to accept settlement as either cash, marine rights, or a combination following the negotiation process. The amount and timing of settlements are therefore uncertain, because they are dependent on sector growth as well as the preferred nature of settlement. These factors of uncertainty result in challenges with regards to reliably estimating the Crown's potential obligations. The contingency is therefore unquantified.

Scampi quota decisions

A third party has initiated a judicial review and an associated section 329(4)(b) Fisheries Act 1996 review of scampi permitting decisions made between 1993 and 1996. If the outcome of either review is favourable to the third party, they will request the allocation of scampi quota and/or seek damages. Judgment in April 2018 dismissed the review. The decision has subsequently been appealed and the matter is to remain a contingency until resolved.

Biosecurity compensation

Under section 162A of the Biosecurity Act 1993, compensation may be payable as a result of the exercise of powers to manage or eradicate organisms. MPI has been notified that compensation will be sought for incursions, and has recognised a contingency for *M. bovis*.

The contingent liability resulting from the *M. bovis* outbreak is unquantified due to MPI being unable to

reliably estimate the period of time losses will be incurred as a result of its actions under the Biosecurity Act 1993.

Quantified

Biosecurity compensation

Under section 162A of the Biosecurity Act 1993, compensation may be payable as a result of the exercise of powers to manage or eradicate organisms. MPI has been notified that compensation will be sought for incursions, and has recognised contingencies for pea weevil (\$1.3 million), *Bonamia ostreae* (\$113.4 million), kauri dieback (\$347,000), post-entry quarantine (PEQ) (\$12 million), other minor claims (\$2 million), and the infectious bursal disease virus (\$3 million). PEQ relates to the destruction of fruit trees.

Due to the complexity and uncertainty of the amount of these claims, the liability for pea weevil, *B. ostreae*, kauri dieback, PEQ and other minor claims, as a result of MPI responses to those incursions, has been recognised at the claimant value, which may be overstated until the claim is fully assessed. While these claims can be quantified, they do not meet the tests for recognising a provision.

The Crown declined \$73.4 million in claims lodged for *B. ostreae*, this comprises part of the \$113.4 million reported above. This decision is subject to arbitration, so MPI continues to reflect these claims at 30 June 2020. Note that additional claimants may submit claims and this has not been reflected in the total.

Contingent assets

MPI, on behalf of the Crown, has no contingent assets (2019: nil).

Schedule of non-departmental commitments

As at 30 June 2020

MPI, on behalf of the Crown, has entered into non-cancellable land leases for forestry and forestry partnership commitments. The lease agreements commit the Crown to expenditure over the remaining term of the leases and have expiry dates ranging from 2020 to 2084. The commitments shown are MPI's best estimate of the minimum expenditure over the remaining term of the leases.

Actuals 2019 \$000		Actuals 2020 \$000
Non-cancellable operating lease commitments		
82,526	Not later than one year	69,932
200,618	Later than one year and not later than five years	186,537
968,461	Later than five years	1,308,693
1,251,605	Total non-departmental operating lease commitments	1,565,162

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 2020.

Schedule of trust monies

For the year ended 30 June 2020

Declared overfishing trust account

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

Actuals 2019 \$000		Actuals 2020 \$000
3,576	Balance at 1 July	2,607
9,834	Contributions	7,540
(10,946)	Distributions	(945)
143	Revenue	60
2,607	Balance at 30 June	9,262

Forfeit property trust account

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

Actuals 2019 \$000		Actuals 2020 \$000
1,422	Balance at 1 July	829
778	Contributions	245
(1,559)	Distributions	(25)
188	Revenue	8
829	Balance at 30 June	1,057

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 2020.

Notes to the non-departmental statements and schedules

For the year ended 30 June 2020

Note 1: Statement of accounting policies

1.1 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 the year ended 30 June 2020. 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.

1.2 Basis of preparation

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.

1.3 Functional and presentation currency

The non-departmental statements and schedules 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.

1.4 Significant accounting policies

1.4.1 Budget figures

The budget figures are those included in the Estimates of Appropriations for the Government of New Zealand

for the year ending 30 June 2020. They are consistent with the financial information in the Main Estimates.

1.4.2 Forecast figures

The 2021 forecast figures for the year ended 30 June 2021 are those submitted to the Treasury for purposes of consolidation into the 2020 Budget Economic and Fiscal Update (2020 BEFU out-year 1 figures).

The forecast financial statements and schedules have been prepared as required by the Public Finance Act 1989 to communicate forecast information for accountability purposes. Transparency is improved by providing further context of this year's results by providing next year's forecast for comparison.

The forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements and schedules. They comply with the recognition and measurement requirements of public benefit entity accounting standards.

The forecast financial statements and schedules were authorised for issue by the Director-General of MPI on 30 March 2020. The Director-General is responsible for the financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While MPI regularly updates its forecasts, updated forecast financial statements and schedules for the year ending 30 June 2021 (2020/21 financial year) will not be published.

The forecast has been 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; and

- + estimated year-end information for 2019/20 is used as the opening position for the 2020/21 forecasts.

Factors that could lead to material differences between the forecast information presented and the 2019/20 actual financial results include changes in activities required by the Government, year-end revaluations, and technical adjustments.

1.5 Revenue

1.5.1 Revenue – Exchange transactions

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 (heavy vehicle used in logging operations for pulling trees out of the forest).

1.5.2 Revenue – Non-exchange transactions

Fines and penalties

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

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 during the period 1 July 2019 to 30 June 2020 is primarily recovered from the commercial fishing sector over the period 1 October 2019 to 30 September 2020. 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 on completion of review processes.

Mycoplasma bovis: Industry revenue contribution

MPI accrues for revenue it becomes entitled to under the signed Operational Agreement with industry

bodies. Accruals are recognised in line with the agreed percentages documented in the agreement, being 32 percent of eligible costs.

Industry bodies will fund the cost of meeting their obligations under the agreement through a levy order. Industry bodies must make payment as proceeds of levy orders are collected.

1.5.3 Revenue – Dividends

Dividend revenue is recognised when the dividend is declared.

1.6 Grant and partnership expenditure

Where grant and partnership expenditure is discretionary until payment, the expense is recognised when payment is made. Otherwise the expense is recognised when specified criteria have been fulfilled.

1.7 Goods and services tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for debtors and creditors, which are inclusive of GST. 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.

1.8 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.

1.9 Changes in accounting policies

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

1.10 Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, in accordance with PBE IFRS 9 Financial Instruments.

This standard replaces the earlier PBE IPSAS 29 Financial Instruments: Recognition and Measurement.

1.11 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 impairment provision for expected credit loss.

Expected credit loss 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 debtor is uncollectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Debtors and other receivables are classified as either exchange or non-exchange transactions in the notes to the schedule of non-departmental assets.

1.12 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.

1.13 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 group 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.

1.13.1 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.

1.13.2 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.

1.13.3 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.

1.13.4 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
50 years (2%);
- + Roads, fencing and equipment
10 to 20 years (5–10%);
- + Motor vehicles
11 years (9%).

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

1.13.5 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 from fair value. Additions between revaluations are recorded at cost.

1.13.6 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 reserve 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 off-sets a previous decrease in value expensed will be recognised first as income up to the amount previously expensed, and then credited to the asset revaluation reserve for that class of asset.

1.14 Forests

Forests 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. For valuation purposes, MPI's cash flows are discounted using a mid-point discount

to reflect the average log sale date. 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 forests valued at fair value less estimated point of sale costs and from a change to fair value less estimated point of sale costs are recognised in the schedule of non-departmental income or expenses.

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

1.14.1 Additions

Forestry asset additions are initially measured at cost where it is probable that future economic benefits or service potential will flow to the Crown and the cost can be measured reliably.

1.14.2 Forestry lease costs

Forestry lease costs are paid upfront by up to eight years. The lease costs are amortised on an annual basis and are determined by the final area planted.

1.15 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. Creditors and other payables are classified as either exchange or non-exchange transactions in the notes to the schedule of non-departmental liabilities.

1.16 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.

1.17 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.

1.17.1 Provision for biosecurity incursion events

This provision for compensation payable under section 162A of the Biosecurity Act 1993 is as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where there are 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.

1.18 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.

1.19 Non-cancellable operating lease commitments

Future expenses and liabilities to be incurred on non-cancellable operating lease contracts that have

been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

1.20 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:

- + recoverability of cost recovery levies and *M. bovis* industry revenue contribution (see note 4);
- + forest valuations (see note 6);
- + non-cancellable operating lease commitments (see statement of commitments);
- + provision for biosecurity incursions (see note 13a);
- + impairment of the Crown's equity investment in Crown Irrigation Investments Limited (see note 10).

Note 2: Fines, penalties and levies

Actuals 2019 \$000		Actuals 2020 \$000
	Cost recovery levies from fishing industry:	
28,355	– Fisheries services	37,104
2,025	– Conservation services	2,509
4,178	Biosecurity Act 1993 fines	3,308
509	Dairy industry levy	689
128	Fisheries Act 1996 infringement notices	121
210	Animal welfare infringement	368
35,405	Total fines, penalties and levies income	44,099

Note 3: Miscellaneous revenue

Actuals 2019 \$000		Actuals 2020 \$000
Miscellaneous revenue		
	- Fruit fly response contribution	2,073
	- New Zealand Agricultural Greenhouse Gasses contribution	4,850
	- Recovery of funds for termination of funding agreement	1,708
143	Interest income	60
143	Total miscellaneous revenue	8,691

Note 4: Industry contribution for compensation and response costs

- *Mycoplasma bovis*

In June 2019, MPI and industry finalised an agreement for the funding of costs relating to the *M. bovis* response. Under this agreement, MPI recovers 32 percent of response and compensation costs through industry partners on behalf of the Crown. The amount covers response costs incurred in 2019/20 amounting to \$44 million, and \$18 million for compensation. It is assumed that the full amount recoverable will be collected through a levy. To date, MPI has incurred recoverable costs totalling \$143 million, and, of this, has collected \$50.7 million. However, \$92.4 million is currently owed.

Note 5: Non-current forestry assets held for sale

Non-current assets held for sale \$550,000 (2019: \$550,000) 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 associated with these assets as at 30 June 2020 is \$225,000 (2019: \$225,000).

Note 6: Forests

Actuals 2019 \$000		Actuals 2020 \$000
Forests measured at fair value		
159,942	Opening balance 1 July	147,774
3,906	Forestry additions valued	14,812
19,087	Changes in fair value	7,996
(35,161)	Decrease due to harvesting	(32,582)
147,774	Total forestry assets measured at fair value	138,000
3,339	Forestry assets acquired but not planted	1,442
-	- Forestry assets acquired but not valued	1,984
151,113	Closing balance of forestry assets	141,426

Note 6a: Gain/(loss) on forest revaluation

Actuals 2019 \$000		Actuals 2020 \$000
159,942	Opening balance of forestry assets	147,774
3,906	Forestry additions	16,796
-	Forestry assets planted but not valued	(1,984)
163,848	Forestry assets before valuation	162,586
147,774	Closing balance of forestry assets after valuation	138,000
(16,074)	Gain/(loss) on forest revaluation net of harvesting	(24,586)

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 2020, the net stocked area of trees was 23,023 hectares (2019: 15,156 hectares).

During the year ending 30 June 2020:

- + 733,972 cubic metres of logs (2019: 772,222 cubic metres) were produced and sold from harvesting operations;
- + under the One Billion Trees programme, additional forestry joint ventures were signed totalling 5,158 hectares (2019: 11,435). Total area contracted under new forestry joint ventures is now 20,614 hectares; and
- + 986 hectares of Crown Forestry managed estate were surrendered or sold (2019: 1,388 hectares).

During the 2019 planting season, 10,220 hectares of new joint venture forests were also planted.

Forests measured at fair value:

The valuations at 30 June 2020 were carried out by Alan Bell and Associates, registered forestry consultants specialising in forest valuation. The following valuation assumptions have been adopted in determining the fair value of forestry assets:

- + a discount rate of 6 percent has been used for forests greater than 1,000 hectares and 6.5 percent for forests less than 1,000 hectares in discounting the present value of expected post-tax cash flows;
- + in the 2019/20 year, MPI's cash flows were discounted using a mid-point discount. This is in recognition that cash received is spread throughout the year;

- + 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; and
- + log prices are based on a start point of current prices (adjusted March quarter 2020) 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.

Forestry valuation sensitivity analysis

In 2019/20, the effect of COVID-19 has been mainly to reduce supply out of New Zealand temporarily, and to reduce demand in China while the pandemic was affecting labour and credit supply. However, New Zealand was quick to increase supply after lockdown and therefore the net impact is considered negligible.

MPI's forestry valuations apply March 2020 log prices, because June quarter prices are not generally available. The exceptions are Lake Taupo and Rotoaira, whose June prices are available. New forests are valued on a cost plus basis. Observations are that June quarter log prices are ahead of those for March, and at this stage it is business as usual. The longer term effect of COVID-19 is uncertain.

A 10 percent change to log prices changes the long term forestry valuation by around 20 percent. The valuation of younger forests is not sensitive to a change in price compared with older forests closer to maturity, and mature forests tend to have a larger impact. The three forest valuations most sensitive to a change in log prices are Lake Taupo Lease, Rotoaira Lease and Tokararangi. The earliest of these is due to mature in 2021.

Lake Taupo Lease, Rotoaira Lease and Tokararangi forests represent 71 percent of the total forest value as at 30 June 2020 (2019: 75 percent). An increase to log prices by 10 percent for these forests would increase their fair value by \$16 million (2019: 20 percent increase result in a \$23 million increase). A decrease to log prices by 10 percent would decrease their fair value by \$16 million (2019: 20 percent decrease results in a \$24 million decrease). Prior year comparatives are shown at 20 percent due to the market conditions affecting log prices at that time.

Forests measured at cost less impairment

On 1 January 2009 (2008/09 year), MPI purchased 5,300 hectares of special purpose species forest from Timberlands West Coast Limited. The special purpose species forest consists of a forestry right on Ngai Tahu land and was planted between 1993 and 2007 under an agreement between Timberlands West Coast Limited and the Crown.

For the valuation year ending June 2016, Crown Forestry undertook a fair value estimate of the crop value based on a silvicultural inventory completed during the year. With 10 years remaining on the initial lease term, this type of valuation is appropriate and reasonable. The resultant value, as a result of the poor form and considerably slower growth of the trees, was nil under most of the scenarios run. The forest was subsequently valued at nil, and a provision recognised to cover rates, rent and overheads until the end of the term of the forest right. Nothing has changed in the past 36 months to alter this decision.

Land price revaluation

Land and assets owned by the Crown were last revalued in June 2017 – a process repeated every five years. Valuers were selected from a tender process with valuations completed by Morice Ltd (five forests), Vietch Morison Valuers (one forest) and Colliers International (one forest and one irrigation reservoir). Valuers were instructed to provide a report detailing the fair value at 30 June 2017 in compliance with PBE IPSAS 17 Property, Plant and Equipment.

Financial risk management strategies

The Crown is exposed to financial risks arising from changes to log prices, freight rates and currency fluctuations. Export log prices were particularly volatile during the year with increasing levels of supply competition and softening demand in China following the COVID-19 pandemic. China continues to be the dominant market for New Zealand's log exports and remains the benchmark for other log export markets as well as the domestic market. MPI manages this risk through a harvesting and marketing strategy that spreads its export risk, minimises its direct exposure to China and maintains long-term relationships with domestic customers.

Held for sale forest assets

Forests for harvest are forest assets designated as held for sale representing forest assets that will be harvested in the next 12 months.

Note 7: Debtors and other receivables

Actuals 2019 \$'000		Actuals 2020 \$'000
Current assets		
Non-exchange transactions		
64,446	Debtors and other receivables – fine, penalties and levies	96,928
(179)	Less expected credit loss	(332)
Exchange transactions		
7,614	Debtors and other receivables – Crown Forestry operations and miscellaneous revenues	6,405
71,881	Total current	103,001
Non-current assets		
Non-exchange transactions		
18,249	Debtors and other receivables – fine, penalties and levies	23,091
Exchange transactions		
222	Debtors and other receivables – Crown Forestry operations and miscellaneous revenues	–
18,471	Total non-current	23,091
90,352	Total debtors and other receivables	126,092

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

The ageing profile of debtors and other receivables at year end is detailed below.

	2019			2020		
	Gross \$'000	Impairment \$'000	Net \$'000	Gross \$'000	Impairment \$'000	Net \$'000
Not past due	89,320	–	89,320	96,636	–	96,636
Greater than 30 days	–	–	–	–	–	–
Greater than 60 days	–	–	–	–	–	–
Greater than 90 days	1,211	(179)	1,032	29,788	(332)	29,456
Total	90,531	(179)	90,352	126,424	(332)	126,092

The expected credit loss has been calculated based on expected credit loss for the Crown's pool of debtors. Expected losses have been determined based on a review of individual debtors.

During 2019/20 one debtor came under receivership. MPI wrote-off \$214,198 in relation to this debtor. Authority to write-off non-departmental debt was delegated by the Minister of Finance to the Director-General.

Movement in the provision for impairment of receivables is as follows.

Actuals 2019 \$'000		Actuals 2020 \$'000
138	Balance at 1 July	179
41	Additional provisions made	153
179	Balance at 30 June	332

Note 7a: Impairment of receivables

Actuals 2019 \$000		Actuals 2020 \$000
	41 Fisheries impairment for bad and doubtful debts	153
	– Forestry impairment for bad and doubtful debts	186
41	Balance at 30 June	339

Note 8: Property, plant and equipment

	Land \$000	Buildings \$000	Roads, fences and equipment \$000	Motor vehicles \$000	Total \$000
Cost or valuation					
Balance 1 July 2018	18,379	225	5,898	402	24,904
Additions	–	–	–	–	–
Balance 30 June 2019	18,379	225	5,898	402	24,904
Balance 1 July 2019	18,379	225	5,898	402	24,904
Additions	–	–	–	–	–
Balance 30 June 2020	18,379	225	5,898	402	24,904
Accumulated depreciation and impairment losses					
Balance at 1 July 2018	–	5	5,285	360	5,650
Depreciation expense	–	5	133	13	151
Balance 30 June 2019	–	10	5,418	373	5,801
Balance at 1 July 2019	–	10	5,418	373	5,801
Depreciation expense	–	5	131	15	151
Balance 30 June 2020	–	15	5,549	388	5,952
Carrying amounts (net asset value)					
At 1 July 2018	18,379	220	613	42	19,254
At 30 June and 1 July 2019	18,379	215	480	29	19,103
At 30 June 2020	18,379	210	349	14	18,952

Land and buildings have been valued at fair value as at June 2017 by independent registered valuers Mark Morice of Morice Ltd, Avon McLachlan of Veitch Morison Valuers Ltd, Blue Hancock and John Dunckley of Colliers International.

Note 9: 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. Expenditure in 2019/20 was \$1.8 million (2019: \$1.8 million).

Note 10: Crown Irrigation Investments Limited

The Crown Irrigation Investments Limited (CIIL) 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 company is also listed in Schedule 2 of the Crown Entities Act 2004.

In 2019/20, MPI assessed its investment in CIIL for indicators of impairment. The most appropriate information available to estimate the value of the Crown's investment in CIIL is the net asset position of CIIL. The investment has been impaired to reflect the CIIL net asset position as at 30 June 2020. Movements in the Crown's investment are shown in the table below.

Actuals 2019 \$000		Actuals 2020 \$000
Crown Irrigation Investments Limited (CIIL) impairment		
50,741	Opening balance	99,396
58,700	Investment in CIIL	15,000
(10,045)	Impairment of Crown equity investment in CIIL	(32,042)
99,396	Closing balance (total investment)	82,354

Note 11: Creditors and other payables

Actuals 2019 \$000		Actuals 2020 \$000
Non-exchange transactions		
2,225	GST payable	2,661
13,403	Grants payable	12,222
9,086	Compensation payable for biosecurity incursions	11,927
3,340	Other accrued expenses	101
Exchange transactions		
8,827	Crown Forestry accrued expenses	8,104
36,881	Total creditors and other payables	35,015

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 approximates their fair value.

Note 12: Over and under recovered costs from fishing industry

Section 265 of the Fisheries Act 1996 creates a mandatory obligation on the Minister of Fisheries 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 or future year. In 2019/20, MPI has provided for \$3.7 million (2019: \$9.3 million).

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 2020 to be applied against future cost recovery levy orders.

Note 13: Provisions

Actuals 2019 \$'000		Actuals 2020 \$'000
Current		
1,564	Rural veterinarians bonding scheme	264
2,043	Commercial aquaculture claims settlement	2,135
65,364	Compensation for biosecurity incursions	35,291
68,971	Total current provisions	37,690
Non-current provisions		
847	Rural veterinarians bonding scheme	2,274
571	Onerous contracts	537
1,418	Total non-current provisions	2,811
70,389	Total provisions	40,501

Note 13a: Provision for compensation for biosecurity incursions

Actuals 2019 \$'000		Actuals 2020 \$'000
57,374	Opening balance	65,364
75,251	Additional provisions made	41,098
(67,261)	Amounts used	(71,171)
65,364	Closing balance	35,291

MPI's recognition of a provision for biosecurity events is completed in accordance with its accounting policy for provisions. Provisions for compensation payable under section 162A of the Biosecurity Act 1993 are as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where verifiable losses occur 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 compensation claims where MPI has exercised its powers to manage or eradicate organisms.

As at 30 June 2020, MPI's provision relates mainly to the incursion of *M. bovis*. MPI recognises a provision on the issue of a "Notice of Infection" or "Notice of Direction" to an affected property. The provision accounts for several elements associated with claims for *M. bovis* as a result of the "Notice of Infection" or "Notice of Direction".

The primary elements that influence the provision are amounts incurred from the following:

- + Destruction of stock comprises \$18.2 million (2019: \$27.9 million) of the compensation for biosecurity incursions provision. Claims amounts for the destruction of stock take account of the value of animals less the meat value received. To estimate stock values, and the expected return from the sale of meat, MPI has applied averages based on information collated from stock valuations and payments from meat processing plants.
- + Loss of milk production comprises \$9.4 million (2019: \$22 million) of the compensation for biosecurity incursions provision. Claims for milk production losses take account of the quantity of milk, sales price per kilogram of milk solids, production costs per kilogram of milk solids and the number of months of lost production included at balance date.

To estimate milk production losses, assumptions have to be made on each element including how long the farm will take to get back into production. This can vary farm by farm, and complete information is not available, consequently, MPI has had to estimate the period for which milk production losses will be incurred. Key assumptions included in MPI's estimate include the date when a farm will repopulate and the level of production that will be achieved, compared with production achieved before the destruction of the farm's stock. With regard to milk production losses, a period of seven months has been applied as the time required, from the time of depopulation, to repopulate a farm and fully return to production. Increasing or decreasing this period by one month will change the provision by \$2.7 million.

- + Impact of movement controls comprise \$4.3 million (2019: \$8.4 million) of the compensation for biosecurity incursions provision. The calculation of this component of the provision is based on historical average cost per claim for similar properties, and an estimate of the number of properties expected to claim based on the number of notices issued.
- + Provision for the pea weevil biosecurity incursion response is \$1.6 million (2019: \$3.5 million) as a result of the exercise of powers to manage or eradicate an organism, such as placement of restrictions on the production of peas.
- + Provision for the infectious bursal disease virus incursion response is \$1.7 million (2019: nil) as a result of the exercise of powers to manage or eradicate an organism, such as the destruction of infected poultry.

Note 13b: Provision for rural veterinarians bonding scheme

Actuals 2019 \$000		Actuals 2020 \$000
2,150	Opening balance	2,411
1,557	Additional provisions made	1,376
(1,296)	Amounts used	(1,249)
2,411	Closing balance	2,538

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 started on 1 January 2009 and this provision represents MPI's liability at balance date for the 121 (2019: 108) veterinarians currently in the scheme.

Note 13c: Provision for commercial aquaculture claims settlement

Actuals 2019 \$000		Actuals 2020 \$000
2,043	Opening balance	2,043
–	Amounts used	92
2,043	Closing balance	2,135

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. Timing of settlement is dependent on finalisation of negotiations.

Note 14: Expenditure on compensation for biosecurity events

Actuals 2019 \$'000		Actuals 2020 \$'000
	Compensation for biosecurity incursions expenditure:	
77,918	<i>Mycoplasma bovis</i>	53,793
2,638	Other incursions	9,095
80,556	Total expenditure for biosecurity incursions	62,888

Compensation expenditure due to verifiable losses that have occurred as a result of response activities undertaken by MPI under the Biosecurity Act 1993.

Note 15: Explanations of major variances

Explanations for major variances from MPI's non-departmental estimated figures in the Main Estimates are as follows.

Non-departmental revenue

The positive revenue variance in 2019/20 is attributable to the industry contribution for the *M. bovis* compensation and response costs. Revenue will be collected by industry bodies through a levy and paid on to the Crown. A dividend was also received from the Crown's investment in Crown Irrigation Investment Limited.

Non-departmental expenses

Expenditure for forestry grants and partnerships programmes is driving the overall decrease in non-departmental expenditure compared with the budget. The under spend to budget is due to a rephasing of expenditure across future financial years.

Operating expenses were \$29 million lower than budget due to the timing of aquaculture settlements. The Crown's ability to meet these and remaining obligations is dependent on negotiations with iwi. While negotiations continue, an expense transfer and in-principle expense transfer was sought to carry forward underspent budget from 2019/20 to 2020/21.

Temporary trade disruptions associated with COVID-19 also led to a Crown Forestry underspend of \$16 million against budget.


Non-departmental capital expenditure

Capital expenditure decreased by \$19.8 million compared with the budget for the purchase and development of Crown Forestry assets. This is due to the ongoing nature of negotiations of commercial agreements with landowners to secure land, extending forecast timelines.

Note 16: Events after balance date

Mycoplasma bovis

Subsequent to 30 June 2020, MPI, under the Biosecurity Act 1993, has continued to respond to incursions, such as *M. bovis*. In undertaking these activities, MPI has issued "Notices of Infection" and "Notices of Direction" after the balance date. The issue of these notices may result in losses as a result of damage or destruction of property, or restrictions on the movement of goods. The financial impact is yet to be measured.



Farmland with cleared forest in the background – Mahurangi West near Auckland in New Zealand.

05 Our non-departmental statements and schedules

Ko ā mātau tauākī o waho i te tari me ngā āpitihanga

Legislation we administer

Ko ngā ture ka whakahaeretia e mātau

List of Acts MPI is responsible for:

- + 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 (under review)
- + Animal Products (Ancillary and Transitional Provisions) Act 1999
- + Animal Welfare Act 1999
- + Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- + Biosecurity Act 1993 (under review)
- + Commodity Levies Act 1990
- + Dairy Industry Restructuring Act 2001 (under review)
- + Driftnet Prohibition Act 1991
- + Farm Debt Mediation Act 2019
- + Fisheries Act 1983
- + Fisheries Act 1996
- + Fisheries (Quota Operations Validation) Act 1997
- + Food Act 2014
- + Food Safety Law Reform Act 2018
- + Forestry Encouragement Act 1962
- + Forestry Rights Registration Act 1983
- + Forests Act 1949
- + Forests (West Coast Accord) Act 2000
- + Hop Industry Restructuring Act 2003
- + Irrigation Schemes Act 1990
- + Kaikōura (Te Tai o Marokura) Marine Management Act 2014 (joint administration with Department of Conservation)
- + Kiwifruit Industry Restructuring Act 1999
- + Maori Commercial Aquaculture Claims Settlement Act 2004
- + Maori Fisheries Act 2004
- + Meat Board 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
- + Pork Industry Board Act 1997
- + Primary Products Marketing Act 1953
- + Public Works Act 1981
- + 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 Raupatu Claims Settlement Act 1995

Grant programmes

Ko ngā hōtaka whakawhiwhi pūtea

1 July 2019 to 30 June 2020

As outlined below, MPI administers several grant programmes to help land managers and rural communities manage New Zealand's natural resources in a sustainable manner.

Non-departmental grant programmes

The following grant programmes are those that are funded by the Crown and administered by MPI.

Adverse Climatic Events

This grant programme covers natural disasters, adverse climatic events and biosecurity incursions that affect rural communities. It includes floods, storms, droughts, snowstorms, frosts, tsunamis, volcanic eruptions, earthquakes and hailstorms. The Government's role is to help citizens in times of adversity if government involvement is justified by benefit to the wider community.

The Government responds to situations that are beyond the capacity of the affected community to cope with, 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 citizens. The Government may also help primary producers that acutely feel the effect of an adverse event.

Refer to page 16 for commentary on what MPI and the Government did in 2019/20 to support rural communities affected by adverse climatic events.

Afforestation Grant Scheme

The Afforestation Grant Scheme had funding available for five years up to 2020. It is a contestable fund designed to encourage more planting of trees in small forests and on farms. There were no grants issued in 2019/20. See pages 151 and 152 of this report for additional details on this fund.

Erosion Control Funding Programme

Formerly known as the East Coast Forestry Project, the Erosion Control Funding Programme was established in 1992 to deal with the wide-scale erosion problem in the Gisborne district. MPI provides funding to landholders and community groups in the district to address erosion through the treatment of highly erosion-prone land, and other supporting activities. The final application round for land treatments was held in 2018. Since then, no further funding for land treatment has been provided to new applications under this programme. However, existing grants have continued to submit claims for land treatment to address erosion. Community project applications remain open until June 2021, or earlier if available funding is committed. See pages 153 to 155 of this report for additional details on this fund.

Hill Country Erosion Fund

The Hill Country Erosion Fund is a partnership between MPI (Te Uru Rākau), regional councils (including unitary authorities) and landowners to protect vulnerable hill country. It enables councils and landowners to plan for and treat erosion-prone land to ensure it is managed sustainably. Funding rounds are held every four years. The latest round started in July 2019.

Mycoplasma bovis Recovery Advice Service

Funding for business and technical advice on recovering from *M. bovis* is available to farms that are or have been a Restricted Place or under a Transitional Notice of Direction. Payments from the *Mycoplasma bovis* Recovery Advice Service of up to \$5,000 (excluding GST) are made to eligible farmers for each property that is run as a separate business entity.

For information on MPI's *M. bovis* eradication work in 2019/20, see page 31 of this report.

New Zealand Agricultural Greenhouse Gas Research Centre

The New Zealand Agricultural Greenhouse Gas Research Centre (NZAGRC) is a core component of the Government's approach to understanding, managing and reducing greenhouse gases in agriculture. It was established in 2009 as a partnership between the leading New Zealand research providers and the Pastoral Greenhouse Gas Research Consortium.

The Government is investing nearly \$50 million over six years in science and related activities led or co-ordinated by the NZAGRC. This funding is provided by MPI and MBIE under a Memorandum of Understanding, with MPI acting as the Contractor of the NZAGRC. MBIE's investment in the NZAGRC is provided as Strategic Science Investment Fund (Programmes) funding. See pages 146 and 147 of this report for additional details on this fund.

One Billion Trees grants and partnerships

The One Billion Trees programme supports individuals and groups across New Zealand to plant trees or manage land sustainably. As part of MPI, Te Uru Rākau works in partnership directly with landowners and organisations that want to contribute to the goal of planting one billion trees by 2028.

The outcomes of this fund will include indigenous regeneration, planting for water quality or erosion control, sustainable employment and more resilient landscapes.

The fund delivers two streams of funding:

- + Direct landowner grants provide incentives to reduce barriers to planting. The grants contribute to the cost of planting and establishing trees and fostering indigenous regeneration.
- + Partnership funding is focused on partnering with organisations and groups to enable an increase in tree planting – whether through research, innovation, or sector development.

See page 25 of this report for further commentary on the One Billion Trees Fund.

Sustainable Food and Fibre Futures Fund and the Primary Growth Partnership

The Sustainable Food and Fibre Futures (SFF Futures) Fund is a merger of two pre-existing funds: The Primary Growth Partnership (PGP) and the Sustainable Farming Fund (SFF). SFF Futures opened to applicants in October 2018. Projects and programmes that were already approved through the PGP or SFF are continuing under their existing contracts.

SFF Futures supports problem solving and innovation in New Zealand's food and fibre sectors by co-investing in initiatives that make a positive and lasting difference. These range from small grants to large scale, multi-year partnerships. SFF Futures initiatives are led by industry or community groups and are typically market-driven innovation projects acting across the primary industry value chain. See pages 149 to 150 of this report for additional details on these funds.

Sustainable Land Management and Climate Change Research Programme

A 2018 review of the Sustainable Land Management and Climate Change Research (SLMACC) funding programme found a need to fund more climate change adaptation projects and ensure that knowledge transfer is occurring. Based on this change in focus, the SLMACC programme was separated into two funds: Adaptation and Extension:

- + SLMACC – Adaptation: This fund focuses on research that answers targeted policy questions on climate change adaptation, and the social and physical impacts of climate change on New Zealand's primary industries and rural communities.
- + SLMACC – Extension: This fund focuses on communicating the newest research findings to farmers, growers and other primary industry professionals in an effective way that directly influences engagement, implementation and lasting behaviour change.

The second change to the programme came from Budget 2019, which included \$16 million in funding to set up and deliver a Freshwater Mitigation Fund as part of the Productive and Sustainable Land Use Package. The funding for the Freshwater Mitigation

Fund will become available in 2020/21. SLMACC – Freshwater Mitigation supports large-scale field trials of existing farm technologies and practices that protect waterways and wetlands by reducing nutrient run-off and leaching. The programme aims to produce scientific data that can be incorporated into decision-support tools such as OverseerFM. This will help farmers and growers use their land more sustainably, meet environmental targets and remain prosperous.

Voluntary Bonding Scheme for Veterinarians

To deal with a shortage of veterinarians working with production animals in rural areas, this voluntary bonding scheme encourages veterinarians to take up roles in more isolated communities. This scheme provides veterinarians with a taxable payment of \$11,000 per year for every year they work in an eligible area, over the five-year bonded period.

Departmental grant programmes

The following grant programmes are those that are funded and administered by MPI.

Aquaculture Planning Fund

This fund supports regional councils with the costs of coastal planning for aquaculture developments. The fund supports amendments to regional coastal plans to achieve the aquaculture industry's goal of \$1 billion in sales by 2025.

Earthquake Recovery Fund

The Earthquake Recovery Fund supports long-term land use changes in the earthquake-affected South Island districts of Hurunui, Kaikōura and Marlborough. Direct-to-landowner grants were provided for two years, in 2017/18 and 2018/19, finishing in June 2019. Close to \$1 million was committed to provide farmers with up to \$5,000 (excluding GST) per farm so they could seek professional advice on land use suitability and optimisation. Eight community projects are currently in progress and are due to be completed by June 2021. These community-driven extension projects have committed around \$3.6 million funding over a four-year period.

New Zealand Agricultural Greenhouse Gas Inventory Research Fund

As part of New Zealand's annual commitment to reporting on its greenhouse gas emissions, MPI reports on greenhouse gases from the agricultural sector using the Greenhouse Gas Inventory. The Greenhouse Gas Inventory is the official annual estimate of all human-generated greenhouse gas emissions and removals in New Zealand. The inventory is one of New Zealand's mandatory reporting obligations under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

The Greenhouse Gas Inventory Research Fund supports research to improve the Greenhouse Gas Inventory and the reporting of emissions from forestry and other land uses. This includes reviewing and updating how New Zealand calculates emissions from items currently in the inventory, as well as research to calculate emissions from additional sources or account for new forms of mitigation. As well as improving the reporting of agriculture and forestry emissions, this research can support policy makers and help the farming and forestry sectors to better manage their greenhouse gas emissions.

Forestry contributes around \$6.7 billion annually to the New Zealand economy and employs around 35,000 people in wood production, processing and the commercial sector.

06 Ministers' reports on non-departmental appropriations Ko ngā pūrongo a ngā Minita mō ngā tahua o waho i te tari



Ministers' reports on non-departmental appropriations

Ko ngā pūrongo a ngā Minita mō ngā tahua o waho i te tari

Purpose

The Minister of Agriculture, Biosecurity and Food Safety, the Minister of Fisheries, and the Minister of Forestry are required under section 19B of the Public Finance Act 1989 to report against non-departmental appropriations for Vote Agriculture, Biosecurity, Fisheries and Food Safety, and Vote Forestry. This report has been appended to the 2019/20 annual report of the Ministry for Primary Industries for publication purposes, and is not subject to audit.

COVID-19 Assistance for Primary Industries

Introduction

This report covers Vote Agriculture, Biosecurity, Fisheries and Food Safety Non-departmental Output Expense COVID-19 Assistance for Primary Industries.

The disruption to the pork supply chain caused by the nationwide COVID-19 lockdown had the potential to affect nearly 100 commercial pig farms in New Zealand if farmers were required by wholesalers to retain slaughter-weight pigs on farm due to there being no market for the pork meat. Had this scenario been left to run unchecked, it would have placed enormous pressure on farm production cycles and would have likely compromised pig welfare due to overcrowding (leading to fighting and tail biting, for example).

MPI was advised by the industry that around 3,750 pigs per week were not entering the normal pork supply chain as a result of COVID-19 Level 4 restrictions.

MPI purchased a proportion of the surplus slaughter-weight pigs from pork wholesalers so that farmers would not have to retain their pigs for longer than they normally would. The purchased pork was donated to food banks for distribution to families and communities affected by COVID-19 (see page 38 for further details on this activity).

Statement of service performance

Response outcomes

1. Reduce the current over-supply of pork product to mitigate any potential short-term animal welfare issues.
2. Support individuals, whānau and communities affected by the COVID-19 epidemic by donating quality pork products to food banks and other registered food organisations.

Response objectives

1. Establish a model to supply food banks with pork product.
2. Identify potential groups and organisations to connect with the KiwiHarvest national food hub network, to ensure communities in need (including those living in remote rural areas) have access to pork product.
3. Design and deliver the legal mechanisms for MPI to purchase pork product from New Zealand pork wholesale suppliers.
4. Set up information requirements to inform balancing of supply and demand against any potential on-farm animal welfare issues.

5. Organise weekly meetings with pork wholesale suppliers and KiwiHarvest to monitor supply chain function and related risk.
6. Evaluate the extent of the pig surplus issue during COVID-19 Alert Levels 4, 3 and 2 restrictions, to ensure any purchase arrangements track market dynamics.
3. New Zealand Pork, the industry body, estimated that the weekly surplus had tracked down from around 3,750 pigs at the beginning of May 2020 to roughly 500 pigs per week. Around 500 pigs per week is closer to the seasonal business-as-usual surplus that the industry typically manages.
4. The appropriation included a budget for purchasing pork (\$4.8 million), a budget for travel costs associated with distribution to remote rural communities (\$500,000), and a budget for covering any unplanned contingencies (\$500,000). The total amount spent was \$4.6 million: \$4.43 million to purchase 632 tonnes of pork, \$147,000 to reimburse groups for distribution into remote rural communities, and \$35,000 to cover non-standard supply arrangements for KiwiHarvest distribution (for example, additional freezer storage and shipping between islands due to supply-and-demand imbalance, and specific transport arrangements into remote rural areas).

Results

All objectives were achieved for this appropriation.

1. The maximum quantity of pork MPI agreed to purchase was 672 tonnes (around 8,000 pigs). The actual amount of pork purchased by the close of the intervention was 632 tonnes (around 7,528 pigs).
2. KiwiHarvest completed nearly 483 deliveries, totalling 31,580 cartons of fresh mixed pork products (for example, sausages, roast cuts, pork bones and pork mince) to 100 food hubs in 56 different locations across New Zealand.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20		2018/19	
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
COVID-19 Assistance for Primary Industries This appropriation is intended to support or help the primary sector as part of addressing the impact of COVID-19.	Purchase a maximum of 53% of the estimated surplus pigs each fortnight (up to a maximum of 2000 pig carcasses/week) for six weeks The six weeks started 18 May and ended 26 June 2020.	100%	100%	✓	New measure for 2019/20

Service performance – financial

Supplementary Estimates Budget: \$10.245 million

Appropriation, adjustments and use	\$000
Original appropriation	10,245
Actual expenses for 2019/20	(5,658)
Estimated appropriation remaining	4,587

Global Research Alliance on Agricultural Greenhouse Gases

Introduction

This report covers Vote Agriculture, Biosecurity, Fisheries and Food Safety Non-departmental Other Expense Global Research Alliance on Agricultural Greenhouse Gases.

The Global Research Alliance on Agricultural Greenhouse Gases (GRA) was established in 2009. It brings together interested countries and organisations to drive the research, development and extension of technologies and practices that will help deliver ways to grow more food (and more climate-resilient food systems) without increasing greenhouse gas emissions. It now has 62 member countries and 22 partners. Its partners are international organisations whose goals align with the GRA, for example, the Food and Agriculture Organization of the United Nations, the World Bank, the World Farmers' Organisation, and international and regional agricultural research institutes. The GRA's research is focused on four key areas: livestock, croplands, rice paddies, and interdisciplinary topics.

New Zealand played a leading role in the GRA's establishment and continues to be a major contributing country, including acting as a co-ordinator for the Livestock Research Group (LRG), alongside the United Kingdom and Ireland. New Zealand has committed \$80.2 million between 1 July 2010 and 30 June 2024 to supporting the GRA. Administered by MPI, the multi-year appropriation for this initiative is used primarily to invest in international and domestic research and capability-building opportunities, and for extension activities that arise through the GRA, particularly through the LRG. A small amount is used to meet administrative and operational costs.

A major feature of the GRA appropriation has been the New Zealand Fund for Global Partnerships in Livestock Emissions Research. This contestable international fund was launched in 2011 in support of the GRA's aims and invests in research on mitigating greenhouse gas emissions from pastoral livestock systems. Eight projects, to a total of \$8.76 million, were funded under the fourth round of this fund. All of these projects were due for completion by 30 June 2020, but some have

been extended until the end of 2020 due to the impacts of the COVID-19 pandemic.

Some of the GRA appropriation also goes to the New Zealand Agricultural Greenhouse Gas Research Centre, which MPI contracts to provide services to support New Zealand's GRA work programme, including:

- + co-chairing the LRG;
- + leading New Zealand's scientific input contributing to the GRA's overall development;
- + providing a programme of capability-building activities, including fellowship and award schemes, and training for developing-country scientists;
- + negotiating and administering select research contracts on MPI's behalf.

Statement of service performance

Intended impacts, outcomes or objectives

The GRA's primary objective is to find new and more efficient ways of co-ordinating and increasing international investment and research into reducing agricultural greenhouse gas emissions. Specifically, the GRA seeks to:

- + deepen and broaden existing networks of agriculture mitigation research and build new ones;
- + enhance science capacities;
- + increase international investment;
- + improve understanding and measurement of agricultural emissions;
- + improve access to, and the application of, mitigation technologies and best practices.

The knowledge generated by the GRA and its dissemination is intended to deliver on several objectives, including:

- + reducing global greenhouse gas emissions from agriculture – a major source of greenhouse gases;

- + developing and demonstrating mitigation technologies that can be applied to agricultural production around the world;
- + better understanding of optimal patterns of production and trade for agriculture;
- + increasing mitigation research into areas of interest to New Zealand.

Description of activities

The following activities are included in the GRA's work:

- + research activities;
- + demonstration and extension activities and resources;
- + project management;
- + financial management.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20			2018/19
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Global Research Alliance on Agricultural Greenhouse Gases This appropriation is intended to achieve the effective management of funds and activities relating to the Global Research Alliance on Agricultural Greenhouse Gases.	Percentage of Global Research Alliance (GRA) projects funded by New Zealand are completed to contracted quality standards Several contracts had delays in submitting final reports due to the impacts of international COVID-19 restrictions. These were minor delays due to restrictions faced by international collaborators and flow-on delays in international review processes. All of the affected projects have had their contracts amended to reflect these delays.	95%	77%	✗	98%
	Number of people completing the New Zealand supported GRA activities to build scientific and policy capability in developing countries Several crucial training opportunities were postponed or cancelled due to the global response to the COVID-19 pandemic. The following opportunities were to occur between March and June 2020, but have now been postponed to later dates: Representatives from developing countries to attend a greenhouse gas inventory training week in New Zealand; New Zealand-sponsored attendees to attend a "Greenhouse Gas Assessment and Mitigation in Agriculture" course in Spain; and Pacific representatives to attend a New Zealand run workshop hosted in Samoa. Some of these activities will now be delivered through on-line programmes.	Minimum 100	48	✗	New measure for 2019/20
	Increased engagement and investment from GRA members and partners to future activities of the GRA	Achieved	Achieved	✓	New measure for 2019/20
	Leveraging from international partners at least double the level of New Zealand's investment in GRA research to accelerate development of mitigation technologies	Achieved	Achieved	✓	New measure for 2019/20

Service performance – financial

GRA expenditure has been covered by a multi-year appropriation over four years, from 1 July 2016 to 30 June 2020. A new multi-year appropriation has been established from 1 July 2020 to 30 June 2024.

Service performance – financial		
Description	2019/20 \$000	2020/21 \$000
This category is limited to the administration of government-approved schemes, grants and assistance to the land-based sectors.		
Carry forward of underspend from multi-year appropriation finished in 2018/19	1,690	–
Fiscally neutral adjustments	(439)	–
Budget initiatives from 2020	–	8,500
Indicative spending profile	18,941	8,500
Adjustments	1,251	–
Appropriation remaining for 2019/20	20,192	–
Actual expenses for 2019/20	(7,923)	–
Appropriation remaining	12,269	8,500

New Zealand Agricultural Greenhouse Gas Research

Introduction

This report covers Vote Agriculture, Biosecurity, Fisheries and Food Safety Non-departmental Output Expense New Zealand Agricultural Greenhouse Gas Research.

The NZAGRC is a partnership between New Zealand's leading agricultural greenhouse gas research providers. Its mission is to generate information, technologies and behaviours that will help the agriculture sector create wealth for New Zealand in a carbon-constrained world. Opened in 2010, the NZAGRC is a virtual centre, and the research it funds is carried out by researchers working in their own organisations. The NZAGRC is physically based at the AgResearch Grasslands Campus in Palmerston North.

MPI invests \$4.85 million per year in NZAGRC. From 2019/20, MPI has also administered an additional \$4.85 million per year, for four years, on behalf of the Ministry of Business, Innovation and Employment.

Statement of service performance

Intended impacts, outcomes or objectives

This appropriation is intended to support the mitigation of agricultural greenhouse gases.

NZAGRC's research focuses on:

- + ruminant methane;
- + nitrous oxide;
- + soil carbon;
- + integrated farm systems;
- + Māori agribusiness.

It aims to:

- + improve co-ordination of greenhouse gas research;
- + build New Zealand's research capacity by supporting students, early-career scientists, technicians and senior scientists;
- + support summer school, master's and doctoral students in New Zealand universities through its Student Scholarship Fund;
- + extend the results of its research to stakeholders.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20			2018/19
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
New Zealand Agricultural Greenhouse Gas Research	Percentage of quarterly reports reviewed and signed-off by the Chair of the New Zealand Agricultural Greenhouse Gas Research Steering Group	100%	100%	✓	100%
This appropriation is intended to support greenhouse gas research.	This measure was previously under the Primary Growth Partnership Fund and was relocated under New Zealand Agricultural Greenhouse Gas Research in the 2019/20 Supplementary Estimates process.				

Service performance – financial

Service performance – financial	
Description	2019/20 \$000
Original appropriation	23,050
Indicative spending profile	3,650
Actual expenses for 2019/20	(3,638)
Appropriation remaining	19,412
Estimated expenses for 2020/21	(4,850)
Estimated appropriation remaining	14,562

Primary Growth Partnership

Introduction

This report covers Vote Agriculture, Biosecurity, Fisheries and Food Safety Non-departmental Other Expense Primary Growth Partnership.

The Primary Growth Partnership (PGP) was a government–industry initiative that made joint investments into significant programmes of research and innovation that boost the economic growth and sustainability of New Zealand's primary production,

forestry and food sectors. PGP programmes were primarily business-led and market-driven innovation programmes across the primary industry value chain.

The PGP funding programme was replaced by the Sustainable Food and Fibre Futures (SFF Futures) fund from October 2018. In October 2019, the PGP and SFF appropriations were merged to establish a dedicated appropriation for SFF Futures.

Statement of service performance

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2019/20			2018/19
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Primary Growth Partnership	Produce an annual report on the progress and performance of the Primary Growth Partnership	Achieved	Achieved	✓	New measure for 2019/20
This appropriation is intended to achieve the effective management of investment projects developed with relevant industry groups, including research related to greenhouse gases.					

Service performance – financial

The PGP funding programme has funded continual government–industry partnership projects established in prior periods for significant programmes of research and innovation in New Zealand's food, primary and forestry sectors. SFF Futures replaced pre-existing funds, the PGP and the SFF.

Appropriation, adjustments and use	\$000
Original appropriation	244,312
Adjustments for 2016/17	–
Adjustments for 2017/18	(80,892)
Adjusted appropriation	163,420
Actual expenses to 2018/19	(68,128)
Estimated appropriation remaining	95,292
Funding transferred to Sustainable Food and Fibre Futures Fund MYA appropriation and New Zealand Agricultural Greenhouse Gas Research MYA	(88,022)
Actual Expenses for 2019/20	(7,270)
Appropriation remaining	–

Sustainable Food and Fibre Futures Fund

Introduction

This report covers Vote Agriculture, Biosecurity, Fisheries, and Food Safety Non-departmental Other Expense Sustainable Food and Fibre Futures.

The SFF Futures fund supports problem solving and innovation in New Zealand's food and fibres sector by co-investing in initiatives that make a positive and lasting difference. These range from small grants to large scale, multi-year partnerships. SFF Futures initiatives are led by industry or community groups and are typically market-driven innovation projects acting across the primary industry value chain.

SFF Futures was established in October 2018, bringing together the SFF and the PGP. Projects and programmes that were already approved through the SFF or PGP are continuing under their existing contracts.

Statement of service performance

Intended impacts, outcomes or objectives

SFF Futures has a broad scope that includes, but is not limited to, supporting innovation, improved environmental and social outcomes, and sustainable value-added growth. It pursues outcomes that would not otherwise occur without government intervention, taking an industry and community-led approach. SFF Futures projects must deliver sustained benefits in at least one of four areas: economic, environmental, social and cultural.

Some of the SFF Futures projects that were either approved for funding or completed during 2019/20 are outlined on page 19.

Vote Agriculture, Biosecurity, Fisheries and Food Safety			2019/20		2018/19
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Sustainable Food and Fibre Futures Fund This appropriation is intended to support the sustainable development of New Zealand's primary industries.	Percentage of contracts completed in the financial year that met their contracted outcomes and deliverables	90%	100%	✓	New measure for 2019/20
	Percentage of contracted funding that is meeting milestones towards delivering the intended outcomes and deliverables	90%	100%	✓	New measure for 2019/20
	Percentage of contracts that are meeting their milestones towards delivering the intended outcomes and deliverables	90%	100%	✓	New measure for 2019/20
	Total number of contracts in place for the financial year	Minimum 100	134	✓	New measure for 2019/20
	Percentage of the Sustainable Food and Fibre Futures Fund contracted for the financial year	90–100%	64%	✗	New measure for 2019/20
Due to COVID-19 restrictions, a large proportion of SFF Futures grants and partnerships experienced operational issues and delays due to lockdown restrictions. This meant that many activities did not get completed on time and we were unable to process payments for activities as planned. Therefore, the fund did not spend as much as expected. MPI has also offered further business recovery and support to ensure investments are still relevant since the emergence of COVID-19 and still able to deliver their originally intended outputs and outcomes.					

Service performance – financial

During the 2019/20 year, SFF Futures approved funding of \$27.3 million for 62 projects. As at 30 June 2020, 49 projects were in the process of being assessed for \$120 million in SFF Futures funding.

Appropriation, adjustments and use	\$000
Original appropriation	245,772
Adjustments for 2019/20	9,719
Adjusted appropriation	255,491
Actual expenses for 2019/20	(25,035)
Estimated appropriation remaining	230,456

Afforestation Grant Scheme

Introduction

This report covers Vote Forestry Non-departmental Other Expense Afforestation Grant Scheme.

The last funding round of the Afforestation Grant Scheme (AGS) was held in 2018, for new 2018–2020 plantings. The objective of the AGS was to encourage and support new forest planting, with applications prioritised according to their contribution to environmental outcomes. An allocation of \$19.5 million was available for grants for the life of the fund (from 2016 to 2021). It was expected that 15,000 hectares of new forest would be planted by 2021. However, the last round of AGS applicants were guaranteed the higher One Billion Trees grant rate, which resulted in fewer hectares being planted, making it no longer possible to achieve the anticipated planting target. The AGS is now expected to result in around 13,400 hectares of new forest.

The main features of the AGS were as follows:

- + Grant applications must be for forests of between five and 300 hectares.
- + Planting must be on land that is not already forested land.
- + The grant rate was \$1,300 per hectare, regardless of species. The grant rates approved in the 2018 funding round matched the higher One Billion Trees grant rates (up to \$6,000 per hectare). This ensured that no applicants were disadvantaged by

being funded through the AGS rather than the One Billion Trees programme.

- + Grantees approved in the 2018 funding round were prohibited from receiving carbon credits from the Crown for the first six years, to be consistent with the One Billion Trees provisions. Before this, grantees were prohibited from receiving carbon credits from the Crown for the first 10 years.

Statement of service performance

Intended impacts, outcomes or objectives

The objective of the AGS was to achieve and encourage new planting of up to 15,000 hectares of new forest over the life of the programme.

Description of activities

For the first three funding rounds, held in 2015, 2016 and 2017, 248 applications were approved to plant 12,452 hectares. As at 30 June 2020, claims had been paid out for 8,715.28 hectares.

With the introduction of the One Billion Trees programme, rates were increased for eligible recipients of the 2018 round to align with top-up funding available under the One Billion Trees Direct Landowner Grant. The fifth funding round for AGS was not held. It is forecast that, once planting is completed, nearly 13,400 hectares will have been planted under the AGS.

Vote Forestry		2019/20		2018/19	
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Afforestation Grant Scheme	Total area afforested since initial implementation of the scheme (hectares)	15,000ha	8,715ha	✗	1,718ha
This appropriation is intended to achieve and encourage new planting of an expected 15,000ha over the life of the programme.	When the One Billion Trees programme was introduced, the fifth funding round for the AGS was not held, which meant fewer hectares of land could be contracted. Rates were also increased for recipients of the previous round to align with top-up funding available under the One Billion Trees Direct Landowner Grant. It was therefore no longer possible to achieve the planting target. This measure was removed and will no longer be reported on in 2020/21.				

Service performance – financial

Service performance – financial				
Actual June 2019 \$000		Actual June 2020 \$000	Main Estimates June 2020 \$000	Supp Estimates June 2020 \$000
2,765	This category is limited to the administration of government-approved schemes, grants and assistance to the land-based sectors	3,321	7,912	7,912

Forestry and Other Economic Development, and Erosion Control

Introduction

This report covers Vote Forestry Non-departmental Other Expense Forestry and Other Economic Development, and Erosion Control.

The Erosion Control Funding Programme (ECFP) was established in 1992 with the aim to control erosion on significantly eroded or erosion-prone land in the Tairāwhiti/Gisborne-East Coast region. This region is renowned for its susceptibility to erosion with 26 percent of the region recognised as vulnerable to severe erosion compared with 8 percent for the rest of New Zealand. The area also experiences high-intensity weather events that lead to soil being washed away and deposited downstream through flooding; something that is likely to become more commonplace as global warming progresses. Grants were provided to fund land treatment (to prevent further erosion or to encourage the land to revert to indigenous bush), and from 2017, to innovative, erosion-reduction projects run by local groups, iwi, organisations and businesses.

The ECFP land treatment grants offered funding for three main methods of erosion control:

- + forestry planting – planting for commercial forestry;
- + indigenous reversion – encouraging native trees to grow back naturally;
- + space planting – non-commercial planting, typically of willow or poplar poles.

The purpose of these grants was either to plant enough trees to shore up the soil and prevent further erosion or to encourage natural reversion to indigenous forests. Grant rates were calculated by the type of erosion control method – forestry and reversion grants were paid by the hectare while space planting grants were calculated on actual and reasonable costs per tree planted. In those parts of the region that were especially vulnerable to erosion, forestry or reversion grants provided an extra \$500 per hectare above the standard rate.

The ECFP land treatment grants have been discontinued, with the last funding round held in 2018/19. Grant applicants are now encouraged to apply for funding through the One Billion Trees programme. However, the ECFP continues to support the Crown to meet its commitments to restoring the Waiapu River catchment via a collaborative programme between MPI, Te Runanganui o Ngāti Porou (the authority for East Coast iwi, Ngāti Porou), and the Gisborne District Council. This 100-year programme aims to treat current and prevent future erosion, and to bring social and economic gains to iwi and landowners. The ECFP also supports the implementation of the Gisborne District Council's Sustainable Hill Country programme as part of the Combined Regional Land and District Plan.

Locally led, erosion control projects continue to be funded by the ECFP grants in the Tairāwhiti region. In 2019/20, the ECFP granted \$1,601,580 to two community projects: Motu Catchment Project Phase Two and the Waimatā Catchment Erosion Management Project.

Motu Catchment Project Phase Two

The Motu River Catchment is home to native and endangered species and is heavily used for recreational purposes. Downstream from the Motu Falls, a water conservation order is in place, while above the Falls, the catchment hosts productive farmland, with 66 percent of the upper catchment in pastoral farming. The unstable nature of the land, together with the influence of high intensity rainstorms, means the area is subject to erosion. In Phase One of the Motu Catchment Project, 11 farmers operating 13 farms collectively identified and treated erosion on their properties using fencing and native planting. In Phase Two of the Motu Catchment Project, 18 landowners operating 19 farms continue to identify erosion-prone land and potential mitigation options.

Waimatā Catchment Erosion Management Project

The Waimatā Catchment is 23,600 hectares of heavily eroded, steep hill country inland from Gisborne.

Earthflow and streambank erosion are common in the area with unrestricted stock access to the riverbank zone being a significant driver of this. This project aims to reduce the amount of erosion and its impacts on the Waimatā River, with a group of seven farmers and landowners committed to addressing erosion on their land. The farmers are undertaking riverbank and wetland planting of native and non-native trees, fencing to prevent stock access to these areas, and planting of other eroding areas on their farms. Alongside the reduction in erosion, the project aims to improve the biodiversity on the farm and the riverbanks. Good farm environmental planning is important to long term decision making and this will also be part of the project. It is hoped that this project will gain momentum and encourage other landowners in the catchment to become involved.

Statement of service performance

Intended impacts, outcomes or objectives

The ECFP's primary objectives have been to encourage the establishment of erosion control treatments on the

worst eroding or erosion-prone land and to support broader initiatives to address erosion in the Tairāwhiti region. The intention of this effort has been to improve long-term productivity by retaining productive land, reducing the effects of sediment entering the waterways and reducing the impact caused by extreme weather events. Broader community-level projects will also lead to improved economic and social outcomes for the district such as economic growth, employment opportunities and skills development.

Description of activities

As previously mentioned, ECFP land treatment grants were discontinued in 2018/19.

In 2019/20, no new funding was granted except for establishment and maintenance activities on grants approved in previous years. The actual planted area established was mapped using a geographic information system, and grant money was paid based on the land planted and in accordance with the agreed grant rate. Two community-led projects were assessed and approved for funding and are due to start in 2020/21.

Vote Forestry		2019/20			2018/19
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Forestry and other Economic Development, and Erosion Control This appropriation is intended to support and manage forestry and other economic development and erosion control in the Tairāwhiti region via the Forestry and Other Economic Development, and Erosion Control scheme.	Number of hectares approved for planting and treatment under the Erosion Control Funding Programme	1,000ha	1,963ha	✓	5,079ha

Service performance – financial

This appropriation is intended to achieve and encourage new planting of an expected 15,000 hectares of forest by 30 June 2021.

Appropriation, adjustments and use	\$000
Original appropriation	26,950
Adjustments for 2018/19	1,150
Adjustments for 2019/20	-
Adjusted appropriation	28,100
Actual expenses to 2018/19	(2,139)
Indicative spending profile for 2019/20	9,449
Actual expenses for 2019/20 year end	(5,481)
Estimated appropriation remaining	20,480

Abbreviations

ACE	Annual catch entitlement
AGS	Afforestation Grant Scheme
BEFU	Budget and Economic Fiscal Update
BMSB	Brown marmorated stink bug The BMSB (<i>Halyomorpha halys</i>) is an insect that is not established in New Zealand but is widespread globally and is a potential threat to the kiwifruit industry and a wide range of other crops.
CIIL	Crown Irrigation Investments Limited
CIMS	Coordinated Incident Management System CIMS is New Zealand's official framework for incident management across responding agencies and organisations. MPI uses CIMS to manage biosecurity responses.
DPMC	Department of the Prime Minister and Cabinet
ECFP	Erosion Control Funding Programme
ETS	Emissions Trading Scheme
FRS	Financial Reporting Standard
FTA	Free trade agreement An FTA is a set of rules for how countries treat each other when it comes to doing business together. FTAs help New Zealand traders (exporters and importers) by providing improved access to partner markets and reducing trade barriers in those markets.
FTE	Full-time equivalent
GIA	Government–Industry Agreement
GHSL	Government Health and Safety Lead The role of GHSL was established to provide practical support to chief executives and senior leaders of government agencies to enable their personal leadership of health and safety for the benefit of all New Zealanders.
GRA	Global Research Alliance on Agricultural Greenhouse Gases
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IRD	Inland Revenue Department
LGBTQIA+	A community that includes people who identify as takatāpui, lesbian, gay, bisexual, pansexual, transgender/transsexual, queer/questioning, intersex, and allied/asexual/aromantic/agender.
LRG	Livestock Research Group
MABx	Māori Agribusiness Extension programme MABx aims to build the confidence of Māori agribusinesses, their trustees and landowners to undertake change and achieve more from their whenua.
MAPIP	Māori Agribusiness Pathway to Increased Productivity Programme MAPIP provides support for trustees or owners of Māori land who want to make progress with changing their land use.
MBIE	Ministry of Business, Innovation and Employment

MFAT	Ministry of Foreign Affairs and Trade
MfE	Ministry for the Environment
MPI	Ministry for Primary Industries
MYA	Multi-year appropriation
NAIT	National Animal Identification and Tracing NAIT is the animal identification and tracing system that links people, property and livestock in New Zealand. It was established to help with animal health surveillance, biosecurity, market assurance and food safety associated with livestock.
NPS	National policy statement
NZAGRC	New Zealand Agricultural Greenhouse Gas Research Centre
OIA	Official Information Act 1982 This Act helps the New Zealand public access information held by government organisations and Ministers. The Act's purpose is to encourage transparency and public participation in government.
PBE	Public benefit entity
PEQ	Post-entry quarantine
PGF	Provincial Growth Fund The PGF is a New Zealand Government fund established to lift productivity potential in the provinces. Before the emergence of COVID-19, the PGF focused on initiatives in priority sectors and surge regions. During the COVID-19 lockdown, the Government reset the PGF to enable it to play a role in helping the country recover from the economic impact of COVID-19 through initiatives that will create jobs and bring economic benefits.
PGP	Primary Growth Partnership
RMA	Resource Management Act 1991
SFF	Sustainable Farming Fund
SFF Futures	Sustainable Food and Fibre Futures SFF Futures is a fund administered by MPI for problem solving and innovation in the agriculture, food and fibres sector.
SLMACC	Sustainable Land Management and Climate Change Research
SLT	Senior leadership team
XRB	External Reporting Board

