

Ministry for Primary Industries
Manatū Ahu Matua



ANNUAL REPORT 2014/15

INCORPORATING THE MINISTER'S REPORTS
ON NON-DEPARTMENTAL APPROPRIATIONS

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



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Foreword from the Director-General

I am pleased to present the 2014/15 Annual Report of the Ministry for Primary Industries (MPI).

Our purpose is “Growing and Protecting New Zealand” and we continue to make progress on many levels towards this.

The year started with the updating of *Our Strategy 2030* to include seven priority areas that we will focus on over the next four years alongside our core services. The priority areas are: Smart Regulation; Operational Excellence; International Access; Provenance and Traceability; Precision Production and Investment; Enduring Relationships; and Integrated Information, Insight and Knowledge.

They will guide MPI’s efforts towards achieving its purpose, supporting Ministerial priorities and strengthening its position as a pre-eminent organisation. They will also drive further improvements across our biosecurity, food safety, primary production and trade systems.

This year, we continued building the capability of our people, providing further clarity about how they can develop and enjoy fulfilling careers at MPI. A significant development has been the launch of our new MPI Career Pathways. The first pathway was completed for our Operations Branch, with new career progression steps, titles and insignia being introduced. This has been followed with a pathway for Advisers/Analysts, while a Technical/Specialist pathway is planned for the end of 2015. Training and support for our regional leaders was also boosted.

The past year showed that our ability to respond effectively to biosecurity and food safety risks, and weather-related adverse events, remains as important as ever. Two major responses were prominent: the detection of a localised population of Queensland fruit fly in Auckland, and a criminal threat to contaminate infant and other formula with 1080 pesticide. The work of MPI staff alongside other agencies and sector groups in handling these events has been excellent. I would like to thank all concerned for their efforts.

Maintaining New Zealand’s resilience and responsiveness to biosecurity events is part of the Biosecurity 2025 project, which started in April. The project will be extensive and include consultation with Māori, biosecurity stakeholders and members of the public. Ultimately, Biosecurity 2025 will update and replace the 2003 biosecurity strategy document *Tiakina Aotearoa Protect New Zealand*.

Our regulatory frameworks continued to evolve over the year. This has seen the successful passing of the Animal Welfare Amendment Act 2015, and we continue working to support implementation of the Food Act 2014 to create more efficient, risk-based food regulation.

Efforts to build and maintain access for New Zealand’s world-class primary products in important international markets continue, with the successful conclusion of the New Zealand–Korea Closer Economic Partnership, along with expansion of our offshore presence in Dubai, Europe and Asia.

A broad range of projects and initiatives were successfully delivered this year, and we remain keenly dedicated to enabling New Zealand’s primary industries to succeed at home and around the world.



A stylized, handwritten signature in black ink, appearing to read 'M Dunne'.

Martyn Dunne
CNZM
Director-General

Growing and Protecting New Zealand

MPI's role

Who we are and what we do

The Ministry for Primary Industries (MPI) employs over 2,300 people and conducts a range of operational, readiness and response, policy, regulatory, diplomatic and industry development activities to support New Zealand's primary sector.

MPI was formed in 2011 from the mergers of the Ministry of Agriculture and Forestry and New Zealand Food Safety Authority in 2010, and Ministry of Fisheries in 2011.

The mergers created a single gateway to New Zealand's government for both the primary industries and overseas regulators of primary products. They combined the major regulatory systems that underpin the things that matter to consumers and markets when buying primary products.

MPI's scope allows for a broad view of issues and opportunities across the full value chain of primary production. This ranges from the paddock, orchard, forest or ocean, through to the processing and transportation system, all the way to the market, and ultimately the consumer. It also allows for the deployment of staff across regulatory systems, such as compliance staff who hold warrants for the multiple areas of fisheries, animal welfare and food safety. This increases MPI's ability to respond to incursions and breaches of regulations. MPI also provides independent policy advice to the Government on all these matters.

MPI's work in these areas is essential for achieving government and sector priorities as well as achieving its purpose of 'Growing and Protecting New Zealand'.

MPI's role – nature and scope of operations

MPI's core business is directed through four major systems: Biosecurity, Food Safety, Primary Production and Trade.

Biosecurity

Through its leadership of the **Biosecurity** system, MPI works to prevent harmful pests and diseases from entering New Zealand. It also manages surveillance

and readiness programmes for monitoring and responding to incursions when they occur, as well as managing those pests that may have become established.

MPI works closely with many partners across the system – in particular, the National Biosecurity Capability Network, AsureQuality, New Zealand Customs Service (Customs), Department of Conservation and local government. MPI also has four Government Industry Agreements (GIAs) with industry to help manage biosecurity in New Zealand. By having these agreements, MPI continues to protect New Zealand's natural advantage and resources, while facilitating trade. The "pest-free status" of many New Zealand products is critical to ongoing market access.

Food Safety

Through its leadership of the **Food Safety** system, MPI sets the regulatory requirements for New Zealand's domestic food safety system and food exports. MPI undertakes auditing and monitoring of the system, verification to support assurances to export markets, enforcement of food safety requirements where necessary and ensures imported food is safe for consumers.

MPI's approach to food safety is to work in partnership across the food sector where possible. The food safety system extends from "farm to fork". It encompasses all food and beverages for human consumption, pet foods, animal feed, and agricultural compounds and veterinary medicines. The system allows both New Zealand and international consumers to buy and consume New Zealand-sourced products with confidence. The strength of the food safety system is pivotal to New Zealand's reputation as a trusted trading partner.

Primary Production

MPI provides regulatory guidance and leadership for New Zealand's **Primary Production** systems. This is a broad area of work, and MPI's role includes education and enforcement of fisheries, food safety and animal welfare matters, and development of mechanisms for sustainable limits and practices within the

agriculture, fisheries and forestry industries. At the same time, MPI works with central and local government to support increased productivity while also monitoring resource use, such as fresh water and nutrient management. MPI also plays a major role in New Zealand's regional economic development through engaging with farmers, fishers, foresters, corporations, banks, Māori, and industry-level bodies.

Trade

Through its involvement in New Zealand's **Trade** system, MPI maintains and enhances market access and the New Zealand export system. As the major regulator of the primary sector, MPI is a critical player in the negotiation and maintenance of trade access to overseas markets for primary products. MPI also works to implement free trade agreements (FTAs) once they have been concluded. Many companies and primary producers depend upon MPI's facilitation, certification and verification activities to get products across borders. New Zealand also plays an important role in influencing international arrangements and standards that facilitate trade.

Crown Forestry

MPI manages and administers the portfolio of forestry assets, most of which are on Māori-owned

land. The assets are run as a commercial operation through the Crown Forestry business unit. Along with managing the assets to best commercial advantage, Crown Forestry works to remove the Crown from the business of commercial forestry on commercial terms. It generally does this through lease surrender to lessors and sales of forests where this can be negotiated.

As well as negotiating directly with landowners in respect of Crown forests on Māori land, Crown Forestry also works closely with the Office of Treaty Settlements in the Ministry of Justice to prepare Crown forestry assets planted on Crown land for offer to iwi as part of the Treaty of Waitangi settlement processes.

Crown entities

MPI has oversight of the New Zealand Walking Access Commission.

The Commission is a small Crown Entity responsible for leading and supporting the negotiation, establishment, maintenance and improvement of walking access over public and private land. It was created by the Walking Access Act 2008 after extensive public consultation. MPI monitors the performance of the Commission under the Crown Entities Act 2004.



Our Strategy 2030 – Growing and Protecting New Zealand

MPI is focused on the success of the primary industries for the benefit of all New Zealanders.

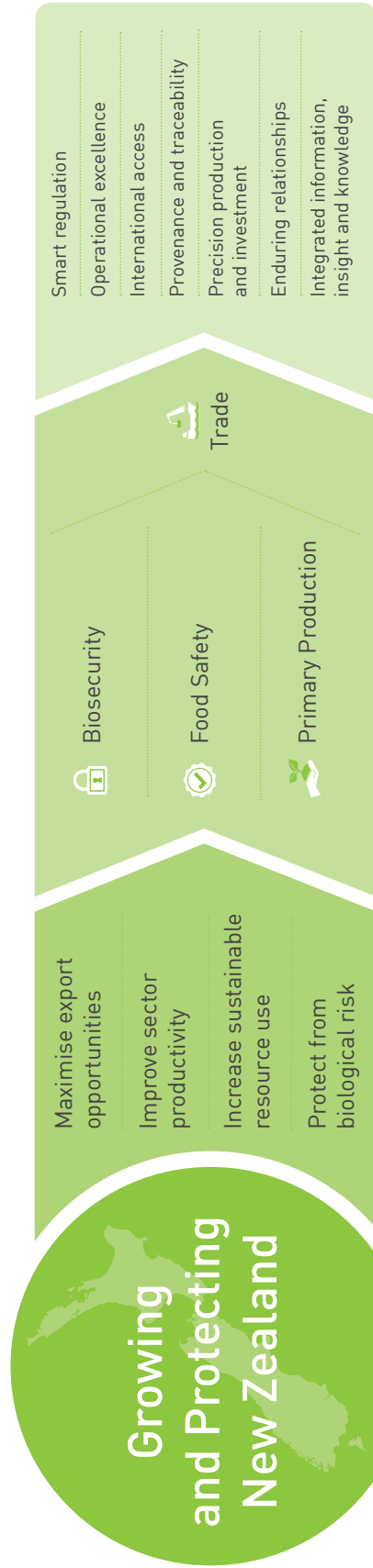
We are striving to help the primary sector double the value of its exports by enabling industries to grow, and to strengthen their environmental performance. To achieve this, we must play a pivotal role in New Zealand's system of trade, as part of our work on biosecurity, food safety and primary production.

OUR PURPOSE ← → OUR OUTCOMES → OUR SYSTEMS → OUR PRIORITIES

To achieve our purpose we must:

MPI delivers across four major systems that are central to the success of the primary industries:

We are driving change across our systems through seven priorities:



OUR MPI

In delivering on our priorities we will ensure MPI is:



MPI's Strategy in Action – *Our Strategy 2030*

As noted, MPI's purpose is "Growing and Protecting New Zealand". Alongside this, MPI works to double the value of primary sector exports by enabling the primary industries to grow, manage risk and strengthen their environmental performance. To achieve this, *Our Strategy 2030* has four outcome areas: maximise export opportunities, increase sustainable resource use, improve sector productivity and protect from biological risk.

MPI is continuing to evolve to ensure it can deliver on its purpose, with *Our Strategy 2030* being refined and restated it in a way that shows how it is being put into action. MPI needs to make change happen when needed, while continuing to run core services to the highest standards. To help with this, over the past year, seven priorities were identified and have now been included in *Our Strategy 2030*.

These priorities are being used to focus MPI's efforts on what needs to be delivered to become an exemplary organisation. They will guide MPI in achieving its four outcomes, as well as providing a common focus for all of MPI as work programmes are developed. MPI's priorities for the medium term are:

- Smart Regulation;
- Operational Excellence;
- International Access;
- Provenance and Traceability;
- Precision Production and Investment;
- Enduring Relationships;
- Integrated Information, Insight and Knowledge.

Resources will be progressively focused on a portfolio of activities that supports these priorities. As MPI progresses its priorities, improved monitoring of the health of the underlying systems is occurring through its five governance boards.

Our values

MPI shares a common set of values that guides how the organisation works together (as shown in the diagram below). Over the past year, MPI's values have been refreshed to improve understanding and uptake across the organisation.

MPI's values are the touchstones for how staff work together, because they guide both organisational and individual decisions and behaviour.



Working to strengthen MPI

Key achievements

Over the past year, MPI has continued to make improvements to its core systems.

The **Biosecurity** system has been strengthened by:

- increasing border personnel;
- upgrading x-ray imaging in airports;
- signing new GIAs;
- progressing development work on a new biocontainment laboratory;
- continuing to build up MPI's response and operational co-ordination functions.

New Zealand's **Food Safety** system has been strengthened by:

- progressing implementation of the findings of the Whey Protein Concentrate (WPC) inquiry, including establishment of a WPC Implementation Programme and establishment of a Food Safety and Assurance Advisory Council;
- reforming New Zealand's electronic certification (E-cert) systems;
- continuing to build up MPI's response and operational co-ordination functions.

The **Primary Production** system has been strengthened by:

- increasing observer coverage in fisheries and the number of honorary fisheries officers;
- defining the future skill requirements of the primary industries and starting a programme of work to meet them;
- establishing regional economic development studies and a range of Māori agribusiness initiatives;
- passing of the Animal Welfare Amendment Act (No 2) 2015.

The **Trade** system has been strengthened by:

- doubling the size of MPI's market access function and significantly expanding MPI's overseas footprint;
- building the new assurances framework.

Management of two large responses (Queensland fruit fly and Operation Concord) demonstrated that as a consolidated agency MPI was able to effectively handle concurrent major responses.

Queensland fruit fly

In February 2015, a male fruit fly was trapped in the Auckland suburb of Grey Lynn and, subsequently, a small, isolated population of the fly was found. Controlled Area restrictions were enacted and a programme of baiting, treatment of infested properties and surveillance trapping started. No fruit flies, eggs or larvae have been detected since March 2015. Spring trapping is expected to confirm that the eradication programme has been successful, and MPI anticipates declaring eradication by the end of 2015.

Operation Concord – 1080 pesticide poisoning threat

From late November 2014, MPI became the lead government agency responding to a criminal blackmail threat to contaminate infant and other formula with 1080 pesticide unless New Zealand stopped using 1080. Ensuring the safety of consumers in New Zealand and overseas was at the forefront of the comprehensive, cross-government and industry response to the threat. MPI, other government agencies, dairy manufacturers and retailers, together, implemented comprehensive safety and vigilance measures to ensure infant and other formula remained safe. This included a new 1080 testing programme.

The threat was advised to the public on 10 March 2015, as the additional safety measures were in place across the manufacturing and retailer supply chains. Consumer awareness was the final layer of vigilance to be applied.

Strengthening MPI's capability

During these two events, MPI demonstrated its ability to mobilise and respond with robustness and speed – including handling a sophisticated public communication strategy. Both incidents had significant overlap in their timing requiring deft leadership and management from all involved. This showed that, as a consolidated agency, MPI can handle events that may have overwhelmed its individual predecessor agencies.

To build capability and operational alignment further, MPI focused on several additional areas of development during 2014/15. These are described in the following sections.

Growing situational awareness

A focus for MPI over the past year has been developing and building organisational capability around situational awareness. This has been important for ensuring that MPI is well prepared to respond to biosecurity, food, trade and climatic events. As part of the May 2014 alignment process, a new directorate was established as part of the Operations Branch called Intelligence, Planning and Co-ordination (IPC).

The creation of the IPC has strengthened MPI's operational focus and ability to respond to a range of emerging risks and threats. It has also enabled effective co-ordination of information flows and improved situational awareness across MPI. The IPC includes a Readiness Team, which is focused on ensuring MPI is ready to respond to all threats, and a National Operations Centre Team, which supports responses and readiness activity by co-ordinating all responses and maintaining cross-MPI situational awareness.

Strengthening governance

In 2014, three "systems" governance boards (Biosecurity, Food Safety, and Sustainable Economic Development and Trade) were established with responsibility for regulatory stewardship of their respective systems. These systems boards are supported by two "enabling" boards with responsibility for the effectiveness of critical enabling functions: Information, Security and Infrastructure; and Science.

Establishment of the boards has allowed MPI to clarify responsibility, eliminate rub points and ensure it is a connected organisation. They also signal to Ministers and stakeholders that MPI is committed to improving the performance of its core regulatory systems.

Building science and investment

Science is a critical foundation for MPI's work. It is used as evidence by MPI in its role in protection and regulation and to underpin its activities in facilitating growth of the primary sector. Work on MPI's Science Strategy is under way – looking at the role and use of science across the organisation. When the strategy is

finished, it will provide a framework to guide investment decisions, planning, prioritisation, delivery and use of evidence.

A unified investment system programme was also started in 2014/15. The programme will ensure MPI is investing in work to achieve the greatest overall impact in terms of its priorities. MPI's current investment portfolio comprises 16 programmes, with annual funding of more than \$100 million. Most of this funding is devoted to grants that support primary industry development (for example, Primary Growth Partnership (PGP) and Sustainable Farming Fund (SFF)) with the balance supporting research (for example, fisheries research, food safety, biosecurity and animal welfare).

Investing in people

During the year, substantial work has been carried out on the development of Career Pathways. Career Pathways has documented the skills and experience staff need to progress vertically in the organisation but also emphasises how to move horizontally between roles. This work is continuing, with pathways in the technical space being developed. This will help to address the developmental needs of staff in the technical and laboratory areas.

Emphasis has also been placed on developing leadership and management skills in the organisation. An example of this work has been the setting up of Career Performance and Development Boards that provide development recommendations to leaders who have completed the MPI Leadership Assessment programme. Alongside this work, almost all directors have undergone leadership development as a cohort, as have a significant proportion of managers.

Working with others

MPI continued its work with other government agencies and private sector organisations over the year. MPI actively engaged with the Natural Resources Sector (NRS), Economic Chief Executives' Group and the Border sector. Other groups worked with included the NZ Inc Chief Executives' Group, Crown research institutes, universities and many other primary sector related bodies and groups.

ECONOMIC CHIEF EXECUTIVES' GROUP

MPI is part of the Economic Chief Executives' Group, which has a shared vision of a successful New Zealand economy by 2025. The goal is to have

an agile, adaptable and innovative economy that delivers real and ongoing improvements in the quality of life of all New Zealanders, with sufficient resources in place to cover other primary sector interests. MPI's contributions are focused on supporting development of a competitive business environment that's internationally connected and building skills that support participation and economic growth.

NATURAL RESOURCES SECTOR

The NRS is a grouping of the government agencies responsible for the management and stewardship of New Zealand's natural resources. The NRS was established to ensure a strategic, integrated and aligned approach is taken to natural resources development and management. It contributes to achieving sustainable economic growth and stewardship of New Zealand's natural capital supply chain. The NRS is undertaking a review to develop options and different approaches for improving the operation of the sector. MPI's contribution to the NRS has focused on the fresh water reforms and the Resource Management Act 1991 (RMA) reform proposals.

INTERNATIONAL TRADE

MPI works closely with the Ministry of Foreign Affairs and Trade (MFAT) and New Zealand Trade and Enterprise (NZTE) to ensure international

trading opportunities are enhanced and maintained. MPI's work includes supporting negotiation of FTAs and improving market access for New Zealand products.

BORDER SECTOR

MPI also works with Customs, the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Transport to manage New Zealand's border. This collaborative effort is focused on delivering greater use of shared processes and a common infrastructure, maximising technology investments to further improve the passenger experience, increasing efficiencies in cargo clearance service delivery and enhancing border risk management.

REGIONAL ECONOMIC DEVELOPMENT

The Regional Economic Development (RED) programme is led jointly by MBIE and MPI. This is a relatively new growth area that aims to improve the lives of New Zealanders in the regions. It is a cross-government programme that identifies and responds to economic growth opportunities and challenges in particular regions. It has a particular focus on developing the Māori economy. A RED Deputy Secretaries Group has been established, comprising second tier officials from MPI, MBIE, the Ministry of Social Development, Te Puni Kōkiri and senior officials from Treasury and NZTE.

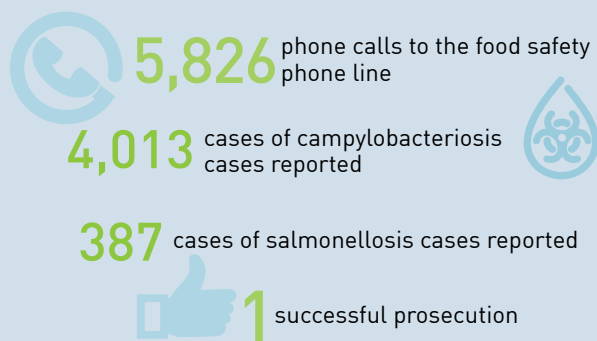


Our key statistics

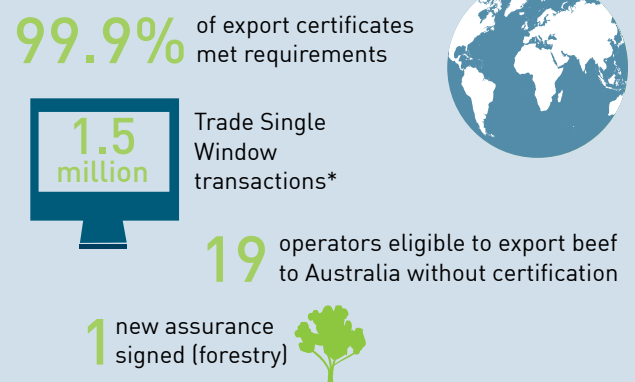
Biosecurity



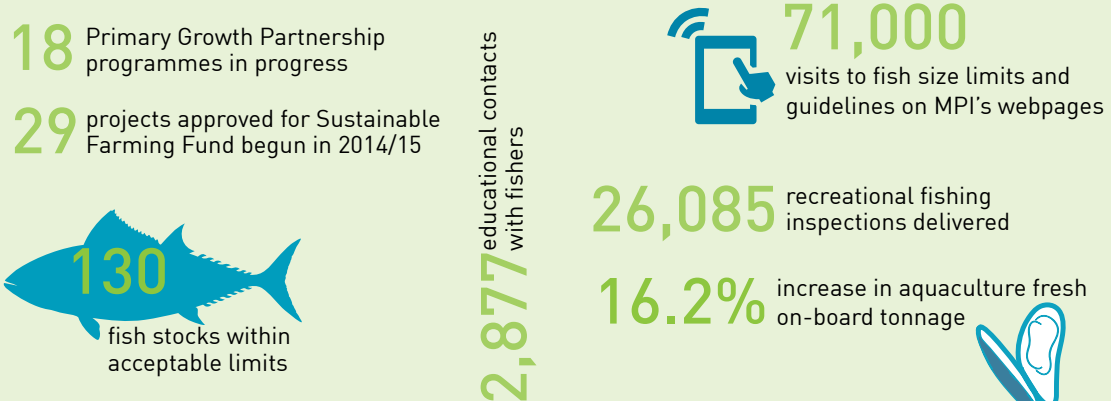
Food safety



Trade



Primary production



* These are inwards transactions from 1 July 2014 to 30 June 2015.



YEAR IN REVIEW

Long-Term Outcome: Maximise Export Opportunities

Expanding MPI's offshore footprint to help grow trade

New Zealand's reputation for producing safe, high-quality food in which consumers and overseas governments have confidence and trust is a significant asset that gives New Zealand products an advantage in the marketplace. MPI continues to develop and maintain positive relationships with industry, other government agencies and New Zealand's export markets.

Since early 2014, MPI has been substantially expanding its offshore footprint from five to eighteen positions. This recognises the need for New Zealand to maintain and enhance market access for its primary products within a complex trade dynamic.

New Zealand's ability to spread its reach and sharpen its responsiveness to emerging markets, while maintaining relationships with traditional markets, is an important strategic challenge. To double New Zealand's export value, MPI continues to work on minimising barriers to trade and addressing emerging problems quickly through a targeted presence and strong relationships with overseas regulators. By investing heavily in international access, MPI has begun to build long-term organisational capability with a view to succession in key roles.

The next step is to increase and systematise MPI's

market insight and knowledge so both can be shared across the export system and adapted quickly to tailor interventions to emerging areas of greatest opportunity.

MPI's success against this outcome is delivered via two intermediate outcomes:

- Export success is enhanced by the integrity of primary sector products and increasing the use of New Zealand's unique culture and brand.
- Exporters have improved access to fast growing and high value markets, and benefit from new export opportunities.

Intermediate outcome 1: Export success is enhanced by the integrity of primary sector products and increasing the use of New Zealand's unique culture and brand

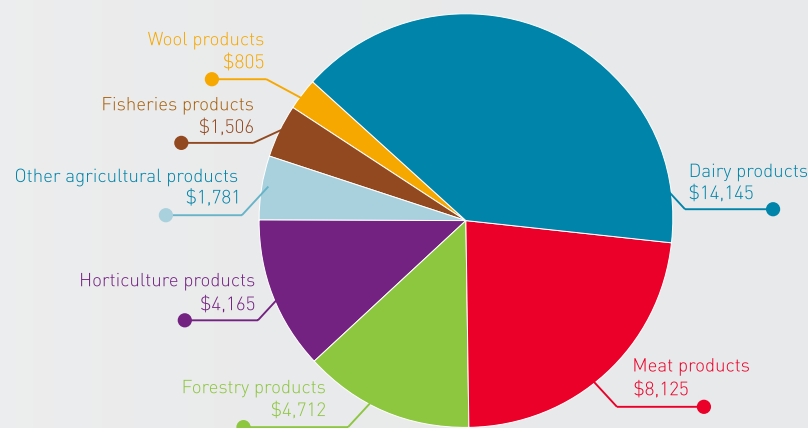
New Zealand's export sectors derive significant benefits (including lower market access costs) and competitive advantage from New Zealand's reputation for safe and suitable food, favourable animal and plant health status and market assurances.

To achieve export success for New Zealand products in today's competitive international marketplaces, MPI continues to work on attaining the following impacts through its work programmes that look to:

- enhance the reputation of New Zealand products and systems;

Primary sector exports (\$ millions) to 30 June 2015

Source: Statistics New Zealand



Progress indicators

Export assurances are trusted by markets

Ninety-nine percent of all export certificates met requirements.

Percentage of certificates issued that met importing country technical requirements:

- live animals: 99.81 percent (5,291 out of 5,301);
- plant products: 99.86 percent (58,209 out of 58,288);
- wine: 99.9 percent (15,104 out of 15,113);
- animal products: 100 percent.

Adoption and retention of new assurances by markets

One new assurance was requested and completed: a government-issued information statement on the sustainable harvesting of New Zealand's planted forests.

- increase exporters' access to knowledge and systems;
- help exporters to use the New Zealand Story to realise benefits.

Along with supporting export success, these work programmes contribute to MPI's efforts in meeting the Government's Business Growth Agenda goal of increasing the ratio of exports to gross domestic product from the current 30 percent to 40 percent by 2025.

Outcome progress – 2014/15 work programme report back

MPI has a wide-ranging work programme to support the deliverables that underpin this intermediate outcome. The programme supports the integrity of New Zealand's exports and is important for ensuring exporters are able to maintain market access for their international products.

The value of New Zealand's reputation is supported

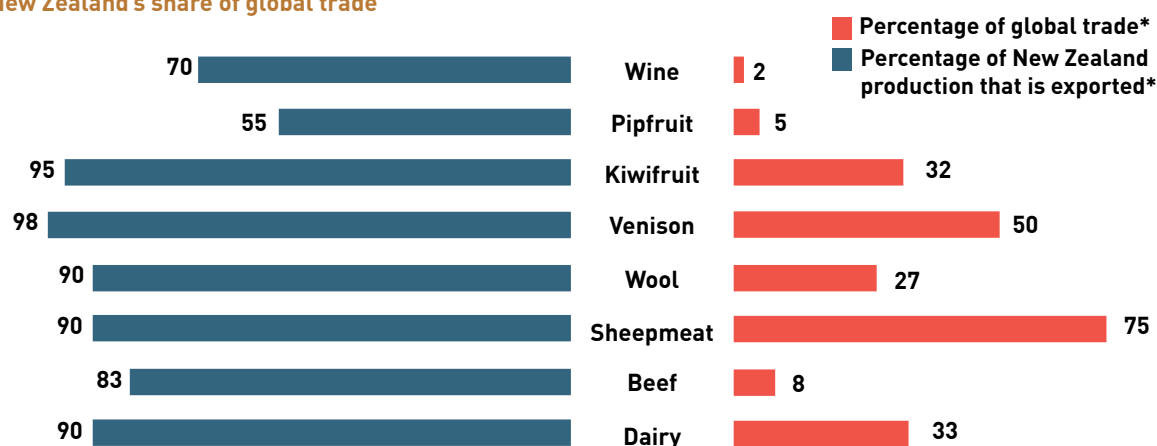
through work on programmes such as new assurances and the implementation of new legislation.

New assurances are discretionary, industry-driven, government assurances that support New Zealand industries in offshore markets. New assurances help New Zealand products to gain more or better shelf-space and to achieve better returns by leveraging New Zealand's potential or real edge in the market, and are additional to mandatory market access requirements. During the year, MPI completed the development of a new assurances framework for use with industry, with one new assurance being developed for use by exporters of New Zealand forest products.

IMPROVING LEGISLATION AND REGULATION

The passing of the Animal Welfare Amendment Act in May 2015 and work to further the management measures around the Fisheries (Foreign Charter Vessels and Other Matters) Amendment Act 2014

New Zealand's share of global trade



*All percentages are approximations

are examples of MPI's regulatory change programme that acts to support New Zealand's international reputation. The changes relating to the use and operation of foreign charter vessels (FCVs) in New Zealand waters came into force in August 2014. The legislation requires all FCVs to carry the New Zealand flag from 1 May 2016.

This requirement makes FCVs subject to the full remit of New Zealand labour law, maritime safety and environmental requirements. MBIE, MFAT and Maritime New Zealand are also involved in this work. MPI will also be responsible for the ongoing monitoring and evaluation of the performance of FCVs operating in New Zealand waters beyond May 2016. This work will help New Zealand in meeting its international obligations to ensure the health and safety of crew, maintaining its reputation for successful sustainable fisheries management and meeting global market access requirements.

MPI also works to review existing legislation and this year focused on the Dairy Industry Restructuring Act 2001. The Act review is examining the state of competition within the dairy industry and is expected to be completed by 2017. The terms of reference for the review were released in June 2015, and a supporting report incorporating recommendations is expected to be ready by March 2016.

CHINA ACTION PLAN UPDATE

Over the past 12 months MPI has been implementing its China Action Plan to ensure it has experience and knowledge of the cultural differences and regulatory systems of this complex market.

The China Action Plan provides a complete picture of the MPI-China relationship and describes the high-level actions required to achieve this vision. With an enlarged team of staff now working in China, MPI has continued to build wider organisational capability through a series of courses and language training opportunities.

The six priority areas are:

- clarifying MPI's internal and external roles within the trade system and working collaboratively with other government agencies;
- improving and fostering positive relations with China – enabling a robust and trusting relationship;
- continuing to build internal capability and capacity to facilitate relations;
- strengthening preparedness for the risks and opportunities emerging in this trade relationship;
- sharing MPI's knowledge and expertise to build mutual confidence in its approach;
- providing leadership to the main primary sectors, leading engagement with China and enhancing New Zealand's reputation.

Updating the Animal Welfare Act 1999

The Animal Welfare Amendment Act passed its final reading in May 2015. The Act strengthens the Animal Welfare Act 1999 by improving the protection of animals through changes that focus on enhancing enforceability, clarity, and transparency of the Act.

New Zealanders care deeply about how animals are treated, with 68 percent of households having at least one pet, and the New Zealand economy earns around \$25 billion a year by exporting animal products such as meat, milk and wool.

The treatment of animals is important at both a personal level as well as an international reputational level, with overseas markets being sensitive to New Zealand's reputation on this matter.

Changes as a result of the Animal Welfare Amendment Act include:

- providing for regulations to set mandatory animal welfare standards;
- broadening the range of enforcement tools, including new tools that will enable animal welfare inspectors to prevent animal suffering as well as punish perpetrators;
- removing uncertainty around the ill-treatment of wild animals by targeting acts of wilful or reckless ill-treatment (but not affecting ordinary hunting, fishing and pest management);
- improving the transparency of research involving animals.

The Act provides for a penalty scheme to enable low-to-medium level offending to be dealt with more effectively, and it gives animal welfare inspectors the power to issue compliance notices. It also bans the use of animals to test finished cosmetic products or ingredients that are intended for use exclusively in cosmetics.



These priority areas have been successfully applied throughout MPI and it has now reached a point where being “China-ready” is a natural part of its core business activities.

THE NEW ZEALAND STORY

MPI’s engagement with the New Zealand Story continued over the year with a new framework being established that is based on three chapters: Open Spaces, Open Hearts and Open Minds. Alongside the three values of Kaitiaki, Integrity and Resourcefulness, the new framework forms part of the business toolkit on the New Zealand Story website: <http://www.nzstory.govt.nz/what-is-nz-story>

Progress indicators

Primary sector businesses use attributes of the New Zealand Story to enhance their own stories

There are 461 registered users of the New Zealand Story from the food and beverage industries.

MPI has been sharing the New Zealand Story with individual primary sector forums and businesses to inform them of the Story’s attributes and the opportunities to enhance their own company or brand stories.

Most significantly, MPI and the New Zealand Story have developed the Seafood Story: a derivative of the New Zealand Story that focuses on the unique value of New Zealand seafood. The Seafood Story has been used extensively by New Zealand seafood companies in offshore marketing and events to promote the overall industry. Given the success of this work, the New Zealand Story and MPI are now having discussions with industry about a primary industries Red Meat Story.

Annual growth rate of international revenue for New Zealand’s top 50 companies

Information is unavailable for 2014/15.

SUSTAINABLE FISHERIES RECOGNITION FOR MARKET ACCESS

Another important role for MPI relates to the Marine Stewardship Council (MSC), which is a global certification and eco-labelling programme for sustainable wild-capture seafood. MPI provides ongoing resourcing to support MSC assessment and certification processes – in particular, maintaining successful certification of the hoki, southern blue

whiting, Antarctic toothfish and albacore tuna fisheries. Certification has also recently been provided for the hake and ling fisheries, and assessment is in progress for three orange roughy fisheries. MSC certification enables New Zealand’s fisheries products to access some markets where consumer preference has led to MSC certification becoming a prerequisite for access. In addition, MSC certification confirms New Zealand’s reputation for having a robust and sustainable fisheries management regime.

WHEY PROTEIN CONCENTRATE INQUIRY

During the year, the independent inquiry into the WPC incident continued with the final report released in December 2014. Since the WPC incident, MPI has made several improvements and changes to its processes to further strengthen New Zealand’s already strong food safety system.

Further to the recommendations in the final WPC report, MPI has worked on finalising its Single Scalable Response Model and undertaking regular exercises and simulations. A Food Safety Law Reform Bill is being developed for introduction later in 2015, and a Food Safety and Assurance Advisory Council meets quarterly. Working groups with industry representation are under way, with a focus on traceability and capability in the dairy sector. In addition, a Food Safety Science and Research Centre is being established in conjunction with Massey University. The centre will promote, co-ordinate, and deliver food safety science and research for New Zealand. MPI has learnt valuable lessons from the WPC incident and as a result is now better prepared for any future issues.

Intermediate outcome 2: Exporters have improved access to fast growing and high value markets, and benefit from new export opportunities.

New Zealand’s trading partners are a mix of affluent, well-developed static markets, and new developing markets where growth has traditionally been strongest. To continue growth in both types of markets, MPI works with the primary industries to build new export opportunities and improve the potential for generating further value and better returns by:

- improving market access;
- supporting bilateral and multilateral frameworks and standards to ensure more markets are available and costs are reduced;

- improving the environment for trans-Tasman trade for food products.

By working closely with exporters and the markets they wish to access, MPI is able to improve New Zealand's ability to respond to trade issues as they arise.

Outcome progress – 2014/15 work programme report back

This intermediate outcome focuses on growing trade and supporting market access.

MARKET ACCESS PROGRESS

Plans to extend MPI's offshore market access presence were realised this year with staff being deployed to represent New Zealand primary sector

interests in Europe, the Middle East, and South-east Asia. The five new appointments were: Counsellor to Dubai, Counsellor to Brussels, Second Secretary to Beijing and two long-term language trainees to Taiwan.

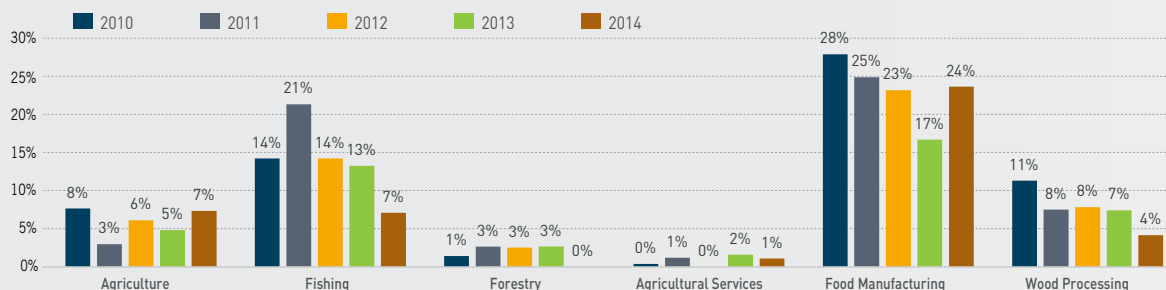
Access to new markets particularly in South-east Asia continues to be important, with MPI working with MFAT and other agencies over the year to progress bilateral arrangements with Indonesia, Vietnam and Malaysia. Of particular importance is the progress being made by having a dedicated Deputy Director-General based in China.

This presence means MPI can help New Zealand exporters and businesses to identify and manage issues such as red meat and WPC quickly and openly. The China-based team is able to work with

Progress indicators

Proportion of agriculture, forestry and fishing, and associated manufacturing businesses entering new export markets

Source: Statistics New Zealand to June 2015



Seven percent of businesses in both Agriculture and in Fishing report entry to new overseas markets. However, as there are over 57,000 agricultural enterprises, and just over 1,500 fishing enterprises, many more agricultural businesses entered new markets than fisheries businesses. The increase in agricultural and food manufacturing companies reporting entry to new markets may be due to demand slowing in China. Lower international dairy prices drove a substantial increase in the quantity demanded from emerging Southeast Asian and North African countries. New Zealand suppliers realised this opportunity by helping to offset the reduced demand from China. China took 21 percent of New Zealand's primary sector exports in the year to June 2015 (down from 29 percent in 2014).

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

Most New Zealand food products exported to Australia do not need official certification, with recognition from Australia that New Zealand's food safety outcomes are generally sufficient, as per arrangements such as Closer Economic Relation (CER) agreements.

Nineteen operators remain registered with MPI and Australian authorities for exporting beef to that market without MPI certification.

Reduction in primary industries reporting overseas regulations or tariffs as a barrier to generating overseas income

Statistics New Zealand is due to update this information in late 2015.

stakeholders, the primary industries, government agencies, Ministers and representatives from the Chinese government and businesses in China.

Helping to manage trade relationships with China is only one example of the types of services which MPI provides New Zealand businesses as they look to build opportunities to strengthen government-to-government relationships. A wider-focused work plan is in place to support primary sector stakeholders to increase access strategies and priorities in different geographical markets.

SUPPORTING STANDARDS SETTING

In addition to trade arrangements, MPI continues to represent New Zealand interests on international sanitary and phytosanitary (SPS) standards-setting bodies to meet the needs of health protection and trade. The international standards-setting bodies are essential components in the implementation of the World Trade Organization SPS agreements and the promotion of international harmonisation.

Collaboration on standards development is of mutual benefit to partner countries, and the use of standards that support equivalence and other outcomes is an important tool for trade facilitation. MPI is leading work in relation to the CODEX Committee on Nutrition and Foods for Special Dietary Uses and Food Import and Export Inspection and Certification Systems. In addition, New Zealand continues to co-chair the CODEX Committee on Meat Hygiene and the Committee on Milk and Milk Products.

Work on FTAs continued this year with the successful conclusion of the Korea FTA in March 2015. Other FTA negotiations progressed during the year included the Regional Comprehensive Economic Partnership and the Trans-Pacific Strategic Economic Partnership.



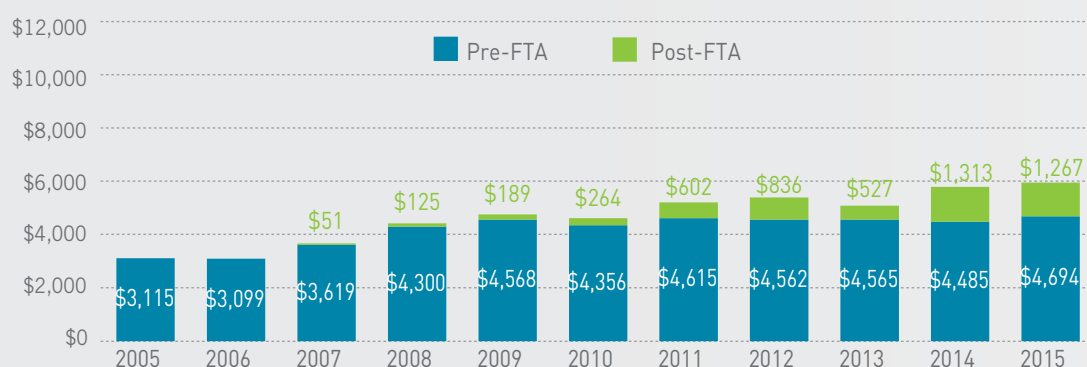
Progress indicators

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

In the past seven years, New Zealand has entered into free trade agreements (FTAs) with China, Malaysia, Hong Kong and ASEAN (Association of Southeast Asian Nations). A new FTA with Chinese Taipei (the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu) came into force in December 2013.

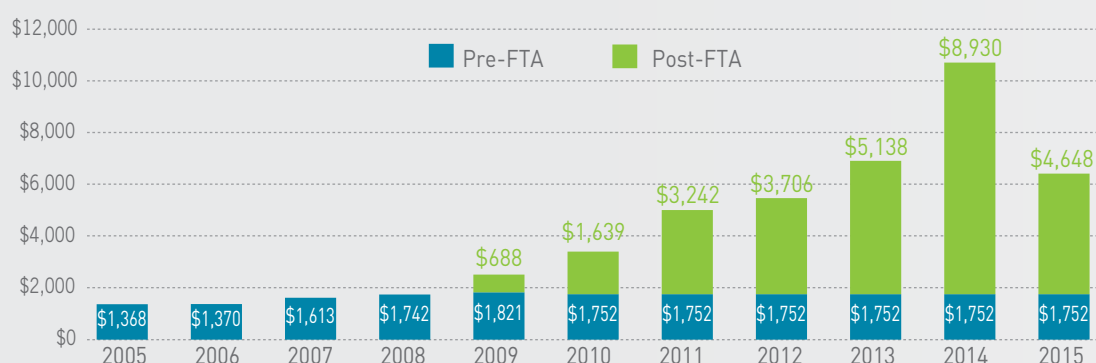
Primary industry export activity with each country that New Zealand has a signed free trade agreement with, excluding China (\$ millions)

Source: Statistics New Zealand to June 2015



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

Source: Statistics New Zealand to June 2015



New Zealand's exports to Chinese Taipei have increased by over \$140 million from the period June 2013 to June 2015. Most of this increase is dairy and horticultural products.

The 2015 fall in primary exports to China was driven by dairy. China built up stockpiles of dairy imports and increased domestic production, reducing its purchases from New Zealand and other exporters. Whole milk powder volumes exported to China dropped by 41 percent.

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

No actual market closures occurred in the year to 30 June 2015. From the two incidents where risk of market closure was identified:

- 1080 pesticide threat to infant formula: access was maintained to all markets;
- Queensland fruit fly incursion in Auckland: potentially put at risk fresh fruit exports. Peak months for fresh fruit exports are April, May and June. If overseas markets closed their borders during these months, fresh fruit exports, with a value of \$300,000 to \$440,000 per week would have been at risk. This doesn't take into account the longer term impacts of Queensland fruit fly, were it to become established.

Long-Term Outcome:

Improve Sector Productivity

Building innovation and investment

MPI plays a significant role in supporting the Government's Business Growth Agenda to build innovation. By helping to create the right business environment and incentives to encourage primary industries to lift investment on research and development, MPI is seeking to increase growth returns on innovation initiatives and new technology developments. Work to improve New Zealand's regulatory framework is also seeking to build a more favourable environment to encourage innovation.

MPI's long-term investment programmes, such as the SFF and PGP, are supported by various other science and innovation investments. Through its funded programmes, MPI works with different primary industry sectors (for example, agriculture, forestry, horticulture and fisheries) and manufacturing companies to add value to primary products (for example, food and manufactured and processed goods) to increase their productivity and/or market success. This could be through work programmes that encourage farming systems changes or supporting development of new products that may contribute to increasing New Zealand's export growth.

In addition to developing investment and technology in primary products, MPI has also continued to examine the issue of land productivity. Two work areas have been developed over the year – farm systems change and increasing the productivity of Māori primary sector assets.

By focusing on these broad areas, MPI is working to identify and pilot new farming systems and processes. It is also working to realise the potential benefits from improved productivity of Māori land and its influence in lifting Māori agribusiness performance.

This work also crosses over with the wider government RED programme in which MPI has had a significant leadership role over the past 12 months.

MPI has directly supported regional primary industry

growth initiatives, such as developing a series of prototype projects in Northland to ensure iwi receiving Treaty of Waitangi settlements are well prepared to make commercial investment decisions. By providing resources to help identify and prioritise significant economic opportunities as part of the RED programme, MPI encourages improved outcomes in targeted regions, resulting in an improved economic and social landscape throughout New Zealand.

MPI's success against this outcome is delivered via two intermediate outcomes:

- Improved generation of new ideas and their adoption and adaptation by the primary industries, including Māori, is supported by government actions.
- The primary industries, including Māori, have greater access to capital and have skills needed to grow and innovate.

Intermediate outcome 1: Improved generation of new ideas and their adoption and adaptation by the primary industries, including Māori, is supported by government actions

It is critical to the New Zealand economy that the primary industries are innovative and internationally competitive. This requires an enabling regulatory regime, sustained public and private sector research and development, and the timely adoption of new technologies, tools and management practices in the primary sector.

By supporting efforts to build innovation within the primary industries, MPI is focused on achieving the following impacts:

- increasing investment in innovation and uptake of new practices and technologies by the primary industries, including Māori;
- providing a regulatory environment that supports primary industries to be more competitive and innovative.

This work will take time, because innovation and ideas development do not always happen immediately. This is reflected in MPI's investment programmes described below.

Outcome progress – 2014/15 work programme report back

This intermediate outcome focuses on generating and adopting new ideas by the primary industries.

The ability of farmers, fishers and foresters to use new technologies to bring greater precision to their production and harvesting systems, improve their productivity and meet customer and public expectations will be essential to MPI achieving its goal of doubling the value of exports. By supporting technology investment and development, MPI is helping to drive this change. MPI also works to help

the primary industries with gaining access to capital and skills and, in particular, increasing regional employment and capability opportunities.

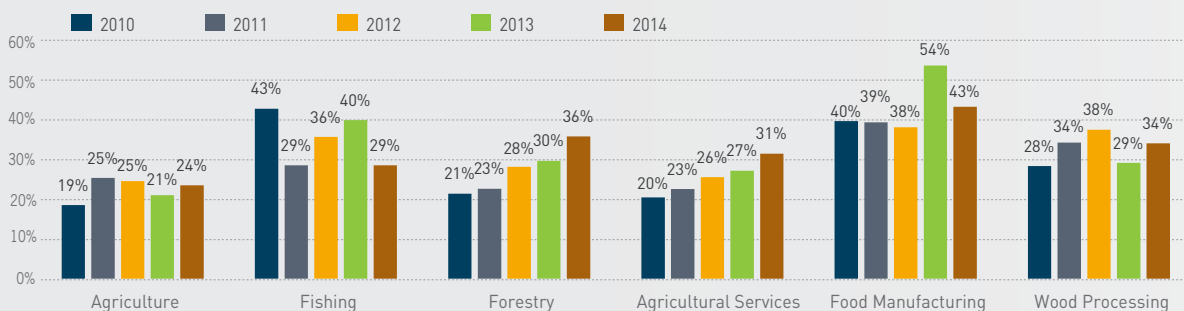
INVESTMENT PROGRAMMES

MPI targets cost-effectiveness through its investment programmes, with the long-term view of unlocking greater value for both the primary industries and New Zealand as a whole. Through its PGP and SFF programmes, MPI has continued its support for technological development by continuing to invest in new areas such as:

Progress indicators

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

Source: Statistics New Zealand to June 2015



Innovation is particularly high in the food manufacturing industry. This is reflected in the steady growth of innovative processed foods over the past 10 years. Exports of innovative processed foods were \$468 million for the year ended 30 June 2015, compared with \$126 million for the year ended 30 June 2005. High innovation within the forestry sector may be linked to an increasing focus on health and safety practices.

Benefits for productivity improvement from programmes supported by MPI funds

MPI is committed to continuous improvement to ensure the best value for the public's money. Part of this commitment is to look for opportunities to improve so that New Zealand gets the most from MPI's activity, including its investment in external research and grants.

The stewardship of public funds totalling \$118 million in 2014/15 across 16 external grants and research funds has improved by establishing an investment system. The investment system involves taking a portfolio investment approach across MPI's investments and using a centralised grants management system to enable best practice, standardise fund management and enable easier reporting and evaluation.

The investment system is increasing the strategic impact of MPI's external investments and promotes good practice fund management by focusing on:

- investing in the right things in the right proportion;
- managing the investments in the best way;
- evaluating, learning from and leveraging the investments.

The Senior Leadership Team will act as the investment board for setting an MPI-wide investment direction and will make medium-term adjustments to the portfolio mix to better align investments with strategic objectives. A centralised function will support the investment board by providing advice based on analysis of the portfolio and the effectiveness of investments and will report regularly to various stakeholders.

Improvement in how government regulations are viewed by primary industry businesses developing or introducing new or improved goods, services, processes or methods

Statistics New Zealand is due to update this information in late 2015.

- developing sustainable innovation for lower North Island sheep and beef farmers;
- developing sustainable nutrient management on Waikato peat soils;
- protecting dairy farmers and their stock against leptospirosis.

These examples are just three of the 29 programmes approved for funding as part of the 2015 SFF funding round, with a total value of \$7.8 million being invested over the next four years.

In addition to the SFF programme, two more initiatives were approved for funding by the PGP:

- **Passion2Profit** – which aims to develop new markets for chilled venison;
- **Targeting New Wealth with High Health** – which looks to provide existing and emerging markets with a new class of premium lamb products with improved health qualities.

The two new programmes bring the number of current PGP projects to 18; and two other projects were recently completed.

The PGP programme is starting to mature, with a couple of notable achievements over the past 12 months. These include the Precision Seafood Harvesting programme, which won the Innovation in Sustainability & Cleantech Award and Supreme Innovator Award at the New Zealand Innovators Awards, and the SILERE alpine origin merino meat, which won the KPMG Export Innovation Award at the 2014 New Zealand Food Awards. This product was developed through a joint venture by the New Zealand Merino Company Limited and Silver

Fern Farms as part of the New Zealand Sheep Industry Transformation (NZSTX) project. As the PGP involves substantial investment, by both MPI and industry, the process of independent review is important for maintaining confidence in the overall work programme.

The Office of the Auditor-General reviewed the PGP in 2014, with findings showing it is generally working well and has made improvements from when it was set up in 2009. Adjustments to how the PGP communicates its progress are being made, with improved reporting to be in place in 2015.

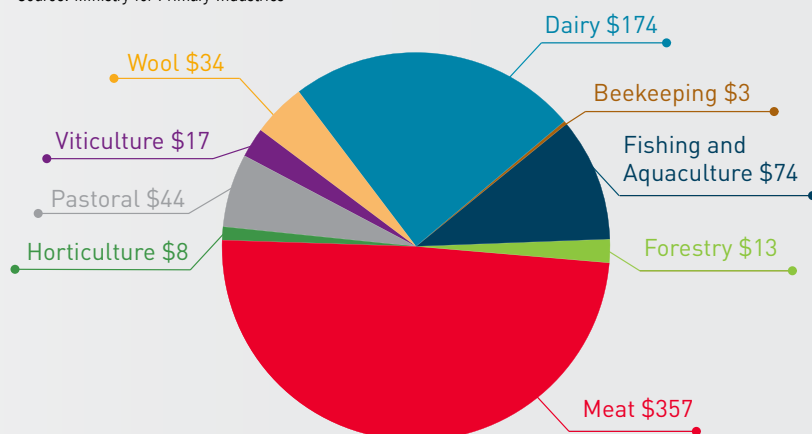
Along with managing the PGP and SFF programmes, MPI is also working to identify and improve opportunities to build a stronger whole-of-organisation approach to all its investments. The investment system will help to build understanding and improve the value and contribution of MPI's investments, particularly in the areas of grants and science research.

The investment system will provide a cohesive arrangement for identifying what MPI should invest in (its investment direction), how MPI decides the relative proportion of that investment (the portfolio), how investments are best managed and evaluated, and how the outcomes and lessons learnt are applied to maximum effect. As a consequence of the new system, MPI is in a much stronger position to achieve the desired "target states":

- better understanding the expected strategic contribution of current investments;
- having the necessary information in a consistent, reportable format to understand the portfolio and

Primary Growth Partnership investment by sector (\$millions) to 30 June 2015

Source: Ministry for Primary Industries



how well it aligns with strategic priorities, outcomes, statutory obligations and a co-ordinated investment direction;

- making informed decisions and trade-offs on where to prioritise spending;
- having consistent evidence of how well the portfolio of funds is performing and achieving desired outcomes;
- developing an emerging investment culture and processes to learn from and leverage opportunities across the funds.

This work is in development, with phased implementation planned from 2015/16.

ENGINEERED TIMBER INITIATIVE

The development of new ideas for primary products is not limited to the PGP or SFF programmes. Another area where MPI is looking to build opportunity is through increasing the value of forest products using engineered timber products. Part of MPI's role with the engineered timber sector is working to identify the challenges it is facing, such as:

- improving outdated regulations for use of engineered timber in buildings;
- increasing knowledge and skills in timber engineering and design;
- improving access to technical information;
- improving certainty about market demand – domestically and internationally;
- improving the uncoordinated and disconnected value chain.

MPI's work with the sector over the past five years has included supporting professorships in timber engineering, funding research, and lifting the profile of engineered timber buildings. In the short term the focus will be on encouraging the construction of more multi-storey buildings using structural engineered timber, supporting a cohesive, connected and co-ordinated sector, and updating the regulatory system.

In the long term, the focus will shift to understanding the export markets for complete engineered timber building solutions. This will achieve high-value exports that are a greater proportion of forestry exports than they are now. Exploration of this work is being supported by a full value chain programme for engineered timber as part of a PGP programme.

SUPPORTING SKILLS DEVELOPMENT

Set up in 2012, the Primary Industry Capability

Alliance (PICA) is tasked with developing strategic capability for the wider agricultural industry. MPI is a member of the alliance, along with New Zealand Young Farmers, DairyNZ, Beef + Lamb New Zealand, Primary ITO, Taratahi Agricultural Training Centre and Lincoln University.

As part of its work with PICA, MPI supports initiatives such as the Enterprising Primary Industries Career (EPIC) Challenge to increase awareness of primary industry careers and influence subject choices for Year 10 students. The 2014 EPIC Challenge was won by students from Huanui College in Whangarei, who showcased careers in the apiculture industry. In addition to supporting EPIC, MPI, along with the Ministry of Education and PICA, has also begun working with schools in three areas to scope Primary Industries Partnerships in Schools (PIPS). The idea is to increase the understanding of the relevance of and exciting careers available within the primary industries, and to support education outcomes.

WORKING WITH OTHER AGENCIES

MPI works with MBIE and other agencies to help boost productivity for Māori agribusiness. To support this work regional growth studies have been completed for the following regions:

- Tai Tokerau/Northland;
- Toi Moana Bay of Plenty (covers Bay of Plenty and Taupō);
- Manawatū-Whanganui.

The reports include details for potential investors, local industry and central and local government on the actions that would most effectively stimulate economic development and increase incomes and jobs in the region over the short to medium term.

Intermediate outcome 2: The primary industries, including Māori, have greater access to capital and have skills needed to grow and innovate

As part of its strategic framework, MPI actively looks at ways to improve access to capital for use by the primary industries. This is important because the availability of capital can be viewed as a constraint for future development. In addition to capital the other main constraining element is the availability of people with the right skills. Farming systems are continuing to evolve, and it is important that MPI helps the primary industries to build skills and knowledge to keep pace with the changing demands

of both direct consumers and the wider public.

To support this outcome, MPI is seeking to achieve the following impacts:

- improved access to the right people with appropriate skills in the primary industry labour market;
- effective deployment of capital leading to an increase in innovative primary industry activities;
- improved awareness of capability development opportunities that are tailored to Māori agribusiness needs;
- improved regional economic development.

Outcome progress – 2014/15 work programme report back

This intermediate outcome focuses on access to capital and growing skills in the primary industries.

BUILDING INVESTMENT IN THE PRIMARY INDUSTRIES

Work to support the Government's Business Growth Agenda (BGA) Capital Markets Programme continued during the year with MPI being involved in:

- supporting cross-agency work – for example, on the Regional Investment Attraction Programme;
- contributing to foreign direct investment attraction in areas of primary industry competitiveness;
- completing and publishing three regional growth studies for Tai Tokerau Northland, Toi Moana Bay of Plenty and Manawātū-Whanganui.

In addition to the BGA, MPI has worked with the Overseas Investment Office to provide detailed data to inform modelling of primary industry investments, along with continued engagement with the banking and financial sectors to create opportunities for capital deployment to support farm systems change.

Opportunities for investment exist across the various sectors and through the value chain. This is important because services and investment commitments form part of the FTAs New Zealand is party to. New Zealand is required to consider these commitments in assessing the opportunities and issues for overseas investment. New Zealand will also take this into account in the ongoing negotiation of services and investment commitments in agreements being worked on in the multilateral and bilateral context.

Employment in the primary sector is forecast to grow from 350,000 in 2012 to 400,000 in 2025. To help meet this demand, MPI is working with industry, MBIE, the Ministry of Education and the Tertiary Education Commission to develop action

plans around the main aspects of attracting, training and retaining talented people in the primary sector. This includes gaining a better understanding of what skills are needed and understanding the demand and supply sides of the labour market. It also involves making the education and training system more responsive to the needs of the primary industries. The skills to implement and report on good environmental management practices are increasingly important.

With regard to aquaculture, MPI is the lead agency supporting the industry's aspirations to grow sales from \$400 million to \$1 billion by 2025. During the year, progress continued on the work identified in the April 2014 MPI report *How to improve your social licence to operate*. Improving community engagement is important for both MPI and industry as there is growing uncertainty surrounding the re-consenting of existing marine farms, particularly those adjacent to areas of scenic value.

Work also continued with the NRS agencies¹ to help resolve these issues, because they touch on areas of significant opportunity for economic growth as well as balancing the need to protect the environment. The social licence developments are also beneficial to Māori aquaculture interests, as MPI is continuing work with iwi to establish regional agreements to deliver on the Crown's obligations under the Māori Commercial Aquaculture Claims Settlement Act 2004.

GROWING MĀORI AGRIBUSINESS

MPI has expanded its Māori Agribusiness Programme, so it now covers a suite of activities to enable Māori owners of primary sector assets to lift productivity. The Māori Agribusiness Programme includes work on:

- ensuring Māori agribusinesses are able to access MPI grant programmes and providing support for the specific challenges faced by Māori owners;
- contributing to MPI policies, legislation and initiatives to appropriately reflect Māori agribusiness needs and interests;
- collaborating and co-ordinating with Māori owners, sector bodies and other government agencies.

¹ NRS agencies are MBIE, Innovation and Employment, Ministry for the Environment, MPI, Land Information New Zealand, Department of Conservation, Te Puni Kōkiri and Department of Internal Affairs.

The Māori Agribusiness Programme is a partnership that enables projects to be driven by Māori primary sector asset owners. It involves MPI working with other government agencies to ensure a joint approach – under the auspices of *He kai kei aku ringa* (the Crown–Māori Economic Growth Partnership). It also requires collaboration with Māori and key sector organisations such as Te Tumu Paeroa (the new Māori Trustee) and the Federation of Māori Authorities.

In 2014/15, MPI focused on a work programme targeting the specific challenges faced in Māori agribusiness. This work is new and is moving from exploratory to business-as-usual. It includes tailored support to access expert advice, create economies of scale, strengthen decision-making and build capability. It is designed to complement MPI's existing programmes and uses the relationships and expertise of MPI's staff.

SUPPORTING REGIONAL ECONOMIC GROWTH

MPI continues to lead several regional economic growth initiatives that provide practical interventions to support:

- building stronger regional economies;
- improving the livelihoods of New Zealanders;
- doubling the value of primary sector exports.

In Northland, MPI's funding initiatives are working to boost the region's economic growth, in co-operation with iwi, local businesses, training and research institutes, Northland District Council, Northland

Regional Council, industry organisations and other government agencies.

On the East Coast of the North Island, MPI is funding the following initiatives through the Erosion Control Funding Programme, and SFF and PGP programmes:

- Restoring the Waiapu Catchment programme, which helps land owners to sustainably manage their land;
- two projects aimed at developing a bee industry and land-based aquaculture;
- the Steepland Harvesting programme, which aims to create harvesting technologies that will improve productivity and worker safety in steepland harvesting in New Zealand.

These programmes will help to restore the land, forests and rivers, which will in turn encourage the development of skills and industry in the area.

SUPPORTING IRRIGATION DEVELOPMENT

MPI's work with Crown Irrigation Investments over 2014/15 focused on planning and smart investments to increase the potential of irrigation investment. Significant infrastructure investigation work is underway across New Zealand, with initial findings indicating the potential to deliver new irrigation of up to 400,000 hectares nationwide over the next 15 years. Further detail on the progress of the Ruataniwha Water Storage Scheme and Central Plains Water is available on the Crown Irrigation Investments website: <http://www.Crownirrigation.co.nz/investment/central-plains-water/>

Progress indicators

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

The Māori Agribusiness: Pathway to Increased Productivity programme focuses on supporting projects that will result in the increased productivity of Māori-owned primary sector assets including lifting skills, training and capability building.

The successful pilot of The Icehouse Māori Leaders Programme is structured on the concept of a "waka hourua" (Māori sea voyaging canoe) and rated as "high impact" under The Icehouse's own business framework. An evaluation report on the programme highlights that all participating trustees have seen significant benefits from being involved in the programme that ran between April 2014 and April 2015. The participants experienced improved self-confidence and motivation, and acquired practical, applied management skills relevant to current Māori governance and Māori Trustee demands. The Icehouse intends to release the evaluation report later in 2015.

Primary industry businesses are able to access personnel to enable them to develop new or significantly improved goods, services or processes

Statistics New Zealand is due to update this information in late 2015.

Primary industry businesses do not consider costs to be a barrier to developing or introducing new or improved goods, services or processes

Statistics New Zealand is due to update this information in late 2015.

Long-Term Outcome:

Increase Sustainable Resource Use

Managing natural resources and environment

Much of New Zealand's economic prosperity comes from harnessing its natural resources to create economic and social benefits for the country. MPI works with primary industries and other government agencies to promote the sustainable use of these resources – such as fisheries, forestry and water. The main objective is to maintain New Zealand's natural capital base in the long term.

MPI's role is not only confined to sustainable resource management but extends to providing evidence-based stewardship of the productive ecosystems that sustain these resources. This requires ongoing investment in the necessary science, information and monitoring needed to understand the limits of resource use, and to ensure these are not exceeded. MPI's regulatory role supports this by providing the authority to intervene to protect the resources and their supporting ecosystems. This is done primarily through education, but penalties are sometimes applied to those who seek to exploit resources or damage productive ecosystems in ways that would reduce future resource productivity.

New types of production systems, more efficient practices and a lower environmental footprint are all important goals. Removing regulatory barriers and ensuring a joined-up approach across the public and private sectors are important objectives. Examples include joint responsibility with the Ministry for the Environment (MfE) on the management of freshwater, collaboration with the Environmental Protection Authority on implementation of the Emissions Trading Scheme (ETS) and working with Aquaculture New Zealand on new space requirements for aquaculture activities.

MPI is also working to help manage the "social licence" that will be required in this area. Changes in how natural resources are used will raise concerns in the wider community and affect achieving the goal

of regional economic development. This will require trade-offs across water, land and aquaculture productive environments, as initiatives involving these resources are unlikely to succeed without community support. It is important that all groups affected understand the likely impacts, their mitigations and the overall benefits that may accrue.

MPI's success against this outcome is delivered via a single intermediate outcome:

- The primary sector, including Māori, maximises the use and productivity of natural resources within environmentally sustainable limits and is resilient to adverse climatic and biosecurity events.

Intermediate outcome: The primary sector, including Māori, maximises the use and productivity of natural resources within environmentally sustainable limits and is resilient to adverse climatic and biosecurity events

The use of natural resources for economic gain needs to be balanced against environmental sustainability, because it is crucial to maintain New Zealand's natural capital over the long term. MPI also supports sustainability by helping the primary industries build resilience to change as well as providing support to sectors when adverse events occur.

MPI's work in this area seeks to have the following impacts:

- freshwater available to the primary sector is utilised efficiently and effectively;
- discharges from the primary sector that affect water quality and soils are either stable or decreasing;
- all fish stocks are managed to provide for utilisation, while safeguarding sustainability;
- investment certainty is achieved for plantation forestry from RMA settings;
- the performance of Māori agribusiness and land resources improves;

- primary industry businesses and communities recover more quickly from the next adverse event, with less impact on production;
- fewer greenhouse gas emissions are produced per unit of production.

Outcome progress – 2014/15 work programme report back

MANAGING FRESHWATER

The Government's Freshwater Reform Programme is a long-term programme that aims to reform the freshwater management system to deal with the growing pressures on New Zealand's water supplies. Staff from MPI and MfE provide co-ordinated advice to the Government.

In August 2014, the National Policy Statement for Freshwater Management was amended to include a National Objectives Framework with minimum requirements for ecosystem and human health. Both MPI and MfE are backing up the regulatory framework by working with new reporting tools developed through initiatives such as the Waikato Economic Impact Joint Venture Studies project. Through the collection of baseline information about the Waikato–Waipa catchment and identifying the inherent value to the users of the system; economic

Progress indicators

Maintaining and improving water quality

MPI continues to work with primary industries, regional councils and other agencies to maintain or improve water quality because it supports the implementation of the National Policy Statement for Freshwater Management.

In 2015, MPI started work on a farm systems change project that will analyse success factors for high performing farm systems and enable similar models to be implemented on other farms. The sharing of this information will help improve environmental performance as well as economic outcomes. MPI is also investing further in the OVERSEER® nutrient model so it can help farmers to reduce the level of nutrients getting into water. Further policy work is also ongoing with the Land and Water Forum and the Freshwater Iwi Leaders Group on possible changes to the water policy framework. The work will look at delivering improved water management, including maintaining or improving water quality in a more efficient manner.

Progress indicators

Increased number of farm nutrient management plans

Nearly 56 percent of dairy farms across the country now have nutrient management plans that are less than three years old. This is a 16 percent increase from last year. There is now a greater focus on delivering nutrient budgets to meet the compliance requirements of regional councils and irrigation companies, as well as for benchmarking nitrogen loss and nitrogen conversion efficiencies, as specified in the Sustainable Dairying Water Accord.

modelling has been developed for the catchment. The 2015 report, *A tool for freshwater nutrient management in the Waikato–Waipa catchment: Summary of work by the Waikato Economic Impact Joint Venture*, is expected to help the Healthy Rivers/ Wai Ora project, which is being undertaken by local iwi and Waikato Regional Council.

NEW IRRIGATION AREAS

The Irrigation Acceleration Fund (IAF) is designed to support the investigation and development of water harvesting, storage and distribution infrastructure. To date, the IAF has provided over \$27 million in grant support to 18 projects throughout New Zealand – predominantly in Canterbury but also in Hawke's Bay, Otago, Wairarapa and Manawatu.

Projects exploring 260,000 hectares of potential new irrigation are progressing through a staged investigation process. Several other proposals are also at the early phase of investigation. Clear definition of this development pipeline will inform the consideration of further grant funding appropriations to support the comprehensive work programmes required to prove the viability of these proposals.

Projects supported during the year by the IAF to deliver new irrigation areas include Ashburton Lyndhurst Irrigation Ltd Stage 2, Barrhill–Chertsey Irrigation Stage 2, Central Plains Water Stage 1 and North Otago Irrigation Company Stage 2. Crown Irrigation Investments has provided investment into Central Plains Water Stage 1.

MANAGING CLIMATE CHANGE INITIATIVES

MPI partners with several other agencies in New Zealand's approach to climate change, and has formal delegation from the Environmental Protection Authority to operate the forestry parts of the ETS. In 2013 the agencies agreed new objectives for climate change policy to take New Zealand beyond the first phase of the Kyoto Protocol that ended in 2012:

- reduce global emissions;
- responsible economic growth;
- adaptation.

The new international agreement is being negotiated in the United Nations Framework Convention on Climate Change, to apply from 2020 onwards. This agreement is envisaged to be different from its predecessors in that it will be applicable to all countries and all countries are expected to take action.

The ongoing evolution of the ETS will be assisted by the 2015 review of the scheme, which is required by legislation. With a new international agreement being negotiated, the review is likely to focus on fixing current and immediate issues, and creating flexibility to deal with different international rules.

MPI contributes to mitigation of greenhouse gases through work programmes supported by the Sustainable Land Management and Climate Change (SLMACC) Research Programme and research by the Global Research Alliance on Agricultural Greenhouse Gases.

Six SLMACC projects were approved for funding for 2014/15. In addition, MPI provided support to the New Zealand Fund for Global Partnerships in Livestock Emissions Research for a new round of research funding that closed in October 2014, for expected implementation from May 2015.

Progress indicators

Increased number of hectares under irrigation

Irrigation scheme projects in the construction stages during the 2014/15 year will provide for 34,000 hectares of new irrigation – an increase of 4.7 percent above the 2012 Agricultural Production Census baseline. This increased area will be realised once the projects are commissioned and on-farm developments are completed.

Reduced greenhouse gas emissions per unit of production

The greenhouse gas emissions intensity (alternatively the greenhouse gases generated per unit of production) has declined on average around 1 percent per annum since 1990 and continues to decline. This is occurring through research and innovations that continue to be adopted by farmers, including improved animal genetics and management, combined with better grassland management and feeding practices, resulting in more efficient resource management by farmers.

The Government continues to support research into reducing greenhouse gas emissions through the Global Research Alliance on Agricultural Greenhouse Gases, the New Zealand Agricultural Greenhouse Gas Research Centre and the Pastoral Greenhouse Gas Research Consortium. The research is focused on further reducing methane and nitrous oxide emissions through animal breeding, vaccine and inhibitor development, assessment of the impacts of various feeds on emissions and improving farm management practices.

WORKING WITH MĀORI TO IMPROVE PRODUCTIVITY OF ASSETS

The Māori Agribusiness: Pathway to Increased Productivity (MAPIP) programme uses the learnings from the prototype projects to refine mechanisms and approaches, with a focus on increasing productivity.

MAPIP focuses on tangible, on-the-ground projects that aim to overcome barriers to improving productivity, such as multiple ownership land tenure, complex governance frameworks and limited access to physical and financial capital. The MAPIP framework supports Māori land owners to address challenges, with solutions that place Māori at the heart of the decision-making process.

Since October 2014, MPI has worked with owners to identify and support projects that will result in increased productivity for Māori-owned primary sector assets, and ensure efficiency and value for money. As a result, 20 concepts have been considered, with various initiatives progressed. These include supporting the establishment of a Māori forestry collective in Northland (targeting approximately 20,000 hectares of land); future proofing (in preparation for regulatory changes) through commercially growing plants on a scale to enable riparian planting along the upper reaches of the Waikato River; and supporting iwi to bring together farms (approximately 14,000 hectares) to gain efficiencies of scale.

TREATY OF WAITANGI OBLIGATIONS

MPI is actively involved in more than 15 Treaty of Waitangi settlement negotiations. This forms part of MPI's ongoing work programme to deliver on the Crown's Treaty of Waitangi obligations. MPI's responsibilities cover negotiated relationship agreements, co-governance and co-management arrangements, protocols and fisheries mechanisms with those iwi that have settled their historical Treaty of Waitangi claims. These partnership mechanisms provide a platform for MPI and iwi groups to share information and discuss opportunities for joint work programmes and other initiatives.

During the year, 98 percent (by value) of the Crown's pre-commencement settlement obligations were completed, including the signing of the Bay of Plenty settlement with 11 iwi. In April 2015, iwi and Crown parties agreed on a settlement package at a national level to settle the Crown's new aquaculture space settlement obligations in the regions that are currently in negotiations (Northland, Auckland,

Waikato-east, Tasman, Marlborough, Canterbury and Southland).

PLANNING FOR PLANTATION FORESTRY

Since April 2013, MPI has been investigating options to improve the national consistency of regulation of plantation forestry under the RMA. The options analysis identified a National Environmental Standard (NES) for Plantation Forestry under the RMA as the preferred mechanism to increase operational certainty for forest owners and operators, and enhance the environmental outcomes of plantation forestry.

Development of the NES has been collaborative. MPI has worked closely with MfE and a stakeholder working group, comprising representatives from local government, the forestry industry and environmental non-governmental organisations. Feedback on the proposal has also been sought from interested parties beyond the stakeholder working group.

Progress indicators

Increased productivity and exports from Māori agribusiness

The Māori Agribusiness: Pathway to Increased Productivity (MAPIP) programme was established during 2014/15 to help Māori owners with decisions about the sustainable development of their primary sector assets. Since the establishment of the MAPIP programme, applications have been submitted from Northland, Bay of Plenty, East Coast, Hawke's Bay, Rangitikei, Taranaki and the South Island. Applications received cover forestry, horticulture, sheep and beef cattle, fisheries, dairy, mānuka honey, partnering and scaling.

In 2014, an indicative analysis of six prototype interventions targeted at upgrading the productivity of Māori-owned land or enterprises was conducted. A set of assumptions was used in the regional economic analysis. The projected value-added figure for all six prototypes is \$2.4 million (*Economic analysis of prototype interventions to lift Māori agribusiness productivity*, MPI, December 2014).

Whai Hua programme for new dairy products and value chains

The Whai Hua Primary Growth Partnership programme is a three-year programme that started in March 2013. The programme will develop new, added-value dairy ingredients based on immune-enhancing dairy milk products. It involves working closely with industry partners in the target Asian and New Zealand markets and focusing on health-conscious consumers in those markets. AgResearch is the principal scientific research provider. The programme also offers an opportunity to help develop Māori agribusiness strengths by developing dairy herds that produce milk with high immune-enhancing properties, product development, functionality testing and market research. At the programme's outset, it was estimated it could create \$8.6 million per year in economic benefits to New Zealand by 2021 and increase export opportunities for Māori agribusiness.

MPI's obligations to Māori are delivered

Ninety-one percent of MPI's obligations to Māori have been achieved. Thirty-four activity groups were conducted to meet these obligations, and 31 activities were met. Three of the activity groups are not being delivered to standard, but efforts continue to meet these standards.

Performance cannot be fully determined due to strategic outcomes for Māori reporting preceding statutory reporting timeframes, which is an operational approach to ensure MPI acts consistently with the principles of the Treaty of Waitangi and the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992.

The formal launch of the consultation on the proposal was in June 2015. Following consultation, the NES will be drafted and the regulation would likely come into force during the second half of 2016.

SUPPORTING SUSTAINABLE RESOURCES

MPI is continuing to support increased sustainable resource use through its freshwater, fisheries, aquaculture and forestry work programmes. A combination of activities is driving this work, including policy and regulatory change as well as support for new activities.

Collaboration with industry, councils and members of the public has been important for progressing work in the aquaculture area. MPI has focused on creating increased national consistency and guidance for regional councils around the re-consenting of existing aquaculture space. These actions will make it easier to change the type of

species farmed on established aquaculture farms as well as improving monitoring and reporting. MPI was also part of the collaborative work programme with Aquaculture New Zealand, which has created practical tools and best practice guides to support industry and raise the profile of the importance of building a social licence to operate.

With more than a million hectares of erosion-prone land suitable for forestry, MPI is supporting the relaunch of the Afforestation Grants Scheme, which was announced as part of Budget 2015 in May. MPI has developed the eligibility and funding criteria for afforestation projects under the scheme, along with the operational implementation. Applications opened in May 2015, for planting in winter 2016 – allowing time for nurseries to prepare and meet the extra demand for seedlings.

Through the ongoing review of the Fisheries Act 1996, MPI is examining the potential to add value through encouraging the uptake of new technology and adopting more holistic approaches to fisheries management. This work will ensure the ongoing approach to fisheries use remains aligned with government and stakeholder priorities.

During 2014/15 MPI reviewed the harvest strategies and management procedures across a range of fish stocks including hoki, orange roughy, rock lobster and southern blue whiting. These decisions have included total allowable catch increases for certain stocks and ensure the ongoing and sustainable use of New Zealand's fisheries resources.

To support the work of maintaining sustainable fisheries, compliance activities are carried out to monitor both commercial and recreational fishers. Work this year became easier with the launch of the Field Operations Compliance User System in April 2015. The new system replaces four legacy systems, and is part of MPI's work to improve its information and intelligence functionality.

Progress indicators

Increased number of hectares in aquaculture production

For 2014/15, 23 new aquaculture farms (203 hectares) were consented.

Two areas were identified to increase new space for aquaculture production:

- working with central government agencies and regional councils to improve the coastal planning environment and looking at options to unlock new opportunities for aquaculture growth in key regions (Northland, Marlborough, Waikato, Canterbury and Southland);
- delivering Māori aquaculture settlements; MPI is working with iwi to develop regional agreements in key regions over the coming months, which may lead to new aquaculture applications.

Increased value of fresh onboard tonnage of aquaculture produce exported relative to the aquaculture hectares in production

Export values for fresh onboard tonnage of aquaculture produce exported relative to hectares in production went from \$277 million in 2013/14 to \$322 million in 2014/15, a 16.2 percent increase over the previous year and an overall increase of 24.3 percent over the last three years.

Progress indicators

Increased number of fish stocks managed within acceptable limits

During 2014/15, continuous improvement occurred in the number of fish stocks known to be managed within acceptable limits. Acceptable limits are defined as soft or hard limits. The soft limit is a biomass level below which stock is deemed to be overfished or depleted and needs to be actively rebuilt. The hard limit is a biomass below which a stock is deemed to be collapsed and where fishery closures should be considered to rebuild a stock at the fastest possible rate.

The number of stocks within acceptable limits (that is, above the soft limit) increased from 122 in 2014 to 130 in 2015. However, the number of stocks below the hard limit increased from 10 to 11.

Recreational fishing compliance is improving

During 2014/15, there were:

- 26,085 recreational inspections delivered;
- 2,877 educational contacts with recreation fishers;
- 1,708 fisheries patrols carried out;
- 71,000 visits to fish size limits and fishing methods on MPI's webpages.

All of these activities are designed to help fishers voluntarily comply with fisheries laws. The compliance rate for 2014/15 was 94 percent (2013/14: 95 percent).

Honorary Fisheries Officers

MPI's Honorary Fisheries Officers (HFOs) are uniformed volunteers who are trained to help with education and compliance around fisheries regulations. Often seen by the public as the face of MPI, these volunteers play an integral role in MPI's education and voluntary compliance programme. With over 200 HFOs across New Zealand, MPI has a large and dedicated voluntary community of people who work to preserve New Zealand's fisheries.

HFOs are appointed under the Fisheries Act 1996 and possess similar powers to full-time Compliance Officers. As part of their role, HFOs need to have a strong knowledge of the laws and regulations relating to catching fish and shellfish, as well as environmental issues. An understanding of the Treaty of Waitangi is also vital as it is important for officers to be aware of customary rights and values in local areas. Many officers bring a wealth of local knowledge and often decades of fisheries and

enforcement experience to the role.

Working conditions can be demanding, involving many long hours including evenings, weekends and public holidays. HFOs work in a variety of environments – from offices to local and foreign vessels, to walking the sands of local beaches – in all weather conditions.

In July 2014, their considerable contribution to MPI was evident when officers caught two poachers on an Auckland beach who had exceeded their daily catch by more than 20 times over both the daily cockle and combined shellfish limit. Attempts to hide this catch under a ledge on the beach were unsuccessful, thanks to the vigilance of the officers. This is a small part of the hard work invested by the HFOs, and numerous examples exist where they have stepped beyond the line of duty to support other MPI-led operations, such as the Queensland fruit fly responses.

MPI is fortunate to be able to call on these dedicated individuals who, alongside full-time staff, work purely from their passion to preserve New Zealand's fisheries for future generations.



Long-Term Outcome:

Protect from Biological Risk

Managing increased demands and risks at the border

Through its leadership of the biosecurity system, MPI works to prevent harmful pests and diseases from establishing in New Zealand. MPI manages surveillance and readiness programmes to monitor for, and respond to, pest incursions when they do occur and supports the management of established pests.

At present around five million passengers and millions of tonnes of cargo and mail arrive in New Zealand each year. Every person and each piece of cargo has the potential to carry unwanted organisms that could damage New Zealand's economy and environment. The level of arrivals is expected to keep increasing, along with MPI's responsibility to focus on knowing what organisms might turn up and how they could arrive.

The increased levels of passenger arrivals are also paired with an increase in the expectation of service levels delivered by MPI and other border agencies. Passengers and the tourism industry expect faster border processing and high quality experiences, which places ongoing pressure on MPI and Customs to reduce disruptions and target interventions.

To meet this growing demand pressure, MPI has increased available resources, with further support coming as part of the Budget 2015 package. This included additional funding:

- expanding the biosecurity detector dog capacity;
- introducing more x-ray machines to allow for faster screening of increasing passenger volumes;
- increasing offshore auditing capacity.

Keeping risk offshore is critical to the biosecurity system, as it is more cost effective than dealing with risks and issues onshore. Import Health Standards define what goods and processes are acceptable, and offshore auditing provides additional assurance over and above government-to-government assurances that these standards are being met.

The additional initiatives provided via Budget 2015 act to support overall progress in strengthening the core biosecurity system.

MPI seeks to demonstrate its success against this outcome through the following intermediate outcome:

- The primary sector is protected from biological risks through the effective operation of the biosecurity and food safety systems.

Intermediate outcome: The primary sector is protected from biological risks through the effective operation of the biosecurity and food safety systems

New Zealand's freedom from many pests and diseases is special. As a leading exporter of safe and trusted food, fibre and other biological products to markets all over the world, New Zealand's export sectors derive significant benefits and competitive advantage from this reputation for safety and trustworthiness.

To maintain the effective operation of New Zealand's biosecurity system, MPI is working to achieve the following impacts:

- protecting New Zealand's competitive advantage of a pest-free environment;
- better preparing New Zealand to respond to pest and disease incursions;
- increasing voluntary and assisted compliance.

Outcome progress – 2014/15 work programme report back

New Zealand's biosecurity risk management systems are world class, and MPI is committed to their continued strengthening. This is done through operational management, regulatory processes and policy changes – all of which MPI has carried out during the year. The introduction of the new border clearance levy (as part of Budget 2015 in conjunction with Customs) and the Biosecurity 2025 review are both aimed at addressing future biosecurity demand pressures at the border.

Biosecurity readiness

To help ensure New Zealand's biosecurity system continues to be as effective as it can be, the Biosecurity 2025 project was launched in May 2015. The goal is to future-proof New Zealand's biosecurity

system. A significant outcome of Biosecurity 2025 will be a high-level Direction Statement. The Direction Statement will provide a roadmap to guide the biosecurity system for the next 10 years, and will be a touchstone for all participants in the system. It will update New Zealand's founding 2003 biosecurity strategy document, *Tiakina Aotearoa Protect New Zealand*.

Work to replace MPI's current biocontainment laboratory at Wallaceville continued, with construction tenders approved in December 2014 and construction starting in August 2015. The national biocontainment laboratory plays an important role in MPI and in New Zealand's biosecurity system. It has an essential role in surveillance programmes, in responding to animal disease outbreaks and providing international trade assurances about New Zealand's animal disease status.

Engagement continued with industry and other stakeholders to build biosecurity readiness and response capability during the year. Three new GIAs were signed with New Zealand Pork, Pipfruit New Zealand and the New Zealand Equine Health Association. The value of the GIA in action was proven with the Queensland fruit fly response in Auckland in February, when both Pipfruit New Zealand and Kiwifruit Vine Health worked together with MPI on the response governance group.

MPI continues to work with Customs, MBIE and

other agencies to enhance the delivery of border services, including biosecurity. Essential to this work is delivery of the Joint Border Management System (JBMS). The Trade Single Window element of JBMS has been further developed and will lead to efficiencies for industry through faster clearance of goods, the ability to provide MPI with advance information, and an increase in the range of service providers that importers are able to use when importing goods into New Zealand.

The next major JBMS release is planned for 2016 and will provide additional trade services. These will include extending the self-service functionality delivered in April 2015 along with the addition of new import and export lodgement types to provide full coverage of all the major declarations.

SUPPORTING THE EMERGING RISK SYSTEM

The development of a comprehensive biosecurity emerging risk system (ERS) over the past two years has significantly enhanced MPI's ability to identify and respond to new and emerging biosecurity threats from offshore.

The ERS scans for changes in hazards, pathways and the biosecurity environment that suggest new and emerging threats to New Zealand and filters these "alerts" through a science screen to determine their likely level of risk. New hazards and situations deemed significant are communicated to risk managers who respond accordingly. Alerts from industry, offshore intelligence sources, New Zealand

MPI detector dogs

The detector dogs are vital to the protection of the border as they perform a job neither humans nor technology can replicate. The dogs from MPI's breeding programme are highly sought after in New Zealand and by overseas agricultural detector dog agencies. It is 20 years since the MPI detector dog programme began and it has continued to grow with 40 active teams now in place.

In May 2015, MPI's breeding programme saw the arrival of six puppies

in the F litter. Born to current MPI working detector dogs Aria and Watchman, these new puppies are the next generation of dogs and contribute to the success of the detector dog programme. Using the new MPI Detector Dog Facebook page, a competition was launched to members of the public to name two puppies from the litter, which attracted more than 2,500 entries. The winning names were Fudge for the girl puppy and Fritz for the boy puppy.

These puppies will be placed in foster homes with the public for a year before they begin their training at 12–14 months of age. They will work at airports, the international mail centre, cruise ships, ship containers and any other necessary deployments. The successful dogs will join the 40 detector dog teams located across the country.



Crown research institutes and MPI itself have been processed through the ERS and this has resulted in various responses to strengthen the biosecurity system at the border.

DEVELOPING INTELLIGENCE, PLANNING AND CO-ORDINATION

By establishing the Intelligence, Planning and Coordination (IPC) Directorate, MPI signalled that it wants to work in a different way. The IPC's role is to provide intelligence, information and analysis to support planning and decision making for its systems and operations. Since the establishment of

the IPC, several initiatives have been delivered that target information and products to decision-makers. Through these initiatives, the IPC has placed greater emphasis on improving MPI's situational awareness (emerging issues and risks), ability to deploy and increased visibility across the organisation.

The development and recent adoption of the Single Scalable Response Model by MPI, which is based on New Zealand's Coordinated Incident Management System (known as CIMS), has improved the effectiveness of responses, while allowing flexibility where necessary.

Progress indicators

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

Two major responses occurred that could have affected market access: the 1080 pesticide threat to infant formula and the Auckland Queensland fruit fly incursion. Appropriate and timely action for both of these major responses meant that no markets were closed to New Zealand products during the year.

Health of the biosecurity system is improving

Number of response plans completed or reviewed

In the past year high priority response plans were developed and initiated for the following:

- Queensland fruit fly;
- *Rhipicephalus sanguineus* (brown dog tick);
- *Bonamia ostreae* (a disease of flat dredge oysters);
- *Salvinia molesta* at Te Henga wetland;
- nematode of the genus *Meloidogyne* spp. at Hagley Oval in Christchurch.

Response plans were also successfully implemented for several termite infestations on recreational sailing vessels in the Auckland region.

In addition to implementing response plans, work continued on developing a Threat Planning Repository that will provide a single source of readiness information and response co-ordination. It will also ensure people have access to planning tools and response plans. Recent responses have provided planning templates that link into the Threat Planning Repository, supporting operations. These will be aligned to the Single Scalable Response Model and standard operating procedures to support future response activations.

Completion of exercises testing preparedness and readiness for an incursion

MPI staff participated in exercises that ranged from developmental workshops and table-top assessments to large "all of government" activities (led by other agencies).

Most exercises related directly to MPI readiness for biosecurity events (especially foot and mouth disease) and involved readiness, incursion, biosecurity response, and communications staff. The activities included industry and international partners and other government agencies and enhanced relationships with stakeholders and partners. Findings from the exercises are being used to inform ongoing readiness development.

The readiness work programme includes a project on people capability and capacity that will provide a structure to form a baseline of capability and capacity, with links to staff development plans.

Adoption of previous recommendations that lead to faster, more effective responses

A data resource has been created that acts as the "single source of the truth" for actions that have been proposed, or were taken, to address recommendations from previous responses. Since October 2014, the number of recommendations has increased from 297 to 345. Of these, 205 are closed and 140 remain open and are being addressed.

Work is underway to reshape the “lessons learned” process into “continuous improvement” methodology, to be governed via the National Operations Centre. This process will operate as a continuous loop of collection and analysis of lessons learnt stemming from responses. Once established, the process will take over the role of the existing readiness recommendations data capture and new key performance indicators will be produced to provide better measurement in the future.

Number of groups actively engaged with MPI on preparedness and responsiveness

At present, 142 organisations (2013: 124) are signed into the National Biosecurity Capability Network (NBCN), which includes government agencies, regional councils and commercial organisations. Kiwifruit Vine Health and Beef + Lamb New Zealand have signed from industry with New Zealand Pork, New Zealand Avocado, Federated Farmers, Pipfruit New Zealand, Potatoes New Zealand, Fonterra, OSPRI, and ANZCO Foods all currently being spoken to and expected to sign within months. Nearly 60,000 people are accessible through this network.

The NBCN members are contracted under various memorandums of understanding to help MPI in operational roles within the response work streams – that is, logistics, organism management, surveillance and operations management. The NBCN is consistently refining and recruiting industry partners and stakeholders into the network.

Overall compliance rates with biosecurity requirements are increasing

	2012/13	2013/14	2014/15
Consignments inspected	47,703	52,501	53,810
Non-compliant consignments	10,457	11,869	13,149
Non-compliance (%)	22	23	24

International mail continues to achieve high levels of compliance through additional biosecurity detector dog teams and a closer working relationship with Customs and New Zealand Post. Work to keep refining biosecurity processes continues.

Biosecurity compliance in the air passenger pathway continues to improve through several initiatives including increased detector dog screening, increased searching capacity and a focus on improving x-ray performance. This enabled the percentage of x-rayed bags searched to increase from 6.1 percent in February 2015 to 10.9 percent in June 2015. There has also been a 7.8 percent increase in the number of infringements issued.

MPI has also taken a more robust approach to managing compliance and communicating to industry that “being a transitional facility is a privilege, not a right”. Feedback from industry has been positive while MPI continues to address non-compliance issues.

Food Safety system

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

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

MPI’s management of the food safety system seeks to have the following impact:

- improved safety and suitability of food, including imported food.

Outcome progress – 2014/15 work programme report back

This section of the intermediate outcome focuses on operating New Zealand’s food safety system.

IMPLEMENTATION OF THE FOOD ACT 2014

The Food Act 2014 received Royal Assent in June 2014 and will come fully into force on 1 March 2016, replacing the Food Act 1981. It brings New Zealand’s domestic food system into line with international trends in food regulation that have shifted from eliminating risk through prescriptive regulation to achieving the outcome of providing safe and suitable food. This also aligns the domestic food system with the risk-based approach of other New Zealand food statutes that have more of an export focus. In July 2015, Cabinet gave approval to start drafting regulations. Drafting instructions were sent to the Parliamentary Council Office in the same month.

MPI has been running a Food Implementation Programme (FIP) alongside the development of the new Act. In 2014/15, as part of the FIP, MPI focused on developing proposals for regulations under the new Act. Public consultation on these proposals was undertaken between January and March 2015. Twenty-three meetings were held in 12 locations, with over 600 people attending and 148 written submissions being received.

To ensure effective implementation of the Act, MPI has established a new Food Safety Compliance team with 12 new food officers. The team began operation on 1 July 2015 and a new training programme has been set up to enable it to deliver its services effectively.

New guidance material for food business operators is also being developed, including a new “where do I fit” web-based tool to be released in September 2016. This tool is being designed to help identify which new requirements apply (as several options are now available depending on the nature of food safety risk for each food business). It is currently in the testing phase with both internal (MPI) and external (food business, co-regulator and third-party verifier) stakeholders.

DEVELOPING PROCESS IMPROVEMENT AND TECHNOLOGY

MPI launched the new Wine E-cert application on 20 October 2014. The software ensures a secure, supportable and robust platform for export certification and replaces the previous system, which was inherited from the Ministry of Health in 2002.

Wine E-cert allows MPI to have confidence in the platform for wine export certification and places MPI in an excellent position to support the wine industry's goal of \$2 billion of export earnings by 2020.

The launch of Wine E-cert was the conclusion of more than two years' collaborative work by staff from MPI, New Zealand Winegrowers, and developers. Before the launch, MPI ran training workshops in conjunction with New Zealand Winegrowers in the major winemaking regions across the country to prepare users for the system changes. Since the launch, MPI has worked closely with New Zealand Winegrowers to monitor the system operation and to help identify and implement improvements.

CAMPYLOBACTER PERFORMANCE CONSULTATION

MPI is constantly looking for ways to reduce foodborne illness rates and manage the risks associated with foodborne illnesses such as campylobacteriosis. Since 2008 there has been a

50 percent reduction in the number of notified cases of people infected with *Campylobacter* and a significant increase in birds testing positive for the bacteria. While significant improvements have occurred in the control of *Campylobacter* since performance targets were introduced, it is important they are continually reviewed.

In 2014/15, MPI began consulting with the public on the *Campylobacter* detection limit for routine testing of broiler chickens under the National Microbiological Database programme, which was introduced in 2013. The aim is to assess how effective this limit is after over a year in operation, and to determine if any change is needed. Feedback was requested on a range of proposed options for testing of *Campylobacter* in poultry. Options outlined in the consultation document included additional measures to help businesses with meeting the performance targets, and ways to improve the performance of premises not meeting the targets. Submissions closed in May 2015 and work is progressing.

SUCCESSFUL PROSECUTION FOR LISTERIA CONTAMINATION

MPI successfully prosecuted meat processor Bay Cuisine for selling meat contaminated with listeria to Hawke's Bay Hospital and failing to provide test results showing meat had tested positive. A hospital investigation found the meat contributed to a deadly food poisoning outbreak, which claimed the lives of two people.

Bay Cuisine pleaded guilty to 10 charges, including selling contaminated food, suppressing test results and neglecting to provide information to MPI. The company was fined \$130,000, a production manager was fined \$30,000 for withholding test results that showed the company's product was linked to the listeria outbreak, and a director was fined \$32,500.

MPI was pleased with the outcome as it showed how seriously both MPI and the courts take deception in food safety. This case serves as an example of the importance of accurately communicating all test results or other relevant information to MPI in a timely manner.

NEW POLICY FOR RAW MILK

In June 2015 a new policy for the sale of raw milk to consumers was announced, with requirements under the new policy coming into effect on 1 March 2016.

Raw milk is a high-risk food, particularly for children, the elderly, pregnant women and those with compromised immune systems. After extensive public consultation and review it was decided not to prohibit or limit the volume of sales of raw milk, but to ensure it is available for those who actively seek it, and that people are aware of the risks associated with drinking it.

The new policy will allow farmers to continue selling raw milk directly to the public from the farm and via home deliveries. Requirements will be introduced for those who trade raw milk. Farmers will be required to register with MPI, meet hygiene requirements, test milk for pathogens, keep records of sales, and label it appropriately so consumers are aware of the risks and can make informed decisions about consuming raw milk. The new policy allows for a balance between managing the risks to public health and the demand from rural and urban consumers to access raw milk.

For more information, visit <http://www.foodsafety.govt.nz/industry/sectors/dairy/raw-milk>

NEW GUIDELINES FOR MĀNUKA HONEY LABELLING

MPI released an interim labelling guide in July 2014 for the mānuka honey industry to clarify what claims can be made and what constitutes mānuka-type honey. The guide explains what is expected on mānuka honey labels and in advertising, including issues around therapeutic and health claims. It aims to ensure New Zealand is producing a quality product that is labelled correctly and that stands up to expectations of local and overseas markets.

A working group and supporting science group were established to review each draft of the guide until the interim guide was finalised. The group comprised 14 industry and science representatives consisting of industry and independent scientists, producers, and exporters.

Now that the guide has clarified business requirements, MPI expects products to be labelled correctly and that any therapeutic and health claims are removed from the labelling of honey that is to be consumed. MPI continues to work with industry to ensure understanding of the guidance and products are brought into line with expectations.

Operation Concord – 1080 poisoning threat

From late November 2014, MPI became the lead government agency responding to a criminal blackmail threat to release infant and other formula contaminated with 1080 pesticide into the retail market unless New Zealand stopped using 1080.

Ensuring the safety of consumers in New Zealand and overseas was at the forefront of the comprehensive, cross-government and industry response to the threat. MPI, other government agencies, dairy manufacturers and retailers together implemented comprehensive safety and vigilance measures to ensure infant and other formula remained safe. This included a new 1080 testing programme.

The enhanced testing programme, developed and validated by MPI, enabled large-scale, rapid testing for 1080 in raw milk and infant and other formula products. As of late June 2015, MPI had conducted 278 tests of raw milk and 424 of milk powder products for 1080 contamination through the National Chemical Contaminants

Programme. In addition, dairy companies have undertaken 139,069 tests for 1080 in raw milk and 9,833 tests of milk powder in the same period. No 1080 has been detected in any testing to date.

The threat was advised to the public on 10 March 2015 as the additional safety measures were in place across the manufacturing and retailer supply chains and consumer awareness was the final layer of vigilance to be applied.

The mobilisation of MPI's recently introduced Single Scalable Response Model enabled a comprehensive organisation-wide response that was able to include other agencies seamlessly. It also facilitated effective links to the Officials Committee for Domestic and External Security Coordination operated by the Department of the Prime Minister and Cabinet, which supports whole-of-government responses to major threats of this nature.

This co-ordinated approach by government and industry provided the ability to assure members of the public and New Zealand's trading partners that infant and other formula manufactured here remains secure.



Development of the guide highlighted a lack of robust scientific data to characterise monofloral mānuka honey, which is honey gathered predominantly from the nectar of mānuka flowers. MPI is funding further research in this area and is also considering working with industry on joint research initiatives. Once the research is validated it will be incorporated into revised guidelines.

NEW FOOD STANDARD FOR HEMP SEED

MPI is taking part in an important piece of work requested by the Food Standards Australia New Zealand Ministerial Forum on Food Regulation in January 2015 on the adoption of a hemp seed food standard.

The best available science has demonstrated that hemp seed is safe to eat and has positive nutritional properties. However, the Ministerial Forum had unanswered questions that this work aims to

address before a proposed hemp seed standard can be properly assessed in early 2016. MPI is leading two of the four areas of work that are underway: marketing of hemp food and the legislative implications for Australia and New Zealand. The two other areas involve research into the impact of low-tetrahydrocannabinol food consumption on roadside drug testing, and investigating the levels of cannabidiol present in all hemp seed food products.

Provision of these assurances to Ministers will take New Zealand one step closer to a standard that allows hemp seed food products such as hemp milk, flour and muesli bars to be sold in New Zealand. By carrying out this work, the Ministerial Forum will ensure members of the public can have a high level of confidence in the safety of any hemp seed food that may be sold in New Zealand in the future.

Progress indicators

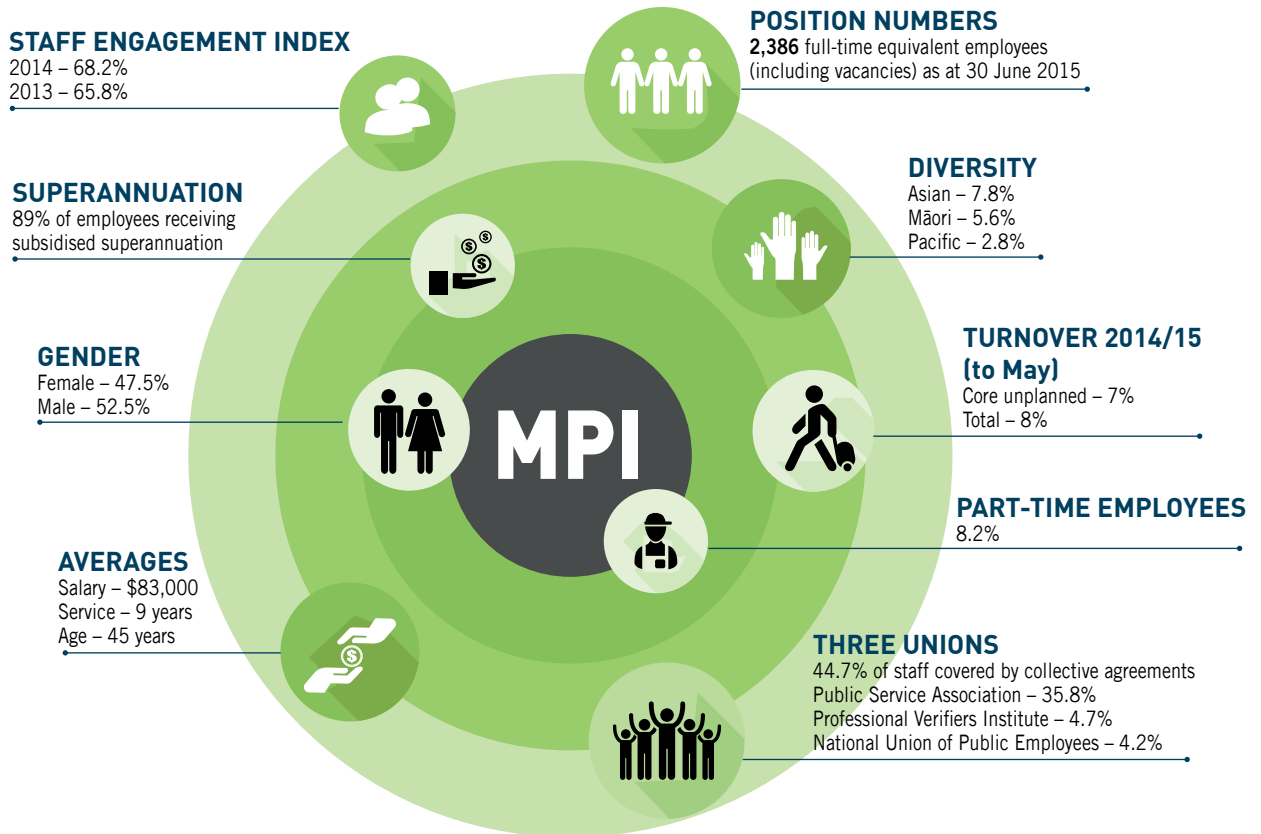
Rates of foodborne disease are managed within agreed levels, through effective risk management of priority pathogens

MPI has annual performance targets for three potentially foodborne diseases. Campylobacteriosis and salmonellosis are two of the most commonly notified potentially foodborne diseases in New Zealand, and listeriosis is one of the most severe.

During 2014 rates of foodborne campylobacteriosis and salmonellosis were managed within agreed levels. The rate of listeriosis was slightly higher than the target of 0.48 cases per 100,000 population.

- The rate of foodborne campylobacteriosis in 2014 decreased from 2013, with 89.0 cases per 100,000 (4,013 cases) reported, a decline from 90.8 cases per 100,000 in 2013.
- The rate of foodborne salmonellosis decreased to 8.6 reported cases per 100,000 population in 2014 (387 cases), from 11.5 cases per 100,000 in 2013.
- The rate of foodborne listeriosis has increased to 0.49 reported cases per 100,000 population (22 cases), from 0.31 cases per 100,000 in 2013.

Improving Organisational Capability



Over the past 12 months, MPI has continued to make progress in strengthening its staff, systems and processes. These changes all contribute to the work of ensuring the organisation can meet its aims of delivering on *Our Strategy 2030*, as well as meeting stakeholder and public expectations. Progress on this business transformation is summarised in the following sections.

ENABLING THE RIGHT ENVIRONMENT TO DO BUSINESS

MPI has continued to improve the environment and tools for staff to make it easier and better for them to go about their business. Core strategies provide guidance and direction to enable better integrated and effective services. These cover:

- People Capability Strategy;
- Information Systems Strategic Plan;

- Information Security Framework;
- Business Continuity Management Framework;
- Procurement Programme;
- National Property Strategy.

During 2014/15 MPI improved its:

- safety and security by:
 - developing a maturity improvement roadmap in support of the Protective Security Requirements and Government Chief Privacy Officer direction;
 - identifying MPI's critical information assets for the purpose of ensuring that core business services can continue in the event of a natural disaster;
 - embedding emergency response plans across all branches.

- service capability by:
 - continuing to adopt all-of-government services to lift improvement efficiencies in procurement, property and finance processes;
 - re-aligning the financial framework and revising the Vote and Output class structure for 2015/16.
- core infrastructure including:
 - modernising the desktop environment to provide every employee with Windows 8.1, Office 2013, video conferencing and mobility tools;
 - enabling new functionality to collaborate and easily create, retrieve and locate documents through the all-of-government electronic content management system as a service capability;
 - continuing to focus on lowering costs, decommissioning systems, integrating systems or creating new systems to make it easy and better for staff and external customers to work with MPI.

DEVELOPING PEOPLE CAPABILITY

MPI's People Capability Strategy has a strong forward-looking workforce development and strengthening-the-basics focus. This approach is reflected in the Career and Capability Development programme, International Access Capability Strategy and Response Capability work programme.

In addition, senior management are taking the lead in developing MPI's people capability through managing for performance, career management and succession planning, especially for critical roles. These activities align with work on improving staff engagement and being an adaptive organisation.

CAREER AND CAPABILITY DEVELOPMENT PROGRAMME

In partnership with the State Services Commission and Leadership Development Centre, MPI launched this programme to develop staff capability to align with the future needs of the organisation. The programme supports individual career development goals while meeting developing organisational capability needs.

Significant achievements made during 2014/15 include:

- Career Pathways, which has strengthened MPI's pipeline of future leaders. For example, a new assistant leadership position and development programme were established as part of the Operations Pathway.
- The Leadership Assessment Programme and Career and Performance Development Boards have assessed MPI's areas of strength and identified development needs. This provides MPI with the opportunity to identify capability development opportunities for leadership and professional specialists.

The latest engagement survey results indicate that this work programme is having a positive impact on how staff view MPI and their ability to have a meaningful career here.

Ongoing leadership development: MPI offers six different leadership development programmes to grow its people, from aspiring leaders through to those already working at senior levels. The focus is on developing and leading high performing teams and working effectively across MPI and the primary sector.

Graduate programme: The graduate programme was successfully piloted in 2013/14 and fully launched in 2014/15. This continues to be successful and planning is underway for the 2015/16 programme.

Commencement of international access capability strategy: This initiative focuses on building the capabilities required for offshore and international-facing positions. Significant achievements to date include increasing MPI staff presence in China, boosting staff knowledge and skills by providing training on Chinese culture, language and protocols, and upskilling staff on influencing and negotiating. Our work forms part of the wider inter-agency China Capable Public Sector project.

Supporting infrastructure to build staff capability:

A significant initiative this year has been the introduction of an MPI-wide Learning Management System, which provides records of learning and attainment, organisational capability and an e-learning platform to support career development. It is also a central repository for information related to MPI's preparedness and ability to manage responses.

EQUAL EMPLOYMENT OPPORTUNITIES

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

PROCUREMENT TRANSFORMATIONAL CHANGE

This change aims to create a shift in traditional thinking and position procurement as a business management function. This means the focus is on managing spend with suppliers to deliver our outcomes, prioritising supplier relationships to better understand future strategic thinking and needs, and ensuring continuity of service. This direction is underpinned by the recommendations made in the Government procurement effectiveness review.

DELIVERING BETTER PUBLIC SERVICES

Over the year, work has continued on assessing how well MPI engages with businesses. Stakeholder research carried out in 2014 provided a benchmark of satisfaction with MPI's main services. In 2015, a follow-up exercise was carried out, with 78 percent of MPI's main users rating the overall quality of service delivery a four or a five (where five is very satisfied), similar to last year's result (76 percent).

MPI is also active in supporting the Government's strategic priority to deliver better public services for New Zealand within tight financial constraints. Important areas of engagement for MPI centre on Result 9 – Better Public Services for Business, and the implementation of the Information Computer Technology (ICT) Strategy and Action Plan. For MPI this means focusing on developing new online services and the integration of services designed specifically for business.

MPI contributes to the following Result 9 initiatives:

- recognising the New Zealand Business Number (NZBN);
- reporting against the targets and measures;
- providing links to the Compliance Matters tool, which supports business to comply.

The delivery of the ICT Strategy and Action Plan is supported through:

- adopting the Common Web Platform and using this to redevelop MPI's website so content is written in plain English and focused on the needs of MPI's customers, particularly business and industry website users;
- continuing the adoption of common capabilities – in particular, the Electronic Content Management as a service and contributing to the Telecommunications as a Service procurement process;
- adopting common cloud capabilities such as Salesforce, and incorporating NZBN requirements;
- contributing to Open Government Data initiatives, with the release of 59 data sets;
- adopting the Skills Framework for the Information Age, which provides a common ICT framework across government for ICT skills.

A woman with dark hair tied back, wearing a dark sweater, is looking through the eyepieces of a Zeiss Discovery.V12 Stereo microscope. The microscope is white and black, with a bright light source at the base. In the background, a computer monitor displays a microscopic image of a butterfly. The text "STATEMENT OF SERVICE PERFORMANCE" is overlaid in large, white, bold letters.

STATEMENT OF SERVICE PERFORMANCE

Vote

Primary Industries

Output Class – Administration and Management of Crown Forestry Assets

Scope of appropriation

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

Description of activities

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

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of costs and revenues that are consistent with industry norms as assessed by annual independent review of a sample of forests	100%	100%	0%
Number of hectares and percentage of the Crown forestry managed estate surrendered or sold	25,668 (61%)	22,000 (53%)	17%
Average stumpage (net profit) per cubic metre of logs sold	\$42	\$39	8%
Percentage of forest management activities that comply with all statutory requirements, lease agreements and other contractual arrangements as assessed by annual independent review of a sample of forests	100%	100%	0%

Comment

Performance standards were met for all areas. More area was surrendered than was expected due to the planned sale of two afforestation leases and early handback of Parengarenga A Forest. Sales revenue was ahead of forecast due to market conditions with the year-end result being \$102.43 dollars per cubic metre.

Revenue and output expenses

	ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
	1,584	Revenue Crown	1,185	1,571	1,185	1,296
	99	Revenue other	99	36	94	94
	1,683	Total revenue	1,284	1,607	1,279	1,390
	1,592	Total expenses	1,235	1,607	1,279	1,390
	91	Surplus/(Deficit)	49	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of \$1.235 million, which is \$44,000 (3.42%) less than the Supplementary Estimates.

The \$44,000 underspend represents cost savings. These cost savings along with \$5,000 higher than expected third-party income resulted in a \$49,000 operating surplus for this output class.

Output Class – Administration of Grants and Programmes

Scope of appropriation

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

Description of activities

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of applications processed within agreed standards and timeframes	100%	100%	0%

Revenue and output expenses

	ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
	8,386	Revenue Crown	6,762	6,452	6,762	7,147
	70	Revenue other	64	8	17	17
	8,456	Total revenue	6,826	6,460	6,779	7,164
	6,543	Total expenses	6,491	6,460	6,779	7,164
	1,913	Surplus/(Deficit)	335	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of \$6.491 million, which is \$288,000 (4.2%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$6,000 unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to progress all-of-government ICT improvement initiatives. The remaining

¹The statement of accounting policies in Notes to the Financial Statements provide an explanation for these figures which are not subject to audit.

\$282,000 underspend represents cost savings that, along with \$47,000 higher than expected third-party income, resulted in a \$335,000 operating surplus for this output class.

Output Class – Animal Welfare and Enforcement

Scope of appropriation

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

Description of activities

MPI leads and facilitates the management of animal welfare policy and practice. It promotes policies for the humane treatment of animals and is an important participant in the ongoing animal welfare debate.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of the milestones met for the review and development of codes of welfare in accordance with the National Animal Welfare Advisory Committee work programme agreed by the Minister	100%	80%	25%
Percentage of complaints received that are recorded and responded to within agreed timeframes	85%	95%	-11%
By June 2020, MPI aims to reduce the rate of re-offending by 20 percent from where it was at June 2013	0% [2013: 4%]	15%	N/A
Percentage of complex investigations completed within legislative requirements and that meet prima facie test	100%	100%	0%

Comment

There was a 25 percent increase on the number of complaints received during 2013/14. MPI responded to 790 complaints in total, with 90 percent of grade one animal welfare complaints responded to within one day. Where possible, every effort is made to respond to complaints within the specified timeframe. To help meet the increase in complaint numbers, additional resources will be deployed in 2015/16 – this includes additional animal welfare inspectors, management, legal and support staff.

Revenue and output expenses

ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
3,995	Revenue Crown	6,895	3,930	6,895	8,965
29	Revenue other	19	11	13	13
4,024	Total revenue	6,914	3,941	6,908	8,978
3,924	Total expenses	6,640	3,941	6,908	8,978
100	Surplus/(Deficit)	274	-	-	-

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of \$6.640 million, which is \$268,000 (3.9%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$130,000 unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to progress all-of-government ICT improvement initiatives

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(\$30,000) and to complete work programmes disrupted by the need to divert resources to the Queensland fruit fly incursion response in Auckland (\$100,000).

The remaining \$138,000 underspend represents cost savings that, along with \$6,000 higher than expected third-party income, resulted in a \$335,000 operating surplus for this output class.

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

Scope of appropriation

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

Description of activities

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

This appropriation also covers MPI's operational involvement in the Government's Emissions Trading Scheme (ETS). The scheme aims to reduce net greenhouse gas emissions below business-as-usual levels and comply with New Zealand's international obligations. MPI administers the scheme for the forestry and agriculture sectors, in conjunction with MfE and MBIE.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of draft sustainable forest management plans and sustainable forest management permit applications processed within 90 days	71%	100%	-29%
Percentage of post-harvest inspections that comply with harvest limits and management prescriptions under approved Annual Logging Plans	77%	80%	-4%
Percentage of registered sawmills inspected that comply with Part 3A of the Forests Act 1949 and the Forestry (Indigenous Timber Milling) Regulations 1993	94%	80%	18%
Percentage of applicants who participate in the customer satisfaction survey who give the quality of the MPI ETS service delivery a rating of at least 4 out of 5 (where 1 represents poor performance and 5 represents excellent performance)	54%	75%	-28%

Comment

No draft sustainable forest management plans were received in 2014/15. Seven permit applications were received, and two did not meet the standard for service delivery. Post-harvest inspections were completed on five Sustainable Forest Management (SFM) plans and eight SFM permits. One post-harvest inspection was found to be non-compliant and is now subject to prosecution. Results of two more inspections are under investigation. Lower satisfaction ratings with the ETS are in relation to changes within the programme.

Revenue and output expenses

ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
12,732	Revenue Crown	10,221	12,491	10,221	8,787
85	Revenue other	34	55	35	35
12,817	Total revenue	10,255	12,546	10,256	8,822
12,648	Total expenses	9,275	12,546	10,256	8,822
169	Surplus/(Deficit)	980	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of \$9.275 million, which is \$981,000 (9.6%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$426,000 unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used for indigenous forest research to promote the sustainable management of the privately owned forestry estate, to inform the upcoming review into the swamp kauri regime (\$375,000) and to progress all-of-government ICT improvement initiatives (\$51,000).

The remaining \$555,000 underspend represents cost savings that, when offset by \$1,000 lower than expected third-party income, resulted in a \$980,000 operating surplus for this output class.

Output Class – Border Biosecurity Risk Management MCA

Overarching purpose statement

The overarching purpose of this multi-class appropriation (MCA) is to provide operational policy advice and other support to Ministers in discharging their operational policy decision-making and other portfolio responsibilities with regard to border biosecurity risk management.

Scope of appropriation

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

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of international air passengers that comply with biosecurity requirements by the time they leave the airport	98.70%	98.50%	0%
Percentage of international mail that complies with biosecurity requirements by the time it leaves the International Mail Centre	99.99%	99%	1%
Percentage of import clearance processes completed within agreed timeframes	39%	80%	–49%
Number of identified and mitigated biosecurity risks resulting from targeted evaluations of imported goods 10,000–12,000 (of 49,000–52,000 inspections)	13,149 (of 53,810 inspections)	11,000	20%
Percentage of milestones met for the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	85%	75%	13%
Percentage of World Organisation for Animal Health Office International des Epizooties (OIE) and International Plant Protection Convention (IPPC) standards that are accepted by New Zealand	100%	90%	11%

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

Percentage of certificates issued covering the export of live animals and plant products (including fruit, vegetables, herbs, spices, nuts, cereal grains, seeds, fungi, grasses and plant extracts) which meet importing country technical requirements as specified by the overseas competent authority	Plant products:	95%	5%
	99.86%		
	Live animals:	99.81%	5%

Comment

MPI continually reviews the risk profile of the cargo pathway and makes adjustments to resource levels as required. There are several initiatives to continually improve the effectiveness of the pathway. International mail items are monitored through random inspections that occur for a pre-determined number of days (called a "survey") at the New Zealand Post International Mail Centre. Several surveys may occur during the financial year with results of all surveys consolidated to produce an annual result.

The performance standard for risk-targeting was not met due to the increased growth in the number of import declarations requiring risk profiling, before being cleared for importation. In the past two years, the total number of import declarations has gone from 1,980,456 in 2013/14 to 2,070,833 in 2014/15, with a growth rate of 4.6 percent.

Although the standard was not met, there has been a significant improvement in the time MPI takes to risk assess goods in the cargo pathway. This has resulted in processing times dropping to within 15% of the targeted times. This is due to the implementation of a new rostering model, new resources and a new risk screening tool. Each of these initiatives have contributed to the total number of risk assessments moving closer to the target. MPI have, to date, focused internally to improve these timeframes, and now believe that any further big improvements will come through working in partnership with the importers, specifically around information and data quality.

Revenue and output expenses

	ACTUAL JUNE 2014 \$000	ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
Revenue Crown					
47,655	Border biosecurity monitoring and clearance	45,822	50,222	45,822	38,806
11,209	Border biosecurity systems development and maintenance	10,385	11,462	10,385	10,201
58,864	Total revenue Crown	56,207	61,684	56,207	49,007
Revenue other					
31,524	Border biosecurity monitoring and clearance	33,975	31,601	34,494	52,494
4,620	Border biosecurity systems development and maintenance	4,766	4,852	5,695	5,695
36,144	Total revenue other	38,741	36,453	40,189	58,189
95,008	Total revenue	94,948	98,137	96,396	107,196
Expenses					
79,256	Border biosecurity monitoring and clearance	80,205	81,823	80,316	91,300
15,967	Border biosecurity systems development and maintenance	16,060	16,314	16,080	15,896
95,223	Total expenses	96,265	98,137	96,396	107,196
Surplus/(Deficit)					
(77)	Border biosecurity monitoring and clearance	(408)	–	–	–
(138)	Border biosecurity systems development and maintenance	(909)	–	–	–
(215)	Total surplus/(deficit)	(1,317)	–	–	–

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

Financial comment

This multi-category output expense appropriation (MCA) was provided at a cost of \$96.265 million which is \$131,000 (0.1%) less than the Supplementary Estimates. Approval has been obtained to carry forward \$111,000 unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used for the Joint Border Management System (JBMS) work programme. There are activities under this MCA that are operated on a full cost recovery basis from third parties. Two memorandum accounts are used to keep track of the accumulated surpluses and deficits to enable the Ministry to take a long-run perspective to fee setting and cost recovery. The Border Biosecurity Clearance Fees memorandum account covers: levies imposed on all importations of goods for which a document is lodged with the New Zealand Customs Service under regulation 26(2) of the Customs and Excise Regulations 1996; and all other fees collected under the Biosecurity Costs Regulations 2006 including inspection of risk goods, offshore inspection of ships, and approval and audit of transitional containment facilities and facility operators. The Phytosanitary Exports memorandum account covers fees for certification of plant and forestry exports. An operating deficit of \$4.250 million was made jointly under these memorandum accounts. This deficit was offset by an operating surplus of \$2.933 million from other activities resulting in an overall \$1.317 operating deficit for this MCA.

Output Class – Development of Policy Advice MCA

Overarching purpose statement

The overarching purpose of this MCA is to provide policy advice to Ministers in discharging their policy decision-making responsibilities.

Scope of appropriation

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

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

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

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Agriculture and forestry policy advice			
Percentage of research projects completed	100%	85%	15%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.5	7	7%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	8.25	8	3%
Total cost per output hour	\$144	\$138	-4%
Biosecurity policy advice			
Percentage of agreed policy work priorities met	100%	85%	18%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.5	7	7%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	8	8	0%
Total cost per output hour	\$144	\$138	-4%
Fisheries policy advice			
Percentage of agreed policy work priorities met	100%	85%	18%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.5	7	7%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	8	8	0%
Total cost per output hour	\$144	\$138	-4%
Quarterly assessment of international engagement outcomes against set criteria to ensure they maintain or advance New Zealand's interest	90%	70%	29%
Operational advice on sustainability and management controls in fisheries			
Percentage of research projects completed	95%	95%	0%
Percentage of research projects that meet MPI's research and science information standard	95%	95%	0%

Comment

The actual result for the cost of policy advice per output hour was higher than forecast due to increased activity in providing support for responses (for example, Operation Concord, Queensland fruit fly in Auckland and adverse regional events), as well as responding to requests for information.

Revenue and output expenses

	ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
Revenue Crown						
24,229		Agriculture and forestry policy advice	26,141	25,899	26,141	29,344
3,421		Biosecurity policy advice	2,450	3,190	2,450	2,506
3,934		Fisheries policy advice	4,792	4,077	4,792	4,592
34,690		Operational advice on sustainability and management controls in fisheries	25,050	32,475	25,050	28,339
66,274		Total revenue Crown	58,433	65,641	58,433	64,781
Revenue other						
388		Agriculture and forestry policy advice	909	262	594	594
22		Biosecurity policy advice	5	9	4	4
256		Fisheries policy advice	70	143	7	7
182		Operational advice on sustainability and management controls in fisheries	239	171	195	195
848		Total revenue other	1,223	585	800	800
67,122		Total revenue	59,656	66,226	59,233	65,581
Expenses						
25,410		Agriculture and forestry policy advice	25,447	26,161	26,735	29,938
3,641		Biosecurity policy advice	2,335	3,199	2,454	2,510
3,961		Fisheries policy advice	4,662	4,220	4,799	4,599
33,969		Operational advice on sustainability and management controls in fisheries	23,842	32,646	25,245	28,534
66,981		Total expenses	56,286	66,226	59,233	65,581
Surplus/(Deficit)						
(793)		Agriculture and forestry policy advice	1,603	-	-	-
(198)		Biosecurity policy advice	120	-	-	-
229		Fisheries policy advice	200	-	-	-
903		Operational advice on sustainability and management controls in fisheries	1,447	-	-	-
141		Total surplus/(deficit)	3,370	-	-	-

Financial comment

This predominately revenue Crown-funded MCA was provided at a cost of \$56.286 million, which is \$2.947 million (5%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$2.159 million unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used for the fisheries research programme (\$1.403 million); to complete work programmes disrupted due to the need to divert resources to address the threat that tins of infant formula had been tampered with (Operation Concord \$570,000); and to progress all-of-government ICT improvement initiatives (\$186,000).

The remaining \$788,000 underspend represents cost savings that, along with \$423,000 higher than expected third-party income, resulted in a \$3.370 million operating surplus for this MCA.

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

Output Class – Domestic Biosecurity Risk Management MCA

Overarching purpose statement

The overarching purpose of this MCA is to provide operational policy advice and other support to Ministers in discharging their operational policy decision-making and other portfolio responsibilities with regard to domestic biosecurity risk management.

Scope of appropriation

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

Domestic biosecurity surveillance – this category is limited to domestic surveillance activities.

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of incursion investigations that reach an outcome decision within specified timeframes	73%	80%	–9%
Percentage of surveillance programmes that reflect international standard or best practice	100%	100%	0%
Percentage of key cost recovered customers satisfied with laboratory services	86%	80%	7%
Industry sign-up of GIA deeds	3	5	–40%
Percentage of responses that meet required outcomes	100%	95%	5%

Comment

Incursion investigation outcomes have improved three percent compared with 2013/14. The complexity of biosecurity investigations is situational and the time taken can vary from a couple of days to months depending on the type and nature of the investigation and its assessed priority. This past year saw a significant increase in notifications and subsequent investigations (eight percent of investigations) resulting from an awareness campaign for the brown marmorated stink bug. This can be attributed to the rapid investigation required for high-impact pests and the relative ease of identification.

The goal of the GIA is better biosecurity through partnership with primary industry. It looks to do this through implementing operational policy and processes to ensure partnerships can deliver on the goal, and by working as a catalyst for sectors to process mandate actions.

New Zealand Pork, Pipfruit New Zealand and New Zealand Equine Health all signed the GIA deed during 2014/15. New signatories to the GIA, are guided by industry timelines to achieve a mandate from their producers and boards. Seven groups across the animal sector are in the process of considering joining the GIA.

Revenue and output expenses

	ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
		Revenue Crown				
33,721		Biosecurity incursion response and long-term pest management	38,320	33,124	38,320	31,624
24,831		Domestic biosecurity surveillance	34,959	25,586	34,959	38,508
58,552		Total revenue Crown	73,279	58,710	73,279	70,132
		Revenue other				
1,554		Biosecurity incursion response and long-term pest management	616	875	68	68
518		Domestic biosecurity surveillance	1,656	540	1,565	1,565
2,072		Total revenue other	2,272	1,415	1,633	1,633
60,624		Total revenue	75,551	60,125	74,912	71,765
		Expenses				
34,471		Biosecurity incursion response and long-term pest management	36,120	33,999	38,388	31,692
25,496		Domestic biosecurity surveillance	36,294	26,126	36,524	40,073
59,967		Total expenses	72,414	60,125	74,912	71,765
		Surplus/(Deficit)				
804		Biosecurity incursion response and long-term pest management	2,816	–	–	–
(147)		Domestic biosecurity surveillance	321	–	–	–
657		Total surplus/(deficit)	3,137	–	–	–

Financial comment

This predominately revenue Crown-funded MCA was provided at a cost of \$72.414 million, which is \$2.498 million (3.3%) less than the Supplementary Estimates.

Approval has been obtained to carry forward this unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used for the Queensland fruit fly incursion response programme in Auckland (\$1.967 million); to complete work programmes disrupted due to the need to divert resources to the Queensland fruit fly incursion response (\$201,000); and to send staff to Nepal for training in the management and containment of foot and mouth disease (\$100,000).

The \$639,000 higher than expected third-party income resulted in a \$3.137 million operating surplus for this MCA.

Output Class – Implementation of Policy Advice MCA

Overarching purpose statement

The overarching purpose of this appropriation is to provide operational policy advice and other support to Ministers in discharging their operational policy decision-making and other portfolio responsibilities.

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

Scope of appropriation

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

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

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

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

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Aquaculture			
Percentage of project milestones for the annual aquaculture plan met	88%	90%	-2%
Fisheries enforcement and monitoring			
Percentage of commercial operators inspected that are found to be voluntarily compliant	90%	90%	0%
Percentage of recreational fishers inspected that are found to be voluntarily compliant	94%	95%	-1%
By June 2020, MPI aims to reduce the rate of re-offending by 20 percent from where it was at June 2013	9% (2013: 14%)	20%	N/A
Percentage of complex investigations completed within legislative requirements and that meet prima facie test	100%	100%	0%
Percentage of MPI's Crown obligations to Māori delivered	91%	100%	-9%
Fisheries management			
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards	95%	95%	0%
Percentage of Official Information Act (OIA), Privacy Act and Ombudsmen requests delivered within statutory timeframes	94%	95%	-1%
Implementation of agriculture and forestry policy advice			
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards	98%	95%	3%
Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes	95%	95%	0%
Implementation of biosecurity policy advice			
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards	97%	95%	2%
Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes	94%	95%	-1%

Comment

Work on the land-based aquaculture review was deferred due to the need to complete the aquaculture settlement regional agreement process as a priority.

Work to meet MPI's Crown obligations to Māori was not met. The work programme to support the Strategic Outcomes for Māori reporting framework is being reviewed and a new performance standard being developed. This is expected to be in place for the next financial year.

Performance delivery of statutory correspondence has significantly improved from 2014/15, with most areas meeting or exceeding targets. A significant increase occurred in the number of OIAs received late in 2014/15, which affected timeliness.

Revenue and output expenses

	ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
Revenue Crown						
2,394		Aquaculture	4,271	3,838	4,271	4,944
35,345		Fisheries enforcement and monitoring	36,944	33,997	36,944	36,779
8,937		Fisheries management	11,659	9,510	11,659	11,746
12,578		Implementation of agriculture and forestry policy advice	21,779	15,629	21,779	23,468
4,007		Implementation of biosecurity policy advice	2,888	4,539	2,888	2,558
63,261		Total revenue Crown	77,541	67,513	77,541	79,495
Revenue other						
20		Aquaculture	25	3	8	8
1,907		Fisheries enforcement and monitoring	1,877	2,520	1,845	1,472
240		Fisheries management	642	127	504	504
157		Implementation of agriculture and forestry policy advice	81	79	56	56
29		Implementation of biosecurity policy advice	7	14	6	6
2,353		Total revenue other	2,632	2,743	2,419	2,046
65,614		Total revenue	80,173	70,256	79,960	81,541
Expenses						
2,670		Aquaculture	4,409	3,841	4,279	4,952
36,479		Fisheries enforcement and monitoring	37,442	36,517	38,789	38,251
9,064		Fisheries management	12,230	9,637	12,163	12,250
13,284		Implementation of agriculture and forestry policy advice	20,781	15,708	21,835	23,524
3,667		Implementation of biosecurity policy advice	3,001	4,553	2,894	2,564
65,164		Total expenses	77,863	70,256	79,960	81,541
Surplus/(Deficit)						
(256)		Aquaculture	(113)	-	-	-
773		Fisheries enforcement and monitoring	1,379	-	-	-
113		Fisheries management	71	-	-	-
(549)		Implementation of agriculture and forestry policy advice	1,079	-	-	-
369		Implementation of biosecurity policy advice	(106)	-	-	-
450		Total surplus/(deficit)	2,310	-	-	-

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

Financial comment

This predominately revenue Crown-funded MCA was provided at a cost of \$77.863 million, which is \$2.097 million (2.6%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$1.834 million unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to progress international agricultural co-operation arrangements (\$400,000); address the WPC inquiry recommendations including the set-up of overseas posts to improve engagement with China and other new markets (\$300,000); develop a planning tool to deliver increased national consistency in managing the effects of plantation forestry under the RMA (\$350,000); complete work programmes disrupted by the need to divert resources to address the threat that tins of infant formula had been tampered with (Operation Concord) and respond to the Queensland fruit fly incursion in Auckland (\$720,000); and progress all-of-government ICT improvement initiatives (\$64,000).

The remaining \$263,000 underspend represents cost savings that, along with \$213,000 higher than expected third-party income, resulted in a \$2.310 million operating surplus for this MCA.

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

Vote

Food Safety

Output Class – Assurance

Scope of appropriation

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Access to overseas markets maintained after overseas audits	100%	100%	0%
Less than 2 percent of verification certificates issued are rejected due to documentation errors	0.00132%	<2%	0%
Overall stakeholder satisfaction with MPI's verification services is increasing	72%	70%	3%

Comment

Five overseas audits were undertaken this year. These were carried out by the competent authorities from the following markets: European Union, Taiwan, Association of Southeast Asian Nations (ASEAN), Indonesia and the United States of America. As a result of the audit programme, there were no access issues for New Zealand's key markets.

Revenue and output expenses

ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
3,149	Revenue Crown	10,463	6,662	10,463	10,273
48,059	Revenue other	51,767	52,999	51,638	57,166
51,208	Total revenue	62,230	59,661	62,101	67,439
57,532	Total expenses	60,579	59,661	62,101	67,439
(6,324)	Surplus/(Deficit)	1,651	–	–	–

Financial comment

This predominately third-party funded output class was provided at a cost of \$60.579 million, which is \$1.522 million (2.5%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$526,000 unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to implement the WPC contamination inquiry recommendations to set up the Dairy Traceability and Dairy Capability working groups and the Food Safety and Assurance Advisory Council (\$450,000), and progress all-of-government ICT improvement initiatives (\$76,000).

There are activities under this output class that are operated on a full cost-recovery basis from third parties. A memorandum account is used to track the accumulated surpluses and deficits to enable MPI to take a long-run perspective to fee setting and cost recovery.

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

The Verification of the Food Regulatory Programme memorandum account covers verification and certification activities undertaken by MPI in accordance with section 7 of the Animal Products (Fees, Charges and Levies) Regulations 2007. An operating surplus of \$857,000 was made under this memorandum account.

This surplus, along with an operating surplus of \$957,000 from other activities, resulted in an overall \$1.651 million operating surplus for this appropriation.

Output Class – Information

Scope of appropriation

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Food safety information is provided in line with agreed programmes	Achieved	Achieved	N/A

Comment

MPI distributed 57,356 food safety publications during 2014/15.

The food safety information programme for 2014/15 is consistent with prior years and includes material such as brochures and targeted website advertisements.

The top five food safety distributed materials during the year are listed below:

NAME OF PRINT MATERIAL	NUMBER DISTRIBUTED	WEBLINK REFERENCE
FDS002 <i>Food Safety in Pregnancy</i>	47,878	http://www.mpi.govt.nz/document-vault/3675 30,000 of these were given to Bounty (an organisation that provides educational resources to expectant and new parents throughout New Zealand) as the first delivery to cover its 61,000 distribution list for 2015/16
FDS012 <i>My Cool lunchbox</i>	10,251	http://www.foodsmart.govt.nz/elibrary/cool_lunchbox_.pdf
FDS013 <i>Meet The Bugs</i>	6,843	http://www.mpi.govt.nz/document-vault/3427
FDS001 <i>Food Safety in the Home</i>	4,989	http://www.mpi.govt.nz/document-vault/3662
FDS023 <i>Food Safety with Low Immunity</i>	4,155	http://www.mpi.govt.nz/document-vault/7260

Revenue and output expenses

ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
1,363	Revenue Crown	1,932	1,394	1,932	1,934
6	Revenue other	3	4	2	2
1,369	Total revenue	1,935	1,398	1,934	1,936
1,367	Total expenses	1,775	1,398	1,934	1,936
2	Surplus/(Deficit)	160	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of \$1.775 million, which is \$159,000 (8.2%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$7000, unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to progress all-of-government ICT improvement initiatives. The remaining \$152,000 underspend represents cost savings that, along with \$1000, higher than expected third-party income, resulted in a \$160,000 operating surplus for this output class.

Output Class – Response

Scope of appropriation

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of food recalls assigned within five days	67%	95%	–29%
By June 2020, MPI aims to reduce the rate of re-offending by 20 percent from where it was at June 2013	0% (2013: 0%)	15%	N/A
Percentage of complex investigations completed within legislative requirements and that meet prima facie test	100%	100%	0%
Percentage of food recalls completed within 60 days	65%	95%	–32%

Comment

Prior to 30 June 2015, food compliance services were delivered through a combination of contracts and MPI staff. MPI contracted nine public health units (as part of the district health boards) to record, monitor and report on actions relating to food safety compliance responses. A service delivery review identified a number of issues with this model, including the capacity to handle increased workloads as a result of the new Food Act 2014, limited scope for contract delivery as part of third-party arrangements and variable quality of work provided. The implementation of new performance measures to monitor this area in 2014/15 has provided further evidence of the need for change. As a result, MPI made the decision to bring the work in-house.

The introduction and establishment of the new MPI Food Compliance Team (comprising the existing MPI staff and thirteen new Food Act Officers) at the end of 2014/15 will lift results in this area, with several initiatives being introduced to support the work programme, including developing staff capacity and capability building and improving data capture and quality. Results are expected to improve, with additional processes being implemented to ensure an accurate baseline reporting picture in the future.

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

Revenue and output expenses

ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
4,153	Revenue Crown	4,523	4,243	4,523	5,060
87	Revenue other	8	65	4	4
4,240	Total revenue	4,531	4,308	4,527	5,064
4,152	Total expenses	4,359	4,308	4,527	5,064
88	Surplus/(Deficit)	172	–	–	–

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of \$4.359 million, which is \$168,000 (3.7%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$4000, unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to progress all-of-government ICT improvement initiatives. The remaining \$164,000 underspend represents cost savings that, along with \$4,000 higher than expected third-party income, resulted in a \$172,000 operating surplus for this output class.

Output Class – Standards

Scope of appropriation

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of the milestones met of the Meat Inspection Reform Programme as agreed with the Meat Industry Strategic Directions Group	100%	80%	25%
Percentage of certificates issued covering the export of animal products (including meat, seafood, dairy, honey and bee products, and eggs) and wine which meet the importing country technical requirements as specified by the overseas competent authority	Animal products: 100% Wine: 99.9%	95%	5%
Percentage of the milestones met of the Sanitary and Phytosanitary Standards Market Access Programme as agreed with key meat, dairy, seafood and horticulture sector stakeholders	85%	75%	13%
Percentage of Codex standards that are accepted by New Zealand	100%	90%	11%

Comment

Codex standards are accepted on the basis that there are no food safety or trade concerns.

The issues relating to wine certification were due to information being incorrectly recorded. There were no market access issues.

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

Revenue and output expenses

ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
11,429	Revenue Crown	8,138	11,042	8,138	7,201
7,427	Revenue other	6,876	6,880	10,064	12,933
18,856	Total revenue	15,014	17,922	18,202	20,134
18,432	Total expenses	16,338	17,922	18,202	20,134
424	Surplus/(Deficit)	(1,324)	-	-	-

Financial comment

This predominately revenue Crown-funded output class was provided at a cost of \$16.338 million, which is \$1.864 million (10.2%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$730,000 unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to complete work programmes disrupted by the need to divert resources to address the threat that tins of infant formula had been tampered with (Operation Concord) and respond to the Queensland fruit fly incursion in Auckland (\$720,000); and progress all-of-government ICT improvement initiatives (\$10,000). There are activities under this output class that are operated on a full cost recovery basis from third parties.

Two memorandum accounts are used to track the accumulated surpluses and deficits to enable MPI to take a long-run perspective to fee setting and cost recovery. The Standards Setting for the Food Industry 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. The Approvals, Accreditations and Registrations memorandum account covers the provision of approval and registration services to regulated parties under the Agricultural Compounds and Veterinary Medicines Act 1997 and the Animal Products Act 1999.

An operating deficit of \$2.408 million was made jointly under these memorandum accounts. This deficit was offset by an operating surplus of \$1.084 million from other activities resulting in an overall \$1.324 million operating deficit for this output class.

Output Class – Development and Implementation of Policy Advice MCA

Overarching purpose statement

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

Scope of appropriation

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

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

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

Performance information

SERVICE PERFORMANCE MEASURE	ACTUAL 2014/15	STANDARD 2014/15	VARIANCE
Percentage of agreed policy work priorities met	99%	85%	16%
Technical quality assessment of MPI policy advice on a scale of 1 to 10	7.5	7	7%
Total cost per output hour	\$144	\$138	-4%
The Minister for Food Safety rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months	8	8	0%
Percentage of ministerial requests from the Minister for Food Safety completed to agreed standards	99%	95%	4%
Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes	98%	95%	3%

Comment

The actual result for the cost of policy advice per output hour was higher than forecast due to increased activity in providing support for responses (for example, Operation Concord, Queensland fruit fly in Auckland, and adverse regional events), as well as responding to requests for information.

Revenue and output expenses

	ACTUAL JUNE 2014 \$000		ACTUAL JUNE 2015 \$000	MAIN ESTIMATES JUNE 2015 \$000	SUPP ESTIMATES JUNE 2015 \$000	FORECAST ¹ JUNE 2016 \$000
Revenue Crown						
1,420	Implementation of policy advice	2,627	1,961	2,627	2,365	
2,578	Policy advice	3,116	2,966	3,116	4,109	
3,998	Total revenue Crown	5,743	4,927	5,743	6,474	
Revenue other						
18	Implementation of policy advice	5	10	4	4	
24	Policy advice	7	8	6	6	
42	Total revenue other	12	18	10	10	
4,040	Total revenue	5,755	4,945	5,753	6,484	
Expenses						
1,413	Implementation of policy advice	2,407	1,971	2,631	2,369	
2,491	Policy advice	3,272	2,974	3,122	4,115	
3,904	Total expenses	5,679	4,945	5,753	6,484	
Surplus/(Deficit)						
25	Implementation of policy advice	225	-	-	-	
111	Policy advice	(149)	-	-	-	
136	Total surplus/(deficit)	76	-	-	-	

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

Financial comment

This predominately revenue Crown-funded MCA was provided at a cost of \$5.679 million, which is \$74,000 (1.3%) less than the Supplementary Estimates.

Approval has been obtained to carry forward \$56,000 unspent appropriation for revenue Crown-funded activities to 2015/16. This funding will be used to implement the Food Act 2014.

The remaining \$18,000 underspend represents cost savings that, along with \$2,000 higher than expected third-party income, resulted in a \$76,000 operating surplus for this MCA.

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

FINANCIAL STATEMENTS



Statement of Responsibility

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

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

In my opinion, the financial statements and statement of service performance fairly reflect the financial position of the Ministry as at 30 June 2015 and its operations for the year ended on that date.

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



Martyn Dunne CNZM
Director-General
30 September 2015

Independent Auditor's Report



TO THE READERS OF THE MINISTRY FOR PRIMARY INDUSTRIES' ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

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

- the financial statements of the Ministry on pages 67 to 102, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, 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 2015 on pages 11 to 36 and 41 to 61;
- the statement of expenses and capital expenditure against appropriations and the statement of unappropriated expenditure and capital expenditure of the Ministry for the year ended 30 June 2015 on pages 74 to 76; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 103 to 126 that comprise:
 - the schedules of: assets; liabilities; capital receipts; capital expenditure; commitments; contingent liabilities and contingent assets; expenses; and revenue for the year ended 30 June 2015;
 - the statement of trust monies for the year ended 30 June 2015;
 - the statement of expenditure and capital expenditure against appropriations and the statement of unappropriated expenditure and capital expenditure; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Ministry:
 - presents fairly, in all material respects, for the year ended 30 June 2015:
 - 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;
 - complies with generally accepted accounting practice in New Zealand.



- the statement of expenses and capital expenditure against appropriations and the statement of unappropriated expenditure and capital expenditure of the Ministry on pages 74 to 76 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 103 to 126 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the schedules of: assets; liabilities; capital receipts; capital expenditure; commitments; contingent liabilities and contingent assets; expenses; and revenue for the year ended 30 June 2015;
 - the statement of trust monies for the year ended 30 June 2015; and
 - the statement of expenditure and capital expenditure against appropriations and the statement of unappropriated expenditure and capital expenditure.

Our audit was completed on 30 September 2015. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the information we audited 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Director-General;
- the appropriateness of the reported performance information within the Ministry's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

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



Responsibilities of the Director-General

The Director-General is responsible for preparing:

- generally accepted accounting practice in New Zealand.
- statements of expenses 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 responsibilities arise from the Public Finance Act 1989.

The Director-General is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Director-General is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

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

In addition to the audit we have carried out assignments in the areas of facilitating the performance framework workshop, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Ministry.

Grant Taylor

Ernst & Young

On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements, statement of service performance and schedules of non-departmental activities

This audit report relates to the financial statements, statement of service performance and schedules of non-departmental activities of the Ministry for the year ended 30 June 2015 included on the Ministry for Primary Industries' website. The Ministry for Primary Industries' Chief Executive is responsible for the maintenance and integrity of the Ministry's website.

We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements, statement of service performance and schedules of non-departmental activities since they were initially presented on the website. The audit report refers only to the financial statements, statement of service performance and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, statement of service performance and schedules of non-departmental activities as well as the related audit report dated 30 September 2015 to confirm the information included in the audited financial statements, statement of service performance and schedules of non-departmental activities presented on this website.

Overview of Departmental Financial Results

For the year ended 30 June 2015

ACTUALS 2014 \$000		ACTUALS 2015 \$000	SUPPS 2015 \$000
395,162	Revenue – in total	425,072	411,643
297,740	Revenue Crown	321,322	311,107
97,422	Revenue other	103,750	100,536
397,254	Expenditure – in total	416,217	415,825
204,137	Personnel costs	216,476	217,804
176,084	Other operating expenses	181,640	179,440
(2,092)	Operating surplus/(deficit)	8,855	(4,182)
3,436	Repayment of surplus (current liability)	14,656	2,200
(2,464)	Working capital	(6,355)	(9,898)
66,445	Non-current assets	65,737	68,710
9,442	Non-current liabilities	11,289	9,300
54,539	Equity	48,093	49,512

The following significant movements in actual results between the 2013/14 and 2014/15 years, and actual results against the 2014/15 Supplementary Estimates budget, are explained below:

Significant movements between 2013/14 and 2014/15

Revenue Crown

The \$23.6 million increase in revenue Crown is mainly due to:

- the reprioritisation of \$4.4 million across financial years to meet cost pressures notably through the carry forward of underspends from 2012/13;
- an additional \$12.3 million to eradicate the Queensland fruit fly in Auckland;
- an additional \$5.9 million to address the WPC inquiry recommendations;
- an additional \$1 million for continuation of the Keep Kauri Standing programme.

Equity

The \$6.446 million decrease in equity is due to:

- the repayment of capital to the Crown of \$645,000;
- the absorption of \$5.801 million operating deficit on third-party funded services that are subject to memorandum accounts.

Non-current liabilities

The \$1.847 million increase in non-current liabilities is due to:

- the establishment of a \$920,000 lease make-good provision for premises the Ministry is required to restore to its original condition at the expiry of the lease;
- re-measurement of employee entitlements to retiring leave using current year discount rates in the actuarial model.

Revenue other

The \$6 million increase in third-party income is largely due to:

- the \$4 million meat levy waiver given to slaughter premises/operators (the works) in the previous (2013/14) financial year;
- an increase in livestock processed through the works in 2014/15 due to the effects of drought and floods.

Working capital

The progressive decline in working capital is due to the absorption of irrecoverable accumulated memorandum account operating deficits totalling \$9.960 million.

Other operating expenses

The \$5.6 million increase in operating expenses was largely due to the Queensland fruit fly incursion response in Auckland.

Personnel costs

The Ministry employs over 2,300 people, mainly in New Zealand but with a small offshore presence as well. The \$12 million increase in personnel costs was due to:

- investment in additional frontline staff to boost biosecurity defences at the border;
- additional resources to implement the WPC inquiry recommendations, including strengthening the Ministry's market access function offshore;
- additional resources to address the Queensland fruit fly incursion response in Auckland;
- salary inflation.

Significant variances between 2014/15 actual results and Supplementary Estimates

Revenue Crown

The actual revenue Crown recognised is the full appropriation limit approved in the Appropriation (Supplementary Estimates) Act 2015 for the 2014/15 financial year, whereas the Supplementary Estimates figures in the forecast financial statements include the carry forward of funding (expense transfers) to 2015/16. These expense

transfers, which are not included in the Appropriation (Supplementary Estimates) Act 2015, cannot be confirmed as of 30 June. The Supplementary Estimates figure provided for expense transfers of up to \$10.215 million, whereas only \$8.487 million was finally approved. The net surplus includes the \$8.487 million of expense transfers.

Net surplus/(deficit) and repayment of surplus

The reported net surplus of \$8.855 million was due to an operating surplus from revenue Crown-funded activities of \$14.656 million (which included the \$8.487 of expense transfers mentioned above) reduced by a \$5.801 million operating deficit on services provided to third parties on a cost recovery basis (through memorandum accounts). The corresponding forecast figures in the Supplementary Estimates were \$2.200 million offset by \$6.382 million through memorandum accounts.

The repayment of surplus liability is the operating surplus from revenue Crown-funded activities.

Non-current assets and equity

Capital expenditure was lower than forecast due to the decision not to proceed with the proposed trans-Tasman transfer of checked-in baggage x-ray images project. This project was to have received \$2 million in capital funding.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2015

ACTUALS 2014 \$000		NOTE	ACTUALS 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
Revenue						
297,740	Revenue Crown		321,322	315,834	311,107	320,767
97,422	Revenue other	2	103,750	101,272	100,536	142,942
395,162	Total revenue		425,072	417,106	411,643	463,709
Expenditure						
204,137	Personnel costs	3	216,476	202,560	217,804	218,030
11,514	Depreciation and amortisation expense	8, 9	13,025	11,479	13,786	12,350
5,105	Capital charge	4	4,185	5,257	4,241	6,135
414	Restructuring costs	12	891	–	554	–
176,084	Other operating expenses	5	181,640	189,810	179,440	220,594
397,254	Total expenditure		416,217	409,106	415,825	457,109
(2,092)	Net surplus/(deficit)		8,855	8,000	(4,182)	6,600
Other comprehensive revenue and expense						
–	Gain on property revaluations		–	–	–	–
(2,092)	Total comprehensive revenue and expense		8,855	8,000	(4,182)	6,600

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

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

Statement of Financial Position

As at 30 June 2015

ACTUALS 2014 \$000		NOTE	ACTUALS 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
Assets						
Current assets						
21,764	Cash and cash equivalents		20,390	17,205	27,802	21,949
38,612	Debtors and other receivables	6	42,689	19,200	22,500	17,500
1,614	Prepayments		3,124	1,400	1,700	1,700
4,647	Inventories	7	4,558	4,471	4,600	4,600
110	Non-current assets held for sale		–	–	–	–
66,747	Total current assets		70,761	42,276	56,602	45,749
Non-current assets						
34,737	Property, plant and equipment	8	35,193	49,427	36,452	94,868
31,708	Intangible assets	9	30,544	38,058	32,258	34,208
66,445	Total non-current assets		65,737	87,485	68,710	129,076
133,192	Total assets		136,498	129,761	125,312	174,825
Liabilities						
Current liabilities						
40,354	Creditors and other payables	10	41,766	31,560	39,300	39,300
3,436	Repayment of surplus	11	14,656	8,000	2,200	6,600
1,590	Provisions	12	1,582	1,000	1,500	1,500
23,831	Employee entitlements	13	19,112	21,500	23,500	23,500
69,211	Total current liabilities		77,116	62,060	66,500	70,900
Non-current liabilities						
–	Provisions	12	920	–	–	–
9,442	Employee entitlements	13	10,369	9,000	9,300	9,300
9,442	Total non-current liabilities		11,289	9,000	9,300	9,300
78,653	Total liabilities		88,405	71,060	75,800	80,200
54,539	Net assets		48,093	58,701	49,512	94,625
Equity						
54,042	Crown capital and retained earnings	14	49,145	68,874	51,145	90,667
(250)	Memorandum accounts (net position)	14	(1,745)	(10,920)	(2,326)	3,265
747	Property revaluation reserves	14	693	747	693	693
54,539	Total equity		48,093	58,701	49,512	94,625

The accompanying notes form part of these financial statements.

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

Statement of Changes in Equity

For the year ended 30 June 2015

ACTUALS 2014 \$000		NOTE	ACTUALS 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
64,062	Balance at 1 July		54,539	59,346	54,539	50,004
(2,092)	Total comprehensive revenue and expense		8,855	8,000	(4,182)	6,600
	Owner transactions					
–	Capital injections		–	–	2,000	49,043
(3,995)	Capital withdrawals	14	(645)	(645)	(645)	(4,422)
(3,436)	Return of operating surplus to the Crown	11	(14,656)	(8,000)	(2,200)	(6,600)
54,539	Balance at 30 June		48,093	58,701	49,512	94,625

The accompanying notes form part of these financial statements.

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

Statement of Cash Flows

For the year ended 30 June 2015

ACTUALS 2014 \$000		NOTE	ACTUALS 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
Cash flows from operating activities						
290,787	Receipts from Crown		318,193	320,834	326,921	335,767
94,629	Receipts from revenue other		102,566	101,272	101,028	132,932
(203,896)	Payments to employees		(221,029)	(202,560)	(218,281)	(218,030)
(176,548)	Payments to suppliers		(177,676)	(189,810)	(181,662)	(220,584)
(5,105)	Payments for capital charge		(4,185)	(5,257)	(4,241)	(6,135)
(1,284)	Goods and services tax (net)		1,243	–	295	–
(1,417)	Net cash from operating activities	15	19,112	24,479	24,060	23,950
Cash flows from investing activities						
555	Receipts from sale of property, plant and equipment		325	600	710	600
(7,764)	Purchase of property, plant and equipment		(9,605)	(21,100)	(10,151)	(66,336)
(9,934)	Purchase of intangible assets		(7,125)	(12,000)	(6,500)	(8,000)
(17,143)	Net cash from investing activities		(16,405)	(32,500)	(15,941)	(73,736)
Cash flows from financing activities						
–	Capital injections from the Crown		–	–	2,000	49,043
(2,137)	Repayment of surplus to the Crown		(3,436)	(8,287)	(3,436)	(6,200)
(3,095)	Repayment of capital to the Crown		(645)	(645)	(645)	(4,422)
(18)	Payments of finance leases		–	–	–	–
(5,250)	Net cash from financing activities		(4,081)	(8,932)	(2,081)	38,421
(23,810)	Net increase (decrease) in cash		(1,374)	(16,953)	6,038	(11,365)
45,574	Cash at the beginning of the year		21,764	34,158	21,764	33,314
21,764	Cash at the end of the year		20,390	17,205	27,802	21,949

During the period, the Ministry did not acquire property, plant and equipment and intangible assets by means of finance leases (2014: nil).

The accompanying notes form part of these financial statements.

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

Statement of Commitments

As at 30 June 2015

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 not recognised as a liability at balance date.

The most significant commitment at balance date is for the construction of a new National Biocontainment Laboratory at Wallaceville to meet updated biocontainment standards and provide greater functionality and capacity.

Non-cancellable operating lease commitments

The Ministry leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises, which have a non-cancellable leasing period ranging from 1 to 9 years.

The total minimum future sublease payments expected to be received under non-cancellable subleases at the balance date is \$392,000 (2014: \$193,000).

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

ACTUALS 2014 \$000		ACTUALS 2015 \$000
Capital commitments		
4,950	Buildings	4,967
–	Leasehold improvements	2,005
–	Motor vehicles	332
–	Intangible assets – software	1,068
4,950	Total capital commitments	8,372
Non-cancellable operating lease commitments		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
9,904	Not later than one year	9,123
20,421	Later than one year and not later than five years	11,784
5,639	Later than five years	2,528
35,964	Total non-cancellable operating lease commitments	23,435
40,914	Total commitments	31,807

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

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2015

Unquantifiable contingent liabilities – Legal proceedings and disputes

Kiwifruit vine disease (Psa-V)

In November 2014, 42 kiwifruit growers and post-harvest owners filed a claim against the Ministry for Primary Industries alleging it is liable for damages they suffered from the kiwifruit vine disease Psa-V. The plaintiffs have not quantified their losses, but have publicly claimed it is in the vicinity of \$250 million, citing total industry losses of \$885 million. Further plaintiffs may join the proceedings until 9 October 2015 and must provide details of their claims by 4 December 2015. At that point it may be possible to provide a more accurate assessment of the contingent liability. The Ministry is defending the claim and currently it remains unquantifiable (2014: nil).

Quantifiable contingent liabilities – Legal proceedings and disputes

China meat compensation

A meat company and an associate company have made a claim for compensation of \$688,853 plus GST for having its shared premises left off an approved “relationship matrix” list of exporters to China, so losing the ability to export to China for approximately one year, while the Ministry negotiated inclusion of those premises and others (2014: nil).

Contingent Assets

The Ministry has no contingent assets as at 30 June 2015 (2014: nil).

The accompanying notes form part of these financial statements.

Statement of Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2015

An appropriation is a sum of money allocated by parliament for a particular use. Unappropriated expenditure is an expense or a capital expenditure in excess of, or outside the scope of, existing Ministry appropriations.

There was no unappropriated expenditure for the year to 30 June 2015 (2014: \$1.507 million).

The accompanying notes form part of these financial statements.

Statement of Departmental Expenses and Capital Expenditure Against Appropriations

For the year ended 30 June 2015

EXPENDITURE AFTER REMEASUREMENTS 2014 \$000	ANNUAL APPROPRIATIONS	EXPENDITURE BEFORE REMEASUREMENTS 2015 \$000	REMEASUREMENTS 2015 \$000	EXPENDITURE AFTER REMEASUREMENTS 2015 \$000	APPROPRIATION VOTED 2015 \$000	FORECAST ¹ 2016 \$000
Vote Primary Industries						
Appropriations for output expenses						
1,592	Administration and management of Crown Forestry assets	1,239	(4)	1,235	1,279	1,390
6,543	Administration of grants and programmes	6,508	(17)	6,491	6,779	7,164
3,924	Animal welfare education and enforcement	6,657	(17)	6,640	6,908	8,978
95,223	Border biosecurity risk management MCA	96,546	(281)	96,265	96,396	–
79,256	<i>Border biosecurity monitoring and clearance</i>	80,444	(239)	80,205	80,316	91,300
15,967	<i>Border biosecurity systems development and maintenance</i>	16,102	(42)	16,060	16,080	15,896
66,981	Development of policy advice MCA	56,393	(107)	56,286	59,233	–
25,410	<i>Agriculture and forestry policy advice</i>	25,507	(60)	25,447	26,735	29,938
3,641	<i>Biosecurity policy advice</i>	2,342	(7)	2,335	2,454	2,510
3,961	<i>Fisheries policy advice</i>	4,678	(16)	4,662	4,799	4,599
33,969	<i>Operational advice on sustainability and management controls in fisheries</i>	23,866	(24)	23,842	25,245	28,534
59,967	Domestic biosecurity risk management MCA	72,520	(106)	72,414	74,912	–
34,471	<i>Biosecurity incursion response and long-term pest management</i>	36,164	(44)	36,120	38,388	31,692
25,496	<i>Domestic biosecurity surveillance</i>	36,356	(62)	36,294	36,524	40,073
65,164	Implementation of policy advice MCA	78,060	(197)	77,863	79,960	–

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

EXPENDITURE AFTER REMEASUREMENTS 2014 \$000	ANNUAL APPROPRIATIONS	EXPENDITURE BEFORE REMEASUREMENTS 2015 \$000	REMEASUREMENTS 2015 \$000	EXPENDITURE AFTER REMEASUREMENTS 2015 \$000	APPROPRIATION VOTED 2015 \$000	FORECAST ¹ 2016 \$000
2,670	Aquaculture	4,417	(8)	4,409	4,279	4,952
36,479	Fisheries enforcement and monitoring	37,561	(119)	37,442	38,789	38,251
9,064	Fisheries management	12,253	(23)	12,230	12,163	12,250
13,284	Implementation of agriculture and forestry policy advice	20,818	(37)	20,781	21,835	23,524
3,667	Implementation of biosecurity policy advice	3,011	(10)	3,001	2,894	2,564
12,648	Implementation of the emissions trading scheme and indigenous forestry	9,291	(16)	9,275	10,256	8,822
312,042	Total output expenses	327,214	(745)	326,469	335,723	26,354
Appropriation for capital expenditure						
18,411	MPI – capital expenditure Permanent legislative authority (PLA)	16,484	–	16,484	16,651	74,336
330,453	Total Vote Primary Industries	343,698	(745)	342,953	352,374	100,690
Vote Food Safety Appropriations for output expenses						
57,532	Assurance	60,781	(202)	60,579	62,101	67,439
3,904	Development and implementation of policy advice MCA	5,699	(20)	5,679	5,753	–
1,413	Implementation of policy advice	2,416	(9)	2,407	2,631	2,369
2,491	Policy advice	3,283	(11)	3,272	3,122	4,115
1,367	Information	1,779	(4)	1,775	1,934	1,936
4,152	Response	4,369	(10)	4,359	4,527	5,064
18,432	Standards	16,375	(37)	16,338	18,202	20,134
85,387	Total Vote Food Safety	89,003	(273)	88,730	92,517	94,573
415,840	Total annual appropriations	432,701	(1,018)	431,683	444,891	654,874

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

Statement of Trust Monies

For the year ended 30 June 2015

Meat Levies Trust Account

The Meat Levies Trust Account holds levies from meat works payable to the Animal Health Board, Meat and Wool New Zealand Ltd and the Pork Industry Board.

ACTUAL 2014 \$000		ACTUAL 2015 \$000
56	Balance at 1 July	–
64,027	Contributions	68,664
(64,084)	Distributions	(68,669)
1	Revenue	5
–	Expenditure	–
–	Balance at 30 June	–

National Animal Identification Tracing Trust

The National Animal Identification 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.

ACTUAL 2014 \$000		ACTUAL 2015 \$000
223	Balance at 1 July	284
4,091	Contributions	3,069
(4,030)	Distributions	(3,352)
–	Revenue	–
–	Expenditure	–
284	Balance at 30 June	1

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 2015

Reporting entity

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

In addition, the Ministry has reported on Crown activities and trust monies which it administers.

The primary objective of the Ministry is to provide services to the public rather than making a financial return and is a public benefit entity (PBE) for financial reporting purposes.

The Ministry works to grow and protect New Zealand across the primary sector from producers to retailers and consumers. Its 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 "whole-of-system" leadership of New Zealand's biosecurity system;
- managing forestry assets for the Crown;
- providing services to maintain the effective management of New Zealand's fisheries;
- protecting consumers of New Zealand food, whether here or overseas;
- providing effective food regulation, including imported and exported products.

The financial statements of the Ministry are for the year ended 30 June 2015. They were authorised for issue by the Director-General of the Ministry on 30 September 2015.

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, except as outlined below due to the move to PBE standards.

STATEMENT OF COMPLIANCE

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP), and Treasury Instructions. These financial statements have been prepared in accordance with NZ GAAP.

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

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The changes have only a presentational or disclosure effect other than in the accounting treatment for revenue Crown. Revenue Crown funding is accounted for as non-exchange revenue to the full amount provided for in the Supplementary Estimates. This is a departure from the accounting treatment in past financial years where revenue Crown was adjusted for the carry forward of funding (expense transfers). These expense transfers, which are not included in the Supplementary Estimates, could not be confirmed until 30 June. The amount of carried forward funding in 2015 is \$8.487 million (2014: \$3.865 million and 2013: \$11.219 million). The prior year comparatives have not been restated as this would misrepresent the return of surplus agreed and paid to Treasury in 2014/15.

MEASUREMENT BASE

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

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

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not for profit sector. These updated standards apply to PBEs with reporting periods on or after 1 April 2015. The Ministry will apply these updated standards in preparing its 30 June 2016 financial statements. The Ministry expects there will be minimal or no change in applying these updated accounting standards.

Revenue

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

REVENUE CROWN

Revenue from the Crown is measured based on the Ministry's funding entitlement for the reporting period. 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 prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Ministry 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.

THIRD-PARTY FUNDED SERVICES

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

STATUTORY LEVIES

Levies collected by the Ministry are regarded as non-exchange transactions, as 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 the Ministry. 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 the Ministry.

RENTAL INCOME

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

CAPITAL CHARGE

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

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.

Foreign currency transactions

Foreign currency transactions, including those for which forward foreign exchange contracts are held, are translated into NZ\$ (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 thereof are recognised in the surplus or deficit.

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.

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

Debtors and other receivables

Debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment is established when:

- for individual debtors outstanding up to 365 days and in excess of \$20,000 – there is objective evidence that the Ministry will not be able to collect all or part of the amount due;
- for all other debtors, including amounts in excess of \$20,000 not included above, 20 percent of debts

outstanding between 91 days and 365 days and 100 percent of debts outstanding over 365 days.

Significant financial difficulties for the debtor, probability that the debtor will enter into bankruptcy and payment default are considered indicators that the debt is impaired. Overdue receivables that are renegotiated are reclassified as current – that is, not past due.

Inventories

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

Forward foreign exchange contracts

The Ministry uses forward foreign exchange contracts to manage exposure to foreign exchange movements. The Ministry does not hold these contracts for trading purposes. The Ministry 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 re-measured 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 are classified as non-current.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale, including those that are part of a disposal group, are

not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

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

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

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

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

ADDITIONS

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

day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

DEPRECIATION

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

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

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

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

REVALUATION

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

ACCOUNTING FOR REVALUATIONS

The Ministry accounts for revaluations of property, plant and equipment on a class of asset basis. The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive

income but recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Intangible assets

CAPITALISATION THRESHOLD

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

SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software licenses 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 the Ministry 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 ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

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

Impairment of property, plant and equipment and intangible assets

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

Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable service amount is estimated. 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 the Ministry would, if deprived of the asset, replace its remaining service potential. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount.

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.

Creditors and other payables

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

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;
- 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.

Superannuation schemes

DEFINED CONTRIBUTION SCHEMES

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

PROVISIONS

The Ministry 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 the Ministry has approved a detailed formal plan for restructuring which has either been announced publicly to those affected, or for which implementation has already commenced.

ACCIDENT COMPENSATION CORPORATION (ACC) PARTNERSHIP PROGRAMME

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

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

Equity

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

MEMORANDUM ACCOUNTS

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

PROPERTY REVALUATION RESERVES

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

Commitments

Future expenses and liabilities yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that they are equally

unperformed obligations. Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising the option to cancel are disclosed at the value of those penalty or exit costs. Information on non-cancellable operating lease commitments and non-cancellable capital commitments are disclosed in the Statement of Commitments.

Contingent liabilities and assets

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

Goods and services tax

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, then it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Budget figures

The budget figures for the Main Estimates are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2015.

The financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in

accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Forecast figures

Forecast financial statements for the year ended 30 June 2016 (2015/16) have been prepared as required by the Public Finance Act to communicate forecast financial information for accountability purposes. They are those submitted to Treasury for purposes of consolidation into the 2015 Budget Economic and Fiscal Update (2015 BEFU out-year 1 figures). Transparency is enhanced by providing further context of this year's results by providing next year's forecast for comparison.

The 30 June 2016 forecast figures are unaudited and have been prepared in accordance with PBE FRS 42 – Prospective Financial Statements.

The forecast financial statements were authorised for issue by the Director-General of the Ministry for Primary Industries on 23 April 2015. The Director-General is responsible for them, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ended 30 June 2016 will not be published.

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the 2015/16 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 were as follows:

- the Ministry's activities will remain substantially the same as the previous year;
- personnel and operating costs are based on historical experience – the general historical pattern is expected to continue after allowing for current and past policy initiatives;
- estimated year-end information for 2014/15 was used as the opening position for the 2015/16 forecasts.

Factors that could lead to material differences between the forecast financial statements and the 2015/16 actual financial statements include changes in activities required by the Government, demand for

third-party funded activities, year-end revaluations, and technical adjustments.

There are no significant post-BEFU accounting adjustments to actual balances as at 30 June 2015 that would have a material impact on the forecast financial statements.

The forecast financial statements provide for an increase in expenses of nearly \$41 million from 2014/15 to 2015/16, due to:

- underspend of \$12 million in 2014/15, of which \$8.5 million, against forecast of \$10 million, being carried forward to 2015/16 (\$22 million);
- baseline funding increases in Budget 2015 of \$22 million comprising \$16 million to strengthen the food safety and biosecurity systems through changes to the cost recovery regime and fee structures under the Animal Products, Agricultural Compounds and Veterinary Medicines, Wine, Animal Products, and Biosecurity Acts along with introduction of cost recovery regulations to support the Food Act 2014 and introduction of a border clearance levy on arriving and departing international air and sea passengers and crew; \$3 million to take a more proactive approach to animal welfare outcomes; and \$3 million for regional economic development initiatives to contribute to the goal of doubling the value of primary sector exports;
- \$2 million to write-down foot and mouth vaccine inventory upon its expiry and replenishment in 2015/16;
- the carry forward of 2012/13 underspend to meet staff remuneration cost pressures (\$4 million);
- \$5 million operating funding associated with construction of a new National Biocontainment Laboratory at Wallaceville;
- additional \$4 million to strengthen the food safety and biosecurity systems in response to the WPC contamination incident.

These changes are offset by:

- forecast underspend of \$7 million in 2015/16;
- expense transfers to 2014/15 being greater than to 2015/16 by \$4 million;
- Crown funding to meet cost of the Queensland fruit fly in Auckland surveillance and eradication programme over two years reducing by \$7 million from \$12 million in 2014/15 to \$5 million in 2015/16.

Statement of cost accounting policies

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

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

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

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

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry 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 MAJOR CLASSES OF ASSETS

The useful lives of major classes of assets have been estimated as follows:

Buildings (including components)	8–40 years
Office furniture and equipment	3–12 years
Motor vehicles	5 years
Vessels	4–25 years

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 the Ministry will receive benefits from the software, but not exceeding the license term. For internally generated software developed by the Ministry, the life is based on historical experience with similar systems as well as anticipation of future events that may impact 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 in note 13.

Note 2: Revenue other

ACTUAL 2014 \$000		ACTUAL 2015 \$000
31,166	Verification services (food safety)	38,615
21,300	Biosecurity systems entry levy	23,229
37,279	Miscellaneous statutory fees and charges	34,224
330	Rental income from sub-leased accommodation	514
101	Net gain on sale of property, plant and equipment	–
7,246	Other goods and services	7,168
97,422	Total revenue other	103,750

Note 3: Personnel costs

ACTUAL 2014 \$000		ACTUAL 2015 \$000
187,456	Salaries and wages	203,280
6,063	Employer superannuation contributions to defined contribution plans	6,327
931	Increase/(decrease) in employee entitlements	(3,792)
9,687	Other personnel costs	10,661
204,137	Total personnel costs	216,476

Note 4: Capital charge

The Ministry 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 2015 was 8 percent (2014: 8%).

Note 5: Other operating expenses

ACTUAL 2014 \$000		NOTE	ACTUAL 2015 \$000
	Fees to auditor Ernst and Young		
367	- audit of financial statements		378
81	- other services		4
9,732	Operating lease payments		9,319
1,048	Advertising and publicity		1,443
23,215	Fisheries and marine-related research contracts		16,696
8,224	Other research contracts		6,555
60,791	Other contracts for services		67,970
13,861	Travel		12,368
4,884	Property costs		7,879
8,045	Information technology		9,093
144	Inventory consumed	7	131
31	Debt impairment	6	98
235	Property, plant and equipment written-off		259
57	Property, plant and equipment impairment		2,018
-	Net loss on disposal of property, plant and equipment		81
105	Intangible assets written-off		1,264
365	Intangible assets impairment		330
242	Property revaluation loss		-
28,077	Professional services		30,010
16,580	Other operating expenses		15,744
176,084	Total other operating expenses		181,640

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

During the period the Ministry disposed of motor vehicles as part of the normal vehicle replacement programme. The net loss on motor vehicle disposals was \$81,000 (2014: \$101,000 gain).

Note 6: Debtors and other receivables

ACTUAL 2014 \$000		ACTUAL 2015 \$000
6,847	Debtors	7,099
(262)	Less provision for impairment	(312)
6,585	Net debtors	6,787
25,814	Debtor Crown	28,943
4,066	Biosecurity systems entry levy receivable	4,111
2,147	Accrued revenue	2,848
38,612	Total debtors and other receivables	42,689

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

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

	2014			2015		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Current	5,690		5,690	3,988	–	3,988
Greater than 30 days	460		460	2,070	–	2,070
Greater than 60 days	241		241	444	–	444
Greater than 90 days	456	(262)	194	597	(312)	285
Total	6,847	(262)	6,585	7,099	(312)	6,787

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

ACTUAL 2014 \$000		ACTUAL 2015 \$000
75	Individual impairment	155
187	Collective impairment	157
262	Total provision for impairment	312

Those specific debtors that are insolvent are fully provided for. The Ministry has identified 30 debtors who are insolvent totalling \$178,000 as at 30 June 2015 (2014: 27 debtors totalling \$86,000).

Movements in the provision for impairment of debts are:

ACTUAL 2014 \$000		ACTUAL 2015 \$000
259	Balance at 1 July	262
31	Additional provisions made (note 5)	98
–	Unused amounts reversed during the year	–
(28)	Receivables written-off during the year	(48)
262	Balance at 30 June	312

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

Note 7: Inventories

ACTUAL 2014 \$000		ACTUAL 2015 \$000
	Held for distribution inventories	
4,394	Foot and mouth vaccine	4,394
253	Other	164
4,647	Total inventories	4,558

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

No inventories are pledged as security for liabilities (2014: nil).

Note 8: Property, plant and equipment

	LAND \$000	BUILDINGS \$000	LEASEHOLD IMPROVEMENTS \$000	FURNITURE OFFICE EQUIPMENT AND ARTWORKS	MOTOR VEHICLES AND VESSELS \$000	TOTAL \$000
Cost or valuation						
Balance at 1 July 2013	2,194	13,124	13,807	20,159	12,593	61,877
Additions through purchase	–	472	2,461	3,194	1,890	8,017
Write-offs and disposals	(250)	(650)	(644)	(2,637)	(1,406)	(5,587)
Reversal of depreciation on revaluation	–	(58)	–	–	–	(58)
Revaluation	–	(242)	–	–	–	(242)
Reclassification	–	3	(3)	–	–	–
Balance at 30 June 2014	1,944	12,649	15,621	20,716	13,077	64,007
Balance at 1 July 2014	1,944	12,649	15,621	20,716	13,077	64,007
Additions through purchase	–	3,028	2,075	3,526	1,555	10,184
Write-offs and disposals	–	(259)	(285)	(318)	(866)	(1,728)
Reversal of depreciation on revaluation	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
Reclassification	–	–	–	(186)	–	(186)
Balance at 30 June 2015	1,944	15,418	17,411	23,738	13,766	72,277
Accumulated depreciation and impairment losses						
Balance at 1 July 2013	–	813	7,611	13,552	4,358	26,334
Depreciation expense	–	814	1,968	3,067	1,086	6,935
Write-offs and disposals	–	–	(452)	(2,595)	(951)	(3,998)
Impairment losses	–	–	57	–	–	57
Reversal of depreciation on revaluation	–	(58)	–	–	–	(58)
Balance 30 June 2014	–	1,569	9,184	14,024	4,493	29,270
Balance at 1 July 2014	–	1,569	9,184	14,024	4,493	29,270
Depreciation expense	–	1,245	2,119	2,694	911	6,969
Write-offs and disposals	–	–	(285)	(318)	(570)	(1,173)
Impairment losses	–	1,998	20	–	–	2,018
Reversal of depreciation on revaluation	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
Balance 30 June 2015	–	4,812	11,038	16,400	4,834	37,084
Carrying amounts						
At 1 July 2013	2,194	12,311	6,196	6,607	8,235	35,543
At 30 June and 1 July 2014	1,944	11,080	6,437	6,692	8,584	34,737
At 30 June 2015	1,944	10,606	6,373	7,338	8,932	35,193

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

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

LAND

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the “unencumbered” land value for land where there is a designation against the land or the use of the land is restricted. Restrictions on the Ministry’s ability to sell land would normally not impair the value of the land because the Ministry has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

BUILDINGS

Specialised buildings 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 off the depreciated replacement cost in estimating fair value;
- the remaining useful life of the asset; 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 total \$2.784 million (2014: \$162,000). No other asset classes have assets in the course of construction.

Finance leases

The Ministry has no property, plant and equipment held under finance leases (2014: nil).

Note 9: Intangible assets

	ACQUIRED SOFTWARE \$000	INTERNALLY GENERATED SOFTWARE \$000	TOTAL \$000
Cost			
Balance at 1 July 2013	10,777	48,979	59,756
Additions through purchase	2,081	8,313	10,394
Write-offs and disposals	(105)	(2,998)	(3,103)
Reclassification	–	–	–
Balance at 30 June 2014	12,753	54,294	67,047
Balance at 1 July 2014	12,753	54,294	67,047
Additions through purchase	423	5,877	6,300
Write-offs and disposals	–	(1,264)	(1,264)
Reclassification	186	–	186
Balance at 30 June 2015	13,362	58,907	72,269
Accumulated amortisation and impairment losses			
Balance at 1 July 2013	9,168	24,225	33,393
Amortisation expense	388	4,191	4,579
Write-offs and disposals	(105)	(2,893)	(2,998)
Impairment losses	–	365	365
Reclassification	–	–	–
Balance at 30 June 2014	9,451	25,888	35,339
Balance at 1 July 2014	9,451	25,888	35,339
Amortisation expense	838	5,218	6,056
Write-offs and disposals	–	–	–
Impairment losses	330	–	330
Reclassification	–	–	–
Balance at 30 June 2015	10,619	31,106	41,725
Carrying amounts			
At 1 July 2013	1,609	24,754	26,363
At 30 June and 1 July 2014	3,302	28,406	31,708
At 30 June 2015	2,743	27,801	30,544

There are no restrictions over the title of the Ministry'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 2015 has been tested for material impairment and is included in the above figures at cost, less impairment, and is not amortised.

The total amount of intangible assets in the course of construction is \$2.665 million (2014: \$11.249 million).

Details of material intangible assets, excluding work-in-progress, are:

ACTUAL 2014			ACTUAL 2015		
CARRYING AMOUNT \$000	REMAINING AMORTISATION PERIOD YEARS		CARRYING AMOUNT \$000	REMAINING AMORTISATION PERIOD YEARS	
5,752	10	Animal Products Electronic Certification (AP E-cert) application	5,615	9	
–	–	E*STAR (Electronic Sampling, Tracking, Analysis and Reporting) database	3,193	9.34	
4,082	4.6	Climate change information system	2,791	4.06	
–	–	Field Operations Compliance User System (FOCUS)	2,443	6.81	
–	–	Electronic system to manage and assess wines for export eligibility (Wine E-Cert)	2,380	9.31	
2,049	4.97	Windows 8 operating system	1,652	3.97	
–	–	MPI Enterprise Business Intelligence (BI-Tool)	1,633	8.09	
–	–	Time recording system	1,045	5.59	
1,143	6.09	Joint Border Management System (JBMS) interface	955	5.09	
1,028	8	Laboratory Information Management System (LIMS)	900	7	
1,061	6	Applications performance management	884	5	
–	–	National Exotic Forestry Description (NEFD) system	632	10	
662	3	Financial Management Information System (FMIS)	441	2	
965	1.75	Farm property information database (FarmsOnLine)	414	0.75	
367	2.08	Electronic phytosanitary certification (ePhyto) generation system	191	1.08	

Note 10: Creditors and other payables

ACTUAL 2014 \$000		ACTUAL 2015 \$000
4,948	Accounts payable	6,061
4,301	Unearned revenue	4,163
26,722	Accrued expenses	26,162
1,678	Creditor property plant and equipment and intangible assets	1,432
2,705	GST payable to Inland Revenue Department	3,948
40,354	Total creditors and other payables	41,766

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

Note 11: Return of operating surplus

ACTUAL 2014 \$000		ACTUAL 2015 \$000
(2,092)	Net surplus/(deficit)	8,855
242	Adjust for property revaluation losses/(gains) recognised in the surplus/(deficit)	–
5,286	Adjust for surpluses/(deficits) for services subject to memorandum accounts	5,801
3,436	Total return of operating surplus	14,656

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

Note 12: Provisions

ACTUAL 2014 \$000		ACTUAL 2015 \$000
267	Restructuring	293
815	Compensation under the Biosecurity Act 1993	807
232	ACC Partnership Programme Claims	267
–	Property lease make-good	920
–	Pet cat and dog import overcharging	207
276	Other provisions	8
1,590	Total provisions	2,502

Note 12a: Provision for restructuring

ACTUAL 2014 \$000		ACTUAL 2015 \$000
714	Opening balance 1 July	267
487	Additional provisions made	891
(861)	Amounts used	(865)
(73)	Unused amounts reversed	–
267	Closing balance	293

The provision represents the Ministry's estimate of the cost of restructuring and provides for equalisation allowances for four employees (2014: 9) and severance payments for a further six employees (2014: 5). It is anticipated all remaining costs will be incurred over the next year.

During the financial year severance was paid to 14 employees (2014:15).

Note 12b: Provision for compensation under the Biosecurity Act 1993

ACTUAL 2014 \$000		ACTUAL 2015 \$000
945	Opening balance 1 July	815
–	Additional provisions made during the year	407
(130)	Charged against the provision during the year	(8)
–	Unused amounts reversed	(407)
815	Closing balance	807

This provision provides for compensation payable under section 162A of the Biosecurity Act 1993, as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where 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 the Ministry's best estimate of the cost of settling current compensation claims. The compensation payments are expected to be settled by 30 June 2016.

Note 12c: Provision for ACC Partnership Programme

ACTUAL 2014 \$000	ACTUAL 2015 \$000
18 Opening balance 1 July	232
232 Additional provisions made during the year	50
– Charged against the provision during the year	(15)
(18) Unused amounts reversed during year	–
232 Closing balance	267

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

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

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

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

Note 12d: Lease make-good provision

ACTUAL 2014 \$000	ACTUAL 2015 \$000
– Opening balance 1 July	–
– Additional provisions made during the year	920
– Charged against the provision during the year	–
– Unused amounts reversed during year	–
– Closing balance	920

The Ministry 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 12e: Provision for pet cat and dog import overcharging

ACTUAL 2014 \$000	ACTUAL 2015 \$000
– Opening balance 1 July	–
– Additional provisions made during the year	207
– Charged against the provision during the year	–
– Unused amounts reversed during year	–
– Closing balance	207

This provision covers reimbursements for veterinary inspections to anyone who had brought a pet dog or cat from Australia to New Zealand, between 1 December 2014 and 30 June 2015, that should have been charged a fixed fee of \$40.88 but was charged an hourly rate of \$102.20 (both figures GST inclusive).

Note 13: Employee entitlements

ACTUAL 2014 \$000		ACTUAL 2015 \$000
Current employee entitlements represented by:		
5,875	Salaries and wages	27
13,981	Annual leave	14,365
675	Sick leave	723
1,401	Long service leave	1,566
1,899	Retiring leave	2,431
23,831	Total current employee entitlements	19,112
Non-current employee entitlements represented by:		
2,089	Long service leave	2,080
7,353	Retiring leave	8,289
9,442	Total non-current employee entitlements	10,369
33,273	Total employee entitlements	29,481

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 impact on the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used match, as closely as possible, the estimated future cash outflows. The discount rates used were: 1 year 2.93 percent; 2 year 2.81 percent; and 3 year-plus 4.39 percent (2014: 3.70%, 4.04%, 5.50%). A salary inflation factor of 3.0 percent has been used and is based on a 2.0 percent medium-term inflation assumption plus 1 percent for long-term labour productivity growth for the public sector (2014: 3.5%, 2.5%, 1%). The discount rates and salary inflation factor were provided by 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 \$1.269 million 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 \$134,000 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 \$77,000 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 \$1.231 million lower.

Note 14: Equity

ACTUALS 2014 \$000		ACTUALS 2015 \$000
Crown capital and retained earnings		
63,782	Balance at 1 July	54,042
-	Capital injections from the Crown	-
Repayment of capital to the Crown for:		
(595)	- Part repayment of capital injection in 2004/05 for head office leasehold improvements	(645)
(2,500)	- Capital to operating swap for electronic content management system	-
(900)	- Transfer of surplus property at Napier to Land Information New Zealand for disposal	-
151	Transfers from revaluation reserves on disposal of property	54
(5,654)	Write-off irrecoverable memorandum account operating deficits	(4,306)
(2,092)	Net surplus/(deficit)	8,855
5,286	Transfer of memorandum accounts net surplus/(deficit)	5,801
(3,436)	Return of operating surplus to the Crown	(14,656)
54,042	Balance at 30 June	49,145
Memorandum accounts		
(618)	Balance at 1 July	(250)
(5,286)	Net memorandum account surpluses/(deficits)	(5,801)
5,654	Write-off irrecoverable operating deficits	4,306
(250)	Balance at 30 June	(1,745)
Revaluation reserve – land		
709	Balance at 1 July	559
-	Revaluation gains	-
(150)	Transfer to retained earnings on disposal	(54)
559	Balance at 30 June	505
Revaluation reserve – residential buildings		
69	Balance at 1 July	69
-	Revaluation gains	-
69	Balance at 30 June	69
Revaluation reserve – artworks		
120	Balance at 1 July	119
-	Revaluation gains	-
(1)	Transfer to retained earnings on disposal	-
119	Balance at 30 June	119
54,539	Total equity	48,093

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

ACTUALS 2014 \$000		NOTE	ACTUALS 2015 \$000
(2,092)	Net surplus/(deficit)		8,855
	Add/(less) non-cash items classified as investing or financing activities		
5,049	Amortisation, impairment and write-off on intangible assets		7,650
7,227	Depreciation, impairment and write-off on property, plant and equipment		9,246
242	Property revaluation loss		–
12,518	Total non-cash items		16,896
	Add/(less) items classified as investing or financing activities		
(101)	Net loss/(gain) on sale of property, plant and equipment	5	81
(101)	Total investing or financing activities		81
	Add/(less) movements in working capital items		
(176)	(Increase)/decrease in inventories		89
(7,981)	(Increase)/decrease in debtors and other receivables		(4,077)
(234)	(Increase)/decrease in prepayments		(1,510)
(3,864)	(Increase)/decrease in creditors and other payables		1,658
931	(Increase)/decrease in employee entitlements		(3,792)
(418)	(Increase)/decrease in provisions		912
(11,742)	Total net movement in working capital items		(6,720)
(1,417)	Net cash from operating activities		19,112

Note 16: Related parties

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the roles of the Ministry 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 as 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

ACTUAL 2014 \$000		ACTUAL 2015 \$000
2,920	Leadership team, including the Chief Executive remuneration	2,414
9	Full-time equivalent staff numbers	7

Key management personnel of the Ministry comprise the Minister for Primary Industries, the Director-General and six Deputy Directors-General. The figures for 2015 exclude the Deputy Director-General China Relations who was on secondment to the Ministry of Foreign Affairs and Trade.

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

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

There are no related party disclosures required under the new PBE standards. All transactions undertaken are conducted on an arm's length basis.

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

Note 17: Financial instrument risks

Note 17A: Financial instrument categories

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

ACTUAL 2014 \$000		ACTUAL 2015 \$000
	Financial assets	
21,764	Cash and cash equivalents	20,390
38,612	Debtors and other receivables (note 6)	42,689
60,376	Total loans and receivables	63,079
	Financial liabilities	
36,053	Creditors and other payables (excluding income in advance) (note 10)	37,603

Note 17B: Financial instrument risks

The Ministry's activities expose it to a variety of financial instrument risks, including currency risk, credit risk and liquidity risk. The Ministry 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 their 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.

The Ministry purchases goods and services internationally and is exposed to currency risk arising from various exposures, primarily with respect to the US and Australian dollars. The Ministry's Foreign Exchange Management Policy requires the Ministry 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 NZ\$100,000. The Ministry'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.

The Ministry had no foreign exchange forward contracts outstanding as at 30 June 2015 (2014: nil).

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, credit risk arises from debtors and deposits with banks.

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

The Ministry'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. 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 the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

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

The Ministry will settle all of its financial liabilities within six months of balance date.

Note 18: Capital management

The Ministry'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.

The Ministry manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The Ministry'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 object of managing the Ministry's equity is to ensure the Ministry 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 outputs operating on a full cost recovery basis from third parties.

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

These transactions are included as part of the Ministry's operating income and expenses in the surplus/deficit - however, these transactions are excluded from the calculation of the Ministry'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 the Ministry's statement of financial position or by seeking approval for a capital injection from the Crown. Capital injections will be repaid to the Crown by way of cash payments throughout the memorandum account cycle.

ACTUAL 2014 \$000		ACTUAL 2015 \$000
–	Border biosecurity clearance fees account	(4,166)
1,257	Phytosanitary exports account	1,173
(2,705)	Verification of the food regulatory programme account	(1,556)
307	Approvals, accreditations and registrations	601
891	Standards setting for the food industry account	2,203
(250)	Total memorandum account balances	(1,745)

Note 19a: Border biosecurity clearance fees account

ACTUAL 2014 \$000		ACTUAL 2015 \$000
(2,232)	Opening balance 1 July	–
30,348	Revenue	33,079
(30,910)	Expenses	(37,245)
2,794	Write-off irrecoverable operating deficits ¹	–
–	Closing balance	(4,166)

This account covers:

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

Note 19b: Phytosanitary exports account

ACTUAL 2014 \$000		ACTUAL 2015 \$000
1,395	Opening balance 1 July	1,257
2,278	Revenue	2,260
(2,416)	Expenses	(2,344)
1,257	Closing balance	1,173

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

¹Fee adjustments were not made within the time limit stipulated in section 135(2) of the Biosecurity Act 1993

Note 19c: Verification of the Food Regulatory Programme account

ACTUAL 2014 \$000		ACTUAL 2015 \$000
(946)	Opening balance 1 July	(2,705)
32,936	Revenue	38,691
(37,555)	Expenses	(37,834)
2,860	Write-off irrecoverable operating deficits ¹	–
–	Write-off accumulated operating deficits ²	292
(2,705)	Closing balance	(1,556)

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

Note 19d: Approvals, accreditations and registrations

ACTUAL 2014 \$000		ACTUAL 2015 \$000
331	Opening balance 1 July	307
3,407	Revenue	3,731
(3,431)	Expenses	(3,437)
307	Closing balance	601

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

ACTUAL 2014 \$000		ACTUAL 2015 \$000
834	Opening balance 1 July	891
18,822	Revenue	15,297
(18,765)	Expenses	(17,999)
–	Write-off irrecoverable operating deficits ¹	4,014
891	Closing balance	2,203

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

Action taken to address surpluses and deficits

In February 2015, the Ministry consulted widely about our statutory fees, levies and charges for biosecurity and food safety services. The cost recovery review was the first for biosecurity services since 2010 and the first review of food safety services since 2008.

¹Fee adjustments were not made within the time limit stipulated in section 115(4) of the Animal Products Act 1999

²Imported domestic foods verification services as these services are not covered by this memorandum account

Since the last review of statutory fees, levies and charges, there has been an increase in demand for services driven by import and export volumes, a larger number of food businesses and changing trade patterns. This has required new services as well as improvements to existing services, while inflation pressures have increased service costs.

A new fees regime, incorporating feedback from stakeholders, was announced in March 2015 and came into effect on 1 July 2015.

Note 20: Explanation of major variances against Budget

Explanations for major variances from the Ministry's original 2014/15 budgeted figures are as follows:

Statement of comprehensive revenue and expenses

The costs of surveillance and eradication programmes was met from an increase in revenue Crown funding from the Government and a reprioritisation of funding by the Ministry.

Statement of financial position (and cash flows)

Working capital (current assets less current liabilities) is higher than forecast mainly due to the lower than forecast capital expenditure of \$16 million reflected in the net cash from investing activities. This is offset by the higher than forecast surplus repayment associated with the \$5.8 million net operating deficit for provision of services to third parties on a cost recovery basis.

The lower than forecast capital expenditure is due to changes in the timings of expenditure on projects, notably the construction of a new National Biocontainment Laboratory at Wallaceville, Upper Hutt.

Note 21: Events after balance date

National Biocontainment Laboratory at Wallaceville

In July 2015, the Ministry signed agreements for the construction of a new National Biocontainment Laboratory at Wallaceville, Upper Hutt. The contracts commit a further \$67 million to the project in addition to the \$5 million disclosed in the Statement of Commitments at balance date. The total capital value of the project is \$87.2 million.

Retention of operating surplus

On 18 September 2015, the Minister of Finance and the Minister for Primary Industries agreed to allow the Ministry to retain part of its operating surplus. The whole operating surplus is typically repaid to the Treasury but for the 2014/15 financial year joint Ministers approved \$7.2 million of the surplus to be retained to fund historical memorandum account deficits amounting to \$9.9 million.

Non-Departmental Statements and Schedules

Introduction/Overview

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

The Ministry administered \$230.941 million of expenses, \$7.637 million capital expenditure, \$141.346 million of revenue, \$11.906 million of capital receipts, \$243.798 million of assets and \$37.624 million of liabilities on behalf of the Crown for the year ended 30 June 2015. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output Performance sections of this report.

The financial information reported in these statements and schedules is consolidated into the Crown financial statements, and therefore readers of these statements and schedules should also refer to the Crown financial statements for the year ended 30 June 2015.

Statement of Non-Departmental Expenditure and Capital Expenditure against Appropriations

For the year ended 30 June 2015

ACTUALS 2014 \$000	APPROPRIATION TITLES BY PERIOD, VOTE AND TYPE ANNUAL APPROPRIATIONS	ACTUALS 2015 \$000
	Vote Primary Industries	
	Output expenses	
5,203	Climate Change Research Scope: This appropriation is limited to obtaining science, research, technology, capacity and capability in climate change related to the primary land-based sectors. Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	3,825
30,000	Control of TB Vectors Scope: This appropriation is limited to the Crown's contribution to the implementation of the National Bovine Tuberculosis Pest Management Strategy. Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	30,000
97,408	Management of Crown Forestry Assets Scope: This appropriation is limited to the purchase of forestry operations, management services, research and related forest asset expenditure. Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	76,996
1,789	Support for Walking Access Scope: This appropriation is limited to the operation of the New Zealand Walking Access Commission. Performance reporting: Performance information for this appropriation will be reported by the New Zealand Walking Access Commission in their annual report.	1,789
	Benefits or related expenses	
1,446	Rural Veterinarians Bonding Scheme Scope: This appropriation is limited to the provision of payments to veterinary professionals agreeing to work in understaffed, rural areas, in accordance with government approved criteria and guidelines. Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act as this information is unlikely to be informative because this appropriation is solely for payments under the Rural Veterinarians Bonding Scheme.	1,304

This table is continued on the next page.

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 2015.

ACTUALS 2014 \$000	APPROPRIATION TITLES BY PERIOD, VOTE AND TYPE ANNUAL APPROPRIATIONS (CONTINUED)	ACTUALS 2015 \$000
	Other expenses	
274	Adverse Climatic Events Scope: This appropriation is limited to providing recovery assistance to the primary sector in the aftermath of adverse climatic events and assistance to rural support trusts. Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act as the amount of this appropriation is less than \$5 million.	493
372	Afforestation Grants Scheme	–
–	Aquaculture Settlements Scope: This appropriation is limited to the recognition of settlements negotiated under the Māori Aquaculture Commercial Claims Settlement Act 2004. Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(ii) of the Public Finance Act, as this information is unlikely to be informative because this appropriation is solely for payments made in accordance to a statutory requirement.	–
547	Community Irrigation Fund and schemes	–
–	Fisheries Quota Shares and Annual Catch Entitlement Administration Costs Scope: This appropriation is limited to the administration of Crown Quota Shares and Annual Catch Entitlement Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act as the amount of this appropriation is less than \$5 million.	–
1,717	Hill Country Erosion Fund Scope: This appropriation is limited to projects that protect erosion-prone hill country. Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	2,107
965	Provision for Fisheries Debt Write Downs Scope: This appropriation is limited to commercial fishing sector quota holder debt write-offs. Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act as the amount of this appropriation is less than \$5 million.	–
1,070	Response to the Kiwifruit disease <i>Pseudomonas syringae</i> pv. <i>actinidiae</i> Scope: This appropriation is limited to supporting an industry-led programme for the kiwifruit disease <i>Pseudomonas syringae</i> pv. <i>actinidiae</i> Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act as the amount of this appropriation is less than \$5 million.	1,199

This table is continued on the next page.

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 2015.

ACTUALS 2014 \$000	APPROPRIATION TITLES BY PERIOD, VOTE AND TYPE ANNUAL APPROPRIATIONS (CONTINUED)	ACTUALS 2015 \$000
3,031	Subscriptions to International Organisations Scope: This appropriation is limited to New Zealand's membership of international primary industry organisations. Performance reporting: This appropriation is exempt from end-of-year performance reporting under s.15D (2) (b) (iii) of the Public Finance Act as the amount of this appropriation is less than \$5 million.	2,861
7,939	Sustainable Farming Fund Scope: This appropriation is limited to community-driven programmes aimed at improving economic and environmental performance. Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report. Capital expenditure – purchase or development of capital assets	5,417
-	Crown Forestry Assets Scope: This appropriation is limited to capital expenditure on Crown forests, including roading, bridges, fencing and fire equipment. Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act as the amount of this appropriation is less than \$5 million. Capital expenditure – investment in Crown entities	387
8,150	Crown Irrigation Investments Limited Vote Food Safety Other expenses	-
2,098	Joint Food Standards Setting Treaty Scope: This appropriation is limited to the development of joint food standards, codes of practice, and guidance material for Australia and New Zealand by Food Standards Australia New Zealand in accordance with the Joint Food Standards Setting Treaty. Performance reporting: This appropriation is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act as the amount of this appropriation is less than \$5 million.	2,096

This table is continued on the next page.

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 2015.

ACTUALS 2014 \$000	APPROPRIATION TITLES BY PERIOD, VOTE AND TYPE MULTI-YEAR APPROPRIATIONS	ACTUALS 2015 \$000
	Vote Primary Industries	
	Other expenses	
	East Coast Afforestation Grants	
	Scope: This appropriation is limited to grants under Forestry (East Coast) Grants Regulations 2000.	
	Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	
	Original appropriation – over four years from 1 July 2013 to 30 June 2017	18,460
	Cumulative adjustments	4,495
3,357	Actual expenses for 2014 and 2015	1,264
	Appropriation remaining	18,334
	Global Research Alliance on Agricultural Greenhouse Gases	
	Scope: This appropriation is limited to the Global Research Alliance.	
	Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	
	Original appropriation – over four years from 1 July 2012 to 30 June 2016	38,253
	Cumulative adjustments	(8,749)
	Actual expenses to 30 June 2013	1,955
6,777	Actual expenses for 2014 and 2015	5,850
	Appropriation remaining	14,922
	Primary Growth Partnership	
	Scope: This appropriation is limited to primary, food and forestry sector investment in education and skills development, research and development, product development, commercialisation, market development and technology transfer, in partnership with industry groups, including research by the New Zealand Agricultural Greenhouse Gas Research Centre.	
	Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	
	Original appropriation – over five years from 1 July 2012 to 30 June 2017	352,380
	Cumulative adjustments	(76,324)
	Actual expenses to 30 June 2013	36,729
41,995	Actual expenses for 2014 and 2015	50,867
	Appropriation remaining	146,465

This table is continued on the next page.

The accompanying notes form part of these financial statements.

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ACTUALS 2014 \$000	APPROPRIATION TITLES BY PERIOD, VOTE AND TYPE MULTI-YEAR APPROPRIATIONS (CONTINUED)	ACTUALS 2015 \$000
	Vote Primary Industries	
	Other expenses	
	Water Storage and Irrigation Investment Proposals	
	Scope: This appropriation is limited to proposals for irrigation schemes to an investment-ready stage.	
	Performance reporting: Performance information for this appropriation is reported by the Minister for Primary Industries in a report appended to the MPI Annual Report.	
	Original appropriation – over four years from 1 July 2012 to 30 June 2016	32,500
	Cumulative adjustments	725
	Actual expenses to 30 June 2013	5,994
8,418	Actual expenses for 2014 and 2015	4,480
	Appropriation remaining	14,333
	Capital expenditure – investment in Crown entities	
	Crown Irrigation Investments Limited	
	Scope: This appropriation is limited to Crown Irrigation Investments Limited.	
	Performance reporting: Performance information for this appropriation will be reported by the Crown Irrigation Investments Limited (a Crown entity) in its annual report.	
	Original appropriation – over four years from 1 July 2014 to 30 June 2018	40,000
	Cumulative adjustments	71,850
	Actual expenses for 2015	7,250
	Appropriation remaining	104,600
214,406	Total expenses for 2014 and 2015	190,548
8,150	Total capital expenditure for 2014 and 2015	7,637

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 2015.

Statement of Non-Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2015

An appropriation is a sum of money allocated by parliament for a particular use. Unappropriated expenditure is an expense or a capital expenditure in excess of, or outside the scope of, existing Ministry appropriations.

There was no unappropriated non-departmental expenditure for the year ended 30 June 2015 (2014: nil).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Revenue

For the year ended 30 June 2015

ACTUAL 2014 \$000		NOTE	ACTUAL 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
134,282	Sale of forest produce		102,625	100,055	106,014	79,419
33,978	Fines, penalties and levies	2	31,448	33,150	32,450	34,650
265	Sale of Crown quota and Annual Catch Entitlement (ACE)		368	100	–	100
5,109	Deemed value for over-fishing		5,155	2,500	5,000	2,500
591	Forestry encouragement loan interest	3	510	510	510	431
422	Gain on remeasurement of forestry encouragement loans	3	546	700	425	425
325	Emissions Trading Scheme fees		142	500	250	500
692	Doubtful debts recovered		–	–	–	–
273	Forestry land rental		446	300	300	300
–	Miscellaneous revenue		106	50	50	50
175,937			141,346	137,865	144,999	118,375

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2015

ACTUAL 2014 \$000		NOTE	ACTUAL 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
1,829	Forestry encouragement loan repayments	3	1,686	1,756	1,686	1,686
2,349	Proceeds from sale of Crown forestry assets		10,220	–	10,589	–
4,178			11,906	1,756	12,275	1,686

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 2015.

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

Schedule of Non-Departmental Expenses

For the year ended 30 June 2015

ACTUAL 2014 \$000		NOTE	ACTUAL 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
67,787	Grants		67,923	72,772	83,967	76,309
129,312	Operating		109,614	136,496	111,245	104,176
1,446	Benefits		1,304	1,500	1,540	1,550
11,980	Research and development		9,675	12,892	10,836	17,156
1,789	New Zealand Walking Access Commission funding	8	1,789	1,789	1,789	1,789
257	Depreciation and impairment of property, plant and equipment	7	243	242	243	236
1,638	Impairment of receivables		–	600	3,000	1,000
17,419	Loss on revaluation of forests measured at fair value	5	12,944	–	–	–
283	Loss on impairment of forests measured at cost	5	341	–	–	–
170	Loss on revaluation of property, plant and equipment		–	–	–	–
2,987	Loss on non-current asset held for sale		–	–	–	–
27	Loss on disposal of property, plant and equipment		–	–	–	–
31,660	GST input expenses		27,108	28,149	30,728	26,092
266,755	Total non-departmental expenses		230,941	254,440	243,348	228,308

Schedule of Non-Departmental Capital Expenditure

For the year ended 30 June 2015

ACTUAL 2014 \$000		NOTE	ACTUAL 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
8,150	Investment in Crown Irrigation Investments Ltd	9	7,250	40,000	12,000	99,850
–	Purchase and development of Crown Forestry assets	7	387	500	500	–
8,150	Total non-departmental expenses		7,637	40,500	12,500	99,850

The accompanying notes form part of these financial statements.

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Schedule of Non-Departmental Assets

As at 30 June 2015

ACTUAL 2014 \$000		NOTE	ACTUAL 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
13,898	Cash and cash equivalents		19,822	10,000	10,000	10,000
24,831	Debtors and other receivables	6	23,781	25,000	25,000	25,000
1,621	Prepayments		1,184	1,547	1,547	1,547
10,589	Non-current assets held for sale	4	550	–	–	–
1,686	Forestry encouragement loans	3	1,686	1,686	1,686	1,686
52,625	Total current assets		47,023	38,233	38,233	38,233
Non-current assets						
44	Debtors and other receivables	6	33	–	–	–
4,703	Forestry encouragement loans	3	4,072	4,509	3,952	3,952
173,799	Forests	5	160,514	191,501	173,799	173,799
15,699	Property, plant and equipment	7	15,606	16,970	15,956	15,956
	Crown equity investment in Crown entities					
1,150	- New Zealand Walking Access Commission	8	1,150	1,150	1,150	1,150
8,150	- Crown Irrigation Investments Limited	9	15,400	120,000	20,150	20,150
203,545	Total non-current assets		196,775	334,130	215,007	215,007
256,170	Total non-departmental assets		243,798	372,363	253,240	253,240

The accompanying notes form part of these financial statements.

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Schedule of Non-Departmental Liabilities

As at 30 June 2015

ACTUAL 2014 \$000		NOTE	ACTUAL 2015 \$000	MAINS 2015 \$000	SUPPS 2015 \$000	FORECAST ¹ 2016 \$000
Current liabilities						
22,983	Creditors and other payables	10	21,961	31,600	26,600	26,600
9,405	Over and under (net) recovered costs from fishing industry	11	9,211	7,000	9,000	9,000
6,862	Provisions	12	5,164	1,650	1,000	1,000
Non-current liabilities						
3,560	Provisions	12	1,288	1,400	1,750	1,750
42,810	Total non-departmental liabilities		37,624	41,650	38,350	38,350

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 2015.

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

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2015

Contingent liabilities

The Ministry, on behalf of the Crown has, two unquantifiable contingent liabilities with respect to Central Otago irrigation schemes and historic scampi quota decisions (2014: nil).

Contingent assets

The Ministry, on behalf of the Crown has no contingent assets (2014: nil).

Schedule of Non-Departmental Commitments

As at 30 June 2015

The Ministry, on behalf of the Crown, has entered into non-cancellable land leases for forestry. The lease agreements commit the Crown to expenditure over the remaining term of the leases and have expiry dates ranging from 2015 to 2082. The commitments shown are the Ministry's best estimate of the minimum expenditure over the remaining term of the leases.

ACTUALS 2014 \$000		ACTUALS 2015 \$000
	Non-cancellable operating lease commitments	
55,724	Not later than one year	47,556
182,367	Later than one year and not later than five years	199,029
301,860	Later than five years	241,422
539,951	Total non-departmental operating lease commitments	488,007

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 2015.

Statement of Non-Departmental Trust Monies

For the year ended 30 June 2015

Declared Overfishing Trust Account

This account holds funds held in relation to the deemed value of fish taken in excess of quota under the quota management system.

ACTUAL 2014 \$000		ACTUAL 2015 \$000
2,858	Balance at 1 July	3,035
6,561	Contributions	3,652
(6,463)	Distributions	(2,565)
79	Revenue	100
–	Expenditure	–
3,035	Balance at 30 June	4,222

Forfeit Property Trust Account

This account holds proceeds received from the sale of seized forfeited property that is disposed of in accordance with Ministerial or Court direction.

ACTUAL 2014 \$000		ACTUAL 2015 \$000
1,233	Balance at 1 July	1,913
641	Contributions	376
–	Distributions	(67)
39	Revenue	56
–	Expenditure	–
1,913	Balance at 30 June	2,278

Seized Timber Trust Account

The Seized Timber Trust Account holds proceeds from the sale of timber seized under the provisions of Part 3a of the Forests Act 1949.

ACTUAL 2014 \$000		ACTUAL 2015 \$000
1	Balance at 1 July	1
–	Contributions	20
–	Distributions	(10)
–	Revenue	–
–	Expenditure	–
1	Balance at 30 June	11

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 2015.

Notes to the Non-Departmental Statements and Schedules

For the year ended 30 June 2015

Note 1: Statement of accounting policies

Reporting entity

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

These non-departmental balances are consolidated into the Financial Statements of the Government, for the year ended 30 June 2015. 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.

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 (for Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities (PBEs).

These non-departmental statements and schedules are the first prepared in accordance with the new PBE accounting standards. The changes have only a presentational or disclosure effect. There has been no change to the accounting treatment for revenue.

Significant accounting policies

BUDGET FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2015. They are consistent with the financial information in the Main Estimates of Appropriations. In addition, these non-departmental schedules and statements also

present the updated budget information from the Supplementary Estimates of Appropriations 2015.

FORECAST FIGURES

The 2016 forecast figures for the year ended 30 June 2016, are those submitted to Treasury for purposes of consolidation into the 2015 Budget Economic and Fiscal Update (2015 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 public benefit entity accounting standards.

The forecast financial statements and schedules were authorised for issue by the Director-General of the Ministry for Primary Industries on 23 April 2015. The Director-General is responsible for them, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Ministry regularly updates its forecasts, updated forecast financial statements and schedules for the year ending 30 June 2016 (2015/16 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:

- the Ministry'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 2014/15 is used as the opening position for the 2015/16 forecasts.

Factors that could lead to material differences between the forecast information presented and the 2015/16 actual financial results include changes in activities required by the Government, year-end revaluations, and technical adjustments.

The only significant post-BEFU accounting adjustment that materially impacts the forecast financial statements and schedules was for the 30 June 2015 revaluation of Crown forests that resulted in a revaluation loss of \$13.285 million.

Revenue

FINES AND PENALTIES

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

FORESTRY ENCOURAGEMENT LOAN INTEREST

Interest income is recognised using the effective interest method.

SALES OF FOREST PRODUCE

Revenue from the sale of forest produce is recognised at the point of sale – for example, delivered to mill or port, on truck or on skid (heavy vehicle used in logging operations for pulling trees out of the forest).

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 the Ministry during the period 1 July 2014 to 30 June 2015 is primarily recovered from the commercial fishing sector over the period 1 October 2013 to 30 September 2014. Such revenue is reported in the financial period to which the revenue relates.

DEEMED VALUE CHARGES

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

Grant expenditure

Where grants are discretionary until payment, the expense is recognised when payment is made.

Otherwise the expense is recognised when specified criteria have been fulfilled.

Goods and services tax

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.

Cash and cash equivalents

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

Financial instruments

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

Debtors and other receivables

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

Impairment of a receivable is established when there is objective evidence that the Ministry 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 on payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debt is 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).

Forestry encouragement loans

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

Non-current assets held for sale

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

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

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

Property, plant and equipment

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

Individual assets, or 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.

ADDITIONS

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

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

DISPOSALS

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

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

SUBSEQUENT COSTS

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

Depreciation

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

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

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

REVALUATION

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every five years. Fair value is determined from market-based evidence by an independent valuer.

All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

ACCOUNTING FOR REVALUATIONS

The Crown recognises 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 offsets 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.

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. 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.

Derivative financial instruments and foreign currency transactions

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

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

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses 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 schedule of non-departmental income or expenses.

Creditors and other payables

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

Provisions

Provisions are recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

ONEROUS CONTRACTS

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

Contingent liabilities and assets

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

Non-cancellable operating lease commitments

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

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry, 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:

- forest valuations (see note 5);
- onerous contract provisions (see note 12b); and
- non-cancellable operating lease commitments (see Statement of Commitments).

Note 2: Fines, penalties and levies

ACTUALS 2014 \$000		ACTUALS 2015 \$000
	Cost recovery levies from fishing industry:	
29,850	- fisheries services	27,062
1,560	- conservation services	1,571
1,735	Biosecurity Act 1993 fines	1,867
-	- Forfeitures for fisheries offences	-
618	Dairy industry levy	815
215	Fisheries Act 1996 infringement notices	133
33,978	Total fines, penalties and levies income	31,448

Note 3: Forestry encouragement loans

ACTUAL 2014 \$000		ACTUAL 2015 \$000
7,205	Balance at 1 July	6,389
591	Interest	510
(1,829)	Repayments	(1,686)
422	Unwind and present value adjustments	546
6,389	Balance at 30 June	5,759
1,686	Current asset portion	1,686
4,703	Non-current asset portion	4,073

Loans advanced to local authorities between 1981 and 1986 (at interest rates ranging from 4.5 percent to 7.0 percent under the Forestry Encouragement Loan Regulations 1967) were to encourage afforestation. Loans become repayable when either 30 or 40 years has passed from the first loan advance or when clear felling in the loan forest commences.

Forestry encouragement loans were initially recoded at fair value based on the projected future cash flows discounted using market rates for loans of similar terms and credit risk. To ascertain comparable market rates at the time the loans were advanced, the Ministry used variable first mortgage housing rates sourced from the Reserve Bank historical series. Interest rates used to calculate fair value ranged from 15.38 percent to 17.28 percent. The loans have subsequently been re-measured at amortised cost using the effective interest method to reflect actual and revised estimated cash flows.

The face value of forestry encouragement loans outstanding is \$7,774,000 (2014: \$8,951,000) as at 30 June 2015, comprising four loans (2014: 5) held by one local authority (2014: 1). All outstanding loans are projected to be repaid by 31 December 2020.

The Crown holds no collateral over forestry encouragement loans.

Note 4: Non-current forestry assets held for sale

Non-current assets held for sale consist of the Crown's interest in forests and associated property, plant and equipment that are subject to Treaty of Waitangi settlements or other Treaty of Waitangi obligations.

The accumulated property revaluation reserve recognised in equity for these assets at 30 June 2015 is \$203,000 (2014: \$(42,000)).

Note 5: Forests

ACTUAL 2014 \$000		ACTUAL 2015 \$000
	Forests measured at fair value	
188,442	Opening balance 1 July	171,023
15,233	Changes in fair value	14,750
(32,652)	Decrease due to harvesting	(27,694)
171,023	Balance at 30 June	158,079
	Forest measured at cost less impairment	
7,211	Opening cost 1 July	7,211
–	Decrease due to harvesting	–
7,211	Closing cost 30 June	7,211
(4,152)	Opening accumulated impairment 1 July	(4,435)
(283)	Impairment	(341)
(4,435)	Closing accumulated impairment 30 June	(4,776)
2,776	Balance at 30 June	2,435
173,799	Total carrying value of forests	160,514

The Ministry manages the Crown's interest in forests established on Crown-owned land, leased Māori land and freehold land (under forestry rights). At 30 June 2015 the net stocked area of trees was 18,593 hectares (2014: 41,850 hectares).

During the year ended 30 June 2015:

- 3,511 hectares (2014: 8,010 hectares) of silvicultural tending were completed;
- 999,043 cubic metres of logs (2014: 1,248,186 cubic metres) were produced from harvesting operations;
- No forests were purchased (2014: nil).

Stocked area decreased primarily as a result of the sale of the West Coast forests (23,398 hectares), and other lease surrenders and adjustments for remapping (859 hectares).

FORESTS MEASURED AT FAIR VALUE

The valuations at 30 June 2014 and June 2015 were carried out by Alan Bell and Associates, registered forestry consultants specialising in forest valuation. The following valuation assumptions (unchanged from 2014) have been adopted in determining the fair value of forestry assets:

- a discount rate of 7 percent has been used in discounting the present value of expected post-tax cash flows;
- the prevailing company tax rate applied to pre-tax cash flows was 28 percent;
- notional land rental costs have been included for freehold land and actual rents for leased land and forestry rights;
- the forest has been valued on a going-concern basis and only includes the value of the existing crop on a single-rotation basis;
- no allowance for inflation has been provided except in calculating the cost-of-bush taxation effect;
- costs are current average costs;

- log prices are based on a start point of current prices (adjusted March quarter 2015) 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.

FORESTS MEASURED AT COST LESS IMPAIRMENT

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

The fair value of the SPS forest cannot be reliably measured as market-determined prices are not available for significant quantities of cypress or blackwood logs, the relevant species in the SPS areas. The forest has therefore been valued at cost less impairment. An impairment assessment was carried out using a discounted cash flow analysis to model a net present value. Yield and log price assumptions are best estimates only and the resulting value is highly sensitive.

FINANCIAL RISK MANAGEMENT STRATEGIES

The Crown is exposed to financial risks arising from changes to international log prices and currency fluctuations. Log prices were largely stable this year with downward price pressure from the China market buffered by falling freight costs and the New Zealand exchange rate holding prices level. Falls in export prices were also buffered by stronger domestic pruned prices. Future pricing is likely to fall or stay level as uncertainty continues in our largest market, China. The Ministry's marketing strategy is based on a spread of domestic and export sales, and a spread of customers within both of these markets. During periods of oversupply the Ministry revises its harvesting strategy in respect of those forests where there are not ongoing domestic supply contracts.

Note 6: Debtors and other receivables

ACTUAL 2014 \$000		ACTUAL 2015 \$000
20,203	Debtors and other receivables – fine, penalties and levies	22,695
10,456	Debtors and other receivables – Crown forestry operations and miscellaneous revenues	8,089
(5,784)	Less provision for impairment	(5,784)
24,875	Total debtors and other receivables	25,000

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

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

	2014			2015		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	23,825	–	23,825	23,515	–	23,515
Greater than 30 days	527	–	527	984	–	984
Greater than 60 days	456	–	456	185	–	185
Greater than 90 days	5,851	(5,784)	67	6,100	(5,784)	316
Total	30,659	(5,784)	24,875	30,784	(5,784)	25,000

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

At 30 June 2015, the Ministry has identified 73 debtors (2014: 33) totalling \$5.599 million who are insolvent (2014: \$1.362 million).

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

ACTUAL 2014 \$000		ACTUAL 2015 \$000
4,146	Balance at 1 July	5,784
1,699	Additional provisions made	-
(61)	Unused amounts reversed	-
-	Receivables written-off	-
5,784	Balance at 30 June	5,784

Note 7: Property, plant and equipment

	LAND \$000	BUILDINGS \$000	ROADS, FENCES AND EQUIPMENT \$000	MOTOR VEHICLES \$000	TOTAL \$000
Cost or valuation					
Balance 1 July 2013	15,558	140	5,524	402	21,624
Additions	-	-	-	-	-
Revaluations	(345)	-	-	-	(345)
Reversal of accumulated depreciation on revaluation	-	-	-	-	-
Disposals	(27)	-	(1)	-	(28)
Transfer to held for sale	(627)	-	-	-	(627)
Balance 30 June 2014	14,559	140	5,523	402	20,624
Balance 1 July 2014	14,559	140	5,523	402	20,624
Additions	-	-	387	-	387
Revaluations	(57)	-	-	-	(57)
Reversal of accumulated depreciation on revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer to held for sale	(180)	-	-	-	(180)
Balance 30 June 2015	14,322	140	5,910	402	20,774
Accumulated depreciation and impairment losses					
Balance at 1 July 2013	-	3	4,362	304	4,669
Depreciation expense	-	3	246	8	257
Reversal of accumulated depreciation on revaluation	-	-	-	-	-
Eliminate on disposal	-	-	(1)	-	(1)
Transfer to held for sale	-	-	-	-	-
Balance 30 June 2014	-	6	4,607	312	4,925
Balance at 1 July 2014	-	6	4,607	312	4,925
Depreciation expense	-	3	231	9	243
Reversal of accumulated depreciation on revaluation	-	-	-	-	-
Eliminate on disposal	-	-	-	-	-
Transfer to held for sale	-	-	-	-	-
Balance 30 June 2015	-	9	4,838	321	5,168
Carrying amounts					
At 1 July 2013	15,558	137	1,162	98	16,955
At 30 June and 1 July 2014	14,559	134	916	90	15,699
At 30 June 2015	14,322	131	1,072	81	15,606

Land and buildings have been valued at fair value as at June 2012 by independent registered valuers JL Hancock of Crighton Anderson Property Infrastructure Ltd, C Hawkey of PGG Wrightson Real Estate Ltd, D Armstrong of Forest Land Consultants Ltd, GW Banfield of Veitch Morison Valuers Ltd, J Dunckley of Crighton Anderson Property Infrastructure Ltd, and MH Morice of Morice Ltd.

Note 8: New Zealand Walking Access Commission

The New Zealand Walking Access Commission is a Crown entity established under the Walking Access Act 2008 to provide leadership and coordination of walking access, the negotiation and funding of new access over private land and the creation of a code of responsible conduct in respect of walking access.

Note 9: Crown Irrigation Investments Limited

The Crown Irrigation Investments Limited is a Crown-owned company incorporated under the Companies Act 1993 on 1 July 2013 to facilitate the Crown's investments in regional water storage and off-farm irrigation infrastructure schemes. The shares in the company are owned by the Minister for Primary Industries and the Minister of Finance. The company is also listed in Schedule 2 of the Crown Entities Act 2004.

Note 10: Creditors and other payables

ACTUAL 2014 \$000		ACTUAL 2015 \$000
1,659	Accounts payable	977
1,563	GST payable	1,252
8,178	Grants payable	12,772
–	Creditor property, plant and equipment	5
11,583	Other accrued expenses	6,955
22,983	Total creditors and other payables	21,961

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

Note 11: Over and under recovered costs from fishing industry

Section 265 of the Fisheries Act 1996 creates a mandatory obligation on the Minister for Primary Industries to have regard to under and over-recovery of costs of any conservation service or fisheries service in a previous financial year when recommending a cost recovery levy order for a current/future year.

This liability reflects the balance of the net over and under-recovery of cost recovery levies for the period 1 October 1995 to 30 June 2015 to be applied against future cost recovery levy orders.

Note 12: Provisions

ACTUAL 2014 \$000		ACTUAL 2015 \$000
	Current	
1,053	Rural veterinarians bonding scheme	1,463
5,809	Commercial aquaculture claims settlement	3,701
6,862	Total current provisions	5,164
	Non-current provisions	
660	Rural veterinarians bonding scheme	245
2,900	Onerous contracts	1,043
–	Commercial aquaculture claims settlement	–
3,560	Total non-current provisions	1,288
10,422	Total provisions	6,452

Note 12a: Rural Veterinarians Bonding Scheme

ACTUAL 2014 \$000		ACTUAL 2015 \$000
1,723	Opening balance	1,713
1,496	Additional provisions made	1,304
(1,456)	Amounts used	(1,309)
(50)	Unused amounts reversed	–
1,713	Closing balance	1,708

The rural veterinarians bonding scheme provides payments to veterinary professionals agreeing to work in understaffed rural areas. Payments are for a maximum of \$11,000 per annum for five years and are made after the third, fourth and fifth year. The scheme commenced on 1 January 2009 and this provision represents the Ministry's liability at balance date for the 107 (2014: 77) veterinarians currently in the scheme.

Note 12b: Onerous contracts

ACTUAL 2014 \$000		ACTUAL 2015 \$000
3,395	Opening balance	2,900
–	Additional provisions made	–
–	Unused amount reversed upon sale of West Coast forest plantations	(1,800)
(495)	Increase/(decrease) for passage in time and change in discount rate	(57)
2,900	Closing balance	1,043

The remaining provision relates to a non-cancellable contract for the lease of land for forestry purposes on the east coast of the North Island. Based on current market conditions the unavoidable costs of meeting the contract exceed the economic benefits to be received from it. The provision has been measured at the present value of the net cash outflows expected to be incurred in respect of the contract. A market-determined discount rate of 7 percent (2014: 7 percent) has been used that reflects the time value of money and the risks specific to the obligation. The contract expires in 2079.

Note 12c: Commercial aquaculture claims settlement

ACTUAL 2014 \$000		ACTUAL 2015 \$000
5,905	Opening balance	5,809
–	Additional provisions made	–
(96)	Amounts used	(2,108)
5,809	Closing balance	3,701

The Māori Commercial Aquaculture Claims Act 2004 provides a full and final settlement of Māori contemporary claims to commercial aquaculture space created since 21 September 1992. The Act establishes the Crown's obligation to provide iwi with the equivalent of 20 percent of the aquaculture space created between 21 September 1992 and 31 December 2004 ("pre-commencement space") plus an additional obligation to provide 20 percent of all new space created. If the pre-commencement settlement cannot be achieved through a transfer of "space", then it must be resolved through a financial transfer to iwi.

Note 13: Explanations of major variances

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

Non-departmental expenses

The negotiation and settlement of iwi claims under the Māori Aquaculture Claims Settlement Act 2004 has progressed at a slower rate than forecast. Consequently no expenditure was incurred in 2014/15 against a forecast of \$33.348 million. Approval has been obtained to carry forward the entire unspent appropriation, making the total appropriation available in 2015/16 of \$85.348 million. The first tranche of claims for new space obligations was concluded in July 2015. This covered the Auckland, Marlborough and Tasman regions and \$45.898 million was paid to the Trustee on 6 August 2015 for distribution to iwi.

The annual revaluation of Crown forests resulted in a loss of \$13.285 million, due in part to a reduction in log prices reducing the value of growing stock. The fall in value of Crown forests also reflects the level of harvesting undertaken during 2014/15 and the progressive surrender of forests consistent with government policy to exit from forestry leases on commercial terms. The Crown accounting policy is not to budget for annual revaluation movements.

Non-departmental capital receipts

The proceeds from the sale of Crown forestry assets were mainly for the sale of the Crown's interest in the West Coast plantation forests to landowner Ngāi Tahu Forest Estates Ltd.

Non-departmental capital expenditure

Capital investments by Crown Irrigation Investments Ltd in regional storage and off-farm irrigation infrastructure were lower than forecast. Further information on this Crown entity can be found in its annual report. As the expenditure is against a multi-year appropriation, the underspend in 2014/15 is still available in 2015/16.

OTHER INFORMATION



Legislation

Administered by MPI as at 30 June 2015

MPI administers 52 statutes and approximately 360 sets of regulations.

Public Acts

- Agricultural and Pastoral Societies Act 1908
- Agricultural Compounds and Veterinary Medicines Act 1997
- Airports (Cost Recovery for Processing of International Travellers) Act 2014
- Animal Control Products Limited Act 1991
- Animal Products Act 1999
- Animal Products (Ancillary and Transitional Provisions) Act 1999
- Animal Welfare Act 1999
- Apple and Pear Industry Restructuring Act Repeal Act 2001
- Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- Biosecurity Act 1993
- Biosecurity (Border Processing – Trade Single Window) Amendment Act 2014
- Commodity Levies Act 1990
- Dairy Industry Restructuring Act 2001
- Driftnet Prohibition Act 1991
- Fisheries Acts 1983 and 1996
- Fisheries (Quota Operations Validation) Act 1997
- Food Acts 1981 and 2014
- Forestry Encouragement Act 1962
- Forestry Rights Registration Act 1983
- Forests Act 1949
- Forests (West Coast Accord) Act 2000
- Hazardous Substances and New Organisms Act 1996 (relevant to MPI in respect of new organisms under section 97A)
- Hop Industry Restructuring Act 2003
- Irrigation Schemes Act 1990
- Kiwifruit Industry Restructuring Act 1999
- Māori Commercial Aquaculture Claims Settlement Act 2004
- Māori 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
- Plants Act 1970
- Pork Industry Board Act 1997
- Primary Products Marketing Act 1953
- Public Works Act 1981 (Part XIX)
- Royal New Zealand Institute of Horticulture Act 1953
- Taratahi Agricultural Training Centre (Wairarapa) Act 1969
- Treaty of Waitangi (Fisheries Claims) Settlement Act 1992
- Veterinarians Act 2005
- Walking Access Act 2008
- Wine Act 2003
- Wool Industry Restructuring Act 2003

Private Acts

- Auckland Agricultural Pastoral and Industrial Shows Board Act 1972
- Canterbury Agricultural and Pastoral Association Empowering Act 1982
- Clevedon Agricultural and Pastoral Association Empowering Act 1994
- Kumeu District Agricultural and Horticultural Society Act 1991
- Marlborough Agricultural and Pastoral Association Empowering Act 1974
- Telford Farm Training Institute Act 1963
- Tokoroa Agricultural and Pastoral Association Empowering Act 1968
- United Wheatgrowers Act 1936
- Waikato Show Trust Act 1965

Grants Approved

1 July 2014 to 30 June 2015

MPI administers several grant programmes to help land managers and rural communities manage New Zealand's natural resources in a sustainable manner. They are as follows:

Adverse Climatic Events

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

Government responds to situations beyond the capacity of the wider community to cope, but not to individual requests for assistance. After an adverse event, the Government has a role in restoring public infrastructure and protecting the health and safety of its citizens. The Government may also help primary producers that acutely feel the effect of an adverse event.

Afforestation Grants Scheme

The new Afforestation Grants Scheme was announced in March 2015, with funding available for five years up to 2020. The Afforestation Grants Scheme is a contestable fund designed to encourage more planting of trees in small forests and on farms.

The previous scheme ran from 2008-2013 and was originally part of a package of climate change initiatives.

Irrigation Acceleration Fund

The Irrigation Acceleration Fund primarily supports regional rural water harvesting, storage, and distribution infrastructure. Funding is available for three distinct components that target the delivery of rural water infrastructure proposals:

- **Regional rural water infrastructure** – to assist the development of large-scale, regionally significant water harvesting, storage, and distribution proposals providing for irrigation and wider benefits. Proposals must be consistent with agreed regional approaches to the sustainable use and management of water.
- **Strategic water management studies** – to assist with the development of regional approaches to integrated water management, particularly the potential of rural irrigation-related infrastructure.
- **Community irrigation schemes** – to assist new, smaller-scale community scheme developments, as well as capital upgrades of existing community scheme infrastructure. Proposals must be consistent with agreed regional strategies.

Erosion Control Funding Programme

The Erosion Control Funding Programme (formerly known as the East Coast Forestry Project) was established to deal with the wide-scale erosion problem in the Gisborne district. Since 1992, MPI has provided funding to landholders to control erosion on the worst eroding or erosion-prone land in the district.

Primary Growth Partnership

The Primary Growth Partnership is a government–industry partnership that invests in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary and food sectors, including forestry.

Sustainable Farming Fund

The purpose of the Sustainable Farming Fund is to support the economic, environmental and social performance of New Zealand's productive land-based sectors. It does this by funding projects that are:

- based on solving problems or taking up opportunities related to increasing sustainable productivity resource use;
- defined and driven by a farmer, grower or forester.

Sustainable Land Management Hill Country Erosion Programme

The Sustainable Land Management Hill Country Erosion Programme, through regional initiatives, provides targeted government support to communities that need to protect erosion-prone hill country. It recognises that, wherever possible, farmers seek to retain the maximum practical production from their land.

Sustainable Land Management Climate Change Research Programme

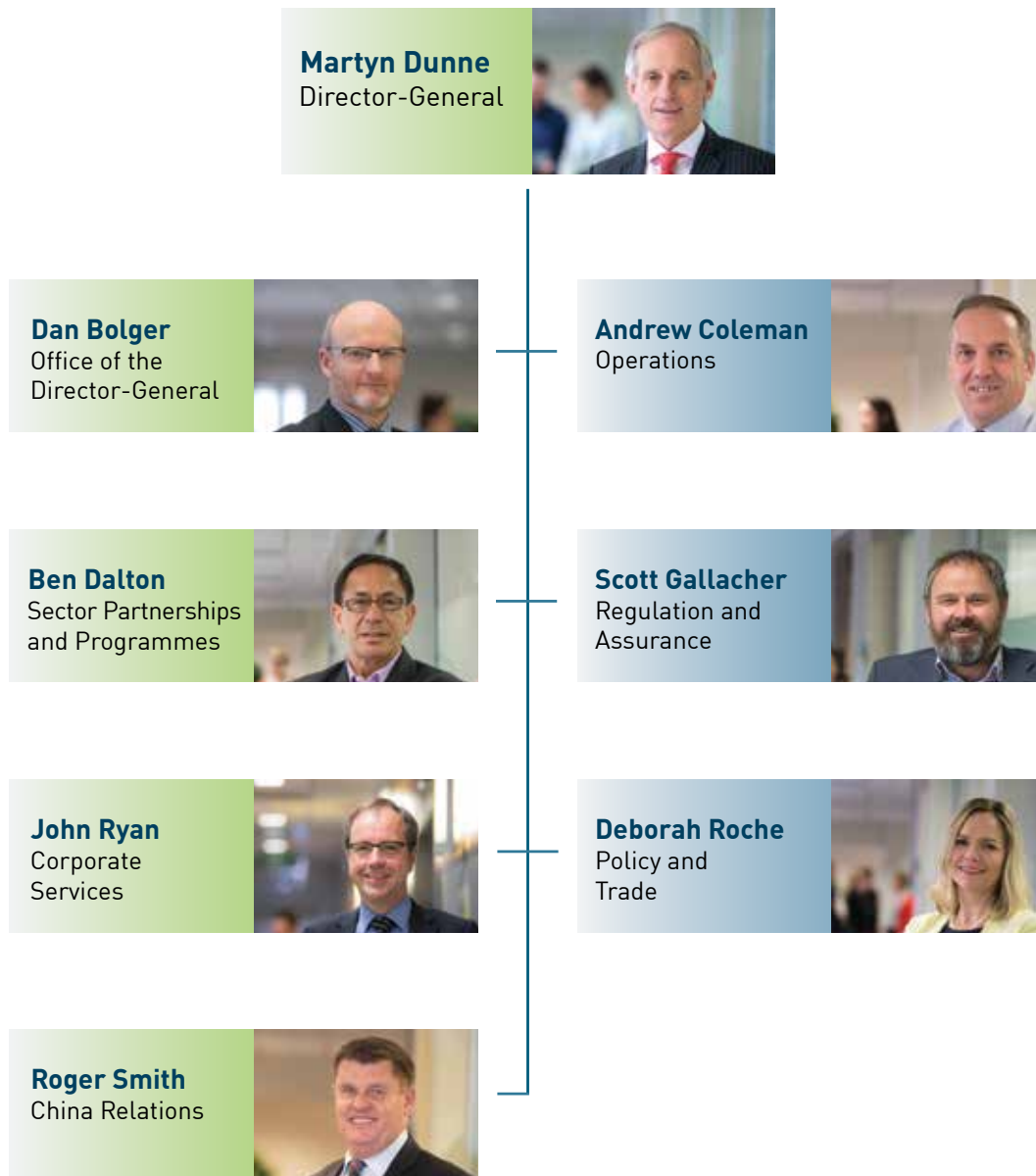
This programme helps the agriculture and forestry sectors with the challenges arising from climate change. Each year MPI approves a number of priority topics that address one of the following research themes:

- impacts of climate change and adaptation;
- mitigation of agricultural and forestry greenhouse gas emissions;
- cross-cutting issues, including economic analysis, life-cycle analysis, farm catchment systems analysis, and social impact.

Rural Veterinarian Bonding Scheme

To deal with a shortage of veterinarians in rural areas, the Government has committed to a voluntary bonding scheme for veterinarians. The scheme gives veterinarians a taxable payment of \$11,000 for every year they work in an eligible area, up to a maximum of five years.

MPI's Organisational Structure





MINISTER'S REPORTS ON NON-DEPARTMENTAL APPROPRIATIONS



Vote

Primary Industries

The following reports are in relation to selected non-departmental appropriations for the year ended 30 June 2015

Crown Forestry

Introduction

This report covers Vote Primary Industries non-departmental output expense Management of Crown Forestry Assets. MPI administers the Crown's interest in forestry leases on Māori land, residual Crown forests and other forestry assets.

Specifically, as at 30 June 2015, MPI manages the Crown's interest in:

- 18 forests with a total planted area of 18,593 hectares;
- six afforestation leases where Crown forest land has been leased to other parties for forestry purposes;
- a portfolio of four forestry encouragement loans held by City Forests Ltd (wholly owned by Dunedin City Council). The total value of outstanding loans was \$7.8 million. These loans were established under the Forestry Encouragement Act 1962 and the Forestry Encouragement Loans Regulations (1967).

Non-departmental outputs purchased by the Crown under this appropriation relate to the day-to-day operational management of the Crown forest estate, which is contracted to six forest management companies. Business and strategic planning, audit and administration functions related to these forest assets are carried out by MPI staff and funded by departmental appropriations.

Statement of service performance

Scope of appropriation

This appropriation is limited to payments for forest and asset management of Crown forests established on both Crown-owned and leased Māori land and leases of Crown-owned land to other parties for forestry purposes.

Intended impacts, outcomes or objectives

The primary objective of Crown Forestry is the effective and efficient management (that is, establishment, silviculture, harvesting) of the Crown's forests.

Description of activities

This output expense covers payments and revenue for forest and asset management of Crown forests established on both Crown-owned and leased Māori land and leases of Crown-owned land to other parties for forestry purposes. Payments made include:

- pruning and thinning;
- fertilising;
- protection from fire and disease;
- the harvesting of forest produce and replanting of harvested areas;
- technical support;
- local authority rates;
- land rents;
- stumpage payments.

Revenue is earned from sales of forest produce and from land rental.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
Management of 19,216 net stocked hectares	Achieved: Area managed was 18,593 hectares as at 30 June 2015. Reduction is due to early handback of Parengarenga A Forest in March 2015 in line with our mandate to surrender forests where possible.
Manage contracts to complete 3,476 hectares of silvicultural tending	Achieved: 3,511 hectares of silvicultural tending was completed. The slight increase in hectares is because harvesting finished earlier than anticipated in Waipiro Forest, which allowed planting planned for 2015/16 to be done in 2014/15.
Manage contracts to supply 1,040,710 cubic metres (m ³) of logs	Not achieved: 999,043m ³ of logs were produced, 4% lower than the programme forecast but within industry-accepted tolerances on a large programme. The reduced log production was due to the delayed harvest of two forests – Poutu 2F and Waiuku – which are now scheduled for harvest in 2015/16.
Average stumpage price of \$39/m ³ for logs	Achieved: The average stumpage price was \$42/m ³ . This is a better end-of-year result than anticipated in the March baseline update (MBU). Actual sales revenue for 2014/15 is \$102.43/m ³ , compared to the MBU estimate of \$101.86/m ³ . Actual cost of goods sold is \$60.35/m ³ , compared to the MBU estimate of \$62.54/m ³ , due to better-than-forecast market conditions.
Management fee of \$26 per gross hectare exclusive of harvesting and re-investment	Achieved: The management fee was \$26 per gross hectare.
Hectares lost from fire attributable to the quality of Crown Forestry's response and systems (0 hectares)	Achieved: No area was lost from fire.
Fixed cost of \$50 per gross hectare	Achieved: The fixed cost was \$44 per gross hectare. Costs incurred during the year were significantly less than budgeted.

Service performance – financial

	ACTUAL 2014/15 \$000	ESTIMATES 2014/15 \$000	SUPP ESTIMATES 2014/15 \$000	ACTUAL 2013/14 \$000
EXPENSES AND REVENUE				
Expenditure (funded by the Crown)	76,997	73,927	83,480	97,408
Crown revenue (sale of forest produce)	103,071	100,355	106,314	134,974

Additional comments

REVENUE VARIANCE

Revenue variance is attributed to the reduced harvest in Waiuku, Poutu 2F, Parengarenga and Whanganui forests, offset by an increased harvest out of Lake Taupō Forest (as a result of a planned introduction of a new hauler crew).

Market conditions during the year dictated that it was prudent to halt harvesting out of Waiuku and not commence harvesting in Whanganui and Poutu 2F. The final volume out of Parengarenga was 10,000 tonnes below forecast.

EXPENDITURE VARIANCE

The majority of the expenditure variance is attributed to the reduced harvest out of Waiuku, Poutu 2F, Whanganui and Parengarenga forests (84,000 cubic metres accounting for approximately \$5.2 million of the harvesting budget). As harvesting was not undertaken, the budgeted expenditure was not required.

The small write-off (\$57,000) relates to the contract against Tokararangi Forest and reflects that the forest is one year closer to the end of its lease in 2079. This is a non-cancellable contract for the lease of land for forestry purposes. Based on current market conditions, the unavoidable costs of meeting the contract exceeds the economic benefits to be received from them.

The remaining variance (about \$1.2 million) reflects an underspend in the operational budget for protection and maintenance – no significant event occurred that required a significant drawdown on budgeted expenditure.

Aquaculture Settlements

This report covers Vote Primary Industries non-departmental other expense Aquaculture Settlements.

The Māori Commercial Aquaculture Claims Settlement Act 2004 (the Act) provides a full and final settlement of Māori contemporary claims to commercial aquaculture space created since September 1992. The Act established the Crown's obligation to provide iwi with the equivalent of 20 percent of the aquaculture space created between September 1992 and December 2004 ("pre-commencement space").

In 2011, the Māori Commercial Aquaculture Claims Settlement Amendment Act 2011 (the Amendment Act) was established. The Amendment Act requires the Crown to provide for settlement assets that are representative of 20 percent of new aquaculture space created or anticipated on or after 1 October 2011. These obligations apply and must be satisfied on a regional basis.

Statement of service performance

Scope of appropriation

This appropriation is limited to the recognition of settlements negotiated under the Māori Aquaculture Commercial Claims Settlement Act 2004.

Intended impacts, outcomes or objectives

The Act provides for the full and final settlement of contemporary Māori claims to commercial aquaculture. The Act was developed as part of the 2004 aquaculture law reforms and provided for claims to be settled by allocating authorisations for 20 percent of aquaculture management areas (AMAs) to iwi. The Amendment Act removes the requirement for AMAs to be established before new space for aquaculture activities can be applied for. As a result of this change, a new delivery mechanism for the new space settlement was developed.

The 2011 Amendment Act amended the 2004 Act to enable the settlement to be delivered on a regional basis through regional agreements or, when an agreement is not reached within the specified timeframe, through a default option.

The Act delivers this full and final settlement through providing settlement assets to Te Ohu Kaimoana Trustee Ltd (the Trustee). The settlement assets must be representative of 20 percent of aquaculture space, where that space is either:

- **pre-commencement space:** marine farming space applied for (and subsequently granted) between 21 September 1992 and 31 December 2004; or
- **new space:** new marine farming space (consented or anticipated) from 1 October 2011 onwards.

Service performance – non-financial

The pre-commencement space settlement process is approximately 98 percent complete – that is, only 2 percent of the obligation on the Crown (by value) remains on the Crown. The Trustee and MPI will continue to engage with iwi in the regions where outstanding obligations remain.

Significant steps have been made in 2014 to progress the Crown's aquaculture new space obligations. The New

Space Plan was approved by the Minister in June 2014. The Crown is on schedule to settle its new space obligation to iwi, within the statutory timeframes as described below.

Service performance – financial

ACTUAL EXPENSES COMPARED TO THAT APPROPRIATED (FUNDED BY THE CROWN)	BUDGETED 2013/14 \$000	BUDGET 2014/15 \$000	ESTIMATED 2015/16 \$000	ESTIMATED 2016/17 & OUTYEARS \$000
Pre-commencement	10,848	–	–	–
New space	52,000	9,500	13,000	–
Expense transfers in 2013	(10,848)	10,848	–	–
Expense transfers in 2014	(52,000)	46,000	6,000	–
Expense transfers in 2015	–	(66,348)	66,348	–
Revised baseline	0	0	85,348	0

Additional comments

The Crown has a legislative obligation under the Māori Commercial Aquaculture Claims Settlement Act 2004 to settle pre-commencement and new space obligations to iwi.

PRE-COMMENCEMENT SPACE OBLIGATIONS TO IWI

The Crown has discharged a significant component of its pre-commencement space obligations. The total amount of space to be settled under the pre-commencement space register is approximately 19,230 hectares. To date, the Crown has settled 18,263 hectares of that space, equating to a total of \$102.913 million for pre-commencement space settlements.

Ministers have recently signed regional agreements to settle pre-commencement space obligations to iwi in the Auckland and Waikato-east regions (Aotea Harbour, Kāwhia Harbour) with a total value of \$601,000.

Pre-commencement space settlements in advanced stages include D'Urville Island, Northland and Wellington, which total approximately \$1.5 million. All outstanding pre-commencement space obligations on the Crown can be met by appropriated funds.

NEW SPACE OBLIGATIONS TO IWI

\$74.5 million of funding is appropriated to meet the Crown's new space obligations. New space settlements are complex due to the prospective nature of the settlement. The complexities of the settlement included forecasting estimated growth of aquaculture space for the three commercially grown species (oyster, mussels and salmon) and the valuation of the estimated growth.

In August 2014, MPI released the Māori Commercial Aquaculture New Space Plan, which is the framework for how the Crown will deliver on the settlement of new space under the Act.

Progress includes Crown regional offers being made to iwi aquaculture organisations in seven regions (Northland, Waikato-east, Marlborough, Tasman, Auckland, Canterbury and Southland) and subsequent negotiations in all seven regions.

On 23 July 2015, regional agreements for the Auckland, Tasman and Marlborough regions were signed between iwi aquaculture organisations and Crown parties. The Auckland, Tasman and Marlborough regional agreements resulted in a total Crown cash payment of \$45.896 million in the 2015/16 financial year. Imprest supply from Treasury enabled the payment to proceed in August 2015, before the October baseline update.

Regional agreements for the Northland and Waikato-east regions are scheduled to be signed by 30 September 2015, with the remaining regions of Canterbury and Southland scheduled to be signed by 30 November 2015.

The entire \$74.5 million is now appropriated for 2014/15 and 2015/16.

The budgeted \$66.348 million for 2014/15 was carried forward which, when combined with the prior supplementary estimates of \$19 million, gives a total of \$85.348 million appropriated in 2015/16 for aquaculture settlements.

Climate Change Research

Introduction

This report covers Vote Primary Industries non-departmental output expense Climate Change Research.

The Sustainable Land Management and Climate Change (SLMACC) programme was established in 2007 to address non-price climate change measures for the agriculture and forestry sectors. It consists of a number of separate elements that focus on:

- adaptation to climate change;
- reducing emissions in agriculture and forestry and creating carbon sinks;
- capitalising on business opportunities arising from climate change.

The SLMACC programme includes a contestable research fund to generate new climate change knowledge through research in the agriculture and forestry sectors. Research priorities are established for the fund each year using a strategic research framework and SLMACC subject matter experts. The priorities focus on areas where there are gaps in knowledge and potential for advances in responding to climate change by the agriculture and forestry sectors.

The goal of the research programme is to provide research that is timely in achieving the goals of the three pillars of adaptation, mitigation and business opportunities. The knowledge generated by this fund is used to inform and develop policies and further research as well as being transferred to land users and their advisors through the SLMACC technology transfer programme.

SLMACC research funding is for projects that run for either one or three years and meet the quality criteria of the fund. In 2014/15, \$5.5 million was available for SLMACC research with \$4.4 million already committed from previous funding rounds.

In 2014/15, proposals were sought for a total of five research priorities: three priorities under the theme adaption, one under mitigation forestry and one under a cross-cutting priority. MPI contracted five new research projects totalling \$1.3 million over three years. Non-departmental outputs purchased by the Crown under this appropriation relate to research projects undertaken by research providers. These include universities and Crown research institutes.

Statement of service performance

Scope of appropriation

This appropriation is limited to obtaining science, research, technology, capacity and capability in climate change research related to the primary land-based sectors.

Intended impacts, outcomes or objectives

The objective of the SLMACC research fund is to increase our knowledge of agricultural and forestry emissions, mitigation practices and technologies, and business opportunities. The knowledge generated includes basic, strategic and applied knowledge that can support further research and policy development, and/or be used directly by farmers or their advisors.

Investments in SLMACC research aim to generate knowledge that can be used to:

- enhance and support adaptation to climate change;

- reduce agricultural greenhouse gases;
- encourage the establishment of forest sinks in indigenous and planted forests;
- manage deforestation;
- capitalise on new business opportunities arising from the world's response to climate change.

Description of activities

This other expense covers payments for:

- research activities;
- project management;
- financial management.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
85% of research projects funded are completed within contracted timeframes	Not achieved: 78% The target was not reached due to two of the nine projects being delayed. The delays were due to analysis and preparation issues around production of the final reports. Guidelines and expectations will be clearly communicated to contracted providers to prevent a similar situation occurring with future reports.

Service performance – financial

EXPENSES	ACTUAL 2014/15 \$000	ESTIMATES 2014/15 \$000	SUPP ESTIMATES 2014/15 \$000	ACTUAL 2013/14 \$000
Actual expenses incurred compared to that appropriated in estimates (funded by the Crown)	3,825	5,000	4,836	5,203

East Coast Afforestation Grants

Introduction

This report covers Vote Primary Industries non-departmental other expense East Coast Afforestation Grants Scheme.

The East Coast Forestry Project, now known as the Erosion Control Funding Programme (ECFP), was established in 1992 to address the wide-scale erosion problem in the Gisborne district.

The ECFP funds three primary types of erosion treatments:

- forestry planting;
- pole planting (willows or poplars);
- indigenous reversion.

The ECFP grant can be used to control erosion on the worst eroding or erosion-prone land in the district (MPI refers to this type of land as target land). The ECFP provides a grant for establishing an effective tree cover through planting or encouraging natural reversion to native bush.

Grant rates are calculated on the treatment type. For forestry, rates are calculated on how far the planting is away from the Gisborne Port. Higher grant rates are paid for forestry that is further away from the port. Grant rates for pole treatments are calculated on what costs are actual and reasonable, and rates for reversion are on a per hectare basis.

The ECFP supports:

- the Crown to meet its commitments in the Deed of Settlement and subsequent Relationship Accord agreed in April 2014 with Ngāti Porou regarding the 100-year Restoring the Waiapu Catchment programme;
- implementation of the Gisborne District Council's Sustainable Hill Country Programme as part of the Combined Regional Land and District Plan.

In 2009, the Gisborne District Council implemented District Plan rule Land Overlay 3A (LO3A), which requires landowners with LO3A land to either have effective tree cover or have certified land plans by 2011 and effective tree cover by 2021. The rule is conditional on the availability of ECFP funding so will lapse should the ECFP or an alternative funding source not be available.

Erosion in Gisborne district

The Gisborne district has a severe erosion problem; 26 percent of Gisborne district's land is susceptible to severe erosion, compared with only eight percent of all land in New Zealand. Severe erosion includes large-scale gully erosion, earthflow erosion and deep-seated slumps.

Severe erosion causes long-term damage to the productivity of rural land. It threatens communities and rural businesses, including farms and orchards, and roads and bridges. It lowers water quality by contributing large amounts of sediment to river systems, and it harms the natural and cultural values of the land and the coastal environment.

The Gisborne district is susceptible to regular high-intensity weather events that cause soil erosion and downstream flooding. These weather events are likely to get heavier and/or more frequent. For a mid-range global greenhouse gas emission scenario, a 1-in-100-year event now could become a 1-in-50-year event by the end of the century.

Scheme improvements

The ECFP underwent a transformation as a result of two reviews by MPI in 2011 and 2012, and public consultation held in 2012/13.

Administrative requirements such as the covenant may be replaced by 15-year grant agreements, and payments to grantees are expedited to reduce the need for bridging finance. Since 1 August 2014, 29 grantees have opted to move from covenants to grant agreements, with 15 currently under negotiation and the remainder dispatched for signing.

The changes also provide a window of up to four years to establish trees on the target land to better recognise the seasonal nature and practicalities of planting programmes.

Statement of service performance

Scope of appropriation

This appropriation is limited to applications for grant funding of erosion treatments that were approved and administered under the Forestry (East Coast) Grants Regulations 2000 as well as applications that have been approved since 1 July 2014 and administered by way of grant agreements.

Intended impacts, outcomes or objectives

The primary objective of the ECFP is to encourage the establishment of erosion control treatments on the worst eroding or erosion-prone land in the Gisborne district.

By treating erosion, long-term productivity will improve through retaining productive land, reducing the impact of sediment entering waterways and reducing the damage to infrastructure caused by extreme weather events. Erosion treatments assist with reducing flood peaks, reduce the likely impacts of climate change, improve water quality by reducing nutrient leaching, and improve indigenous biodiversity.

Description of activities

In the 2014/15 funding round, 15 applications were assessed for funding eligibility with 12 approved funding.

A total of 955.6 hectares of erosion treatments were established in 2014/15, with maintenance carried out on projects undertaken in previous years. All erosion treatment milestones funded through the ECFP underwent a site inspection before payment to determine if work was completed to an acceptable standard and in accordance with the approved grant conditions. 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.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
Grant funding approved for the year (\$4,500,000)	Not achieved: Grant funding of \$476,487 was approved for the year.
Annual area treated for erosion (4,400 hectares)	Not achieved: 263 hectares were treated for erosion during the year.
Total area treated since the initial implementation of the scheme (41,000 hectares)	Not achieved: 40,660 hectares have been treated since the initial implementation of the scheme.

Additional comments

The performance standard for 2014/15 was not met. The ECFP is in the mature phase of the programme uptake. Most of the willing participants have joined the scheme in previous years. MPI has now prioritised the very worst eroding land and is working with landowners who have a number of unique challenges.

The 2014/15 forecast for area afforested since implementation of the scheme was not met.

Improved monitoring processes have identified discrepancies in the reported treatment figures for 2012/13 and 2013/14. The corrected figure for 2014/15 is now 40,660 hectares, which is seven percent less than originally recorded.

The previous figures included areas that were not covered by the ECFP but are beneficial to erosion control, and predicted establishment that subsequently did not occur.

New processes to define treatment areas will be shared and confirmed with all treatment providers to ensure data collection is accurate. This will be supported by ongoing monitoring through MPI's information systems to ensure reporting accuracy.

The worst erosion-prone land is in the north of the district in the Waiapu catchment and adjacent catchments. The owners of these blocks present some unique challenges (small blocks, low income generated from the land, multiple-owned land with limited governance structures in place). MPI is working alongside landowners in partnership with Gisborne District Council and Te Rūnanganui o Ngāti Porou on a concerted effort to get these difficult blocks treated through the ECFP.

Service performance – financial

The East Coast Afforestation Grants expenditure is covered by a multi-year appropriation over four years from 1 July 2013 to 30 June 2017. Multi-year appropriations give departments flexibility to manage expenses over a number of years, up to a maximum of five years. They are used for activities where total costs are well-defined but timing of expenditure between the years is uncertain.

APPROPRIATION, ADJUSTMENTS AND USE	\$000
Original appropriation	18,460
Adjustments for 2013/14	4,495
Adjusted appropriation	22,955
Actual expenses for 2013/14	(3,357)
Actual expenses for 2014/15	(1,264)
Appropriation remaining	18,334

Additional comments

Prior to 2013/14, expenditure was against an annual appropriation; \$889,000 was spent in 2012/13.

Global Research Alliance

Introduction

This report covers Vote Primary Industries non-departmental other expense Global Research Alliance on Agricultural Greenhouse Gases.

The Global Research Alliance (the Alliance) was established in 2009 and now has 46 member countries. The Alliance is focused on 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.

The Alliance brings together interested countries and organisations to drive greater effort and investment. The current chair is the Netherlands, with the United States of America (USA) as the vice chair. The USA will take over the chair at the Global Research Alliance Council meeting in September 2015. New Zealand was the Council Chair from 2011–2012 and interim Vice-Chair in the last half of 2014.

The Alliance's work is centred on the following three research groups and two cross-cutting groups (with countries which co-ordinate each group identified):

- Croplands Research Group (USA and Brazil);
- Livestock Research Group (New Zealand and the Netherlands);
- Paddy Rice Research Group (Japan and Uruguay);
- Soil Carbon and Nitrogen Cycling Cross-Cutting Group (France and Australia);
- Inventory and Monitoring Cross-Cutting Group (Canada and the Netherlands).

The groups have developed work plans that cover a wide range of collaborative activities designed to share methodologies and techniques, build capacity amongst scientists and other practitioners, and move towards breakthrough solutions in addressing greenhouse gas emissions.

New Zealand played a leading role in the Alliance's establishment and continues to be a major contributing country, including hosting the Alliance secretariat, co-chairing its Livestock Research Group, providing scientific representation in almost all of the other groups, and being an active member of its council.

New Zealand has committed \$45 million until 2019 to support the work of the Alliance. This appropriation is a multi-year appropriation until 30 June 2016 at which point it returns to being managed as an annual appropriation. The budget is administered by MPI and is used primarily to invest in international and domestic research and capability-building opportunities, and extension activities that arise through the Alliance, particularly the Livestock Research Group. A small amount is used to meet the administrative and operational costs to New Zealand participating in the Alliance, including hosting its secretariat, and to support Alliance activities.

MPI contracts with the New Zealand Agricultural Greenhouse Gas Research Centre to provide services to support New Zealand's Alliance work programme, including:

- co-chairing the Alliance's Livestock Research Group;
- leading New Zealand's scientific input into the Alliance and contributing to the Alliance'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.

A major feature of the Alliance appropriation is the New Zealand Fund for Global Partnerships in Livestock Emissions Research (GPLER). This contestable, international fund was launched in 2011 in support of the Alliance's aims and invests in research on mitigating greenhouse gas emissions from pastoral livestock systems.

Three funding rounds were held with the final funding round closing in October 2014. Four projects were funded from Round 1, totalling \$6.82 million; three projects were funded from Round 2, totalling \$2.36 million; and three projects are under negotiation from Round 3, totalling \$3.2 million. Projects from Rounds 1 and 2 are all due for completion by 30 June 2016. Projects from the third funding round are due for completion by 30 June 2019. All applications to the GPLER were assessed by an international technical assessment panel chaired by the Prime Minister's Chief Science Advisor, Professor Sir Peter Gluckman. Final projects are approved by MPI's Director-General.

Research funded under the GPLER must be significantly beyond business-as-usual, resulting in innovative, cost-effective, sustainable solutions that can be readily adopted by New Zealand farmers (and those in other countries with similar livestock emissions) or that will benefit New Zealand in other ways. The fund is administered by MPI and aims to build on and complement New Zealand's key research strengths and existing investments in this area.

Other ways that the Alliance appropriation is invested in research include supporting priority projects of the Alliance's Livestock Research Group (run as open tender processes), bilateral or multi-country research calls, capability-building projects, training and engagement workshops, extension activities and other related activities.

Statement of service performance

Scope of appropriation

This appropriation is limited to the Global Research Alliance on Agricultural Greenhouse Gases.

Intended impacts, outcomes or objectives

The primary objective of the Alliance is to find new and more efficient ways of co-ordinating and increasing international investment and research into reducing agricultural greenhouse gas emissions. More specifically, the Alliance 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 Alliance and its dissemination is intended to deliver on a number of objectives, including:

- reducing global greenhouse gas emissions from a significant source;
- developing and demonstrating mitigation technologies that can be applied to agricultural production around the world;
- better understanding 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 Alliance's work:

- research activities;
- demonstration and extension activities and resources;
- project management;
- financial management.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
85% of Alliance research projects funded with the New Zealand budget are completed within contracted timeframes	Not achieved: 62% Late completion this financial year was due to ensuring the quality of the deliverables.
95% of Alliance projects funded with the New Zealand budget are completed to contracted quality standard	Achieved: 100% All contracts completed to contracted standards but this resulted in some delays.

Service performance – financial

Alliance expenditure is covered by a multi-year appropriation over four years from 1 July 2012 to 30 June 2016, at which point it returns to being managed as an annual appropriation. Multi-year appropriations give departments flexibility to manage expenses over a number of years, up to a maximum of five years. They are used for activities where total costs are well-defined but timing of expenditure between the years is uncertain.

APPROPRIATION, ADJUSTMENTS AND USE	\$000
Original appropriation	38,253
Adjustments for 2012/13	442
Adjustments for 2013/14	(9,410)
Adjusted appropriation	29,504
Actual expenses for 2012/13	(1,955)
Actual expenses for 2013/14	(6,777)
Actual expenses for 2014/15	(5,850)
Appropriation remaining	14,922

Hill Country Erosion Fund

Introduction

This report covers Vote Primary Industries non-departmental other expense Hill Country Erosion Fund.

The Sustainable Land Management (SLM) Hill Country Erosion Fund is part of the SLM Hill Country Erosion Programme.

About the fund

Through regional initiatives, the SLM Hill Country Erosion Fund provides targeted government support to communities that need to protect erosion-prone hill country while recognising that, wherever possible, farmers seek to retain the maximum practical production from their land. Regional councils and unitary authorities may apply for funding for projects that assist hill-country farmers to treat erosion-prone land and implement sustainable management practices.

Through the fund, \$2.2 million per year is available for regional initiatives. Projects may be funded for up to four years. The actual annual funds available will depend on the value of grants awarded in previous years. There is no minimum or maximum annual grant.

A Hill Country Erosion Fund grant will not cover the full cost of a project. Regional councils and landowners are also expected to provide some financial support to the proposed project. Landowners' support may include an "in-kind" contribution.

What the fund can be used for

Funds can be used for regional initiatives that:

- protect unstable or potentially unstable land;
- protect stream beds;
- support community catchment facilitation groups;
- plan or implement erosion protection programmes;
- educate owners of hill country;
- provide resources for protection programmes.

What the fund cannot be used for

The fund cannot be used for projects that primarily focus on:

- purchasing land;
- commercial forestry;
- lower catchment infrastructure (roads, stop banks);
- water quality improvement;
- carbon sequestration;
- biodiversity;
- land management programmes covering an area of less than 10,000 hectares;
- retrospective costs;
- activities more appropriately funded by other funds or organisations;
- local or central government fees or charges;
- participation in statutory processes, litigation or resource inventory work;
- East Coast Forestry Project target land.

There are other funds that may be more suitable for supporting these types of work.

Statement of service performance

Scope of appropriation

This appropriation is limited to projects that protect erosion-prone hill country.

Intended impacts, outcomes or objectives

This appropriation is intended to achieve the effective management and administration of projects and regional initiatives developed to protect erosion-prone hill country.

Description of activities

Protecting erosion-prone hill country prevents damage to both rural and urban businesses, communities, and infrastructure.

During 2014/15 the fund supported erosion control planning and implementation activities relating to the four schemes in the fund:

- Wellington Regional Erosion Control Initiative (Greater Wellington Regional Council);
- South Taranaki and Regional Erosion Support Scheme (Taranaki Regional Council);
- Sustainable Land Use Initiative (Horizons Regional Council);
- Wairoa Sediment Reduction Initiative (Hawke's Bay Regional Council).

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
Annual area treated (3,000 hectares)	Achieved: 3,540 hectares treated.

Service performance – financial

EXPENSES	ACTUAL 2014/15 \$000	ESTIMATES 2014/15 \$000	SUPP ESTIMATES 2014/15 \$000	ACTUAL 2013/14 \$000
Actual expenses incurred compared to that appropriated in estimates (funded by the Crown)	2,107	2,200	2,200	1,717

Water Storage and Irrigation Investment Proposals

Introduction

This report covers Vote Primary Industries non-departmental other expense Water Storage and Investment Proposals. This appropriation is given effect through the Irrigation Acceleration Fund (IAF).

IAF funding for rural water infrastructure proposals is available for three distinct components:

- Regional rural water infrastructure – to assist the development of regionally significant water harvesting, storage and distribution proposals. Proposals must be consistent with agreed regional approaches to the sustainable use and management of water.
- Strategic water management studies – to assist the development of regional approaches to integrated water management, particularly the potential of irrigation-related rural water infrastructure to contribute to the sustainable use and management of water for future generations.
- Community irrigation schemes – to assist both capital upgrades of existing community scheme infrastructure and new, smaller-scale community scheme developments. Proposals must be consistent with agreed regional strategies.

The IAF contribution to agreed programmes is based on a sliding scale up to a maximum of 50 percent. As far as practicable, the IAF also adopts a multi-year development, programme-based approach, subject to achievement of milestones and the critical assessment of continuing project viability at identified stop/go decision points.

The 2011 Budget allocated \$35 million over five years to support the development of irrigation infrastructure proposals to the investment-ready prospectus stage.

Non-departmental outputs purchased by the Crown under this appropriation relate to grants provided to proponents of irrigation and rural water infrastructure schemes for the development of investment-ready proposals.

The administration of the IAF, technical advice and peer review of proposals, and promotion of the IAF are funded by MPI departmental appropriations. This includes the funding of an external expert panel, which is engaged to provide specialist skills and advice.

Statement of service performance

Scope of appropriation

This appropriation is limited to the preparation of proposals for irrigation and rural water infrastructure schemes to an investment-ready stage.

Intended impacts, outcomes or objectives

The objective of the IAF is to influence the development of proposed irrigation and rural water infrastructure schemes so that they are established on a strong commercial footing and are able to attract investment.

Increased investment in irrigation infrastructure has the potential to deliver economic growth through:

- increased production and better utilisation of existing resources;
- diversified land use and a wider range of high-value crops;
- certainty of production and access to high-value markets;
- improved farm business risk management;
- providing a buffer for regional and national economic shocks from drought and climate change;
- more economic and competitive use of value-added processing facilities.

Description of activities

This other expense covers grant payments for:

- technical work programmes required in the development of scheme proposals;
- community consultation and engagement.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
IAF programme funding is within +/- 10% of IAF funding scheduled for each year	Not achieved: The grant scheduled for payment in the 2014/15 year was \$9 million. The grant paid in the year was \$4.4 million or 49% of scheduled payments. The difference between grant scheduled and grant paid relates to technical and timing issues with scheduled work programmes. Work not completed in 2014/15 will be progressed in 2015/16.
85% of IAF programmes funded are completed within contracted timeframes	Not achieved: 75% of IAF funded work programmes were completed within contracted timeframes. Six of eight project work programmes scheduled were completed in 2014/15.
75% of IAF proposals that get to prospectus stage proceed to construction	Achieved: 100% of IAF proposals that reached prospectus stage proceeded to construction. Two projects reached the prospectus stage in 2014/15. Both of these projects are currently in construction.

Service performance – financial

The IAF expenditure is covered by a multi-year appropriation over four years from 1 July 2012 to 30 June 2016. Multi-year appropriations give departments flexibility to manage expenses over a number of years, up to a maximum of five years. They are used for activities where total costs are well-defined but timing of expenditure between the years is uncertain.

APPROPRIATION, ADJUSTMENTS AND USE	\$000
Original appropriation	32,500
Adjustments for 2012/13 – balance of 2011/12 appropriation	725
Adjusted appropriation	33,225
Actual expenses for 2012/13	5,994
Actual expenses for 2013/14	8,418
Actual expenses for 2014/15	4,480
Appropriation remaining	14,333

Additional comments

\$1.775 million was spent in 2011/12 under the former Vote Agriculture and Forestry.

Primary Growth Partnership

Introduction

This report covers Vote Primary Industries non-departmental other expense Primary Growth Partnership.

The Primary Growth Partnership (PGP) is a government–industry initiative that makes joint investments with private sector partners in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary, forestry and food sectors.

Investments cover the whole of the value chain, including education and skills development, research and development, product development, commercialisation, commercial development and technology transfer.

The PGP programmes are primarily business-led and market-driven innovation programmes that work across the primary industry value chain. The PGP is about boosting productivity and profitability, and delivering long-term economic growth and sustainability across the primary sectors, from producer to consumer.

Statement of service performance

Scope of appropriation

This appropriation is limited to primary and related industries sector investment in capability development, research and development, product development, commercialisation, market development, and knowledge sharing, in partnership with relevant industry groups.

The industries included within the scope of the PGP are:

- pastoral (including wool) and arable production;
- horticulture;
- seafood (including aquaculture);
- forestry and wood products;
- food processing (including nutraceuticals and bioactives);
- apiculture.

Intended impacts, outcomes or objectives

The PGP will boost productivity by supporting greater levels of business-led investment in innovation, and delivering long-term economic growth and sustainability across the primary sectors, from producer to consumer.

In order to receive funding, a PGP programme must comprise a suite of complementary and mutually supporting projects that demonstrate:

- **economic benefits:** assuming the programme is successfully implemented, it will result in direct and indirect net economic benefits to New Zealand;
- **spillover benefits:** assuming the programme is successfully implemented, there will be clearly identifiable spillover benefits to New Zealand;
- **sustainability benefits:** assuming the programme is successfully implemented, it will maintain or improve net sustainability for New Zealand.

PGP programmes are delivering clear and tangible benefits.

For example, New Zealand's fine wool sector is a step closer to eradicating footrot thanks to groundbreaking research in sheep genetics by the New Zealand Sheep Industry Transformation programme. Footrot is expensive to treat and costs farmers \$10 million a year. It also limits the expansion of fine wool breeds beyond

the high country because wetter, warmer conditions are more conducive to infection. This programme is using genetic testing to identify fine wool sheep with resistance to footrot, with researchers now close to developing a simple test for growers to eliminate footrot using selective breeding. This could see footrot bred out of New Zealand's fine wool flock.

A further example is the commercial release of N-Guru, a software tool that enables farmers to tailor application rates of nitrogen to areas that are likely to produce the highest pasture response. In addition to enabling more efficient use of nitrogen fertiliser and reducing over-application, there are obvious environmental benefits, and farmers are able to generate greater returns from their land with a lower footprint.

In April, the SPATnz PGP programme opened New Zealand's first dedicated Greenshell™ mussel hatchery. The new facility in Nelson allows SPATnz to selectively breed from many of the best mussels that nature has to offer, enhancing desirable traits such as faster growth rates, increased resilience, and vibrant colour.

Spillover benefits include the Primary Industry Capability Alliance (PICA), which was spun out of the Transforming the Dairy Value Chain PGP programme and is helping to build the capability and capacity to meet the future needs of New Zealand's primary industries. PICA is now a standalone entity and is growing in membership. PICA is delivering a strong industry-wide message under the brand "Growing NZ".

Importantly, the benefits of the PGP itself extend beyond individual programmes. The PGP is enabling important information and capability sharing across the primary industries – recognising that the sum of the benefits of PGP programmes working together is greater than if each programme worked in isolation.

For example, PGP programmes involving the red meat sector, such as FarmlQ, the Red Meat Profit Partnership, Marbled Grass-fed Beef and Passion2Profit, cover capabilities across the value chain ranging from breeding techniques to market analysis. They enhance skills, career pathways and the overall skill base of farmers in New Zealand.

Description of activities

PGP programmes are innovation programmes run over a number of years. For the year ending 30 June 2015, 18 programmes are underway with industry partners. Two new programmes started during the year (Passion2Profit and Targeting New Wealth with High Health) and one programme was completed (Stump to Pump).

Current and recently completed programmes for the PGP are listed below.

- **Innovative Steep Land Forest Harvesting** (partnering with Future Forest Research) is looking at more effective methods for harvesting trees on New Zealand's steep country.
- **New Zealand Sheep Industry Transformation** (partnering with the New Zealand Merino Wool Company) involves targeted scientific research into breeding, phenotyping and feed inputs.
- **Integrated Value Chain for Red Meat** (partnering with FarmlQ) aims to create a demand-driven integrated value chain for red meat.
- **Transforming the Dairy Value Chain** (partnering with Dairy NZ and Fonterra) aims to create new products, increase productivity on-farm, reduce farm environment footprints and improve agricultural education.
- **High Performance Mānuka Plantations** (partnering with Mānuka Research Partnership (NZ) Ltd and Comvita) aims to increase the reliability of supply and the proportion of medical grade mānuka honey.
- **Clearview Innovations** (partnering with Ballance AgriNutrients) aims to improve on-farm productivity and nutrient efficiency, and reduce farms' environmental footprints.
- **Precision Seafood Harvesting** (partnering with Aotearoa Fisheries, Sanford, and Sealord Group) aims to develop new wild catch harvest technology.
- **New Generation Shellfish** (partnering with SPATnz) aims to domesticate the greenshell mussel.
- **Foodplus** (partnering with ANZCO Foods) aims to generate more value from the red meat carcass by developing new and innovative uses for parts of the animal.
- **Seed and Nutritional Technology Development** (partnering with PGG Wrightson Seeds and Grasslanz Technology) aims to develop technologies to improve pasture establishment, reduce the impact of pests and diseases, overcome animal health disorders, and reduce greenhouse gas emissions and losses from drought stress.

- **Marbled Grass-fed Beef** (partnering with Firstlight Foods Ltd and Brownrigg Agriculture Group Ltd) aims to develop an integrated value chain for high-value marbled beef that is internationally recognised for its superior eating qualities.
- **Whai Hua** (partnering with Wairarapa Moana ki Pouakani Incorporation, Miraka Ltd and Kanematsu New Zealand Ltd) aims to develop immune-enhancing dairy milk products targeting health-conscious consumers in Asian and New Zealand markets.
- **Stump to Pump** (partnering with Norske Skog and Z Energy) is investigating how to generate more value from forestry waste by converting it to liquid biofuels. This programme finished on 30 September 2014.
- **Red Meat Profit Partnership** (partnering with Alliance Group, ANZ Bank, ANZCO, Beef + Lamb New Zealand, Blue Sky Meats, Greenlea Premier Meats, Progressive Meats, Rabobank, and Silver Fern Farms) aims to drive sustainable, long-term profits for New Zealand's red meat sector by supporting farmers in the adoption of best practice behind the farm gate and between the farm and processor.
- **New Zealand Avocados Go Global** (partnering with Avocado Industry Council) seeks to increase the productivity and capability within the avocado industry to deliver significant additional returns for New Zealand.
- **Lifestyle Wines** (partnering with New Zealand Winegrowers and 15 contributing wineries) is designed to position New Zealand as number one in the world for high quality, lower alcohol and lower calorie wines.
- **Pioneering to Precision – Application of Fertiliser in Hill Country** (partnering with Ravensdown Fertiliser Co-op Ltd) seeks to improve fertiliser practice on hill country farms through remote sensing of the nutrient status of the farms and precision application of fertiliser.
- **Passion2Profit** (partnering with Deer Industry NZ) aims to grow and capture the full value available to New Zealand by collaboratively positioning farm-raised venison in new markets as a premium non-seasonal meat and by better aligning supply with demand.
- **Targeting New Wealth with High Health** (partnering with Alliance Group and Headwaters NZ) aims to reach existing and emerging markets with a new class of premium lamb products with improved health qualities.

Monitoring of PGP projects

Individual PGP programmes are monitored in the following ways:

- **Mandatory quarterly progress reports** – funding agreements require co-investors to submit quarterly progress reports, which are reviewed by the Investment Advisory Panel and MPI with summaries published on the MPI website.
- **Annual business plan update** – funding agreements require each programme's business plan to be reviewed and updated annually to ensure that the programme is operating effectively, meeting its objectives and tracking towards outcomes.
- **Invoicing** – co-investors submit invoices for payment by MPI at least quarterly. These invoices are checked against the agreed budgets and work plans or milestones for the same period.
- **Financial management audit** – financial management is audited through programme audits (as well as each participating organisation's existing auditing and other reporting requirements), which are published on the MPI website.
- **Progress review** – programmes are required to have at least one external review carried out during the contract term to assess progress towards outcomes, programme governance and other matters selected on a case-by-case basis. Comprehensive summaries are published on the MPI website.
- **PGP annual meeting** – the annual meeting is attended by key Ministers, Investment Advisory Panel members, programme partners and government officials. This provides an opportunity to discuss the progress of programmes, highlight significant achievements and share learnings and ways of operating.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
85% of quarterly reports signed-off by Programme Steering Group	Achieved: 100%
85% of annual business plans reviewed and accepted in accordance with specific PGP agreements	Not achieved: 81% Three programmes did not meet the contractual requirements to provide an annual plan update within a specified timeframe. The reasons for non-compliance involved: <ul style="list-style-type: none"> • financial information needed for the Annual Plan of a new programme taking longer than expected to gather; • discussions regarding programme changes resulting in the Annual Plan being deferred, with MPI agreement; • Programme Steering Group members being overseas when the Annual Plan was due for sign-off.
85% of approved invoices processed within agreed timeframes	Achieved: 100%
The annual meeting is held in accordance with Investment Advisory Panel Terms of Reference	Achieved: Meeting held on 6 November 2014.

Service performance – financial

The PGP fund expenditure is covered by a multi-year appropriation over four years from 1 July 2012 to 30 June 2017. Multi-year appropriations give departments flexibility to manage expenses over a number of years, up to a maximum of five years. They are used for activities where total costs are well-defined but timing of expenditure between the years is uncertain.

APPROPRIATION, ADJUSTMENTS AND USE	\$000
Original appropriation	352,380
Adjustments for 2012/13	1,371
Adjustments for 2013/14	(27,000)
Adjustments for 2014/15	(50,695)
Adjusted appropriation	276,056
Actual expenses for 2012/13	(36,729)
Actual expenses for 2013/14	(41,995)
Actual expenses for 2014/15	(50,867)
Appropriation remaining	146,465

Additional comments

The decrease in appropriation by \$50.695 million to \$276.056 million is due the reprioritisation of funding within Vote Primary Industries, primarily to contribute towards the TB Strategy, food safety, regional economic development, and biosecurity.

Response to Office of the Auditor-General (OAG) report

All recommendations from the report have been successfully implemented and form part of ongoing PGP business practice.

The additional action under Recommendation 3 to “report back that the new reporting format is in use by all programmes” is on track for 30 August 2015.

STATUS UPDATE AS AT 14 JULY 2015

OAG REPORT RECOMMENDATIONS	MINISTRY RESPONSE	ACTIONS	TIMEFRAME	STATUS
Recommendation 1 – Improve current documentation of the Investment Advisory Panel discussions and decisions so that there is a clear, comprehensive, and easy-to-follow trail connected to how Primary Growth Partnership criteria have been considered by MPI and the Investment Advisory Panel in informing decision-making that aligns programmes with Primary Growth Partnership objectives	The format of MPI advice to the IAP on investment decisions will be updated to frame the panel's discussion on potential PGP programmes and explicitly assess how each PGP proposal aligns with eligibility criteria. The panel minutes template will be updated to include the rationale behind a decision made by the panel and that PGP eligibility criteria has been considered. This change in practice will be captured in the PGP Directorate Guidelines and will be implemented in consultation with the panel.	• MPI advice template enhanced to explicitly assess how each PGP proposal aligns with eligibility criteria	16 April 2015	Complete
		• Panel minutes template amended to enable clear articulation of decision rational and alignment to PGP eligibility criteria	6 May 2015	Complete
		• PGP Directorate Guidelines updated with change in practice	6 May 2015	Complete
		• Recommendation 1 implemented	11 May 2015	Complete
OAG REPORT RECOMMENDATIONS	MINISTRY RESPONSE	ACTIONS	TIMEFRAME	STATUS
Recommendation 2 – Ensure that the work it has underway results in reliable tracking and evaluation of the long-term outcomes and economic benefits that Primary Growth Partnership programmes and the Primary Growth Partnership portfolio achieve	The implementation of portfolio management to PGP is underway. Part of this work will shape how benefits are identified, managed and tracked at the portfolio level through the development of a Benefits Management Framework. Initial outputs of the framework will include a Benefits Register which captures key benefit information and a Benefits Map which presents a timeline for benefit realisation. (In earlier stages of portfolio development this was previously referred to as a Strategic Journey Map.)	• Complete development of benefits management framework which will enable tracking and support evaluation of portfolio outcomes.	3 July 2015	Complete
		• Portfolio reporting to include monthly update on benefits status	6 July 2015	Complete
		• IAP to start considering portfolio benefits on a monthly basis	14 July 2015	Complete
		• Recommendation 2 implemented	14 July 2015	Complete

OAG REPORT RECOMMENDATIONS	MINISTRY RESPONSE	ACTIONS	TIMEFRAME	STATUS
Recommendation 3 – Use a consistent and easily understood format to publicly report the progress and achievements of Primary Growth Partnership programmes and the Primary Growth Partnership portfolio	PGP will work with programme partners, with support from MPI's Communications team, to develop a new consistent format for public reporting.	• Draft template developed for feedback from programme partners	19 March 2015	Complete
		• PGP Agri-gate newsletter to include update on recommended change to public reporting format	20 March 2015	Complete
		• MPI to socialise template with programme partners	8 April 2015	Complete
		• New format for Quarterly Reporting Summaries implemented	30 April 2015	Complete
		• Recommendation 3 implemented by 15 April 2015	30 April 2015	Complete
		• Report back that the new reporting format is in use by all programmes	30 August 2015	Complete

Sustainable Farming Fund

Introduction

This report covers Vote Primary Industries non-departmental other expense Sustainable Farming Fund.

The Sustainable Farming Fund (SFF) invests in projects that deliver economic, environmental and social benefits to New Zealand's land-based primary industries and aquaculture sector. These projects include:

- applied research and development;
- field trials and demonstration projects;
- information, knowledge and technology transfer;
- identifying barriers to, and options for, improved land use and management;
- improving decision support;
- adding value and exploring market opportunities.

The SFF also funds projects that specifically support the three core objectives of the MPI Climate Change Plan of Action around mitigation, adaptation and business opportunities.

There are approximately 200 SFF projects underway at any one time. SFF projects are led by farmers, growers, foresters and marine farmers, often with the support of industry organisations, agribusiness, researchers or consultants.

MPI administers the SFF and makes grant payments of around \$8 million per annum.

The maximum SFF grant available is \$600,000 (that is, \$200,000 over three years), excluding GST. The SFF may fund up to 80 percent of the project value; however, most successful SFF projects are able to leverage a high proportion of other partnership funding or in-kind support to complement the SFF grant.

SFF grant applications undergo a contestable process, which is consistently oversubscribed. Applications are assessed and approved by an independent panel representing the primary industries and the rural community.

Non-departmental outputs purchased by the Crown under this appropriation relate to projects that are part-funded by MPI SFF grants.

Statement of service performance

Scope of appropriation

This appropriation is limited to community-driven projects aimed at improving sustainable economic, environmental and social performance.

Intended impacts, outcomes or objectives

The SFF seeks to make a measurable difference to sustainability by partnering with farmers, growers, foresters, marine farmers, industry good bodies and Crown research institutes on innovative projects and by creating links between individuals, sector groups and MPI.

SFF funding supports community-driven projects aimed at improving the sustainability of the agriculture, horticulture, forestry, aquaculture, and related sectors, and the improved management of New Zealand's natural resources. More specifically, SFF funding:

- provides opportunities for the adoption of new and improved practices;
- overcomes production and resource management problems;
- supports and engages rural industries and interest groups;
- improves environmental performance;
- facilitates market opportunities.

Description of activities

This other expense covers grant payments for:

- applied research activities;
- demonstration and extension activities and resources;
- information sharing and technology transfer activities;
- project management;
- financial management.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
85% of project milestones met	Achieved: 89%

Service performance – financial

EXPENSES	ACTUAL 2014/15 \$000	ESTIMATES 2014/15 \$000	SUPP ESTIMATES 2014/15 \$000	ACTUAL 2013/14 \$000
Actual expenses incurred compared to that appropriated in estimates (funded by the Crown)	5,417	8,600	8,291	7,939

Control of TB Vectors

Introduction

This report covers Vote Primary Industries non-departmental output expense Control of TB Vectors.

The Control of TB Vectors appropriation provides for the Crown's contribution to the implementation of the Bovine Tuberculosis National Pest Management Plan.

TBfree New Zealand (formerly the Animal Health Board) is appointed under the Biosecurity (National Bovine Tuberculosis Pest Management Plan) Order 1998 as the pest management agency for the Plan. The two main components of the Plan are disease control, which is fully industry-funded, and vector control, which is funded by the Crown, local government, some rural land occupiers, and industry.

Statement of service performance

Scope of appropriation

This appropriation is limited to the Crown's contribution to the implementation of the National Bovine Tuberculosis Pest Management Plan.

Intended impacts, outcomes or objectives

To control the spread of bovine tuberculosis from vectors to farm animals through the implementation of large- and small-scale control operations against all bovine tuberculosis vectors, including possums and ferrets.

Description of activities

This output covers the Crown's contribution to implementation of the National Bovine Tuberculosis Pest Management Plan. On 1 July 2011, a revised National Pest Management Plan (the Plan) for bovine tuberculosis was implemented. The objective of the Plan is to test the feasibility of eradicating bovine tuberculosis from wildlife populations, while maintaining freedom in existing vector-free areas. The Plan also aims to maintain infected herd levels at no more than 0.4 percent.

TBfree New Zealand (formerly the Animal Health Board) is appointed under the Biosecurity (National Bovine Tuberculosis Pest Management Plan) Order 1998 as the pest management agency for the Plan. The two main components of the Plan are disease control, which is fully industry-funded, and vector control, which is funded by the Crown, local government, some rural land occupiers and industry.

Under the revised Plan, the primary objectives are to establish the feasibility of eradicating endemic bovine tuberculosis from wildlife populations across a representative range of New Zealand terrains by achieving the following during the Plan's term:

- (a) eradication of bovine tuberculosis from vector populations over at least 2.5 million hectares of tuberculosis vector risk areas including two extensive forest areas representing relatively difficult operational terrain;
- (b) continued freedom from wildlife infection in areas where bovine tuberculosis is considered to have been eradicated from wildlife populations;
- (c) eradication of, and continued freedom from, bovine tuberculosis enabling the classification of the areas described in paragraphs (a) and (b) as tuberculosis vector-free areas;
- (d) the prevention of bovine tuberculosis being established in possum populations in vector-free areas.

The Plan's secondary objective is to maintain the national annual bovine tuberculosis infected herd period prevalence at the lowest possible level while achieving the primary objectives, and at no greater than 0.4 percent throughout the term of the Plan.

The Crown funding is managed through a funding agreement with TBfree New Zealand. The Crown funding under this output is based on the Crown's assessed obligations, due to the presence of wildlife vectors on Crown land (called TB vectors), plus a proportional contribution to "common costs" of delivering the Plan.

The funding contributes to vector control measures and monitoring of the Crown estate, adjoining land and private land for this purpose.

On 1 July 2013, TBfree New Zealand merged with National Animal Identification and Tracking (NAIT) to form OSPRI (Operational Solutions for Primary Industries) New Zealand Ltd. OSPRI provides administrative and common functions to the two programmes, with TBfree and NAIT providing operation delivery of their respective functions.

Service performance – non-financial

PERFORMANCE STANDARD 2014/15	PERFORMANCE RESULTS
Number of hectares (cumulative) where eradication has been achieved reclassified as free from vector risk (target 1.2 million hectares)	Not achieved: 1.1 million hectares This is lower than the listed standard but falls within the upper bounds of the projected reduction of 0.47–1.42 million hectares.
Annual period prevalence of infected cattle and deer herds of no more than 0.4 percent of herds	Achieved: 0.16%

Service performance – financial

	ESTIMATES 2014/15 \$000	SUPP ESTIMATES 2014/15 \$000	ACTUAL 2014/15 \$000	ACTUAL 2013/14 \$000
EXPENSES				
Actual expenses incurred compared to that appropriated in estimates (funded by the Crown)	30,000	30,000	30,000	30,000

Additional comments

The entire appropriation for 2014/15 was spent.

MINISTRY FOR PRIMARY INDUSTRIES

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