



Regulatory Impact and Business Compliance Costs Statement:

Amendment to the Dairy Industry (Herd Testing and
New Zealand Dairy Core Database) Regulations 2001 –
Research Exemption

June 2003



Ministry of Agriculture and Forestry
Te Manatū Ahuwhenua, Ngāherehere

Requests for further copies should be directed to:

Publication Adviser
MAF Information Bureau
P O Box 2526
WELLINGTON

Telephone: 0800 00 83 33
Facsimile: 04-894 0300

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Background

1. The Dairy Industry (Herd Testing and New Zealand Dairy Core Database) Regulations 2001 (the Regulations) were made under the Dairy Industry Restructuring Act 2001 (the Act) to provide for the regulation of herd testing, the provision of information to the core database, and access to data in the core database through an Access Panel.
2. The Regulations require that herd testing of two or more herds in different ownership can only be undertaken by certified herd testers.

Statement of the problem and the need for government action

3. Regulated herd testing captures all testing of milk, including that which researchers undertake, even though the research and associated herd testing may have a quite different focus and purpose from that envisaged by the Regulations, which is the recording of the production of cows in order to contribute to the core database. Consequently, research opportunities and research flexibility are inhibited by the cost of certification as required by the Regulations.
4. Potentially four research organisations are affected. If those organisations were to become certified herd testers the costs would be significant (in the tens of thousands of dollars per organisation).

Statement of the public policy objective

5. The public policy objective is to enhance research flexibility and reduce disincentives for research, by reducing compliance costs for researchers, while safeguarding the provision of data to the core database.

Statement of options for achieving the desired objective

6. **Status quo** - herd testing can only be undertaken by certified herd testers, except in the instance where researchers (or others) are only testing their own herd(s).
If the Regulations were not amended, researchers would have to either own any animals whose milk they wished to test or go to the expense of becoming certified herd testers. The status quo is not achieving the desired public policy objectives because it reduces the research organisations' research opportunities and inhibits research flexibility. Research organisations cannot analyse milk samples for research purposes from herds that they do not own without becoming a certified herd tester.
7. **Option 1** – exempting researchers from certification.
Exempting researchers from certification without imposing a condition that the herds must nevertheless be subject to regulated herd testing would create a loophole whereby parties might seek to undertake herd testing under the guise of "research" and thereby avoid meeting the regulatory requirements.
8. **Option 2** (the preferred option) – exempting researchers from certification, but requiring that research may only be carried out on herds already tested by a certified herd tester (excluding a researcher's own herd(s)).

In return for the research exemption this option requires all herds used for research except those owned by the research organisation to be subject to regulated herd testing. This option continues the status quo in relation to the research organisation's own herd(s) (which allows researchers to analyse milk samples from cows that they own without being required to be certified herd testers) but introduces a requirement that where they test herds of others, those herds must also be subject to regulated herd testing. This policy option deals with the potential loophole that would be created by exempting researchers without putting in place any safeguards for the comprehensiveness of the core database, but does not seek to add further requirements.

Statement of the net benefit of the proposal

Costs and Benefits to Researchers

9. Researchers undertaking bona fide research on dairy herds will avoid the cost of becoming certified herd testers or of purchasing all animals whose milk they wish to test. The costs of certification are significant (in the tens of thousands of dollars) and include the requirement for internal and external audits and reviews of systems, documentation and practices to ensure the organisation can meet the requirements of the standard.
10. There would be an additional cost of herd testing if herds not owned by the researcher, but used for research purposes, were not currently subject to regulated herd testing. This is not likely to be significant as researchers would tend to conduct their research on herds that are already being tested by certified herd testers and the vast majority of herds nationally (approximately 82%) are involved in herd testing. The cost of herd testing is approximately \$12 per cow or around \$3250 for an average size herd (based on 3 tests per year). This cost would be known before the herd owner agreed to allow the research to be conducted and it would be the responsibility of the researcher to ensure regulated herd testing took place. It would be expected that the research organisation would meet this cost in return for its access to the herd.

Costs and Benefits to Industry/Economy

11. Including a provision in the amendment that any herds, not owned by the research organisation but that are tested by researchers, must also be subjected to regulated herd testing, will safeguard the comprehensiveness and integrity of the core database, which is considered to be of significant value to the New Zealand dairy industry.
12. Industry good research is largely funded by Government and by farmers through levies on milk production. There is merit in research organisations being able to avoid unnecessary expenditure on non-research matters where this does not compromise the national core database. Requiring them to become certified imposes an opportunity cost on the dairy industry as this funding and effort could otherwise be applied to research activity.
13. This proposal will not have any additional business compliance cost implications.

Consultation

14. The following organisations were consulted: AgResearch, Ambreed, Dexcel, Dairy InSight, Federated Farmers, LIC, Tatua, Westland Milk Products, Animal Evaluation Unit – LIC. Responses were received from each party except Ambreed and Tatua. Apart from Dairy InSight all responses indicated support for the proposal. After further consultation Dairy InSight modified its initial position and now supports an amendment such as that proposed that would reduce the cost of research, provided that no loophole is created that would have a detrimental effect on the scope or reliability of the core database.
15. The Ministry of Economic Development (MED), the Treasury, the Department of the Prime Minister and Cabinet, Te Puni Kokiri and the Ministry of Research, Science and Technology have been consulted on this paper and all supported the proposal.

Contact for Enquiries

MAF Information Services
Pastoral House
25 The Terrace
PO Box 2526
Wellington, NEW ZEALAND

Fax: +64 4 894 0721

[Contact this person](#)