

Ministry for Primary Industries
Manatū Ahu Matua



Annual Report Pūrongo ā-Tau 2018/19

Incorporating the Ministers' reports
on non-departmental appropriations



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01 Introduction

He kōrero whakataki



Purpose

Kaupapa

The annual report is a statutory accountability document required by the Public Finance Act 1989 and presented by the Responsible Minister to Parliament. In this annual report we assess the Ministry for Primary Industries' (MPI's) performance against objectives set at the beginning of the financial year. The MPI 2018/19 Annual Report outlines our achievements and overall progress for the year, including:

- + Who we are and what we do: details our role and our structure.
- + Assessing our performance: describes what we have achieved in terms of our outcomes, which includes selected case studies and supporting statistics.
- + How we work: outlines how we operate within the organisation and how we interact with our stakeholders.
- + Our performance measures: reflects the results for our appropriation output measures over the year.

- + Our financial statements: presents our financial statements, and statements of expenses and capital expenditure (with associated financial notes).
- + Our non-departmental statements and schedules: outlines the legislation and grants we administer.
- + Minister's reports on non-departmental appropriations: provides a report on the non-departmental appropriations within Vote Agriculture, Biosecurity, Fisheries and Food Safety, and Vote Forestry for Ministers to present to the House.

This report reflects our activities that contribute to the achievement of our vision for New Zealand to be the world's most sustainable provider of high-value food and primary products. The report also describes our key performance highlights from the year to support the food and primary sector, the New Zealand economy and the wellbeing of New Zealanders.

Director-General's foreword

Kupu whakataki a te Tumuaki



As the Ministry for Primary Industries, it is incumbent on us to actively work to progress the interests of the food and primary sectors both within New Zealand and internationally.

I am pleased to present my first annual report for MPI as Director-General. It has been a pleasure to lead this organisation over the past 10 months as we work with the food and primary sectors to address some significant challenges that will have an impact on the New Zealand that we leave for our children.

Issues that have taken our focus this year include the *Mycoplasma bovis* eradication programme, the fruit fly operation, fresh water quality, the sustainable management of our fisheries and how to support the sector in addressing the challenges of climate change. At the same time, as one of New Zealand's largest regulators, MPI ensures that the regulatory systems we are responsible for remain fit for purpose in a changing global context. Of note, our primary industry export revenue jumped by 8.7 percent to \$46.4 billion in 2018/19, largely due to strong growth in horticulture and forestry exports.

In June 2019, we launched the Strategic Plan: Prosperity, Sustainability and Protection – Year One. In it we outlined four outcomes, 12 priorities for action and 52 deliverables that MPI will pursue. We also set out our intentions to change the way we engage with stakeholders and the New Zealand public by being more proactive, agile and open. This was apparent in our approach and efforts during

the cross-government response to the hugely destructive Nelson fires in February. The aim is that these working styles will become more widely adopted across MPI.

In July 2019 we introduced a realignment of MPI's structure to strengthen accountability and leadership across the Ministry. This included the establishment of a dedicated Agricultural and Investment Services business unit to help lead the work required to create a thriving and sustainable future for farmers, growers, and our rural communities as a whole.

As the Ministry for Primary Industries, it is incumbent on us to actively work to progress the interests of the food and primary sectors both within New Zealand and internationally. I commend the dedication of MPI to this important work that is critical to New Zealand's future success.

A handwritten signature in black ink, appearing to be 'Ray Smith'. The signature is stylized and fluid, with a prominent arch at the beginning and a series of loops at the end.

Ngā mihi,
Ray Smith
Director-General

Our Ministers

Ō mātau Minita

We work with the following Ministers:



Hon Damien O'Connor

Minister of Agriculture, Minister for Biosecurity, Minister for Food Safety,
Minister for Rural Communities, and Minister of State for Trade and Export Growth



Hon Stuart Nash

Minister of Fisheries



Hon Shane Jones

Minister of Forestry

Our 2018/19 operations at a glance

He tirohanga ki ā mātou whakahaere

MPI is an end-to-end agency for New Zealand's food and primary sectors. The statistics below represent the diversity of our activities as we work to support the sustainable growth of the economy and wellbeing of everyone in New Zealand.

31,000 
food businesses

registered to sell food under a
**Food Control Plan or National
Programme**

1,200 
businesses and individuals

received specific advice from
**MPI's Exporter Regulatory
Advice Service**

 **100%**
high-priority food safety complaints

recorded and responded to
within 24 hours

 **9,530**
fruit fly traps deployed

throughout New Zealand
including **7,877** surveillance traps
and **1,653** response traps

169 
vessels

set up with **electronic catch and
position reporting**

>64,000
imported cargo consignments

inspected by MPI

32m 
mail items

coming into the country were
**processed and cleared by MPI at
the Mail Centre**

\$34m 
provided

to over 100 primary sector
**innovation and sustainability
projects**

11,844ha


contracted for tree planting
through joint ventures
(One Billion Trees programme)

68.8m 
trees planted

in the 2018 planting season

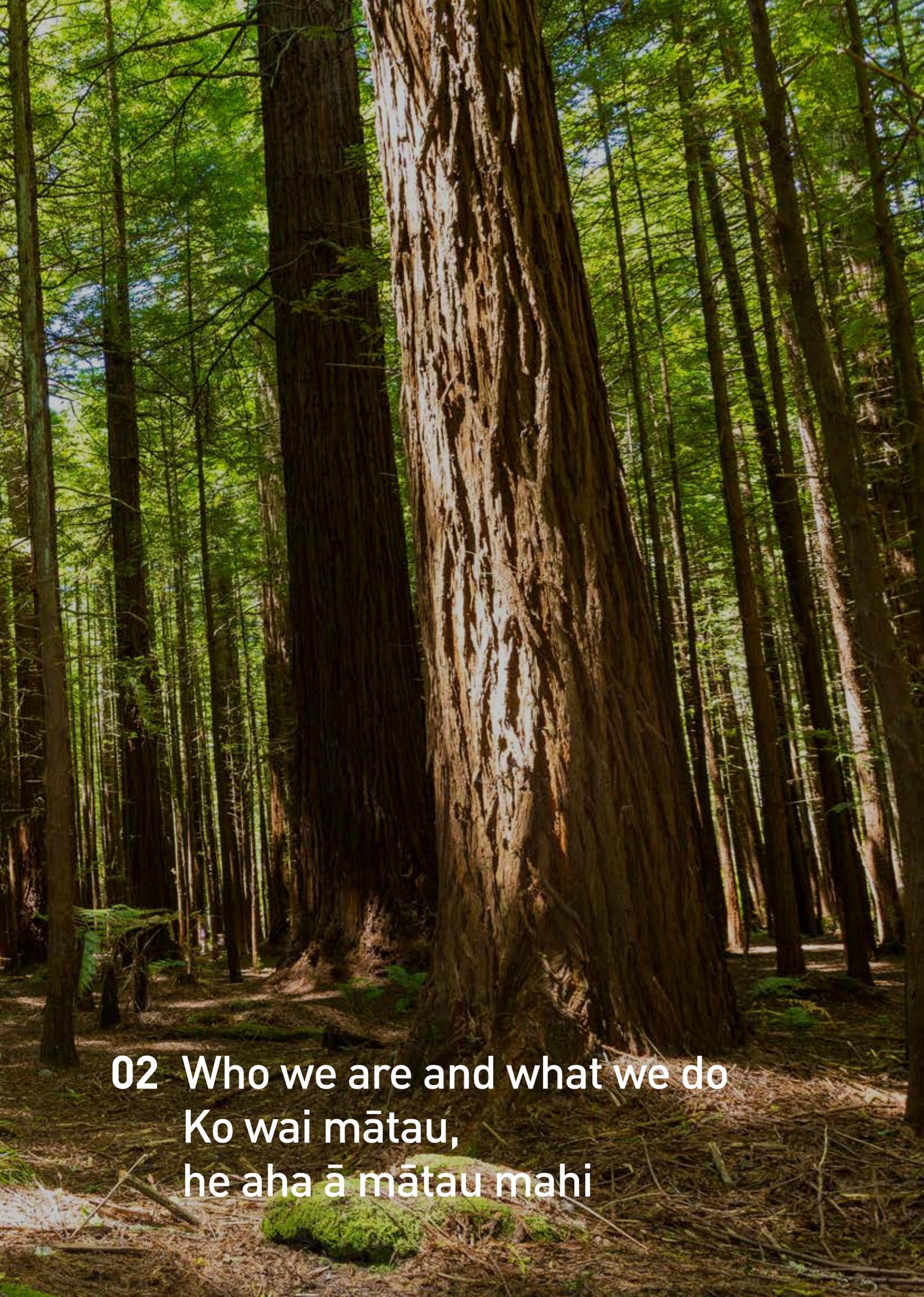
 **over 7m**
international passengers

processed and cleared by MPI
through our airports

 **142**
priority fish stocks

assessed by MPI as being at or
above sustainable levels



A photograph of a dense forest. The foreground is dominated by a large, textured tree trunk with a rough, brown bark. The background is filled with many tall, slender trees with green foliage, creating a thick canopy. The ground is covered in dry leaves and twigs. The lighting is bright, suggesting a sunny day.

02 Who we are and what we do
Ko wai mātau,
he aha ā mātau mahi

Our role

Tā mātau mahi

MPI employs over 3,000 full-time-equivalent staff based in more than 60 locations in New Zealand and overseas, working in a range of environments – from airports, farms and beaches to laboratories, abattoirs and fishing vessels. Our people conduct a wide range of operational, readiness and response, policy, regulatory, trade and industry development activities to support New Zealand's food and primary industries.

MPI brings together the major regulatory systems that underpin the things that matter to consumers and markets when buying food, fibre and beverage products. Our responsibilities traverse the whole chain of primary production – from the paddock, orchard, forest and ocean, through the processing, packaging and transportation system, all the way to market and the customer. Because of our size, we can deploy staff across and between regulatory systems to respond to events quickly. In addition to operational services, MPI provides policy advice to the Government on the systems for which we have oversight.

MPI is actively involved in the agriculture, natural resource, economic and border sectors. We collaborate with other agencies to address nationally significant issues such as environmental protection, economic development and border security. Our work in these areas is essential for achieving government and sector priorities as well as achieving the MPI vision of New Zealand being the world's most sustainable provider of high-value food and primary products.

While we support the whole primary sector, we have an operational focus on agriculture, fisheries, forestry, biosecurity, and food safety. During 2018/19, structural changes were made to strengthen

the important work we do with agriculture and investment to achieve our vision. The Agriculture and Investment Services business unit was established to work alongside our existing business units – New Zealand Food Safety, Biosecurity New Zealand, Fisheries New Zealand and Te Uru Rākau. Together, these areas are critically important to protecting human health and the environment, and creating jobs – especially in rural areas.

MPI remains the main regulator and guardian of the food and primary sectors, through setting and reviewing regulations, verification, monitoring, issuing official assurances and ensuring compliance. The business units continue to be supported by several integrated functions, including the provision of policy and regulatory advice, market access and trade services, as well as a range of corporate and support functions.

MPI also monitors the New Zealand Walking Access Commission, a Crown entity responsible for leading and supporting the negotiation, establishment, maintenance and improvement of walking access over public and private land.

MPI, in conjunction with the Treasury, has had oversight of Crown Irrigation Investments Ltd (CIIL), a Crown-owned company that was established to co-invest in off-farm water storage schemes that are expected to be commercially viable in the long-term. CIIL's activities are being wound down, and final development work on its two remaining projects was completed by the end of 2018. Construction of these, and monitoring work, is ongoing.



Our leadership team

Ngā kaihautū o te tari

The Senior Leadership Team (SLT) is the governing body of our organisation. They provide strategic direction, and high level oversight of performance and risks, and make decisions to ensure MPI's smooth running and effectiveness for the future. The SLT collectively owns and champions MPI's vision. Since August 2017, our Director-General is the Government's Health and Safety Lead.

Senior Leadership Team (above, left to right):

- Karen Adair**
Deputy Director-General Agriculture and Investment Services
- Bryan Wilson**
Deputy Director-General New Zealand Food Safety
- Penny Nelson**
Deputy Director-General Policy and Trade
- Dan Bolger**
Deputy Director-General Fisheries New Zealand
- Vincent Arbuckle**
Deputy Director-General Compliance and Governance
- Gillon Carruthers**
Deputy Director-General Public Affairs
- Neil Cherry**
Deputy Director-General Corporate Services
- Ray Smith**
Director-General
- Roger Smith**
Deputy Director-General Biosecurity New Zealand
- Julie Collins**
Deputy Director-General Te Uru Rākau - Forestry New Zealand
- John Roche (inset)**
Chief Departmental Science Adviser

Our structure

Tō mātau hanga

We provide most of our core services to New Zealand through five business units:

- + New Zealand Food Safety
Haumarū Kai Aotearoa
- + Biosecurity New Zealand
Tiakitanga Pūtaiao Aotearoa
- + Agriculture and Investment Services
Tapuwai Ahuwhenua
- + Fisheries New Zealand
Tini a Tangaroa
- + Te Uru Rākau
Forestry New Zealand

These front-line business units are supported by the following groups:

- + Compliance and Governance
- + Corporate Services
- + Policy and Trade
- + Public Affairs

Our Business Units

New Zealand Food Safety Haumarū Kai Aotearoa

New Zealand Food Safety protects consumers from food-borne illness and supports the economy by ensuring that New Zealand food businesses throughout the supply chain have robust food safety practices. It ensures consumers can trust that the food they eat is safe, suitable and accurately labelled. New Zealand Food Safety encourages best practice in the food system and enables the sector to respond to emerging threats and trends.

Biosecurity New Zealand Tiakitanga Pūtaiao Aotearoa

Biosecurity New Zealand works to protect New Zealand from imported pests and diseases that pose a risk to New Zealand's economy, environment, human health, and social and cultural wellbeing. It manages MPI border activities as well as preparing for, and responding to, any biosecurity incursions that may occur.

Agriculture and Investment Services**Tapuwai Ahuwhenua**

Agriculture and Investment Services provides information, expertise and funding that supports New Zealand's farmers, growers, primary industries and rural communities to thrive and be more sustainable. It also cares for the health and wellbeing of animals through the development and enforcement of animal import and export and welfare standards.

Agriculture and Investment Services develops and delivers initiatives that promote innovation and sustainable land use practices as the basis for economic growth, such as the Sustainable Food and Fibre Futures Fund and the Māori Agribusiness programme. It also invests in regional economic development programmes and supports farmers and rural communities to build resilience and prepare for, respond to and recover from adverse events such as floods, earthquakes and drought.

Fisheries New Zealand**Tini a Tangaroa**

Fisheries New Zealand operates the country's fisheries management system and works to ensure that fisheries resources are managed to provide the greatest overall benefit to New Zealanders. Its focus is on the sustainability of New Zealand's wild fish stocks, aquaculture and the wider marine environment, now and for future generations.

Fisheries New Zealand monitors the sustainability of fish stocks and sets limits that provide for commercial, recreational and customary fishing. It manages these limits through regulatory settings and works with tangata whenua, stakeholders and other agencies on fisheries and broader marine management initiatives.

Te Uru Rākau**Forestry New Zealand**

Te Uru Rākau works with the forestry sector to promote and protect New Zealand's forestry resources and help forge the pathway to a low emissions economy. It funds programmes that encourage innovation and supports forestry projects that improve land production, resilience, biodiversity, and erosion control. With a strong regional base, Te Uru Rākau facilitates development and employment opportunities to unlock the potential of our regional communities and help Māori achieve better outcomes from their land.

Te Uru Rākau also supports the Government in its goal of planting one billion trees and creating one vision for all of New Zealand forestry.

Our Supporting Groups

Compliance and Governance

Compliance and Governance is the centre of assurance excellence for MPI. It ensures confidence in the regulation of New Zealand's primary sector, in the operation of MPI, and in health and safety in the public sector. The Compliance function undertakes inspections, provides education, investigates non-compliance and performs enforcement actions across the various regulatory systems. The Governance function also works across MPI to set the strategic direction and ensure accountability through the strategy and planning, legal, risk, evaluation and internal audit functions. It also supports the Director-General in his role as Government Health and Safety functional lead.

Corporate Services

Corporate Services provides the foundations for MPI's success. It supports the organisation to achieve its goals and ambitious work programme through securing people, technology and financial resources. This group's functions range from finance, human resources, business technology and information services, to privacy and security and cost recovery.

Policy and Trade

Policy and Trade provides strategic thinking, policy analysis and advice to lead change towards a thriving and sustainable primary sector across New Zealand's food and fibre, animal welfare and biosecurity systems. The group provides trusted, strategic and evidence-based advice to decision makers across government and industry. It supports farmers, foresters, fishers and growers to prepare for new trends and disruptions through its data, insights and work with sector leaders on shaping a shared view of the future. The group supports New Zealand's prosperity by enabling the best possible access to global markets and being a positive influence globally, championing the great work done by New Zealand's primary sector.

Public Affairs

Public Affairs brings together the functions that help the Director-General to meet the expectations of the general public, Ministers and key industry stakeholders. It includes Communications, Engagement and Channels, and Government Services. Government Services has oversight of the full interface between MPI and the Government, and includes Ministerial Services and Official Information Act functions.

Industry and sector relationship managers will focus on maintaining a consistent relationship with the dairy, meat, horticulture, fisheries and forestry industries on challenges and opportunities in the primary sector.

Our science

Ō mātau mahi pūtaiao

Science underpins everything we do at MPI. We are a major funder, user and generator of science across the food and primary sectors in New Zealand, from our policy advice to regulations and standards, to our \$22 million operational Fisheries Research Fund. It is embedded in our legislation and our ways of working, and to increase its prominence and visibility, we made science a central focus at MPI in 2018/19. We are also committed to ensuring mātauranga Māori is a core pillar of the science MPI undertakes. We will endeavour to improve the capability and understanding of MPI staff in mātauranga, provide opportunities for Māori to develop in science disciplines for the primary sector, and engage in mātauranga programmes with iwi.

In July 2018, we established the *Mycoplasma bovis* Strategic Science Advisory Group to help identify science priorities, develop a science plan to guide research funding decisions and provide high-level strategic scientific advice to the *Mycoplasma bovis* Governance Group. Members of the Strategic Science Advisory Group include domestic and international expert scientists, vets and government representatives. The group led the development of a comprehensive science plan for this significant issue in which science plays a vital role. This approach has also been used successfully in the development of science plans for kauri dieback and myrtle rust.

We also commissioned two independent reviews to confirm that our scientific approach was sound, and established an expert science panel. As a result of one of these reviews, structural changes were made to ensure the "voice of science" was clear at the decision-making table. We are continually assessing how we can do this better throughout the Ministry.

In May 2019, we presented three Director-General Science Prize awards at our sixth annual Science Conference. These recognise the outstanding work and contributions of scientists at MPI. The awards are assessed by a panel that includes external judges. The judges noted the high calibre of nominations received this year, reflecting the standard of excellence in science at MPI.

A long-term project to future proof our infrastructure and increase our science capability through building a new high-level biocontainment laboratory at Wallaceville in Upper Hutt has continued throughout this year. When complete, it will support more modern laboratory testing methods as well as significantly increase our testing capacity, both crucial to support our goal of protecting New Zealand. The existing laboratory has been used to protect public health, diagnose and help control the spread of animal diseases, and give international trade assurances about New Zealand's animal disease status. The new laboratory will continue to do so. The commissioning and certification of the new laboratory is due for completion in the 2019/20 year.

To further future proof our science capability and infrastructure, MPI offers postgraduate science scholarships every two years for Master's and doctoral candidates doing primary industry research. The scholarship aims to address current skills and science gaps, and candidates must be proposing to undertake relevant research that meets a need for the primary industries. Winners were announced in June 2018, and the scholarship will be offered again in 2020. Work continued throughout the 2018/19 year to support these candidates and facilitate connections across the cohort.

Mycoplasma bovis: Our shared challenge

Tā tātau whakapātari

MPI has been at the forefront of New Zealand's fight against *Mycoplasma bovis* for more than two years. We are jointly leading – along with our industry partners DairyNZ and Beef + Lamb New Zealand – an eradication effort that no other country has attempted. Left unchecked, *Mycoplasma bovis* would reduce productivity from our cattle sectors, cause a range of animal welfare issues and force a fundamental change in our approach to cattle farming.

Unfortunately, disease eradication affects many farms even when the likelihood of disease is low. Farmers with generations on their land – and decades of genetics and care put into their herds – have had confirmed infections, and have seen their herds go to slaughter. Every farmer – and their families, workers and community – who has gone under herd testing and movement restrictions has faced a period of uncertainty, stress and disruption to their lives and their businesses.

Our challenge

No textbook exists for such a programme, meaning we are learning every step of the way and needing to regularly refine our approaches.

We believe we have another year of finding a decreasing number of infected properties, and of clearing the disease from those farms. We will then transition to a long period of surveillance, to make sure it has gone.

To June 2019, 173 farm properties have been confirmed with *Mycoplasma bovis*, while around 800 properties have been released from Notice of Direction farm animal movement restrictions.

What we are doing about it

We are working harder to put the farmers at the centre of our efforts to eradicate *Mycoplasma bovis* and to make sure the lessons we have learned are applied to how we work and act in the future.

Supporting farmers

Our welfare and recovery teams, and partners in the Rural Support Trusts, are working throughout the country to support affected farmers as best they can. The *Mycoplasma bovis* programme is continuing to fund the work of more than 80 trained Rural Support Trusts facilitators around the country to support affected farmers, and in November and December 2018, the Director-General met with farmers in Ashburton and Invercargill.

During 2018/19, we lifted restrictions on 670 farms, and supported over a hundred farms, from culling of their herds to remove confirmed infection through to getting back to farming.

Changes to programme management

We have made changes to the management and oversight of the *Mycoplasma bovis* programme. These changes will strengthen MPI's work at a regional level.

There will also be an increased focus on working with industry partners and key groups, including Federated Farmers of New Zealand.

The day-to-day oversight of the programme requires significant capacity and we have committed to stepping up to this challenge. The programme has



over 400 staff and contractors working every day around the country. They take samples and conduct tests, analyse results, issue legal notices, trace animal movements, work with and support affected farmers, assess compensation claims and engage with rural communities.

Reviews

To prevent future backlogs and ensure we have the right systems and processes in place for our best chance at eradicating *Mycoplasma bovis*, MPI and DairyNZ (with Beef + Lamb New Zealand's support) commissioned reviews into how an accumulation of properties to be contacted about *Mycoplasma bovis* occurred.

The reviews included concrete recommendations to improve how we do things and did not suggest that the backlog had affected our chances of achieving eradication. To be extra sure, we have asked the independent Technical Advisory Group to review the backlog and make its own assessment.

Strengthening governance

We are also ensuring the *Mycoplasma bovis* programme has the oversight, leadership and resources it needs to succeed by:

- + monitoring the effectiveness of the *Mycoplasma bovis* programme and the wellbeing of farmers

- + strengthening decision making among the partners: MPI, Beef + Lamb New Zealand and DairyNZ
- + appointing an independent chair to facilitate decision making and increase oversight.

Improving our processes

The work we are doing to review the Biosecurity Act 1993 will feed into changes to national identification and tracing (NAIT). This includes developing new approaches to legal restrictions and enabling the movement of animals under restrictions to different properties that are better suited to housing the cattle while testing is carried out.

We are continuing to make changes to our systems and processes. For example, we have developed a new information management tool, Tiaki. This will greatly improve the use and analysis of data within the *Mycoplasma bovis* programme and for future biosecurity responses.

As at 30 June 2019, we have conducted more than 485,000 tests, paid out more than \$67 million in compensation for 760 claims, and reduced the number of days to pay a claim from more than 70, on average, to 26.





03 Assessing our performance
Te tātari i ā mātau
whakatutukitanga

MPI outcomes

Ngā hua a Te Manatū Ahu Matua

In 2019 we developed a new strategy with a new vision and four outcomes. The strategy provides the framework to show how we will deliver change in the short to medium term to support the food and primary sectors and achieve our long-term outcomes.

Our new strategy represents a shift to delivering the Government's wellbeing approach, and partnering with others to promote innovation, encourage new technologies and invest in scientific research in the food and primary sectors.

We have used the new strategy framework to structure our 2018/19 Annual Report, enabling us to tell our performance story in light of our new goals. We have reported on some of the indicators outlined in the *Strategic Intentions 2018-2023* within the new framework. Over the next year, we will establish the right set of indicators for our new strategy.

Our vision is to ensure that New Zealand will be the world's most sustainable provider of high-value food and primary products. We grounded this vision in New Zealand's major strength – our reputation as trustworthy producers of ethical, high quality and environmentally sustainable food and other primary products. Innovation and information are the drivers that enable the food and primary sectors to increase the value of its products while minimising the impact on the environment.

We believe New Zealand's future prosperity will be built on the foundation of food and primary sectors that are economically and environmentally sustainable over the long term. New Zealanders need more jobs, thriving rural communities, a resilient economy, safe and suitable food, and a healthy environment to live in. We also want to build food and primary sectors that New Zealanders want to work in, that offer both a good quality of life and a worthwhile living.

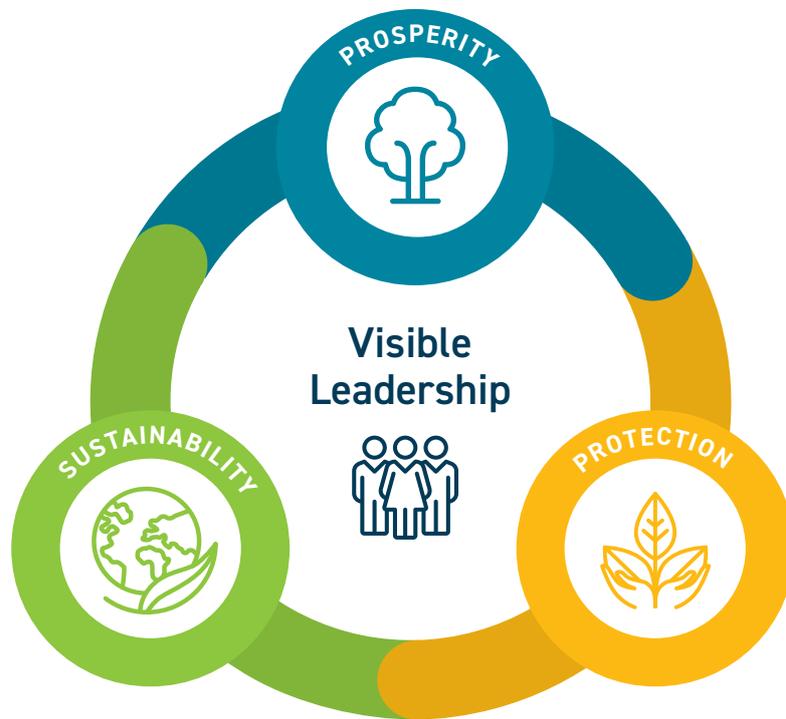
For MPI, this means supporting industry to develop new products, adding value to already in-demand natural products through processing (Prosperity), and improving environmental performance (Sustainability). We also need to protect our biosecurity, the safety and quality of our food and the wellbeing of our animals (Protection).

The way we go about this is equally important, and, internally, we are focusing on raising the visibility of our leadership on issues of importance to the food and primary sectors (Visible Leadership). We aim to back business to win by being open, agile, engaging and proactive, always leaving our customers with a way forward.

Our vision

Tā mātau matakitenga

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



High-value food and primary sectors build prosperity for more New Zealanders



Our products are safe, and New Zealand is protected from biological risk



Future generations will benefit from improved environmental performance by our primary industries



We enable the food and primary sectors to thrive



Prosperity Tōnuitanga

High-value food and primary sectors build prosperity for more New Zealanders

To maintain our way of life, New Zealand needs its primary industries to do well. This is important for the future of the food and primary sectors themselves, of course, but also for the wellbeing of all New Zealanders. The sectors make a large contribution to New Zealand's economy and are a major employer in many communities, especially in rural areas. When we talk about prosperity, we mean having food and primary sectors that are thriving in a way that benefits all New Zealanders.

To achieve this, MPI needs to foster innovation and ensure its regulation is fit for purpose so businesses can build on New Zealand's reputation as a clean, green, ethical producer. This allows businesses to add value to their products, while using new technologies to use fewer natural resources. We need to preserve the very environment we depend on, both for the primary industries to exist and for life itself. We will also need to increase market access so it's easier for industries to get their products to market.

Prosperity is about more New Zealanders experiencing benefits from the food and primary sectors, so an important element for MPI is building its partnerships with iwi so they feel supported and empowered to develop their lands and agribusiness. We will also be making sure people are part of the sectors' prosperity by cultivating new skills and jobs, especially in rural communities. Programmes such as One Billion Trees create rural jobs while also addressing environmental issues. By enabling

innovation through investment, we are also helping not just to create jobs but to create higher-skilled roles and a higher-wage economy in the regions.

To create prosperity for New Zealand, this year we have been...

Developing high-value fisheries

The Precision Seafood Harvesting programme, co-funded through government investment, has further developed its wild-fish harvesting technology, allowing fish to be landed fresher, in better condition, and of higher value. This year, the fishing method received regulatory approval to be used in deep-water fisheries for hake, hoki and ling; and in North Island Inshore fisheries for John dory, red gurnard, snapper, tarakihi and trevally.

Creating the Sustainable Food and Fibre Futures Fund

The Sustainable Food and Fibre Futures (SFF Futures) is a co-investment fund that resulted from a merger of two pre-existing funds, the Primary Growth Partnership and the Sustainable Farming Fund. Applications for SFF Futures opened in October 2018. The fund aims to support the sustainable development of New Zealand's food and primary sectors.

Over \$34 million was spent in 2018/19 to fund innovative projects through SFF Futures.

Caprine Innovations NZ

Our aim

We've partnered with New Zealand's dairy-goat industry to help turn goat milk infant formula into a preferred alternative to conventional milk infant formula, both in New Zealand and overseas.

By collaborating, we'll develop innovative tools to help the goat milk industry grow sustainably across the value chain and increase export revenue to \$400 million per annum by 2023.

Our role

Caprine Innovations NZ (CAPRINZ) is a \$29.65 million, five-year Primary Growth Partnership (PGP) programme between MPI and Dairy Goat Co-operative Ltd. It kicked off in August 2018 and aims to create economic, environmental and other benefits for New Zealand. The programme has now been rolled into the Sustainable Food and Fibre Futures Fund.

The outcome

CAPRINZ aims to improve dairy goat farming practice and sustainable production, create new on-farm jobs, boost research and farming capability and contribute to the health and wellbeing of families. Sitting behind this work is world-leading research to produce scientific evidence on the benefits of consuming goat milk infant formula. All of this will deliver benefits across the goat milk value chain.

What this means for New Zealanders

CAPRINZ is creating the foundations for a long-term, high-value, environmentally sustainable goat milk infant formula industry in New Zealand.



Supporting the Provincial Growth Fund

MPI has supported the primary sector this year to access \$200 million of investment in regional New Zealand.

The Provincial Growth Fund (PGF) is administered by the Ministry of Business, Innovation and Employment (MBIE). It is intended to lift productivity in the provinces and prioritises enhancing economic development opportunities, creating sustainable jobs, enabling Māori to reach their full potential, increasing social inclusion and participation, building resilient communities and helping to meet New Zealand's climate change targets.

MPI supports the PGF to deliver for the primary sector. In 2018/19, the PGF had 90 successful primary sector related applications, resulting in around \$200 million being invested in regional New Zealand.

Some successful primary sector related projects included:

- + \$300,000 for a pilot programme to address forestry skills shortages at the ManaiaSAFE Forestry School in Gisborne. Eight recruits graduated in December 2018 from a 20-week training programme. Another round of recruits started the programme in June 2019.
- + \$6 million establishment of the Cawthron Institute National Algae Centre in Nelson, researching the many different uses of algae, from pharmaceuticals, potential food applications or even environmental clean-up of plastics.
- + \$18.5 million to investigate the feasibility of building community-scale water storage and use options in Kaipara and the mid-North.

The Cawthron Institute has one of the largest living algae collections in the world.

Supporting greater-value goods

The rising use of electronic certification in export markets increases the speed of New Zealand's exports getting to market and reduces costs for

exporters. MPI has made significant progress towards implementing electronic certification with its trading partners.

MPI is working closely with an expanding number of countries to further the rollout of electronic export certification internationally.

In the Association of Southeast Asian Nations (ASEAN) region, Indonesia, Malaysia and the Philippines are making great strides towards full electronic exchange of export certificates, with Indonesia completing a trial in 2018/19.

Building better policy

In 2018/19, MPI policy teams have tackled difficult policy problems, overhauled outdated frameworks and worked alongside sector colleagues to make improvements for Government and for New Zealanders.

Dairy Industry Restructuring Act 2001

During 2018/19, MPI reviewed and consulted on the Dairy Industry Restructuring Act 2001 (DIRA) and its impact on dairy industry performance.

The DIRA consultation involved 13 public meetings, 22 targeted industry meetings and workshops, and 188 written submissions.

It was found that DIRA was largely effective and still required to manage risks. However, some regulatory changes are needed, particularly around environmental performance, milk price calculation, removal of unnecessary regulation and protection of consumer interests. A Dairy Industry Restructuring Amendment Bill was introduced and had its first reading in August 2019.

Farm debt mediation

Over 2018/19, MPI worked with MBIE to develop and introduce a Bill to establish a new farm debt mediation scheme. An important part of the scheme is addressing a significant power imbalance between farmers and lenders. Addressing this would encourage early discussions between farmers and lenders on a level playing field. It is intended that the scheme will be operational by October 2020.

Highly productive land and the Resource Management Act 1991

MPI, jointly with the Ministry for the Environment, has been working with interested groups on a proposal for a National Policy Statement under the Resource Management Act 1991 to improve protection for highly productive land. Proposals were released for public consultation in August 2019. The proposed statement would strengthen the requirements under the Act for local authorities to manage New Zealand's most versatile and productive land to ensure its long-term availability for primary production.

Enhancing market access

Access to international markets is key for New Zealand producers. This year MPI has improved access of New Zealand products across multiple markets, with ongoing free trade agreement negotiations to support this.

Examples include an arrangement with Egypt for meat-processing plant listings and an agreement with the United Kingdom to maintain the conditions of the existing agreement with the European Community on sanitary measures. MPI also successfully represented New Zealand's position in the sanitary and phytosanitary Joint Management Committee meetings held under the China, Malaysia and Korea free trade agreements.

Exporter Regulatory Advice Service

The Exporter Regulatory Advice Service supports New Zealand exporters by helping them to find and understand export requirements. This year, we have provided tailored advice in response to over 2,000 queries from businesses and individuals.

Awareness of the service among exporters and potential exporters is increasing, with 30 percent more calls and emails than 12 months ago. We have also noted more referrals from organisations like Export New Zealand and New Zealand Trade and Enterprise.

In 2018/19, we have:

- + developed a number of "self-service" options
- + developed "Get help with Exporting" on the MPI website, with updated webpages and content, and a better search tool that means the relevant information is more easily and quickly found
- + published exporter guidance material in several languages, to make it easier for those new to, or considering, exporting
- + researched to better understand pain points and barriers faced by exporters, to target our efforts to develop educational and self-service tools to the areas of greatest need.

Offering remote verification

Over 1,000 food businesses operate in areas with limited access to the verifiers who gather information and seek assurance that the way the operator is managing risks from potential food-safety hazards consistently produces safe and suitable food. With the new remote verification service, believed to be a world first for regulatory food safety, verifiers can now use Skype technology on a smartphone, tablet or laptop to save remote food businesses substantial time and money in verification fees. Verifiers still seek the same assurances about food safety and suitability, but without setting foot in the business, and saving businesses up to \$1,500 per verification.

The convenience of remote verification could save food businesses up to \$1,500 per verification.

In 2018/19, we ran trials with food businesses across the country, including in the Hauraki Gulf, Tasman's Ruby Bay, South Taranaki and Hawke's Bay. In July 2019, remote verification was officially launched and made available to eligible businesses.

Implementing My Food Rules and My Food Plan

Following lessons learned from our first "Where Do I Fit?" online registration tool, we developed My Food Rules to better meet the needs of customers searching for the food rules they need to follow.



Launched in July 2019, My Food Rules is an innovative, time- and money-saving solution that was developed with food businesses, councils, MPI staff, and customers for whom English is a second language.

For the bigger, more complex food businesses covering multiple Food Act registration categories, My Food Rules can also deliver a custom Food Control Plan option called My Food Plan. This reduces costs of compliance in time and dollar terms. Instead of spending up to nine months and \$25,000 developing a custom plan from scratch, a free pre-evaluated My Food Plan can be registered within 20 days. Feedback received to date has been positive, and the tools will continue to be refined.

Reviewing bivalve shellfish imports

In June 2019, MPI senior officials signed a memorandum with the General Administration of Customs China to formalise new trade rules for scallop meat exported to New Zealand from China.

As a high priority trade issue for Chinese officials for more than a decade, this change allows significant trade to continue under new rules and helps improve our relationship with our important trading partner.

Scallops present a complex mix of food safety risks. These new trade rules mean New Zealand consumers can be confident that more robust controls are in place to protect them.

Making provisions for the National Environmental Standard for Marine Farming

In 2018/19, policy provisions were decided for the National Environmental Standard (NES) for Marine Farming. These provisions will increase the efficiency and certainty for consenting existing marine farms while reducing complexity. They will also create a consistent set of rules across the country for biosecurity management on all marine farms.

The new rules are in line with best environmental practice, and are expected to encourage more investment in operating sustainably as well as driving innovation and growth.

Prosperity key progress indicators

▼ or ▲ = Improving ▼ or ▲ = Not improving

Indicator	Trend information			Desired change	Trend
	2016/17	2017/18	2018/19		
A higher proportion of businesses enter new and high-value export markets	Agriculture 4% Fishing 0% Forestry 1% Agricultural Services 1% Food Manufacturing 25% Wood Processing 4%	Agriculture 5% Fishing 6% Forestry 4% Agricultural Services 2% Food Manufacturing 20% Wood Processing 2%	Agriculture 7% Fishing 6% Forestry 3% Agricultural Services 2% Food Manufacturing 21% Wood Processing 3%	Increased percentage of businesses entering new markets ¹	▲ ▲ ▲ ▲ ▲ ▲
The value of primary industry exports is increased	Primary industry exports to China \$8.68 billion Primary industry exports to Free Trade Agreements (FTA) partners \$14.38 billion	Primary industry exports to China \$11.08 billion Primary industry exports to FTA partners \$16.05 billion	Primary industry exports to China \$13.52 billion Primary industry exports to FTA partners \$16.59 billion	The value of primary industry exports to overseas markets increases after the FTA comes into force ²	▲ ▲
Primary industry businesses develop new and more high-value products and services	Agriculture 28% Fishing 29% Forestry 43% Agricultural Services 27% Food Manufacturing 49% Wood Processing 37%	Agriculture 29% Fishing 47% Forestry 42% Agricultural Services 36% Food Manufacturing 47% Wood Processing 34%	Agriculture 27% Fishing 31% Forestry 35% Agricultural Services 38% Food Manufacturing 50% Wood Processing 41%	Increased percentage of businesses developing new and more high-value products and services ³	▼ ▼ ▼ ▲ ▲ ▲
MPI-supported programmes realise productivity improvements and innovation	n/a	n/a	n/a	Please refer to Primary Growth Partnership fund, pages 173–178	

Comments

1 In 2018, the proportion of primary industry companies reporting entry to new markets continued to improve for the agriculture, fishing and agricultural services sectors. Recent declines in the food manufacturing and wood processing industries reversed in 2018. However, the size of the reversal was small, and existing markets for these products remain strong. [Data source: Statistics New Zealand, Business Operations Survey 2018]

2 [Data source: Statistics New Zealand, Overseas Merchandise Trade March 2019]

3 The trend of increasing development of new products and processes is continuing in the primary sector, particularly in the agricultural services, food manufacturing and wood processing sectors. [Data source: Statistics New Zealand, Business Operations Survey 2018]



Sustainability Toitūtanga

Future generations will benefit from improved environmental performance by our primary industries

The climate, land, fresh air, water, and marine environment are all integral to what it means to be a New Zealander. It is essential that our food and primary sectors work to ensure our country's clean, green environment is managed in a viable way for the long term. It is essential that we use our natural resources wisely and sustainably.

MPI has a major role in ensuring that food and primary sector resource use is sustainable and environmental impacts are minimised. Our long-term goal is preservation of the natural environment, while the food and primary sectors remain strong for future generations.

To safeguard our natural resources for future generations, this year we have been...

Addressing emissions

In 2019, alongside the Ministry for the Environment, our advice informed Cabinet's response to the Interim Climate Change Committee's analysis

and recommendations on how best to manage reducing emissions from agriculture, including the option to put a price on these emissions.

MPI will continue to support Ministers in making decisions to address emissions, including changes to the Climate Change Response Act 2002 if required.

Climate Change Response (Zero Carbon) Amendment Bill for the New Zealand Emissions Trading Scheme improvements should be introduced by December 2019.

Using moths, not toxins

Two new moths have been released into the wild as safe, chemical-free biocontrol agents to tackle horehound (*Marrubium vulgare*), a noxious weed estimated to cost New Zealand dryland sheep farmers at least \$6.85 million each year.

The plume moth (*Wheeleria spilodactylus*) attacks the horehound vegetation above the ground, while the clearwing moth (*Chamaesphecia mysiniiformis*) attacks the roots. The horehound moth species team up to attack different parts of the weed. Importing the new moths from Australia was made possible with a grant of \$285,450 from the former Sustainable Farming Fund, along with co-funding of \$224,180 from the project partners Manaaki Whenua – Landcare Research and the Horehound Biocontrol Group.

Horehound is a noxious weed estimated to cost New Zealand dryland sheep farmers at least \$6.85 million every year.

Revitalising the forestry sector

This year MPI, alongside the Ministry for the Environment, led the development of a new averaging accounting approach for forests in the New Zealand Emissions Trading Scheme (NZ ETS). The averaging accounting approach allows forestry participants to earn an "average" level of units, rather than account for fluctuations over time caused by harvest. This simpler approach means no repayment at harvest time and lowers the cost of transitioning to a lower carbon economy.



Safeguarding our water

Our aim

The Pomahaka Catchment Project is a collaborative effort between a group of southwest Otago farmers, Year 7 and Year 10 pupils from Blue Mountain College and the Pomahaka Water Care Group. Together, they are making large leaps towards protecting the Pomahaka River for future generations by improving water quality in the local catchment through investigating and promoting good management practices. Backed by funding from the Sustainable Farming Fund of \$142,000 in 2015, this three-year community project is now in its final year.

Our role

The project focuses on riparian planting, which is critical to helping keep streams and other waterways clean. Planting close to water sources, riparian planting acts like a sieve and helps to filter out sediment and nutrients before they enter waterways. The plants also provide shade for aquatic life and help to improve biodiversity.

What this means for New Zealanders

The group of around 160 farm owners who make up the Pomahaka Water Care Group (PWCG) are passionate about protecting the Pomahaka River. They grow seedlings that school pupils transplant into pots for sale to farmers. The local Blue Mountain Nursery provides land for the plants to grow and flourish, after which they are sold to local farmers for \$5 each, with community groups helping with planting and weeding. For every plant sold, these groups receive \$2 to put towards future community projects, with the other \$3 covering the cost of materials. This good work has already attracted orders for 22,000 plants, and the project hopes to grow this number further. "This project fits squarely with the ethos of the Sustainable Farming Fund," said Morag McConnell, then Manager Sustainable Growth Programmes at MPI. "The Sustainable Farming Fund supports community-led projects that build productivity and resilience in the primary industries. Projects are led by farmers, growers and foresters who come together to tackle shared problems or develop new opportunities that deliver economic, environmental and social benefits to New Zealand."

To keep up to date with the PWCG work, check out their website <http://pwcg.co.nz/>

The new accounting approach was announced by the Minister of Forestry and Minister for Climate Change in April 2019. Changes may be introduced in an amendment bill to the Climate Change Response Act 2002 by the end of 2019.

Establishing One Billion Trees

In 2018 Cabinet agreed to develop a new fund to incentivise tree planting and address the barriers to afforestation. In November 2018 the Government launched the \$240 million One Billion Trees fund.

Since then, MPI has supported 21 organisations with partnership funding and provided 81 direct landowner grants for 3,898 hectares of exotic and indigenous forestry. The grants aim to help landowners integrate trees into existing land uses. The diversity of landscapes will lead to improved environmental outcomes.

Crown Forestry joint ventures

Crown Forestry is a commercial organisation in MPI that manages and administers a portfolio of most of the Government's commercial forestry assets to achieve the best return and meet the Crown's legal and contractual obligations. Under a revised Cabinet remit, Crown Forestry is working towards a target of entering into 24,000 hectares of new commercial forestry joint ventures between

December 2017 and June 2020. In 2018/19, we entered into 11,844 hectares of new joint ventures. These forest assets will support the growth and development of the forestry sector, boost the One Billion Trees programme, and ultimately contribute to Māori and regional development.

Addressing forestry labour

Understanding the forestry labour force is essential for the expansion of the forestry sector. In 2018/19, MPI initiated the development of a forestry workforce action plan alongside the development of a long-term forestry strategy.

We also reviewed the inaugural MPI Labour Requirements survey, which identified a shortage of labour as being a barrier to success. As a result, in the past year, we have:

- + designed and delivered a labour-force information roadshow to support industry with recruitment – collaborating across government agencies to ensure employers have all the information they need
- + launched a recruitment campaign with the Ministry of Social Development to get those who are not working into forestry, and put in place the support needed to ensure their success and longevity in those roles.

As at 19 July 2019, 187 people have been placed into roles through recruitment work with the Ministry of Social Development.





Forestry and Corrections

Te Uru Rākau and the Department of Corrections have developed and implemented a training and workplace pilot that provides eligible prisoners with forestry training and work experience.

Participants have graduated with a Level 2 New Zealand Certificate in Forest Industry Foundation Skills, which has opened up entry-level opportunities for employment on their return to the community.

HCEF supports proposals to protect vulnerable, erosion-prone hill country landscapes through regional initiatives. It provides targeted support and leadership to regional councils and unitary authorities. Regional councils, communities and landowners work together to plan for and treat erosion-prone land, putting sustainable land management practices in place.

The main erosion treatment is tree planting, including appropriate species for natural vegetative cover to reduce the loss of productive land. Programmes delivered through this fund will ultimately deliver environmental and sustainability benefits across the country.

Administering the NZ ETS

In 2018/19, we allocated almost 11 million NZ Units worth \$255 million at an average of around \$25 per NZ Unit.

Te Uru Rākau has continued to administer the forestry components of the NZ ETS, supporting landowners to realise the carbon benefits of their trees.

Supporting farmers through Extension Services

In August 2018 we established Extension Services, allowing us to better support farmers as they face the challenges of adopting more sustainable land use practices. Extension Services is a farmer-led, farmer-focused approach that supports sustainable land use decisions and improves economic, environmental and wellbeing outcomes for farmers and their communities. We have been partnering with farmers and regional stakeholders to ensure services are relevant to the needs and priorities of local communities.

Administering the Hill Country Erosion Fund

In January 2019, Te Uru Rākau announced funding of almost \$36 million through the Hill Country Erosion Fund (HCEF) to enable much-needed erosion control in the 12 regions that applied. A one-off \$1.8 million funding round was held in June 2018 for smaller HCEF projects to be completed by 30 June 2019, which was awarded to five regional council partners.



While our initial focus was Northland, we have also been developing Extension Services for Southland from May 2019, through community consultation and project establishment. In addition, we have been scoping a potential extension approach in Kaipara, and engaging with possible extension partners in the King Country and Canterbury.

Conducting Operation Marquise

Operation Marquise, with a focus on high-value exports, uncovered a significant discrepancy between the declared landings of bluenose, a high-value fish species, and the exports of bluenose by Hawke's Bay Seafoods (HBSF). Indications were that HBSF had sold between 25 tonnes and 70 tonnes more than had been declared.

The investigation led to New Zealand's longest district court trial of seven months.

The trial was led by the Central Investigation team, and many other parts of MPI were involved through providing assistance, giving evidence or offering expert advice.

HBSF, two associated companies, two directors and the operations manager pleaded guilty to 131 charges, and fines totalling almost \$1.1 million were imposed. Additionally, the Judge ordered that \$418,500 be paid to redeem four fishing vessels that had been forfeited to the Crown.

Modernising fisheries management

We have committed to modernise and strengthen our guardianship of fisheries.

Through the Fisheries Change Programme, in 2018/19, we introduced mandatory electronic catch and position reporting across the commercial fishing fleet. This is in place on 169 vessels and is scheduled on the full fleet of over 1,000 vessels by the end of 2019. We held 25 public workshops to support fishers in their transition to electronic reporting.

This year, \$17.1 million was approved by Cabinet to put cameras onboard set-net and trawl vessels that present the highest risk to the Māui dolphin population.

We also held broad public consultation on the proposed changes including:

- + minimising waste by refining rules setting out what fish must be brought back to port and what must be returned to sea, to ensure all fish are accounted for
- + introducing a graduated range of offences and penalties that are more proportionate, fairer and simpler to understand
- + using pre-agreed decision rules to enable more agile and responsive decision making.

Protecting Hector's and Māui dolphins

Hector's and Māui dolphins are found only in New Zealand and are among the rarest in the world. Hector's dolphins are found in the waters around the South Island. They are classified as nationally vulnerable, numbering around 15,000. Māui dolphins are found on the West Coast of the North Island. They are classified as nationally critical, numbering around 63. In 2018/19, Fisheries New Zealand and the Department of Conservation reviewed the Hector's and Māui Dolphin Threat Management Plan to make sure it is fit for purpose.

Under the Threat Management Plan, Fisheries New Zealand is responsible for actions to address fishing-related threats, and the Department of Conservation is responsible for managing non-fishing-related threats to the dolphins.

The public consultation for the Hector's and Māui Threat Management Plan began on 17 June 2019.

Over the past year, Fisheries New Zealand has completed multi-threat scientific risk assessments, held workshops with iwi and key stakeholders, and developed a discussion document for public consultation.

Sustainability key progress indicators

▼ or ▲ = Improving ▼ or ▲ = Not improving

Indicator	Trend information			Desired change	Trend
	2016/17	2017/18	2018/19		
The number of priority fish stocks that are being managed to, or have plans to rebuild towards, accepted target or reference levels is increased	133	138	142	Improvement in the number of priority fish stocks at or above acceptable levels. ¹	▲
Greenhouse gas emissions per unit of production are reduced	n/a	Between 1990 and 2016, NZ's total agricultural greenhouse gas emissions increased by 12%	Between 1990 and 2017, NZ's total agricultural greenhouse gas emissions increased by 13%	Reduction in greenhouse gas emissions per unit of production. ²	▲

Comments

1 Data source: MPI internal data

2 Between 1990 and 2017, New Zealand's total agricultural greenhouse gas emissions increased by 13 percent. They peaked at 16 percent above 1990 levels on an absolute basis in 2005, following a leap in agricultural production in response to international demand. Nevertheless, farmers have improved productivity since then through innovations in feed and nutrition, animal genetics, pasture management and animal health. Without these productivity improvements, absolute emissions would have increased by more than 40 percent to produce the same amount of product. For example, between 1990 and 2017, the emissions intensity of milk solids (emissions per kilogram of milk solids) decreased by 27 percent, and the emissions intensity of beef (emissions per kilogram of meat) decreased by 30 percent. As a result, New Zealand's agricultural products have lower emissions intensities than those of many other countries. (Data source: Ministry for the Environment (2019) *New Zealand's Greenhouse Gas Inventory 1990–2017*. Ministry for the Environment, Wellington)



Protection Whakamarutanga

Our products are safe and New Zealand is protected from biological risk

We work at all levels of New Zealand's biosecurity, food safety and animal welfare systems to ensure the welfare of our unique flora and fauna, safeguard human health and defend animal wellbeing.

The biosecurity work we do ensures the safety of our environment from threats such as unwanted pests and diseases. This work is vital both to our food and primary sectors and to the wellbeing of all New Zealanders. Meanwhile, pursuing high standards of food safety, and ensuring the fair and humane treatment of animals, means all consumers can know and trust that New Zealand food and primary sector products are ethically produced and safe.

The element of trust is crucial for the food and primary sectors, because it cements New Zealand's reputation, improves consumer appeal of our products, and ensures an ability to export with greater ease. Trust is crucial to our social licence to operate and deliver our services.

We recognise the importance of protection in everything we do, and we will continue to prioritise it. In the long term, we want to ensure that New Zealand is protected from biological risk and our products are safe for all consumers.

To increase the protection of New Zealand, this year we have been...

Developing the New Zealand Food Safety Strategy

During 2018/19, New Zealand Food Safety began work on a strategy to improve how it responds to emerging opportunities and how it supports the food sector to achieve its wider outcomes.

The New Zealand Food Safety Strategy went out for public consultation in September 2019, following early consultation with industry and consumers to make sure it reflects the customer view.

Responding to Queensland fruit fly

In February 2019, Biosecurity New Zealand launched a response after a single male Queensland fruit fly was found in a surveillance trap in the Auckland suburb of Northcote.

Horticulture is our fourth largest exporter industry – worth \$6 billion.

The Fruit Fly Council, a governance group made up of industry representatives and MPI under the Government Industry Agreement partnership, led the response. Within 24 hours of the response being set up, our partners from the kiwifruit industry had deployed 14 people to Auckland to help Biosecurity New Zealand and AsureQuality in the field with trapping, monitoring and surveillance.

Needles in strawberries

Background

On 23 September 2018, MPI received a report about three needles in imported Australian strawberries. This followed well-publicised reports of similar strawberry tampering incidents in Australia, beginning on 9 September 2018.

Our aim and role

MPI officials worked with the New Zealand Police as well as growers, distributors and retailers through a number of copycat reports of tampered food, including strawberries. The primary aim of ensuring food safety was achieved through working collaboratively, prompt investigation of reports and taking any action needed to protect and inform consumers.

The outcome

MPI regularly receives reports of foreign objects in food and investigates all reported concerns. From 23 September 2018 to 30 June 2019, six reports of needles, pins or similar foreign metal objects found in food were, on investigation, found to have most likely resulted from tampering at the point of retail.

Over the same period, there were a further 67 reported cases of needles, pins or similar foreign metal objects found in food that, on investigation, were determined to have most likely happened

accidentally or deliberately after sale. Some were hoax or copycat incidents, or involved children who admitted inserting needles or pins into fruit as a “joke” or to avoid eating the fruit. Other reports involved needles or pins that accidentally got into food at home

In one of these cases, there was sufficient evidence for Police to progress charges

Police laid charges against a Timaru woman in relation to a false complaint of a needle in strawberries and causing loss by deception. The woman subsequently pleaded guilty to both charges, and was convicted and sentenced to five months' home detention.

There were also reports of needles being found that turned out to be other metal objects including a wire bristle in barbecued chicken that came from the wire brush used to clean the barbecue. In no cases did any investigation identify a wider concern for New Zealand's food supply.

The impact was significant, as fresh strawberry exports are worth approximately \$8 million per annum to the New Zealand economy. Despite the risks to public health or to the economy, some individuals may not be fully aware of the consequences of food tampering. The strawberry tampering incidents have shown that by focusing on prevention and detection the risk of intentional food tampering can be greatly reduced.



An area cordon notice remains in place and, between February and July 2019, 10 Queensland fruit flies were caught in surveillance traps, with the latest fruit fly found on 15 July 2019.

Strengthening our compliance function

In response to increasing pressures from new legislation, new enforcement tools and increasing numbers of complaints and referrals, Budget 2019 provided more than \$38.5 million in funding over four years to boost the compliance and enforcement function at MPI.

The new funding will help us respond to challenges through increased numbers of staff enabling us to provide greater enforcement against offending, and likely open a West Coast location too. The funding will help enhance voluntary compliance by making it easier for people to understand the rules and what is expected of them, and holding people to account through our investigation and escalation processes.

Managing kauri dieback

Kauri dieback is caused by a microscopic soil-borne organism, *Phytophthora agathidicida*, which is killing kauri trees.

A cross-government effort has resulted in investment of \$20.75 million over four years into kauri dieback research, to be administered by MBIE. At the same time, the Government is also working through options to establish a national pest management plan for kauri dieback.

Several science and research projects with already committed funding will continue, and we will provide Ministers with advice on options for future funding of the national pest management plan. Land-owning agencies, such as regional councils, are also proceeding with carrying out kauri protection activities as part of their statutory pest management responsibilities.

Responding to myrtle rust

Myrtle rust is a serious fungal disease that affects plants in the myrtle family. Plants in this family include New Zealand's native pōhutukawa, mānuka, rātā, and some common ornamental garden plants like bottlebrush and lilly pilly.

In November 2018, funding of \$13.75 million over three years was announced for research to combat the spread of myrtle rust as well as kauri dieback. This will be administered by MBIE, with MPI expertise providing advice on panels. During 2018/19, a cross-sector working group also developed a long-term national management plan for myrtle rust, which was published in July 2019.

More than 20 myrtle rust research projects that were commissioned by MPI in mid-2017 are due for completion in the coming months. We will continue to lead on science and research into myrtle rust, and the Department of Conservation will continue its seed-collection work.

Implementing more of Biosecurity 2025

Biosecurity 2025 is a partnership between individuals, iwi, hapū, non-governmental organisations, industries, businesses, community groups, and central, regional and local government. It provides a common direction for the collective efforts of all participants in the biosecurity system and takes a future-focused look at how to strengthen the biosecurity system in the face of increasing pressures, including the changing scale and complexity of global trade and travel, and climate change.

One of the five strategic directions of Biosecurity 2025 aims to build a biosecurity team of 4.7 million New Zealanders, because we all have a role in preventing pests and diseases from getting into New Zealand and stopping their spread if they do. Since September 2018, a behaviour-change campaign has been running through the biosecurity movement Ko Tātou This Is Us, designed to

encourage increased understanding of biosecurity and associated good behaviours.

The Biosecurity 2025 implementation plan was launched in November 2018 and combines the goals and outcomes from the *Biosecurity 2025 Direction Statement*.

Making changes to the National Animal Identification and Tracing Act 2012

The National Animal Identification and Tracing scheme (NAIT) provides animal traceability data that supports our responses to biosecurity incursions and tracing for animal diseases, as well as data that is used by industry and the public.

Over July and August 2018, MPI developed essential technical changes to the NAIT Act to align its provisions with existing policy and legislative intent. The amendments clarified certain existing obligations, search and inspection powers and offence provisions important to the investigation and management of non-compliance with the Act. They also support the *Mycoplasma bovis* response and eradication programme.

Specifically, the requirement for a search warrant under the NAIT Act to be in a particular form was removed, the powers under the Act for warrantless inspections and searches were aligned with those in the Search and Surveillance Act 2012, and two inconsistent provisions were refined to make it clear that all animal movements must be declared, whether or not the other place was a registered NAIT location. The changes also ensured that the existing corresponding offence provisions clearly covered the failure to declare movements of animals to other locations.

The amendments were passed into law on 23 August 2018, which enabled MPI to undertake NAIT compliance and enforcement functions more effectively, and have since been introduced. We have since publicly consulted on and developed a wider legislative change package that amends the NAIT Act and three sets of regulations. This package fills gaps

identified in the regime by OSPRI Ltd's NAIT review and by MPI during the response to *Mycoplasma bovis*.

Encouraging better NAIT compliance

While we have increased the NAIT data integrity, we have also increased the resourcing for compliance to the scheme. This year, MPI hired an additional 27 warranted NAIT officers, three NAIT analysts, a legal prosecutor and an infringement officer.

Over 400 NAIT Infringement Notices were issued in 2018/19.

In 2018/19, we also focused on improving the implementation of, and systems for, NAIT from end-to-end. Through this work, we identified potential areas to improve processes and achieve systems gains. Our focus through to 2020 will be on stubborn NAIT scheme offenders.

Stopping biofouling

Around 87 percent of non-indigenous marine species in New Zealand are associated with biofouling on international vessels.

From May 2018, the new Craft Risk Management Standard was enforceable. It requires vessels to take preventative measures and maintain a clean hull before they arrive into New Zealand.

For 2018/19, 100 percent compliance was achieved for all approved cruise vessels into New Zealand that had Craft Risk Management Plans covering biofouling. Another four plans were approved covering an oil rig, two heavy lift vessels and one fishing vessel.

Between May 2018 and February 2019, 99.7 percent of yachts were compliant with the Craft Risk Management Standard.

A joint Prime Ministers' statement between New Zealand and Australia was released in February 2019 that announced our enhanced collaboration on marine biosecurity and keeping biofouling management a consistent focus on the global agenda. MPI has worked closely with Australia at the International Maritime Organisation to ensure this work continues.



During 2018/19, front-line staff received training on the new standards, and we provided technical guidance on industry questions. A concentrated effort was also put into engaging with our stakeholders and providing information to the public via social media, conference presentations, posters, pamphlets, our website and email.

Improving the mobility of our front-line staff

This year, quarantine officers got a new mobile tool, which meant decisions could be made online and at the point of entry for some goods. The tool also means importers can receive their finalised Biosecurity Authority Clearance Certificate (BACC) at the time of inspection.

Reducing the manual processing of BACCs has had a significant impact on how we do our work and interact with importers.

Less manual processing has meant faster decisions and less paperwork, which enables faster movement of goods into New Zealand without compromising our border protection.

Improving information access with Bring It In

This year, it became easier for people entering New Zealand to know what the rules are around food. We expanded our Customer Enquiry Centre services and developed a new web-based information tool called Bring It In. This tool is available on the MPI website.

We are continuing to develop the tool, including testing the viability of offering the information in Mandarin. This expansion will further educate travellers to New Zealand in helping protect the country from pests and diseases.

Bring It In has had almost 100,000 site views and 120,000 food page tool views since GoLive.

Conducting high-profile prosecutions

New Zealand's export of top-quality, reliable food and primary products and the resilience of its biosecurity system is extremely important to its reputation and economy. In 2018/19, MPI brought 284 cases before the courts involving fisheries and animal welfare offending and breaches under the Biosecurity, Food and Wine Acts.

Some of our highest profile cases included:

Wine exporters

Wine exports must meet strict requirements for the European market, including when and how sugar is added to a finished wine. MPI successfully prosecuted Yealands Estate Wineries, and two of its former managers and winemaker, for deception offences concerning inaccuracies in their wine records and overseas export statements relating to wine destined for the European Union. This resulted in total fines of \$500,000 being imposed on the company and its former employees.

Sheep mistreatment case

Flystrike is a disease of sheep with severe production and animal welfare consequences. During the course of one farm inspection, animal welfare inspectors identified serious flystrike issues with

a large number of sheep on a Waikato property. Multiple sheep carcasses were also in varying states of decay in paddocks and around the rocky areas and places where shade could be sought.

MPI successfully prosecuted the farmer on four charges under the Animal Welfare Act 1999. He was convicted and fined \$28,500 and disqualified from farming sheep.

Tackling wilding conifers

Phase II of the programme to tackle wilding conifers will focus on the remaining dense seed sources in the Phase I control areas. This will help consolidate the progress MPI and partners have already made, and minimise future control costs. Funding of \$21 million through Budget 2019 will be delivered over the next two years for this purpose, and the programme will continue to focus on protecting the most at-risk land from the spread-prone conifer species.

Protection key progress indicators

▼ or ▲ = Improving ▼ or ▲ = Not improving

Indicator	Trend information			Desired change	Trend
	2016/17	2017/18	2018/19		
Rates of foodborne illness are maintained or reduced	80.0 cases per 100,000 of the population	78.7 cases per 100,000 of the population	78.3 cases per 100,000 of the population	MPI has a five-year performance target to reduce the number of human cases of foodborne campylobacteriosis by 10 percent from 88.4 cases per 100,000 in 2014 to 79.6 cases per 100,000 by the end of 2020. ¹	▼
Compliance of targeted import consignments in keeping out as many pests and diseases as possible is increasing	73.9%	75.0%	73.8%	Increase in compliance rate. ²	▼

Comments

¹ Data source: Ministry for Primary Industries (2019) *Annual Report Concerning Foodborne Disease in New Zealand 2018*, Ministry for Primary Industries, Wellington

² A decrease has occurred in the total number of import consignments in the past financial year from the previous year. The percentage of biosecurity inspections carried out on consignments remains consistent. A slight increase has occurred in the number of times an import consignment has not met requirements, but the total figure is consistent with previous years. MPI will continue to work with importers on this complex issue, using a combination of education and enforcement to promote compliance. [Data source: MPI internal data]



04 How we work

He pēhea te āhua o ā
mātau mahi





Visible Leadership

Te kitea o ngā kaiārahi

We enable the food and primary sectors to thrive

Visible leadership is about how we show up, both in terms of how we operate internally and in how we interact with stakeholders – positive, constructive, engaged and caring. We want to make sure we always leave those who we interact with in a better place.

We are the stewards of the food and primary sectors on behalf of New Zealanders, and good leadership is the bedrock of our role. Visible leadership sets the standard around the food and primary sectors, and it is important we lead by example, by meeting our own internal standards and goals.

Leadership is not just a structural concept, concerning only those in leadership positions. Leadership can and should come from every part of the organisation.

To enable the food and primary sectors to thrive, this year we have been...

Building our capability

Investing in our people

MPI continues to invest in people capability through a range of learning and development programmes and opportunities. To support their professional and personal development, staff have access to courses such as understanding the machinery of government, how to create effective reports, improving presentation and facilitation skills, ensuring health and safety at work, and growing cultural capabilities and competencies.

Our graduate and mentoring programmes

Our graduate programme is in its sixth year, and we are currently recruiting for our seventh intake. We were delighted to be a runner up in 2018 for Best Graduate Development Programme at the New Zealand Association of Graduate Employers Industry Awards.

In 2018/19, we launched a mentoring programme that supports a vibrant, diverse and inclusive workplace where difference is championed and everyone feels welcome and valued. Staff from key diversity groups, such as women, Māori and Pasifika, are encouraged to participate in the programme.

Growing our leaders

We continue to work on providing staff with meaningful career pathways through our capability framework, which is overseen by career development boards. This year, we developed a leadership framework for MPI using the State Services Commission's Leadership Success Profile. The framework includes:

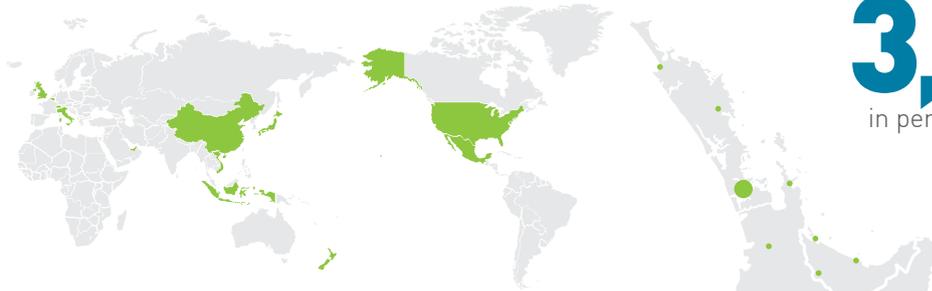
Our established Career Board approach examines our leadership pool and matches development opportunities to aspirations.

- + a robust leadership assessment programme
- + eight leadership programmes to support the growth of our leaders across all levels, including aspiring leaders
- + ensuring our managers know the basics around stewardship and management (finance, accountability, and so on) through our Management Foundations programme.

Our staff

The infographic below represents the number and make-up of our staff, turnover, and where they work. Within New Zealand, you can find our people all over the country, and in every system that touches the food and primary sectors.

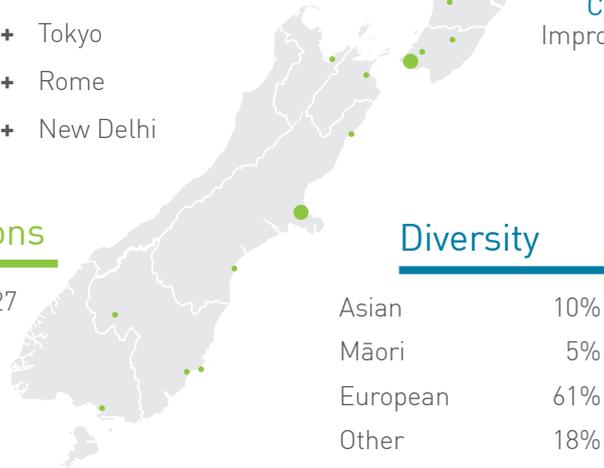
Overseas locations



- + London
- + Brussels
- + Beijing
- + Jakarta
- + HaNoi
- + Washington DC
- + Mexico City
- + Geneva
- + Dubai
- + Tokyo
- + Rome
- + New Delhi

New Zealand locations

MPI has 48 NZ locations in 27 towns and cities



Workforce

3,030 FTE
in permanent or fixed-term roles

Turnover

8.7% 
Core unplanned turnover
Improved from 9.8% in 2017/2018

Diversity



Asian	10%	Middle Eastern/	1%
Māori	5%	Latin American/	
European	61%	African	
Other	18%	Pacific peoples	3%

10% 

Gender pay gap
Improved from 10.5%
in 2017/18

L2-6 manager roles
Male 53%
Female 47%

Gender split
Improved from 58% male and
42% female in 2017/18

FTE permanent
and fixed term
Male 52.9%
Female 47.1%

Gender split
Compared with 47.6% male and
52.4% female in 2017/18

43.6 years

Average employee age

8 years

Average service

Supporting diversity and inclusion, and valuing our staff

We are committed to treating our staff with fairness and respect in all aspects of their employment. This includes providing equal employment opportunities, and valuing and growing the diversity of our workforce to reflect the people of New Zealand.

We have established a Diversity and Inclusion strategy that focuses on growing the diversity of our staff, promoting inclusion, enabling flexible working, supporting more employee network groups, building staff understanding and skills around conscious and unconscious bias and emotional agility, and gender pay equity. We are progressing our Diversity and Inclusion strategy and programme to enhance the voices of our employee networks and ensure staff feel their whole selves are valued at MPI.

Key achievements for 2018/19 included:

- + implementing an inclusion framework and associated development resources to enable inclusion for all
- + rolling out a flexible working strategy to normalise and democratise flexible working across MPI, with MPI being one of nine pilot agencies to implement the flex-by-default approach
- + advancing of our six employee networks
- + launching supporting resources and tools to mitigate bias
- + targeted recruitment campaigns and channels to attract more Māori applicants
- + introducing an inclusion diagnostic to let staff tell their stories about when they felt included (and when they didn't) at MPI so we can actively work together to make MPI a more inclusive environment.

Developing our Māori capability

We have an established Māori capability development programme. This is founded in our capability framework, with tikanga Māori being

one of our core capabilities. The development programme includes:

- + our week-long induction programme – Waharoa ki te Manatū ahu Matua – where all new starters are welcomed with a powhiri and attend several cultural modules, such as Te Ao Māori and Tiriti o Waitangi
- + te Reo Māori classes, which are available for all staff
- + two-day Noho Marae programmes, which are offered to all staff.

Growing our partnership with iwi and Māori

Māori engagement capability

Effective public sector engagement with iwi and Māori is critical for producing better quality policy outcomes for the food and primary sectors. In June 2019, we ran a workshop to introduce staff to the Māori Crown Engagement Framework and Guidelines that were developed by Te Arawhiti – The Office for Māori Crown Relations. This workshop ensures our staff are better equipped to engage with iwi and Māori in their work. We are currently looking into options for regular training in this area.

Tauranga Moana Biosecurity Capital

In October 2018, the Tauranga Regional Council launched Tauranga Moana Biosecurity Capital. This group has iwi at its centre and is made up of 25 members. It connects, creates and activates biosecurity awareness, capability and action across the Tauranga Harbour and Bay of Plenty region. The group has become an exemplar for community biosecurity action.

Māori fisheries management

MPI (Fisheries New Zealand), through consultations with tangata whenua and agreements in Treaty of Waitangi settlements, has agreed on the best platform to provide for the input and participation

Collaboration during crisis: the 2019 Tasman District fires

On 8 February 2019, the Government declared a medium-scale adverse event in the Tasman District: drought and wildfires were taking farmers' pasture and feed, restricting access to water, damaging infrastructure and spreading rapidly into plantation forests. Not only did the situation bring the forestry industry in Nelson to a halt due to the high fire risk of activities involving machinery, but the fires also hugely affected farmers' livelihoods. Animals were put in danger, and some stock were lost to the fire.

What we did

While Fire and Emergency New Zealand dealt with the blaze, MPI stepped in to lead the animal welfare side of the response. Working with volunteers, vets, the SPCA, New Zealand Police and other emergency services, we helped farmers manage their animals. Behind the cordon, crews took food and water to stock and companion animals, or moved them to the safety of the local showgrounds. Every animal in the affected area was accounted and cared for.

Co-ordinating volunteers was one of the biggest tasks, because we had to ensure the response was effective and everyone involved was safe.

MPI provided daily updates via its website newsletter to ensure everyone affected knew what was happening. On our website, we also let people know how to apply for further support with their farming needs, and where to find the most up-to-date Civil Defence information on the situation. In addition, we provided information on topics such as the fire suppressants that firefighters were using, and reassured farmers of the low risk these substances posed to animal health.

The outcome

Due to a successful joint effort between agencies and the community, animals were kept safe, and farmers and community members were supported and reassured. On 28 February 2019, the emergency status was lifted.

Over half of the burned land was plantation forestry. Te Uru Rākau carried out an initial review of the fire response and the results are supporting development of a work programme addressing fire risk for forests.



of tangata whenua into fisheries sustainability processes and policy formation. This year we established three new forums in Northland and the eastern North Island.

We have started to refresh our iwi engagement strategy to ensure it covers all the Treaty of Waitangi settlement agreements that MPI (Fisheries New Zealand) has with iwi.

Visibly taking a leadership role wherever we work

We are turning our attention to addressing the impact of the primary industries on the environment and the broader issue we all face with climate change. Collaboration between Government and the primary sector is essential for maximising exports, improving productivity, protecting our environment and growing the economy.

Leading collaboration in the biosecurity system

Collaboration, engagement and partnership has been at the core of our leadership of the biosecurity system this year.

The biosecurity brand “Ko Tātou This Is Us” was launched in late September 2018 to unify activity across the biosecurity system and make biosecurity relevant to all New Zealanders. An initial multi-channel, public advertising campaign emphasised

the emotional connection that New Zealanders have to activities, their way of life and the livelihoods that are precious to them.

In November 2018, we held the second annual New Zealand Biosecurity Awards, attracting an increased number of high-calibre entries. The Awards celebrate active commitment to protecting New Zealand from pests and diseases. Awards are now presented in nine categories, to recognise the mahi that keeps the biosecurity system strong and ensures New Zealand continues to deliver a world-leading biosecurity system.

Along with a range of further partnership and capability building initiatives and sponsorships, we are also continuing to lead the Biosecurity Communication Network to achieve a system-wide approach to biosecurity issues. More than 340 participants are involved, representing the primary and tourism sectors, iwi and Māori organisations, tertiary institutes, research organisations and regional councils.

In June 2019, we also launched a new video that reminds travellers about the importance of protecting New Zealand from unwanted pests and diseases by declaring or disposing biosecurity risk goods upon arrival. The video is available in both English and Mandarin, and is played to all airline passengers arriving on international flights. It has also been translated into 12 other languages, including Hindi, Malay and Arabic.





Government Health and Safety Lead interns visit Parliament with Ray Smith

Foot and Mouth Disease Response and Recovery Plan

In the unlikely event it ever made it here, foot and mouth disease would have a devastating impact on New Zealand's society, economy and environment. In December 2018, the Government adopted the Foot and Mouth Disease Response and Recovery Plan (the FMD Plan).

Biosecurity New Zealand has led the development of the FMD Plan, working in partnership with other government agencies. The plan sets out the co-ordination arrangements that Government will use, and includes a planning hierarchy based on four work streams: Biosecurity, Economics and Trade, Welfare, and Recovery.

Tree-planting programme in the Far North

Te Uru Rākau entered into a joint venture with Ngāti Hine Forestry Trust to set up a mānuka plantation and training programme in the Far North, funded through the One Billion Trees Fund. Nineteen trainees successfully completed the programme this year and all were subsequently offered work contracts. A second intake of 20 recruits will take part in the programme next year.

Improving health and safety

Government Health and Safety Lead

The Government Health and Safety Lead supports government agencies to understand and manage risk well, engage workers and innovate. It facilitates and supports sector or cross-agency initiatives that:

- + have the biggest impact on reducing harm
- + build capability across agencies
- + help lift sector performance and maturity
- + provide greater benefits or results if driven at a sector level.

Each summer, the Government Health and Safety Lead, in partnership with the public sector, hires interns to increase health and safety capability within our sector. This year, the programme included 21 government agencies that employed 22 interns. Of these, 10 have been employed in health and safety positions in government.

In April 2019, nearly 600 health and safety representatives, practitioners and senior leaders from 37 public service and state sector agencies attended the second annual Health and Safety Representatives Conference.

Hon Iain Lees-Galloway, Minister for Workplace Relations and Safety, awarded six Health and Safety Representative Finalist Awards to recognise health and safety representatives who had been nominated by their peers for their outstanding work.

MPI health and safety approach

Our health, safety and wellbeing approach has continued to be in line with all-of-government direction, focusing initially on governance capability and critical risk management. We have continued to invest in health, safety and wellbeing capability through the delivery of training in how to manage health and safety in contracts and bulk funding agreements. Our focus remains on continuously improving the management of risk through supporting the operational business units of MPI to undertake higher-risk work activities.

Key achievements for 2018/19 included:

- + Establishing a new governance group, the MPI Health, Safety and Wellbeing Governance Committee. This group is chaired by the Director-General and comprises the Senior Leadership Team and an external adviser.
- + Introducing new initiatives to improve staff safety, including providing satellite communication devices for fisheries observers, replacing all

quad bikes with light utility vehicles, instituting driver training requirements and a centralised driver training recording system, along with new monitoring equipment for driving and safety when in remote locations.

- + Reviewing our health, safety and wellbeing risk exposure. We identified 11 critical risks that could cause serious injury or a fatality. This includes aggressive interaction, biological hazards and unknown organisms, driver fatigue, hazardous substances, psychosocial risk, remote and isolated working, using aircraft for work activities, working around moving vehicles and equipment, working over and/or in water, and working with animals. These risks may have broad exposure for MPI, as well as those less common risks with significant outcomes, if they ever came to fruition. We are reviewing how these risks are managed across MPI and establishing ministry-wide minimum standards and controls.

A programme of work is being developed to support mental health and wellbeing at MPI. This will include elements of the Canadian Standards for Psychological Health and Safety in the Workplace and the Positive and Safe Workplace Standards developed by the State Services Commission. A new health and safety induction module is being developed to better represent MPI's current approach to risk management.



Visible Leadership key progress indicators

Indicator	Result
A higher percentage of target groups engage with our preparedness and responsiveness programmes	<p>Strategic Direction 1 of Biosecurity 2025 aims to make every New Zealander a biosecurity risk manager and to get every business to manage its own biosecurity risk. Under the Biosecurity 2025 Direction Statement, released in 2016, we are starting to shift the focus of biosecurity onto greater community and social responsibility, pushing it beyond simply being an issue for agencies to deal with on a crisis-to-crisis basis.</p> <p>To drive this, we have launched the biosecurity movement Ko Tātou This Is Us. This public behaviour change campaign encourages New Zealanders to adopt good biosecurity behaviour in all parts of their lives. It has been running since late September 2018, and includes achievements such as:</p> <ul style="list-style-type: none">+ Our hero video featuring the 'Kuia' has been viewed over 2 million times on our digital channels. The Vehicle Industry Association repurposed the hero video with Japanese subtitles to a large trade delegation from Japan with positive response.+ Over 60 organisations are using the Ko Tātou This Is Us brand to mark their biosecurity-related events, projects and initiatives.+ Our Ko Tātou This Is Us Facebook content has reached a total of 2 million people.+ The thisisus.nz website has had 40,000 unique visitors, with 60 percent seeking more information.+ Twelve influencer videos were produced and made available via social media (Facebook, Instagram and YouTube), with average views of 90,000 per video. <p>In October 2018, Tauranga Moana Biosecurity Capital was launched – an iwi-driven collaboration amongst Western Bay of Plenty iwi, businesses, organisations, and community groups to make Tauranga Moana a biosecurity capital. It currently has 25 members.</p>

Working across government and with our stakeholders

Te mahi puta noa i te kāwanatanga, i te taha hoki o te hunga whai pānga

While we are a large government agency, we cannot work in isolation. We must team up with our government, sector, non-governmental organisation, industry, international and iwi partners to deliver practical results for the primary industries.

Across sectors and agencies

MPI is one of a group of agencies that collectively manage and steward New Zealand's natural resources. Multiple agencies deal with many issues, and we are clear that a collective view is needed to help Ministers make the best decisions for New Zealanders. In particular, domestic climate change science and policy, and operating the forestry aspects of the NZ ETS are all issues where government agencies have come together for a common perspective.

Global Research Alliance on Agricultural Greenhouse Gases

Fifty-seven countries are part of the Global Research Alliance on Agricultural Greenhouse Gases.

MPI represents New Zealand and acts as Secretariat for the Global Research Alliance on Agricultural Greenhouse Gases. We work closely with the New Zealand Agricultural Greenhouse Gas Research Centre to co-ordinate

New Zealand's engagement in the Alliance's activities, working with diverse stakeholders including our Crown research institutes, universities, industry bodies and farmer organisations. We also work in close collaboration with other central government agencies in this area, such as the Ministry of Foreign Affairs and Trade.

Partnering at the border

To protect New Zealand at the border, we work closely with the New Zealand Customs Service and Immigration New Zealand. At the border, our people work alongside other agencies, meeting regularly and often sharing premises to ensure our working relationships and connections are strong.

We are also connected at the highest leadership level. The Border Sector Governance Group provides leadership and strategic direction, and includes the Chief Executives of MPI, the New Zealand Customs Service, MBIE, the Ministry of Transport and the Department of Internal Affairs. This is an important mechanism for coordinated border management in New Zealand.

Ensuring a rural voice

Rural Communities is a ministerial portfolio that recognises the importance of New Zealand's rural communities and the unique challenges they face. MPI has developed guidance to help policy makers address these challenges by rural proofing their policy during development and implementation. Rural proofing asks officials to consider the challenges faced by the rural sector when designing and implementing government policy.

In 2018/19, we created resources to better equip policy analysts to consider rural communities as part of policy development. We also directly worked alongside our colleagues on key

We have worked with the Police to ensure there is a rural perspective on gun reform.

pieces of policy that affect rural communities. Over 2018/19, examples of where MPI has provided a rural perspective include working on:

- + the Suicide Prevention Strategy and the Government's response to the Mental Health and Addiction Inquiry, with the Ministry of Health
- + the response to, and recovery from, natural hazards and emergencies, with the Ministry of Civil Defence and Emergency Management
- + community wellbeing and resilience and the Three Waters Review, with the Department of Internal Affairs
- + the Strategy for an Ageing Population, Heartland Services, and family violence, with the Ministry of Social Development
- + the Rural Broadband Initiative, the Tourism Strategy and the Provincial Growth Fund, with MBIE.

Administering the New Zealand Emissions Trading Scheme

By putting a price on greenhouse gases, the NZ ETS encourages landowners to establish and manage forests in a way that increases carbon storage. To help New Zealand meet its international climate change obligations, Te Uru Rākau administers the registration and compliance reporting for forestry owners in the NZ ETS.

NZ Units are also called carbon credits, and one NZ unit represents 1 tonne of carbon dioxide (or the equivalent for other greenhouse gases). Over 2018/19, we allocated around 10.5 million NZ Units, worth \$247 million at the current price of \$23.50 per NZ Unit. This supported landowners to realise the carbon benefits of their trees and provided an additional income stream from their land.

Improvements to the NZ ETS scheme are set to be implemented over 2020/21, based on development work undertaken this year.

The Primary Sector Council – connection between industries

Hon Damien O'Connor, Minister of Agriculture, established the Primary Sector Council in April 2018 to create a sector-wide vision for the New Zealand food, fibre and primary sectors. This group of agribusiness leaders helps these sectors get more value from their work by providing strategic advice to the Government on issues, opportunities and challenges facing their industries.

Over 2018/19, MPI facilitated and managed 11 Primary Sector Council meetings, provided secretariat functions, and helped the Council with other development activities.

Our main contributions in 2018/19 included:

- + connecting the Council with subject matter experts and relevant groups to support the development of the Council's draft vision for engagement with the sector
- + facilitation and presence at around 50 food and fibre organisation meetings to lead the Council's engagement plan, where the discussion focused on the Council's draft vision and its implications
- + facilitating the delivery of the report *New Zealand Food and Fibre Sector: A Situational Analysis*
- + helping the Council to understand the long-term trajectory of the primary sectors by looking at historical trends and forecasts with help from the MPI's Economic Intelligence Unit.



Investing in industry and communities

As well as working alongside its partners, MPI undertook industry funding programmes and other major initiatives in 2018/19. These involved directly partnering with primary industry businesses and organisations to maximise exports, improve productivity and help grow the economy. The grants included:

- + Sustainable Food and Fibre Futures
- + Extension Services
- + Biosecurity 2025
- + regional economic development and the Provincial Growth Fund
- + One Billion Trees programme
- + Emerging Primary Industries Leaders Scholarship
- + funding the vet bonding scheme
- + volunteer programmes, including detector dog puppy foster families, honorary fishery officers, and recreational fishing forums
- + restoring the Waipapu River catchment
- + Hill Country Erosion Fund
- + the Productive and Sustainable Land Use package funded through Budget 2019
- + Gisborne Erosion Control Funding Programme.

Putting the customer first

Through our Ease of Business work programme, we are changing the MPI customer experience and delivering iterative change, enabling greater customer-centric capability and systems.

The increased effectiveness of Google searches have improved the usability of our website by 12 percent.

Our staff are changing the way they work by increasing their focus on, and engagement with, improving the customer experience and recognising the effect this has on our customers. Alongside easier navigation of our website, our customer satisfaction ratings, through our managed

phone channel, have increased to 80 percent, and we have implemented a sustainable customer feedback model across our channels.

We are developing a system that will allow a single view of the customer experience across MPI, and our new complaints management and resolution capability has been designed and is ready to be piloted at Auckland airport. This will make it easier for our customers to be heard. We are also in the process of improving our complaints management and resolution capability.

Building our engagement with Māori

The vision of tangata whenua is intergenerational and long term, and Māori are major contributors to New Zealand's current and future economy. Engaging with tangata whenua has always been an important element of the work we do, and this is reflected through making Māori agribusiness a key component of our strategic goals. Supporting the growth of the Māori economy supports the growth of New Zealand's economy. Māori economic development and regional development are inseparable.

Māori own over 30 percent of the fishing quota, 30 percent of the land beneath plantation forests, 25 percent of sheep and beef production, and 10 percent of kiwifruit and dairy production.

Supporting projects focused on sustainably increasing the productivity of Māori-owned primary sector assets is important to us. MPI also recognises that early engagement with Māori helps to ensure we identify strong solutions, reduce delays, and properly understand the effects of policy proposals on Māori. To achieve this, we are working to strengthen our relationships with Māori across the board, and ensuring we meet specific obligations established through Treaty of Waitangi settlements and legislation.

The Māori Agribusiness: Pathway to Increased Productivity (MAPIP) programme is dedicated to collaborating with Māori, identifying tailored support and establishing mutually beneficial relationships with MPI. The aim is to sustainably increase the productivity of Māori primary sector asset such as agriculture, horticulture, forestry or seafood, that are in collective ownership.

MAPIP focuses specifically on tangible and on-the-ground projects that increase productivity and overcome the unique challenges that Māori can face when developing primary sector assets such as access to capital, infrastructure, water and expertise. MPI has also worked with several Māori landowners across the country to bring together smaller land blocks to build economic scale, enabling Māori landowners to make informed decisions across New Zealand.

Twenty-one MAPIP projects are under way, and 13 have been completed. Examples of current MAPIP projects include:

- + Mangamaire Trust – A feasibility study to explore land use options for land blocks that would be possible if an access point was created. Installing a permanent bridge would greatly improve the Trust’s long-term profitability while also engaging the shareholders with their whenua.
- + Ngāti Kahungunu ki Tāmaki nui-a-Rua – Development of a strategy to identify assets required to manufacture hemp-derived products (such as oil, milk and powder) and to explore the commercial viability for both national and international markets. Once the strategy is complete, the Trust intends to apply to the Provincial Growth Fund.
- + Ngai Takoto Orchard – Development of a business and an orchard plan to help understand the range of activities the Trust must undertake to develop a 20 hectare avocado orchard.

MPI has seven iwi fisheries forums: Far North, Waikato, Bay of Plenty, Taranaki, Whanganui and Horowhenua, top of the South Island, the South Island and the Chatham Islands.

MPI also has specific obligations to provide for iwi fishing rights and interests. Treaty of Waitangi settlement protocols establish the process for engagement with iwi. To give effect to these protocols, MPI has delivered regional iwi fisheries forums as the primary platform for engaging with iwi on fisheries matters.

Working with foreign governments

Primary sector exports are a vital contributor to New Zealand’s economy and are critical to the

Government’s success in improving the wellbeing of New Zealanders. We are, globally, the number-one exporter of dairy products and sheep meat, the second-largest exporter of wool and softwood, and the world’s 12th-largest exporter by value.

The agriculture sector contributed to \$46.4 billion in export revenue in 2018/19. With over 70 percent of merchandise exports coming from the primary industries, primary product exports perform well and dominate New Zealand’s exporting in general, this is despite global trade tensions and rising uncertainty.

Imports are also essential, giving us access to the overseas-made products we need. In 2018/19, we imported \$64.4 billion of goods, up \$4.7 billion from the previous year.

We play an important role

The work we do has a significant influence over the export opportunities available to New Zealand’s primary sectors and their ability to maximise those opportunities. Working with the Ministry of Foreign Affairs and Trade, MPI negotiates access to overseas markets for New Zealand’s primary products.

In 2018/19, 66.8 percent of our food and primary sector exports went to countries with which New Zealand has free trade agreements.

We are the official authority for overseas regulators on New Zealand’s primary sector exports, supported by a network of 19 offshore positions in 13 countries, including two language-training positions in Taiwan.

Supporting Minister-led trade missions

Primary product trade is integral to New Zealand’s diplomatic relationships, and our high-quality products are an important contributor to New Zealand’s general reputation, and to attracting tourists and investment. MPI provides support to Minister-led trade missions and the development and implementation of bilateral free trade agreements and the establishment of international standards.

Maintaining organisational accountability and assurance

Te mau ki te haepapa whakahaere me te whakaūnga

A strong direction

The strategic direction of an organisation is crucial to its success. MPI has set a new strategy, a clear strategic direction and new outcomes framework of prosperity, sustainability, protection and visible leadership. These elements better reflect wellbeing for New Zealanders and for our people.

The MPI strategy has 52 concrete deliverables.

The strategy was launched in June 2019 at our inaugural MPI Leaders Summit. This brought together the main decision makers in MPI so they could

gain an understanding of the new direction and the measurable actions we will take to reach it. The summit also included MPI awards to celebrate excellence and service.

Focusing on oversight

Governance at the senior levels has had an overhaul to ensure lines of accountability are clear, disciplines are in place, decision making is robust and there is time to discuss the issues that matter.

Our governance framework and committees

The new governance framework clarifies decision making and simplifies accountability. An improved SLT subcommittee structure has been set up, to increase joint accountability and set clear agendas for the highest priority discussions. The committees split out work that can be progressed through

delegated powers or they bring more targeted expertise or broader oversight through the inclusion of external membership.

The SLT subcommittees are:

- + Finance and Investment
- + Risk and Assurance
- + Health and Safety
- + Digital, Data and Technology.

Beyond this framework, other committees and groups continue to support management and operations with internal and external representation where relevant.

Bolstering lines of defence

Maintaining public confidence in the work we do is essential. We must also back our people to do the right thing. This year, MPI made the decision to invest in doubling the internal audit capability. This will provide greater audit assurance over its risk management and control environment, as well as increasing the overall culture of accountability.

The Professional Standards Unit has been established to champion integrity. It will provide dedicated specialist resources to educate, raise awareness of potential wrongdoing and, where necessary, investigate.

In 2018/19, we invested a further \$1.2 million in risk and assurance.



The Risk and Assurance Committee has also been refreshed and has a larger more diverse membership with primary sector experience.

Official Information Act 1982

MPI is committed to openness and transparency in the provision of public services. The Official Information Act 1982 (OIA) gives people the right to access information, and is important for making sure government remains open and transparent.

To improve our capability within our corporate centre, we have invested in additional permanent staff to meet our obligations under the OIA as part of our Strengthening Accountability and Leadership work. We expect to see further improvements as our new staff and processes take effect.

Between 2017/18 and 2018/19, OIA timeliness performance improved by over 5 percent, from 87.8 percent to 93.1 percent. This is on top of rising volumes, which increased 8 percent, from 716 requests to 772, during the same period.

Using technology and infrastructure

Te whakamahi i te hangarau me ngā hanganga

The challenges of our complex, demanding and changeable operational environment mean we work hard to optimise staff and organisational capabilities. We need the right tools, technology and infrastructure to support us in the many different ways and places that we work, to be able to deliver for New Zealanders.

Supporting modern ways of working

The Modern Workplace Programme aims to provide MPI staff with connected and flexible workplaces that are relevant to today's changing world, giving staff more choice about how and where they work, and acknowledging that everyone works in different ways.

The programme includes upgrades to and new, workplaces across the country, and has rolled out improved facilities and systems. In January 2019, most Wellington staff moved in to the upgraded Charles Fergusson Building.

Our staff are now better supported to be more connected, collaborative and flexible, allowing the best use of available space and enabling performance over presence.

Reviewing the passenger pathway

In April 2019, the findings of an independent review of the biosecurity passenger and mail controls at the border were released. The review was commissioned by MPI and conducted by leading Australian biosecurity expert Rob Delane.

A main finding of the review was the need to adopt new technology to ensure our border systems

keep up with rapid changes in travel and trade. The review supported our work to develop new baggage scanning technology and recommended fast deployment of the new Real Time Tomography (RTT) scanning. The review also supported further development of public awareness measures, such as smartphone-enabled digital tools for arriving travellers, improved access to intelligence to help risk-assessment decisions regarding express freight, and the introduction of new scanning technology at the mail centre.

MPI continues to work closely with Auckland International Airport and New Zealand Post to ensure their facilities provide appropriate infrastructure for the delivery of biosecurity now and in the future.

Real Time Tomography scanning

Advances in detection technology have provided an opportunity to reshape and improve how passengers are processed at Auckland International Airport. The new RTT unit provides clear, three-dimensional images of baggage, making it easier to zoom in on items of biosecurity concern, allowing the detection of risk goods that may be hidden and not normally detected using older technology. It also screens baggage faster than the current two-dimensional X-rays.

Embedded in the scanner are world-first biosecurity algorithms, which are being developed to detect risk items in passengers' bags. These algorithms have already detected biosecurity risk items, and continue to be developed to deliver greater accuracy across a wider group of risk items.



Border clearance mobility

The development and introduction of the Border Mobility Application has allowed MPI Quarantine Officers to clear goods at transitional facilities via mobile technology. This means faster clearances for importers, while delivering greater efficiencies for our staff, with less paperwork and double-handling. This has enabled 59,000 goods releases to be completed at the time of inspection, which equates to 62 percent of all released goods. Eighteen months ago, this was a 100 percent paper-based process.

Tiaki

In 2018/19, MPI developed the first stage of an integrated response system called Tiaki to help with the *Mycoplasma bovis* response. The first stage of the project allows real-time views of response data for decision makers and lets field staff collect data on-site. It also provides up-to-date response information to farmers, partners, stakeholders and the public. Tiaki was implemented in July 2019.



05 Our performance measures
Ā mātau inenga
whakatutukitanga



Statement of service performance

Tauākī whakatutukitanga ā-ratonga

Vote Agriculture, Biosecurity, Fisheries and Food Safety

Final year-end non-financial performance is recorded in the tables below for MPI's departmental and multi-class appropriations, and in the Ministers' reports for non-departmental appropriations, which is appended to this document (see pages 168–183).

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

are not included in this report. A list of exempt appropriations is provided at the end of this section.

Variance comments are provided only for performance measures that have missed their annual target by 3 percent or more.

For the financial result by appropriation, go to page 76.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
Agriculture: Programmes Supporting Sustainability MCA					
The overarching purpose of this appropriation is to support a sustainable and competitive agricultural sector through implementing and delivering programmes and undertaking research.					
Departmental Output Expenses					
<i>Agriculture: Administration of Grants and Programmes</i>	Percentage of funding applications ¹ processed within timelines [six weeks from receipt of proposal to the Investment Advisory Panel assessment]	100%	100%	✓	New measure for 2018/19
This category is limited to the administration of government-approved schemes, grants and assistance to the agricultural sector.					
<i>Animal Welfare: Education and Enforcement</i>	Percentage of priority 1 (Grade 1 – significant/acute) complaints are recorded and responded to within 24 hours	100%	99%	✗	100%
This category is limited to education and enforcement intended to improve animal welfare in New Zealand.					

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
	Percentage of agreed animal welfare education initiatives progressed as per the "Safeguarding our Animals, Safeguarding our Reputation" programme	100%	100%	✓	100%
	Percentage of complex investigations completed ² within legislative requirements	100%	99%	✗	97%
	Percentage of non-complex investigations completed ³ within six months	98%	95% ⁴	✗	99%
Non-Departmental Output Expenses					
<i>Agriculture: Climate Change Research</i>	Percentage of funded research projects completed within contracted timeframes	80%	100%	✓	New measure for 2018/19
This appropriation is limited to obtaining science, research, technology, capacity and capability in climate change related to the primary land-based sectors.					
Non-Departmental Other Expenses					
<i>Agriculture: Sustainable Farming Fund</i>	Percentage of project milestones met	85%	99%	✓	New measure for 2018/19
This category is limited to community-driven programmes aimed at improving economic and environmental performance in farming.					

Comment

- 1 In 2018/19, 268 applications were processed within the timelines.
- 2 In 2018/19, 51 complex investigations were completed within the legislative requirements.
- 3 In 2018/19, 1,261 non-complex investigations were completed within six months.
- 4 The standard for non-complex animal welfare investigations was not met, due to an increase in cases requiring greater attention and that were more difficult to investigate than first expected.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
Biosecurity: Border and Domestic Biosecurity Risk Management MCA					
<p>The overarching purpose of this appropriation is to improve biosecurity risk management by providing operational support to prevent harmful organisms from crossing the borders, and working to reduce the unwanted harm caused by organisms already established in New Zealand.</p>					
Departmental Output Expenses					
<p><i>Biosecurity Incursion Response and Long-Term Pest Management</i></p> <p>This category is limited to the assessment, containment and possible eradication of suspected biosecurity risk organisms within New Zealand.</p>	Industry sign-up of Government Industry Agreements deed	5	4 ¹	✗	4
	Percentage of key stakeholders are satisfied with major biosecurity responses	80%	67% ²	✗	50%
<p><i>Border Biosecurity Monitoring and Clearance</i></p> <p>This category is limited to biosecurity monitoring and clearance programmes that manage the biosecurity risk associated with international trade and travel.</p>	Percentage of international air passengers that comply with biosecurity requirements by the time they leave the airport	98.5%	99%	✓	99%
	Percentage of international mail that complies with biosecurity requirements by the time it leaves the International Mail Centre	99%	99.78%	✓	99.88%
	Percentage of import clearance processes completed within agreed timeframes	80%	32% ³	✗	68%
	Number of identified and mitigated biosecurity risks resulting from targeted evaluations of imported goods	10,000–12,000	13,543	✓	14,820
	Percentage of cost recovered external stakeholders rate overall service as 4 or higher (rating between 1 and 5, where 1 is very dissatisfied and 5 is very satisfied)	80%	65% ⁴	✗	69%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
<p><i>Border Biosecurity Systems Development and Maintenance</i></p> <p>This category is limited to the development and maintenance of standards and systems that manage biosecurity risk associated with imports and exports.</p>	Percentage of World Organisation for Animal Health and International Plant Protection Convention standards that are acceptable to New Zealand	90%	100%	✓	95%
	Percentage of certificates issued which meet biosecurity technical requirements of importing countries, as specified by overseas competent authorities	99%	99.7%	✓	99.8%
	Percentage of priority items progressed for the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	75%	90%	✓	97%
<p><i>Domestic Biosecurity Surveillance</i></p> <p>This category is limited to domestic biosecurity surveillance activities.</p>	ISO 17025 accreditation maintained for all laboratory processing, testing and reporting	100%	100%	✓	100%
	Percentage of incursion investigations reach an outcomes decision within specified timeframes	80%	74% ⁵	✗	71%
	With any suspected high-risk or serious pest or disease notification, the investigation commences within 24 hours of notification	100%	100%	✓	100%
	No export markets are closed due to the standard of MPI's active surveillance programmes	Nil	Nil	✓	Nil
	Specifically targeted pests or diseases are detected early enough to enable effective risk management interventions	100%	100%	✓	100%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18
Appropriations	Performance measures	Target	Actual	Standard met? Actual
<p><i>Response to Mycoplasma bovis</i></p> <p>This category is limited to the eradication and long-term management of <i>Mycoplasma bovis</i>.</p>	Percentage of farms whose Restricted Place notices are revoked within 140 days of placement ⁶	80%	79%	✘ New measure for 2018/19
Non-Departmental Output Expenses				
<p><i>Biosecurity: Control of Bovine TB</i></p> <p>This appropriation is limited to the Crown's contribution to implementing the National Bovine Tuberculosis Pest Management Plan.</p>	Number of cumulative hectares (within +/- 5%) where eradication has been achieved reclassified as vector free from vector risk	1.2 million	2.29 million	✔ 1.99 million
	Annual period prevalence of infected cattle and deer herds as a % of herds	0.30%	0.07%	✔ 0.12%
Non-Departmental Other Expenses				
<p><i>Biosecurity: Compensation and Ex gratia following a Biosecurity Event</i></p> <p>This appropriation is limited to the expenses incurred as a result of compensation and ex gratia payments arising from Biosecurity events.</p>	All claims are acknowledged within 3 working days of receipt	90%	98.5%	✔ 92%
<p><i>Compensation in Response to Mycoplasma bovis</i></p> <p>This category is limited to the payment of compensation relating to actions taken to manage <i>Mycoplasma bovis</i> under the Biosecurity Act 1993.</p>	Percentage of non-complex ⁷ compensation claims where a payment has been made within 30 working days of receipt of a claim	80%	67% ^a	✘ New measure for 2018/19

Comments

- 1 The standard for the sign up of the Government Industry Agreements deed was not met in 2018/19 because 80 percent of the primary sector is already a party to the deed. There have been no new signatories during the last quarter of 2018/19, which suggests this measure may be coming to the end of its usefulness.
- 2 The standard for stakeholder satisfaction with major biosecurity responses was not met due to the likelihood that any biosecurity response may be viewed negatively by the community that it has affected. As a result, the survey may show the communities' adverse feelings towards the biosecurity response.
- 3 The standard for the biosecurity import clearance processes was not met due to the significant number of detections of brown marmorated stink bug during the past summer season. Several changes are under way to improve the situation, including applying a Lean Six Sigma process, to help MPI meet its standard in the future.

- 4 The standard for cost recovered stakeholder satisfaction for our border operations was not met due to MPI managing the increased risk of brown marmorated stink bug and changes to Import Health Standards have had an adverse effect on the time taken to process exported and imported goods. A review of the entire process is under way, to improve MPI processes and stakeholder experience.
- 5 The standard for timeliness of biosecurity incursion investigations was not met due to a significant increase in the number of investigations initiated. This increase placed pressure on our investigating staffing resources to complete their investigations within expected timeframes.
- 6 This measure excludes all farms that are under phased eradication or have restricted the ability for MPI to revoke the Restricted Place notice, for example, refusing testing.
- 7 Non-complex claims include those for stock destruction (surveillance and testing purposes or depopulation of an infected property) where an exercise of power has directed the destruction of a claimant's cattle. This measure is only for claims that had been paid as at 30 June 2019.
- 8 This measure did not meet its annual target in 2018/19, however, the Compensation Team focused on improving the situation through the second half of the year by streamlining the process to make payments more efficiently and by implementing a suite of initiatives, including adding further capability and strengthening the capacity of the team. These changes have helped reduce the turnaround time across all claims, in particular, for non-complex claims resulting from stock destruction and surveillance sampling. The implementation of the "rapid stock destruction" process in January 2019 has also helped MPI to make an initial payment to some farmers within a few days of the animals being depopulated.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18
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Appropriations	Performance measures	Target	Actual	Standard met?	Actual
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Development and Implementation of Primary Industries Policy Advice MCA

The overarching purpose of this appropriation is to provide both policy and operational advice and support to Ministers in discharging their policy and operational decision-making responsibilities with regards to primary industries.

Departmental Output Expenses

<p><i>Implementation of Policy Advice and ministerial servicing (Agriculture, Animal Welfare, Food Safety, Biosecurity)</i></p> <p>This category is limited to implementing policy decisions, operational policy, and administering legislation relating to agriculture, climate change, animal welfare, food safety, biosecurity and ministerial servicing.</p>	<p>Percentage of ministerial requests from the Minister of Agriculture/Food Safety/Biosecurity completed to agreed standards¹</p>	Agriculture	95%	98%	✓	New measure for 2018/19
		Animal Welfare	95%	96%	✓	New measure for 2018/19
		Food Safety	95%	97%	✓	97%
		Biosecurity	95%	92% ²	✗	95%
	<p>Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes (within 20 working days of receipt)³</p>	Agriculture	95%	88% ³	✗	New measure for 2018/19
		Animal Welfare	95%	92% ³	✗	New measure for 2018/19
		Food Safety	95%	99%	✓	83%
		Biosecurity	95%	94%	✗	99%
<p><i>Policy Advice (Agriculture, Animal Welfare, Biosecurity, Fisheries, Food Safety)</i></p> <p>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, climate change, animal welfare, biosecurity, fisheries and food safety.</p>	<p>Technical quality assessment of MPI policy advice on a scale of 1 to 10</p>	Agriculture	7	7.7	✓	New measure for 2018/19
		Animal Welfare	7	7.7	✓	New measure for 2018/19
		Biosecurity	7	7.7	✓	7.8
		Fisheries	7	7.7	✓	7.8
		Food Safety	7	7.7	✓	7.8

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
	The Minister of Agriculture/Biosecurity/Fisheries/Food Safety rates the quality of agriculture policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials	Agriculture 8	8.5	✓	New measure for 2018/19
		Animal Welfare 8	8	✓	New measure for 2018/19
		Biosecurity 8	8	✓	6
		Fisheries 8	7	✗	8.5
		Food Safety 8	8	✓	6
	Total cost per output hour (\$)	Agriculture \$158	\$172.96 ⁴	✗	New measure for 2018/19
		Animal Welfare \$158	\$172.96 ⁴	✗	New measure for 2018/19
		Biosecurity \$158	\$172.96 ⁴	✗	\$163.52
		Fisheries \$158	\$172.96 ⁴	✗	\$163.52
		Food Safety \$158	\$172.96 ⁴	✗	\$163.52
<i>Operational Advice on Sustainability and Management Controls in Fisheries</i>	Percentage of planned fisheries research projects ⁵ completed within the contracted timeframes	80%	67% ⁶	✗	63%
This category is limited to operational advice to support decision-making by Ministers on Government policy matters relating to operational advice on sustainability and management controls for New Zealand's fisheries.					

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
<p><i>Trade and Market Access Primary Industries</i></p> <p>This category is limited to the implementation of government interventions, including the coordination of activities, development and delivery of frameworks that facilitate international trade in primary products with the exception of food-related safety aspects, and implementation of agreements and arrangements which influence and improve multilateral, regional and bilateral relationships.</p>	<p>Percentage of priority items progressed for the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders</p>	75%	90%	✓	97%

Comments

- 1 The agreed standards for ministerial requests are:
 - + Ministerial Letters (20 working days)
 - + Written Parliamentary Questions (four working days)
 - + Ministerial OIAs (draft to the Minister in 15 working days)
 - + Minister-requested briefing papers and memos (timeframes differ on request).
- 2 The standard for Biosecurity ministerial requests was not met due to the significant increase in the number of requests. Improvements are being implemented (including getting additional resources and developing a centralised workflow tool) to increase productivity in 2019/20.
- 3 The standard for Agriculture Official Information Act, Privacy Act and Ombudsmen requests was not met due to the significant increase in the number of requests. Improvements are being implemented (including getting additional resources and developing a centralised workflow tool) to increase productivity in 2019/20.
- 4 The standard for the total cost of policy advice for Agriculture, Biosecurity, Food Safety and Fisheries was not met due to the increase in staff costs and the use of contract staff. Compared with last year's cost of policy advice across ministries, MPI's result for 2018/19 sits in the middle.
- 5 Forty-nine fisheries research projects were planned in 2018/19.
- 6 The standard for planned Fisheries research projects completed within contracted timeframes was not met due to difficulty in recruitment and retention of science staff. Improvements to the measure will be incremental as we resolve historic overdue contract projects in the future.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
Fisheries: Managing the Resource Sustainably MCA					
The overarching purpose of this appropriation is to manage the sustainable use of fisheries resources and protection of the aquatic environment.					
Departmental Output Expenses					
<i>Fisheries Enforcement and Monitoring</i> This category is limited to informing, assisting, directing and enforcing adherence to New Zealand fisheries laws.	Percentage of commercial operators inspected ¹ are found to be voluntarily compliant	90%	90%	✓	88%
	Percentage of recreational fishers inspected ² are found to be voluntarily compliant	95%	94%	✗	95%
	Percentage of serious offenders do not reoffend within the next year	95%	99%	✓	98%
	Percentage of complex investigations completed ³ within legislative requirements	100%	99%	✗	100%
	Percentage of non-complex investigations completed ⁴ within 6 months	95%	89% ⁵	✗	91%
	Percentage of the Crown's obligations to Māori is delivered	100%	97% ⁶	✗	100%
	<i>Fisheries Management</i> This category is limited to implementing ministerial decisions on sustainability and management controls for New Zealand's fisheries.	Percentage of ministerial requests from the Minister of Fisheries completed to agreed standards ⁷	95%	98%	✓
Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes (within 20 working days of receipt)		95%	95%	✓	81%

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18
Appropriations	Performance measures	Target	Actual	Standard met? Actual
<p><i>Fisheries: Administration of Grants and Programmes</i></p> <p>This category is limited to the administration of government approved schemes, grants and assistance to the fisheries sector.</p>	Percentage of funding applications processed within timeliness (six weeks from receipt of proposal to the Investment Advisory Panel assessment)	100%	n/a ⁸	n/a New measure for 2018/19
<p><i>Fisheries: Aquaculture</i></p> <p>This category is limited to implementing aquaculture policy advice, supporting and monitoring the growth of the aquaculture industry.</p>	Percentage of project milestones for the annual aquaculture plan met	90%	96%	✓ 61%

Comments

- 1 In 2018/19, the 2,322 commercial operators inspected were found to be voluntarily compliant.
- 2 In 2018/19, the 28,646 recreational fishers inspected were found to be voluntarily compliant.
- 3 In 2018/19, 258 complex investigations were completed within legislative requirements.
- 4 In 2018/19, 3,528 non-complex investigations were completed within six months.
- 5 The standard for Fisheries non-complex investigations completed within six months was not met due to several historic case files remaining open and the lack of staffing resources to address the number of investigations. Additional staffing has been employed to manage the backlog. Implementation of the new Electronic Reporting and Geospatial Position Reporting legislation has also created pressure on staffing.
- 6 The standard for the Crown's Fisheries obligations to Māori was not met due to staff resourcing constraints for processing applications. This has resulted in a delay in consultation on the Waipara mātaītai application. MPI is addressing the issue by hiring additional staff and conducting training to improve its processing of applications.
- 7 The agreed standards for ministerial requests are:
 - + Ministerial Letters (20 working days)
 - + Written Parliamentary Questions (four working days)
 - + Ministerial OIAs (draft to the Minister in 15 working days)
 - + Minister-requested briefing papers and memos (timeframes differ on request)
- 8 No fisheries-related applications for grants and programmes were received under this appropriation in 2018/19.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18
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Appropriations	Performance measures	Target	Actual	Standard met?	Actual
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Food Safety: Protecting Consumers MCA

The overarching purpose of this appropriation is to protect consumers from foodborne disease and maintain and enhance New Zealand’s reputation as a trusted supplier of safe and suitable food.

Departmental Output Expenses

<p><i>Food Safety: Assurance</i></p> <p>This category is limited to justifying and delivering assurances to consumers, 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.</p>	<p>Percentage of access to overseas markets maintained after overseas audits</p> <hr/> <p>Five or fewer export certificates per financial year are rejected due to a verification error</p> <hr/> <p>Percentage of applicants that participate in the customer satisfaction survey rate overall verification service as 4 or higher (rating between 1 and 5 where 1 is very dissatisfied and 5 is very satisfied)</p>	<p>100%</p> <hr/> <p>5 or fewer</p> <hr/> <p>80%</p>	<p>100%</p> <hr/> <p>4</p> <hr/> <p>81%</p>	<p>✓</p> <hr/> <p>✓</p> <hr/> <p>✓</p>	<p>100%</p> <hr/> <p>3</p> <hr/> <p>69%</p>
<p><i>Food Safety: Information</i></p> <p>This category is limited to engagement of, and information for, stakeholders about food safety and suitability, to encourage participation in, and compliance with, the food regulatory programme, and to enable consumers to make appropriate food choices.</p>	<p>Food safety information is provided in line with programmes</p>	<p>Achieved</p>	<p>Achieved</p>	<p>✓</p>	<p>Achieved</p>
<p><i>Food Safety: Response</i></p> <p>This category is limited to the investigation of, preparedness for, and response to, food-related events, incidents, emergencies, complaints and suspected breaches of legislation and taking appropriation sanctions and enforcement action.</p>	<p>Percentage of complex investigations completed within legislative requirements</p> <hr/> <p>Percentage of non-complex investigations completed within 6 months</p> <hr/> <p>Percentage of food recalls completed and closed within 60 days</p>	<p>100%</p> <hr/> <p>95%</p> <hr/> <p>100%</p>	<p>100%</p> <hr/> <p>92%¹</p> <hr/> <p>91%²</p>	<p>✓</p> <hr/> <p>✗</p> <hr/> <p>✗</p>	<p>100%</p> <hr/> <p>94%</p> <hr/> <p>99%</p>

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
	Percentage of Priority 1 complaints are recorded and responded to within 24 hours of notification to MPI	100%	100%	✓	100%
<i>Food Safety: Standards</i>	Percentage of certificates issued which meet food safety technical requirements of importing countries, as specified by overseas competent authorities	99%	100%	✓	100%
This category 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.					
<i>Food Safety: Trade and Market Access</i> <i>Food Safety</i>	Percentage of priority items progressed for the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	75%	90%	✓	97%
This category is limited to the coordination of activities, development and delivery of frameworks that facilitate the food-related safety aspects of international trade in primary products, and implementation of agreements and arrangements which influence and improve multilateral, regional and bilateral relationships.					

Comments:

- 1 The standard for Food Safety non-complex investigations was not met due to the increase in the number of cases to be investigated as a result of food businesses needing support to meet the registration requirements under the Food Act 2014.
- 2 The standard for food recalls completed within 60 days was not met due to ongoing enforcement action with some food businesses, and delays in disposing of recalled product due to ongoing insurer issues.

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

- + Agriculture: Recovery Assistance
- + Agriculture: Adverse Climatic Events
- + Agriculture: Adverse Earthquake Events
- + Fisheries Quota Shares & Annual Catch Entitlement Administration Costs
- + Food Safety Science and Research
- + Food Safety: Joint Food Standards Setting Treaty
- + Agriculture: Rural Veterinarians Bonding Scheme
- + Fisheries: Aquaculture Settlements
- + Fisheries: Provision for Fisheries Debt Write Downs
- + Subscriptions to International Organisations

Statement of service performance

Tauākī whakatutukitanga ā-ratonga

Vote Forestry

Final year-end non-financial performance is recorded below for MPI's departmental and multi-class appropriations, and in the Ministers' report for non-departmental appropriations, which is appended to this document (see pages 168–183).

Forestry: Hill Country Erosion Fund is exempt from end-of-year performance reporting under section 15D(2)(b)(iii) of the Public Finance Act 1989 because the annual amount of this appropriation is less than \$5 million.

Variance comments are provided only for performance measures that have missed their annual target by 3 percent or more.

For the financial result by appropriation, go to page 76.

Vote Forestry		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
Growth and Development of the Forestry Sector MCA					
The overarching purpose of this appropriation is to support the growth and development of the forestry sector.					
Departmental Output Expenses					
<i>Forestry: Administration of Grants and Programmes</i>	Percentage of funding applications processed within timelines (six weeks from receipt of proposal to the Investment Advisory Panel assessment)	100%	100%	✓	New measure for 2018/19
This category is limited to the administration of government-approved schemes, grants and assistance to the forestry sector.					
<i>Forestry: Implementation of Policy Advice and ministerial servicing</i>	Percentage of ministerial requests from the Minister of Forestry completed to agreed standards ¹	95%	92% ²	✗	New measure for 2018/19
This category is limited to implementing policy decisions, operational policy, and administering legislation relating to forestry and ministerial servicing.					
	Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes (within 20 working days of receipt)	95%	94%	✗	New measure for 2018/19

Vote Forestry		2018/19			2017/18
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
	Percentage of emissions returns for post 1989 forest land registered in the ETS are verified for accuracy of the units being claimed	100%	100%	✓	100%
	Percentage of pre-approval inspections are undertaken to verify the information submitted in annual logging plans	100%	100%	✓	100%
<i>Forestry: Management of the Crown's Forestry Assets</i>	Number of hectares of the Crown forestry managed estate surrendered or sold	Equal or greater than 1,300	1,388	✓	New measure for 2018/19
This category is limited to the management of the Crown's interest in forests and forestry-related assets.	Percentage of forest management activities comply with all statutory requirements, lease agreements and other contractual arrangements as assessed by annual independent review of a sample of forests	100%	100%	✓	New measure for 2018/19
	Percentage of costs and revenues are consistent with industry norms as assessed by annual independent review of a sample of forests	100%	100%	✓	New measure for 2018/19
	Number of hectares contracted under commercial forest leases or forest joint ventures as part of the One Billion Trees programme	11,500 ha	11,844 ha	✓	New measure for 2018/19
	<i>Forestry: Policy Advice</i>	Technical quality assessment of MPI policy advice on a scale of 1 to 10	7	7.7	✓
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 forestry.	The Minister of Forestry rates the quality of forestry policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials	8	8.5	✓	New measure for 2018/19

Vote Forestry		2018/19		2017/18	
Appropriations	Performance measures	Target	Actual	Standard met?	Actual
	Total cost per output hour (\$)	\$158	\$172.96 ³	✗	New measure for 2018/19
Non-Departmental Output Expenses					
<i>Forestry: Operational Management of the Crown's Forests</i>	Manage contracts to supply planned cubic metres (m ³) of logs within +/- 10%	852,000	772,222	✗	808,675
This category is limited to the purchase of forestry operation and management services.					
Non-Departmental Capital Expenditure					
<i>Forestry: Capital investment in the Crown's Forestry Assets</i>	Hectares contracted for planting over the 2019 planting season	7,000	7,019	✓	New measure for 2018/19
This category is limited to the purchase or planting of the Crown's Forestry assets.					
	Number of hectares contracted under commercial forest leases or forest leases or forest joint ventures as part of the One Billion Trees programme	11,500	11,844	✓	New measure for 2018/19
<i>Forestry: Grants and partnerships programmes</i>	The number of hectares of trees contracted for planting through grants	4,900	750.5 ⁴	✗	New measure for 2018/19
This category is limited to the use of initiatives and grants, and programmes to establish trees or build skills, capability and capacity in the forestry sector.					
	The value of partnerships committed	\$35 million	\$35 million	✓	New measure for 2018/19

Comments:

- The agreed standards for ministerial requests are:
 - + Ministerial Letters (20 working days)
 - + Written Parliamentary Questions (four working days)
 - + Ministerial OIAs (draft to the Minister in 15 working days)
 - + Minister-requested briefing papers and memos (timeframes differ on request)
- The standard for Forestry ministerial requests was not met due to the significant increase in the number of requests (a 63 percent increase, from 239 requests in 2017/18 to 391 requests in 2018/19). Improvements are being implemented (including getting additional resources and developing a centralised workflow tool) to increase productivity in 2019/20.
- The standard for the total cost of policy advice for Forestry was not met due to the increase in staff costs and use of contract staff. Compared with last year's cost of policy advice across ministries, MPI's result for 2018/19 sits in the middle.
- The standard for the number of hectares of trees contracted for planting through grants was not met due to the following:
 - + delays in the implementation of the grants processing system, this meant the first grant approvals did not occur until May, with a significant increase in June
 - + more small-scale applications for planting were received than originally anticipated
 - + two significant applications were not able to be approved for the 2018/19 year, however, they were approved in the first week of July.

Vote Agriculture, Biosecurity, Fisheries and Food Safety

Appropriation – Agriculture: Programmes Supporting Sustainability MCA

Revenue and output expenses				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
Revenue Crown				
9,961	Agriculture: Administration of Grants and Programmes	7,186	9,304	7,624
7,665	Animal Welfare: Education and Enforcement	6,774	8,386	6,721
17,626	Total revenue Crown	13,960	17,690	14,345
Revenue other				
118	Agriculture: Administration of Grants and Programmes	158	29	157
77	Animal Welfare: Education and Enforcement	153	7	7
195	Total revenue other	311	36	164
17,821	Total revenue	14,271	17,726	14,509
Expenses				
9,205	Agriculture: Administration of Grants and Programmes	6,748	9,333	7,781
7,610	Animal Welfare: Education and Enforcement	6,735	8,393	6,728
16,815	Total expenses	13,483	17,726	14,509
Surplus/[Deficit]				
874	Agriculture: Administration of Grants and Programmes	596	-	-
132	Animal Welfare: Education and Enforcement	192	-	-
1,006	Total surplus/[deficit]	788	-	-

Appropriation – Biosecurity: Border and Domestic Biosecurity Risk Management MCA

Revenue and output expenses				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
Revenue Crown				
11,472	Border Biosecurity Monitoring and Clearance	3,942	8,993	-
11,592	Border Biosecurity Systems Development and Maintenance	13,365	17,741	15,915
86,453	Biosecurity Incursion Response and Long Term Pest Management	46,642	38,028	49,414
41,619	Domestic Biosecurity Surveillance	50,060	47,166	54,840
-	Response to <i>Mycoplasma bovis</i>	140,332	-	124,712
151,136	Total revenue Crown	254,341	111,928	244,881
Revenue other				
104,646	Border Biosecurity Monitoring and Clearance	104,637	119,730	124,626
9,590	Border Biosecurity Systems Development and Maintenance	6,434	6,778	6,778
874	Biosecurity Incursion Response and Long Term Pest Management	1,026	775	840
1,688	Domestic Biosecurity Surveillance	2,216	1,755	2,545
-	Response to <i>Mycoplasma bovis</i>	11,261	-	94
116,798	Total revenue other	125,574	129,038	134,883
267,934	Total revenue	379,915	240,966	379,764
Expenses				
117,555	Border Biosecurity Monitoring and Clearance	127,497	128,463	124,626
18,611	Border Biosecurity Systems Development and Maintenance	21,584	24,500	22,693
96,427	Biosecurity Incursion Response and Long Term Pest Management	46,626	38,793	50,254
45,338	Domestic Biosecurity Surveillance	52,740	48,674	57,385
-	Response to <i>Mycoplasma bovis</i>	137,451	-	124,806
277,931	Total expenses	385,898	240,430	379,764
Surplus/[Deficit]				
(1,437)	Border Biosecurity Monitoring and Clearance	(18,918)	260	-
2,571	Border Biosecurity Systems Development and Maintenance	(1,785)	19	-
(9,100)	Biosecurity Incursion Response and Long Term Pest Management	1,042	10	-
(2,031)	Domestic Biosecurity Surveillance	(464)	247	-
-	Response to <i>Mycoplasma bovis</i>	14,142	-	-
(9,997)	Total surplus/[deficit]	(5,983)	536	-

Appropriation – Development and Implementation of Primary Industries Policy Advice MCA

Revenue and output expenses				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
Revenue Crown				
4,335	Biosecurity Policy Advice	4,586	5,007	4,635
10,041	Fisheries Policy Advice	11,026	11,899	11,844
33,557	Operational Advice on Sustainability and Management Controls in Fisheries	34,204	30,178	32,300
3,066	Implementation of Biosecurity Policy Advice	13,269	2,397	22,294
14,416	Trade and Market Access Primary Industries	14,459	17,820	15,618
1,325	Animal Welfare: Implementation of Policy Advice and ministerial servicing	4,112	963	3,975
1,447	Animal Welfare Policy Advice	1,358	1,409	1,420
22,494	Agriculture: Implementation of Policy Advice and ministerial servicing	17,044	17,601	17,681
24,568	Agriculture: Policy Advice	25,923	23,941	25,956
4,269	Food Safety: Development of Policy Advice	4,891	4,581	5,518
2,218	Food Safety: Implementation of Policy Advice and ministerial servicing	2,258	2,933	2,577
121,736	Total revenue Crown	133,130	118,729	143,818
Revenue other				
27	Biosecurity Policy Advice	29	10	10
285	Fisheries Policy Advice	616	127	396
196	Operational Advice on Sustainability and Management Controls in Fisheries	161	200	194
14	Implementation of Biosecurity Policy Advice	27	8	4
58	Trade and Market Access Primary Industries	1,221	-	-
54	Animal Welfare: Implementation of Policy Advice and ministerial servicing	65	59	59
22	Animal Welfare Policy Advice	18	55	55
925	Agriculture: Implementation of Policy Advice and ministerial servicing	1,145	1,010	1,571
373	Agriculture: Policy Advice	542	919	1,358
114	Food Safety: Development of Policy Advice	67	10	16
17	Food Safety: Implementation of Policy Advice and ministerial servicing	163	1	61
2,085	Total revenue other	4,054	2,399	3,724
123,821	Total revenue	137,184	121,128	147,542

Revenue and output expenses

Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
Expenses				
4,022	Biosecurity Policy Advice	4,337	5,017	4,645
9,459	Fisheries Policy Advice	10,644	12,023	12,240
32,059	Operational Advice on Sustainability and Management Controls in Fisheries	30,614	30,372	32,494
2,931	Implementation of Biosecurity Policy Advice	11,860	2,401	22,298
14,096	Trade and Market Access Primary Industries	14,448	17,820	15,618
1,336	Animal Welfare: Implementation of Policy Advice and ministerial servicing	3,912	1,022	4,034
1,363	Animal Welfare Policy Advice	1,326	1,464	1,475
22,686	Agriculture: Implementation of Policy Advice and ministerial servicing	16,633	18,611	19,252
23,148	Agriculture: Policy Advice	24,286	24,860	27,314
4,289	Food Safety: Development of Policy Advice	5,160	4,591	5,534
2,625	Food Safety: Implementation of Policy Advice and ministerial servicing	3,058	2,934	2,638
118,014	Total expenses	126,278	121,115	147,542
Surplus/[Deficit]				
340	Biosecurity Policy Advice	278	–	–
867	Fisheries Policy Advice	998	3	–
1,694	Operational Advice on Sustainability and Management Controls in Fisheries	3,751	6	–
149	Implementation of Biosecurity Policy Advice	1,436	4	–
378	Trade and Market Access Primary Industries	1,232	–	–
43	Animal Welfare: Implementation of Policy Advice and ministerial servicing	265	–	–
106	Animal Welfare Policy Advice	50	–	–
733	Agriculture: Implementation of Policy Advice and ministerial servicing	1,556	–	–
1,793	Agriculture: Policy Advice	2,179	–	–
94	Food Safety: Development of Policy Advice	(202)	–	–
(390)	Food Safety: Implementation of Policy Advice and ministerial servicing	(637)	–	–
5,807	Total surplus/[deficit]	10,906	13	–

Appropriation – Fisheries: Managing the Resource Sustainably MCA

Revenue and output expenses				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
Revenue Crown				
307	Fisheries: Administration of Grants and Programmes	47	287	46
4,284	Fisheries: Aquaculture	3,865	3,846	4,385
34,860	Fisheries Enforcement and Monitoring	37,711	37,377	40,079
12,626	Fisheries Management	11,567	14,986	12,209
52,077	Total revenue Crown	53,190	56,496	56,719
Revenue other				
4	Fisheries: Administration of Grants and Programmes	–	1	1
26	Fisheries: Aquaculture	140	16	86
2,557	Fisheries Enforcement and Monitoring	2,603	1,864	2,626
224	Fisheries Management	101	876	876
2,811	Total revenue other	2,844	2,757	3,589
54,888	Total revenue	56,034	59,253	60,308
Expenses				
284	Fisheries: Administration of Grants and Programmes	50	288	47
3,988	Fisheries: Aquaculture	3,632	3,862	4,471
39,378	Fisheries Enforcement and Monitoring	41,326	39,241	42,705
12,316	Fisheries Management	10,801	15,862	13,085
55,966	Total expenses	55,809	59,253	60,308
Surplus/[Deficit]				
27	Fisheries: Administration of Grants and Programmes	(3)	–	–
322	Fisheries: Aquaculture	373	–	–
(1,961)	Fisheries Enforcement and Monitoring	(1,012)	–	–
534	Fisheries Management	867	–	–
(1,078)	Total surplus/[deficit]	225	–	–

Appropriation – Food Safety: Protecting Consumers MCA

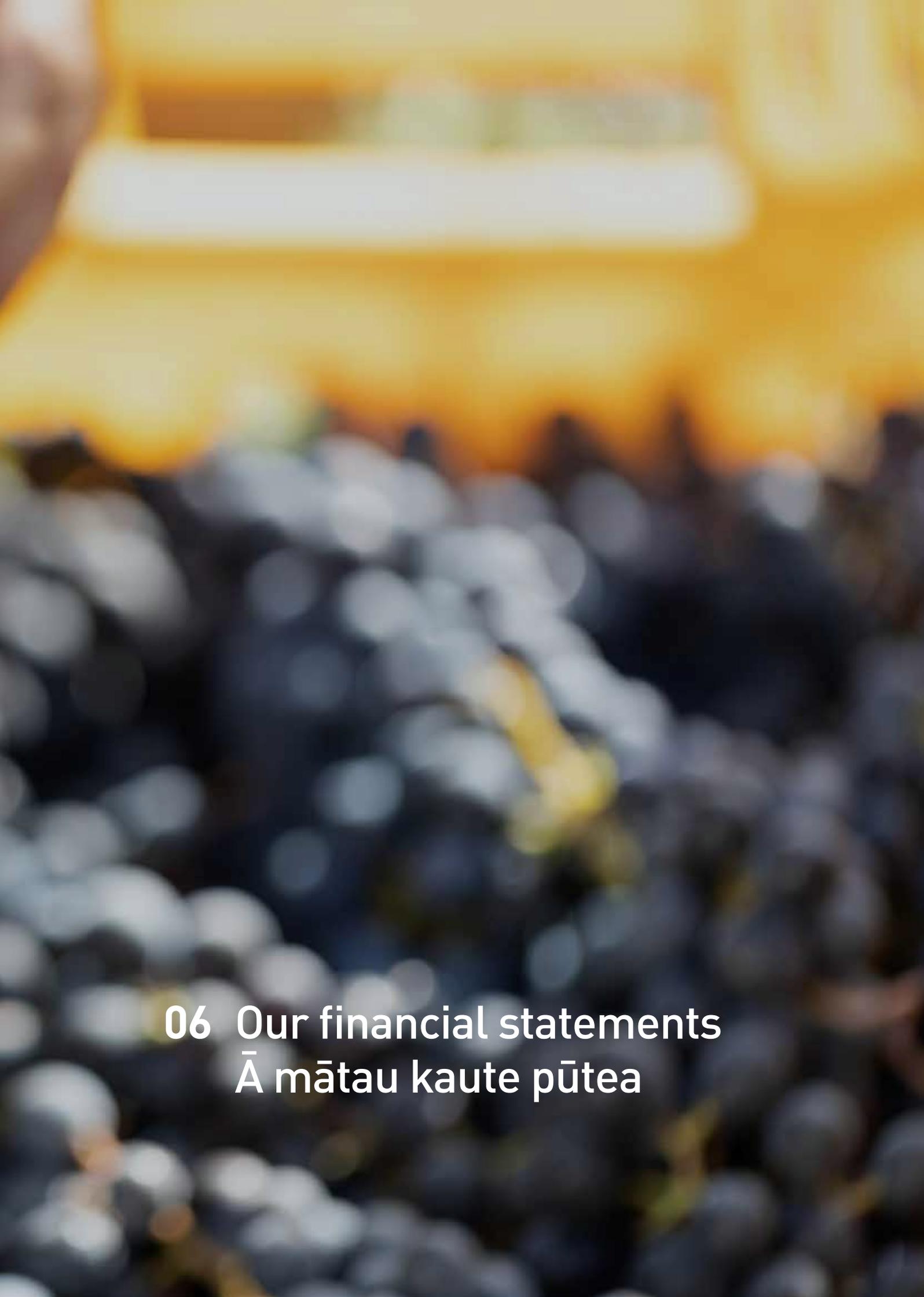
Revenue and output expenses				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
Revenue Crown				
5,711	Food Safety: Assurance	4,763	1,156	–
2,672	Food Safety: Information	3,547	3,586	4,859
6,111	Food Safety: Response	5,260	6,076	5,582
11,155	Food Safety: Standards	11,655	10,716	9,140
3,844	Food Safety: Trade and Market Access Food Safety	3,975	5,219	4,204
29,493	Total revenue Crown	29,200	26,753	23,785
Revenue other				
60,022	Food Safety: Assurance	59,943	67,319	71,019
112	Food Safety: Information	147	2	2
18	Food Safety: Response	134	360	87
7,743	Food Safety: Standards	9,457	10,358	8,780
2,316	Food Safety: Trade and Market Access Food Safety	1,422	2,085	2,309
70,211	Total revenue other	71,103	80,124	82,197
99,704	Total revenue	100,303	106,877	105,982
Expenses				
65,775	Food Safety: Assurance	68,464	68,122	71,019
2,682	Food Safety: Information	3,828	3,588	4,861
6,135	Food Safety: Response	5,575	6,426	5,669
17,489	Food Safety: Standards	18,797	21,024	17,920
5,914	Food Safety: Trade and Market Access Food Safety	5,418	7,304	6,513
97,995	Total expenses	102,082	106,464	105,982
Surplus/[Deficit]				
(42)	Food Safety: Assurance	(3,758)	353	–
102	Food Safety: Information	(134)	–	–
(6)	Food Safety: Response	(181)	10	–
1,409	Food Safety: Standards	2,315	50	–
246	Food Safety: Trade and Market Access Food Safety	(21)	–	–
1,709	Total surplus/[deficit]	(1,779)	413	–

Vote Forestry

Appropriation – Forestry: Administration of Grants and Programmes MCA

Revenue and output expenses				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
Revenue Crown				
4,902	Forestry: Administration of Grants and Programmes	12,315	4,985	10,682
9,296	Forestry: Implementation of Policy Advice and ministerial servicing	9,685	12,939	13,268
1,516	Forestry: Management of the Crown's Forestry Assets	2,353	2,849	2,650
1,420	Forestry: Policy Advice	9,182	1,417	7,602
17,134	Total revenue Crown	33,535	22,190	34,202
Revenue other				
58	Forestry: Administration of Grants and Programmes	163	15	193
250	Forestry: Implementation of Policy Advice and ministerial servicing	166	106	186
4	Forestry: Management of the Crown's Forestry Assets	5	116	116
22	Forestry: Policy Advice	166	55	109
334	Total revenue other	500	292	604
17,468	Total revenue	34,035	22,482	34,806
Expenses				
4,530	Forestry: Administration of Grants and Programmes	10,855	5,000	10,875
8,920	Forestry: Implementation of Policy Advice and ministerial servicing	9,014	13,045	13,454
1,441	Forestry: Management of the Crown's Forestry Assets	2,197	2,965	2,766
1,338	Forestry: Policy Advice	8,819	1,472	7,711
16,229	Total expenses	30,885	22,482	34,806
Surplus/[Deficit]				
430	Forestry: Administration of Grants and Programmes	1,623	-	-
626	Forestry: Implementation of Policy Advice and ministerial servicing	837	-	-
79	Forestry: Management of the Crown's Forestry Assets	161	-	-
104	Forestry: Policy Advice	529	-	-
1,239	Total surplus/[deficit]	3,150	-	-





06 Our financial statements
Ā mātau kaute pūtea

Statement of responsibility

Tauākī kawenga

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

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

In my opinion:

- + the financial statements fairly reflect the financial position of MPI as at 30 June 2019 and its operations for the year ended on that date
- + the forecast financial statements fairly reflect the forecast financial position of MPI as at 30 June 2019 and its operations for the year ending on that date.

Signed



Ray Smith

Director-General

27 September 2019

Countersigned



Neil Cherry

Deputy Director-General

Corporate Services

27 September 2019

Independent auditor's report

Te pūrongo a te kaiōtita motuhake

To the readers of the Ministry for Primary Industries' Annual Report for the year ended 30 June 2019

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

- + the financial statements of the Ministry on pages 91 to 128, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2019, 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 2019 on pages 60 to 82
- + the statement of departmental expenses and capital expenditure against appropriations for the year ended 30 June 2019 on pages 99 to 101
- + the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 129 to 157 that comprise:
 - the schedules of assets; liabilities; contingent liabilities and contingent assets; and commitments as at 30 June 2019
 - the schedules of revenue; expenses and capital expenditure for the year ended 30 June 2019

- the statement of expenditure and capital expenditure against appropriations for the year ended 30 June 2019
- the statement of unappropriated expenditure and capital expenditure for the year ended 30 June 2019
- the statement of trust monies for the year ended 30 June 2019
- the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- + the financial statements of the Ministry on pages 91 to 128:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019
 - its financial performance and cash flows for the year ended on that date
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- + the performance information of the Ministry on pages 60 to 82:
 - presents fairly, in all material respects, for the year ended 30 June 2019:
 - what has been achieved with the appropriation

- 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 departmental expenses and capital expenditure against appropriations of the Ministry on pages 99 to 101 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 129 to 157 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; contingent liabilities and contingent assets and commitments as at 30 June 2019
 - revenue; expenses and capital expenditure for the year ended 30 June 2019
 - the statement of unappropriated expenditure and capital expenditure for the year ended 30 June 2019
 - the statement of expenditure and capital expenditure against appropriations for the year ended 30 June 2019
 - the statement of trust monies for the year ended 30 June 2019.

Our audit was completed on 27 September 2019. 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 relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Director-General

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

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

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

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

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

Responsibilities of the auditor for the information to be audited

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

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

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

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

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

- + We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- + We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- + We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director-General.
- + We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.
- + We conclude on the appropriateness of the use of the going concern basis of accounting by the Director-General and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.

- + We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Director-General is responsible for the other information. The other information comprises the information included on pages 4 to 57, 86, and 160 to 183, but does not include the information we audited, and our auditor's report thereon.



Stuart Mutch

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

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

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

Independence

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

In addition to the audit we have carried out a financial model review, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in the Ministry.

Overview of Departmental Financial Results

For the year ended 30 June 2019

Actuals 2018 \$000		Actuals 2019 \$000	Unaudited estimates of appropriations 2019 \$000
581,633	Revenue – in total	722,979	568,573
389,200	Revenue Crown	517,700	353,786
192,433	Revenue Other	205,279	214,787
582,797	Expenditure – in total	714,543	567,470
277,813	Personnel costs	302,634	305,744
285,393	Other operating expenses	388,797	238,483
10,306	Depreciation and amortisation expense	12,383	14,187
8,393	Capital charge	10,694	8,756
892	Restructuring costs	35	300
(1,164)	Operating surplus/(deficit)	8,436	1,103
2,451	Repayment of surplus (current liability)	22,530	9,468
54,186	Working capital	17,386	55,552
142,419	Non-current assets	178,442	183,072
15,909	Non-current liabilities	19,470	9,675
180,696	Equity	176,358	228,949

Significant movements between 2017/18 actuals and 2018/19 actuals

Revenue Crown

The \$128.500 million increase in Revenue Crown is mainly due to funding received for work that aims to eradicate *Mycoplasma bovis*. In 2018/19 MPI received Crown Revenue totalling \$143.000 million for the work underway to eradicate *Mycoplasma bovis*, compared with \$23.800 million for 2017/18.

Revenue other

The \$12.846 million increase in third party revenue is primarily due to:

- + industry contribution for *Mycoplasma bovis* – Phase One (\$11.200 million)
- + increased volumes for Biosecurity System Entry Levy (\$6.230 million)
- + increased volumes of certifications issued for dairy (\$2.736 million), red meat (\$1.917 million) and fish (\$0.655 million).

Offset by decreases in:

- + Border Clearance Levy – Air (\$5.883 million)
- + Border Clearance Levy – Cruise (\$1.265 million)
- + Verification Services (\$3.672 million).

Personnel costs

MPI employs 3,030 full-time-equivalent (FTE) staff, mainly in New Zealand, but has a small offshore presence as well. The \$24.821 million increase in personnel costs is due to:

- + an increase in FTE of approximately 250 staff
- + an average 2 percent increase to permanent staff salaries
- + increased volumes for incursion response activities, such as *Mycoplasma bovis*, which has resulted in additional allowances and overtime being required to meet service demand.

Other operating expenses

The \$103.404 million increase in other operating expenses is mainly due to an increase in response activities. Significant responses were for *Mycoplasma bovis* and the Queensland fruit fly.

Non-current assets

The \$36.023 million increase in non-current assets is mainly due to the spending in the current year on the Modern Workplace Programme in the Wellington and Christchurch offices, and the National Biocontainment Laboratory Project.

Equity

The \$4.338 million decrease in equity is due to returning \$9.296 million in funds to the Crown. MPI has also provided for the return of an operating surplus of \$22.530 million. This has been partially offset by increases as a result of a net surplus of \$8.436 million and capital injections during the year of \$16.601 million.

Significant variances between 2018/19 actual results and the estimates of appropriations

Revenue other

Revenue other is \$9.508 million lower than budgeted due to a decrease in the Border Clearance Levy – Air.

Other operating expenses

Other operating expenses are \$150.314 million higher than budgeted. Appropriation of \$145.000 million was added in the 2018 October Baseline Update to the MPI budget, of which \$133.000 million related to *Mycoplasma bovis*, and \$6.100 million related to carry forward funding from 2017/18 to 2018/19 (in-principle expense transfers). The funds transferred were confirmed after the Estimates of Appropriation had been completed.

Working capital

Working capital is \$38.166 million lower than budgeted. The primary drivers are:

- + repayment of surplus provision of \$22.530 million, over budget by \$13.062 million
- + creditor and other payables of \$65.979 million, over budget by \$22.559 million.

Non-current assets

Non-current assets are \$4.630 million lower than budgeted. This is primarily due to the change in the expenditure and timing profile of the National Biocontainment Laboratory Project.

Equity

The \$52.591 million lower than budgeted equity balance was first initiated through a \$8.268 million lower opening balance than budgeted. Decreases were further incurred following the downwards re-forecast of capital by \$31.749 million. MPI also returned an additional \$9.296 million that was not budgeted for.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2019

Actuals 2018 \$000		Note	Actuals 2019 \$000	Unaudited estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
Revenue					
389,200	Revenue Crown		517,700	353,786	493,213
192,433	Revenue other	2	205,279	214,787	228,435
581,633	Total revenue		722,979	568,573	721,648
Expenditure					
277,813	Personnel costs	3	302,634	305,744	322,096
10,306	Depreciation and amortisation expense	8, 9	12,383	14,187	19,433
8,393	Capital charge	4	10,694	8,756	11,130
892	Restructuring costs		35	300	300
285,393	Other operating expenses	5	388,797	238,483	370,524
582,797	Total expenditure		714,543	567,470	723,483
(1,164)	Net surplus/(deficit)		8,436	1,103	(1,835)
(1,164)	Total comprehensive revenue and expense		8,436	1,103	(1,835)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2019

Actuals 2018 \$000		Note	Actuals 2019 \$000	Unaudited estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
Assets					
Current assets					
78,484	Cash and cash equivalents		53,879	67,850	27,619
68,195	Debtors and other receivables	6	75,761	58,590	63,590
1,929	Prepayments		2,236	3,500	3,000
5,127	Inventories	7	5,071	5,000	5,000
153,735	Total current assets		136,947	134,940	99,209
Non-current assets					
117,232	Property, plant and equipment	8	154,825	160,699	148,326
25,187	Intangible assets	9	23,617	22,373	26,719
142,419	Total non-current assets		178,442	183,072	175,045
296,154	Total assets		315,389	318,012	274,254
Liabilities					
Current liabilities					
61,894	Creditors and other payables	10	65,979	43,420	43,620
2,451	Repayment of surplus	11	22,530	9,468	-
1,674	Provisions	12	185	1,500	1,500
33,530	Employee entitlements	13	30,867	25,000	33,000
99,549	Total current liabilities		119,561	79,388	78,120
Non-current liabilities					
4,629	Creditors and other payables	10	4,252	-	-
34	Provisions	12	3,145	-	-
11,246	Employee entitlements	13	12,073	9,675	1,000
15,909	Total non-current liabilities		19,470	9,675	1,000
115,458	Total liabilities		139,031	89,063	79,120
180,696	Net assets		176,358	228,949	195,134
Equity					
165,571	Crown capital and retained earnings	14	175,327	222,886	189,071
9,062	Memorandum accounts (net position)	14	(5,032)	-	-
6,063	Property revaluation reserves	14	6,063	6,063	6,063
180,696	Total equity		176,358	228,949	195,134

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2019

Actuals 2018 \$000		Note	Actuals 2019 \$000	Unaudited estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
134,178	Balance at 1 July		180,696	188,964	181,113
(1,164)	Total comprehensive revenue and expense		8,436	1,103	(1,835)
Owner transactions					
42,000	Capital injections	14	16,601	48,350	15,856
(867)	Capital withdrawals	14	(9,296)	-	-
9,000	Retention of prior year surplus	14	2,451	-	-
(2,451)	Return of operating surplus to the Crown	11	(22,530)	(9,468)	-
180,696	Balance at 30 June		176,358	228,949	195,134

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2019

Actuals 2018 \$000		Note	Actuals 2019 \$000	Unaudited estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
Cash flows from operating activities					
384,387	Receipts from Crown		522,570	358,786	498,213
190,104	Receipts from revenue other		192,126	214,712	228,360
(276,430)	Payments to employees		(304,505)	(314,394)	(331,246)
(267,339)	Payments to suppliers		(320,277)	(238,783)	(371,324)
(8,393)	Payments for capital charge		(10,694)	(8,756)	(11,130)
(5,978)	Goods and services tax (net)		(65,854)	-	-
16,352	Net cash from operating activities	15	13,366	11,565	12,873
Cash flows from investing activities					
2,678	Receipts from sale of property, plant and equipment		2,736	-	-
(54,832)	Purchase of property, plant and equipment		(44,016)	(43,364)	(9,991)
(2,972)	Purchase of intangible assets		(3,996)	(1,490)	(10,230)
(55,126)	Net cash from investing activities		(45,276)	(44,854)	(20,221)
Cash flows from financing activities					
42,000	Capital injections from the Crown		16,601	48,350	15,856
(1,251)	Repayment of surplus to the Crown		-	(983)	-
(867)	Repayment of capital to the Crown		(9,296)	-	-
39,882	Net cash from financing activities		7,305	47,367	15,856
1,107	Net increase (decrease) in cash		(24,605)	14,078	8,508
77,377	Cash at the beginning of the year		78,484	53,772	19,111
78,484	Cash at the end of the year		53,879	67,850	27,619

The accompanying notes form part of these financial statements.

Statement of Commitments

As at 30 June 2019

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or recognised as a liability at balance date. The most significant commitment is related to the construction of a new national biocontainment facility at Wallaceville, Upper Hutt, to meet updated biocontainment standards and provide greater functionality and capacity.

Non-cancellable operating lease commitments

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

The total minimum future sublease payments expected to be received under non-cancellable subleases at the balance date are \$1.538 million (2018: \$328,000).

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

Actuals 2018 \$000		Actuals 2019 \$000
Capital commitments		
49,147	Buildings	10,948
357	Motor vehicles	189
49,504	Total capital commitments	11,137
Non-cancellable operating lease commitments		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
16,344	Not later than one year	18,184
47,311	Later than one year and not later than five years	53,421
103,151	Later than five years	103,174
166,806	Total non-cancellable operating lease commitments	174,779
216,310	Total commitments	185,916

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2019

Unquantifiable contingent liabilities – Legal proceedings and disputes

Kiwifruit vine disease Psa-V

Approximately 210 growers have filed a claim against MPI 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 \$450 million, citing total industry losses of \$885 million. MPI is defending the claim.

On 27 June 2018, the High Court found that MPI owed a duty of care to Strathboss and claimants; that it breached its duty of care at the import permit stage; and that the breach caused the Psa-V incursion. An appeal was heard in the Court of Appeal in the weeks of 11 and 18 March 2019, and the Court's decision was reserved. The extent of any loss will be dealt with at a second trial in the High Court.

Two growers, Harpers Gold Limited and Eastern Bay Orchards Limited, have filed a claim on the same basis as the Strathboss proceedings. They are seeking to join that claim. The liability for the new proceedings is also unquantified.

Quantifiable contingent liabilities – Legal proceedings and disputes

Kiwifruit vine disease Psa-V

In the same case as the unquantified liability, a second plaintiff (Seeka), a post-harvest operator, has also filed a claim against MPI alleging it is liable for damages they suffered from the kiwifruit vine disease Psa-V. This plaintiff filed a notice of particulars of loss in September 2016, which quantifies its loss as \$92.7 million. MPI defended the claim. On 27 June 2018, the High Court found that MPI did not owe a duty of care to Seeka. An appeal was heard in the Court of Appeal in the weeks of 11 and 18 March 2019, and the Court's decision was reserved.

WorkSafe New Zealand: Health and Safety at Work Act 2015

MPI has been charged by WorkSafe New Zealand under the Health and Safety at Work Act 2015 for failing to comply with its duty to ensure the safety of its workers (or workers it had a degree of control over) and that failure in its duty exposed individuals to a risk of serious injury. A related charge relates to MPI's alleged failure to confer with other parties about the health and safety of those workers.

The maximum penalty for the respective charges, of which there are three, is not in excess of \$1.500 million.

Meat processing plant

MPI has been joined as a third party to a contractual dispute between a purchaser and vendor over the sale of a defunct meat processing plant for \$4 million. MPI is also being sued by the purchaser for negligence in registering the Risk Management Programme for the works and for negligent misstatement for saying the plant met the New Zealand standard for export and could operate legally.

The sale was conditional on inspection by MPI, which confirmed that the works could commence production (subject to various qualifications), inducing performance of the sale and purchase agreement.

The purchaser seeks an order that if it has to complete the purchase of the meat processing plant MPI must contribute a share of the purchase price or indemnify it against losses arising from the transaction.

Contingent assets

MPI has one contingent asset of \$403,000 relating to value added tax receipts from the United Kingdom Her Majesty's Revenue and Customs.

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

Statement of Departmental Expenditure and Capital Expenditure Against Appropriations

For the year ended 30 June 2019

Expenditure after remeasurements ¹ 2018 \$000	Annual Appropriations	Expenditure before remeasurements 2019 \$000	Remeasurements 2019 \$000	Expenditure after remeasurements 2019 \$000	Appropriation voted ² 2019 \$000	Forecast ³ 2020 \$000
Vote Agriculture, Biosecurity, Fisheries and Food Safety						
Biosecurity: Border and Domestic Biosecurity Risk Management – MCA						
117,555	Border Biosecurity Monitoring and Clearance	127,676	(179)	127,497	124,626	133,024
18,611	Border Biosecurity Systems Development and Maintenance	21,613	(29)	21,584	22,693	25,151
96,427	Biosecurity Incursion Response and Long Term Pest Management	46,652	(26)	46,626	50,254	40,516
45,338	Domestic Biosecurity Surveillance	52,783	(43)	52,740	57,385	57,174
–	Response to <i>Mycoplasma bovis</i>	137,493	(42)	137,451	124,806	68,500
277,931	MCA Total	386,217	(319)	385,898	379,764	324,365
Agriculture: Programmes Supporting Sustainability – MCA						
9,205	Agriculture: Administration of Grants and Programmes	6,757	(9)	6,748	7,781	7,951
7,610	Animal Welfare: Education and Enforcement	6,745	(10)	6,735	6,728	10,358
16,815	MCA Total	13,502	(19)	13,483	14,509	18,309
Development and Implementation of Primary Industries Policy Advice – MCA						
4,022	Biosecurity Policy Advice	4,345	(8)	4,337	4,645	5,607
9,459	Fisheries Policy Advice	10,656	(12)	10,644	12,240	13,716
32,059	Operational Advice on Sustainability and Management Controls in Fisheries	30,630	(16)	30,614	32,494	32,129
2,931	Implementation of Biosecurity Policy Advice	11,866	(6)	11,860	22,298	20,011
14,096	Trade and Market Access Primary Industries	14,472	(24)	14,448	15,618	17,206
1,336	Animal Welfare: Implementation of Policy Advice and ministerial servicing	3,917	(5)	3,912	4,034	3,785
1,363	Animal Welfare Policy Advice	1,328	(2)	1,326	1,475	1,494
22,686	Agriculture: Implementation of Policy Advice and ministerial servicing	16,659	(26)	16,633	19,252	28,268
23,148	Agriculture: Policy Advice	24,307	(21)	24,286	27,314	26,376
4,289	Food Safety: Development of Policy Advice	5,169	(9)	5,160	5,534	6,449

Expenditure after remeasurements ¹ 2018 \$000	Annual Appropriations	Expenditure before remeasurements 2019 \$000	Remeasurements 2019 \$000	Expenditure after remeasurements 2019 \$000	Appropriation voted ² 2019 \$000	Forecast ³ 2020 \$000
2,625	Food Safety: Implementation of Policy Advice and ministerial servicing	3,062	(4)	3,058	2,638	3,047
118,014	MCA Total	126,411	(133)	126,278	147,542	158,108
Food Safety: Protecting Consumers – MCA						
65,775	Food Safety: Assurance	68,581	(117)	68,464	71,019	74,567
2,682	Food Safety: Information	3,832	(4)	3,828	4,861	4,283
6,135	Food Safety: Response	5,584	(9)	5,575	5,669	5,290
17,489	Food Safety: Standards	18,818	(21)	18,797	17,920	21,324
5,914	Food Safety: Trade and Market Access Food Safety	5,427	(9)	5,418	6,513	7,370
97,995	MCA Total	102,242	(160)	102,082	105,982	112,834
Fisheries: Managing the Resource Sustainably – MCA						
284	Fisheries: Administration of Grants and Programmes	50	-	50	47	291
3,988	Fisheries: Aquaculture	3,636	(4)	3,632	4,471	4,255
39,378	Fisheries Enforcement and Monitoring	41,391	(65)	41,326	42,705	45,322
12,316	Fisheries Management	10,811	(10)	10,801	13,085	14,727
55,966	MCA Total	55,888	(79)	55,809	60,308	64,595
566,721	Total Multi-Category Expenses	684,260	(710)	683,550	708,105	678,211
61,089	Capital expenditure PLA	51,423	-	51,423	61,805	20,221
627,810	Total Multi-Category Expenses and Capital Expenditure	735,683	(710)	734,973	769,910	698,432

Expenditure after remeasurements ¹ 2018 \$000	Annual Appropriations	Expenditure before remeasurements 2019 \$000	Remeasurements 2019 \$000	Expenditure after remeasurements 2019 \$000	Appropriation voted ² 2019 \$000	Forecast ³ 2020 \$000
Vote Forestry						
Growth and Development of the Forestry Sector – MCA						
4,530	Forestry: Administration of Grants and Programmes	10,867	(12)	10,855	10,875	15,342
8,920	Forestry: Implementation of Policy Advice and ministerial servicing	9,025	(11)	9,014	13,454	17,266
1,441	Forestry: Management of the Crown's Forestry Assets	2,200	(3)	2,197	2,766	2,712
1,338	Forestry: Policy Advice	8,830	(11)	8,819	7,711	8,117
16,229	Total Multi-Category Expenses	30,922	(37)	30,885	34,806	43,437

Comments:

- 1 Prior year comparatives have been restated because appropriations were affected following the disestablishment of Vote Primary Industries and Food Safety.
- 2 The 2019 Appropriation Voted figures are those submitted to Treasury for the 2019 Budget Economic Fiscal Update.
- 3 Statement of accounting policies provides explanations for these figures, which are not subject to audit. The forecast figures represent the restated Budget 2019 estimates for the 2019/20 financial year.

Statement of Trust Monies

For the year ended 30 June 2019

Meat levies trust account

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

Actuals 2018 \$000		Actuals 2019 \$000
64	Balance at 1 July	174
60,614	Contributions	63,223
(60,497)	Distributions	(63,395)
5	Revenue	-
(12)	Expenditure	(1)
174	Balance at 30 June	1

National animal identification tracing trust

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

Actuals 2018 \$000		Actuals 2019 \$000
13	Balance at 1 July	255
2,400	Contributions	2,493
(2,158)	Distributions	(2,613)
255	Balance at 30 June	135

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 2019

Reporting entity

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

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

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

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

We support the sustainable growth of the New Zealand economy and the wellbeing of everyone in New Zealand.

Our operations and principal activities include:

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

- + protecting consumers of New Zealand food, whether here or overseas
- + providing effective food regulation, including imported and exported products.

The financial statements of MPI are for the year ended 30 June 2019. They were authorised for issue by the Director-General of MPI on 27 September 2019.

Basis of preparation

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

Statement of compliance

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

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

These financial statements comply with PBE accounting standards.

Presentation currency and rounding

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

Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective that have not been early adopted and that are relevant to MPI are as follows.

Impairment of revalued assets

In April 2017, the External Reporting Board (XRB) issued PBE IPSAS 21: Impairment of Revalued Assets, and PBE IPSAS 26: Impairment of Cash-Generating Assets, which now clearly scopes revalued property, plant and equipment into the impairment accounting standards.

Previously, only property, plant and equipment measured at cost were scoped into the impairment accounting standards. Under the amendment, a revalued asset can be impaired without having to revalue the entire class-of-asset to which the asset belongs. MPI has not adopted this amendment yet. The timing of MPI adopting this amendment, effective from 1 January 2019, is guided by the Treasury's decision on when the Financial Statements of Government will adopt the amendment.

Changes in accounting policies

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- + new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost
- + a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses
- + revised hedge accounting requirements to better reflect the management of risks.

MPI adopted the new accounting standard PBE IFRS 9 for the financial statements in 2018/19. This is in accordance with the Treasury's decision on when the Financial Statements of Government will adopt PBE IFRS 9. There has been no material change as a result of adopting this standard, except for the classification of assets.

Revenue

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

Revenue – Non-exchange transactions

Revenue Crown

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

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

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

Revenue – Exchange transactions

Revenue – Other Third-party funded services

Fees for the supply of services to third parties on a cost recovery basis are recognised as 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

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

Application fees

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

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.

Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether MPI will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Foreign currency transactions

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

Cash and cash equivalents

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

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

Debtors and other receivables

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

Impairment is established when:

- ✦ for individual debtors outstanding beyond 30 days and in excess of \$20,000 – there is objective evidence that MPI will not be able to collect all or part of the amount due

- + for all other debtors, including amounts in excess of \$20,000 not included above, 100 percent of debts that are outstanding over 365 days.

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 the surplus or deficit in the period of the write-down.

Derivative financial instruments

MPI uses forward foreign exchange contracts to manage exposure to foreign exchange movements. MPI does not hold these contracts for trading purposes. MPI has not adopted hedge accounting. Forward foreign exchange contracts are initially recognised at fair value on the date a contract is entered into and are subsequently 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 the 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 with a cost over \$5,000 are capitalised.

Additions

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

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

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

Disposals

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

Subsequent costs

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

Depreciation and useful lives of major classes of assets

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

- + buildings (including components)
8 to 49 years (2–12.5%)
- + office furniture and equipment
3 to 12 years (8–33%)
- + motor vehicles
up to 10 years (10%)
- + vessels
4 to 20 years (5–25%).

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

Accounting for revaluations

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

Intangible assets

Capitalisation threshold

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

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use by MPI are recognised as an intangible asset.

Direct costs include the costs of materials and services, employee costs and any directly attributable overheads. Expenditure incurred on research of internally generated software is expensed when it is incurred.

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

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

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

- + acquired computer software
3 to 7 years (14–33%)
- + developed computer software
3 to 12 years (8–33%).

Impairment of property, plant and equipment and intangible assets

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

Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised

for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where MPI would, if deprived of the asset, replace its remaining service potential.

For revalued assets the impairment loss is recognised in other comprehensive revenue and expense to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the impairment loss is recognised in the surplus or deficit.

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

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

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

Restructuring

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

Make-good provision

MPI is required at the expiry of some of its leases to make-good any damage caused and remove any fixture or fittings installed by it. In many cases MPI has the option to renew these leases, which may change the timing of the expected cash outflows to make-good the premises.

Equity

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

Memorandum accounts

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

Property revaluation reserves

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

Commitments

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

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

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, 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 and forecast figures

Basis of the budget and forecast figures

The 2019 Estimates of Appropriations figures are for the year ended 30 June 2019 and were published in the 2017/18 annual report. They are consistent with MPI's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2019. The 2020 forecast figures are for the year ending 30 June 2020, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2019.

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

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

The 30 June 2020 forecast figures were prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

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

While MPI regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2020 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect MPI's purpose and activities and are based on a number of assumptions on what may occur during the 2019/20 financial year. They were compiled on the basis of existing government policies and Ministerial expectations at the time the main estimates were finalised.

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

- + MPI's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities
- + personnel costs were based on 3,047 full-time equivalent staff, which takes into account staff turnover
- + operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are MPI's best estimate of future costs that will be incurred
- + remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes
- + estimated year-end information for 2018/19 was used as the opening position for the 2019/20 forecasts.

Factors that could lead to material differences between the forecast financial statements and the 2019/20 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 accounting adjustments to actual balances as at 30 June 2019 that would have a material impact on the forecast financial statements.

Statement of cost accounting policies

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

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

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

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

Critical accounting estimates and assumptions

In preparing these financial statements, MPI has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Fair value of land and buildings

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

Useful lives of software

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

Retirement and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in note 13.

Provisions

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

Holidays Act 2003 pay remediation

In 2016/17 MPI estimated its liability arising from non-compliance with the Holidays Acts 2003 based on analysis of all employees. In recognition of this, a provision was raised for \$10 million. Since the establishment of this provision, \$4.107 million in remediation payments have been made.

In 2018/19 MPI completed a review of its expected future liability. An outcome of this review has been a further adjustment to reduce the provision by \$3.381 million. Overall, the provision has reduced from \$10 million to \$2.512 million.

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

Note 2: Revenue other

Actuals 2018 \$'000		Actuals 2019 \$'000
	Exchange revenue	
42,719	Verification services (food safety)	39,047
29,551	Biosecurity systems entry levy	35,781
45,019	Miscellaneous statutory fees and charges	51,101
58,702	Border clearance levy	51,542
4,848	Rental income from sub-leased accommodation	3,666
(3)	Net gain/(loss) on sale of property, plant and equipment	(280)
3,182	Goods and services funded by external party	6,238
-	Industry Funding for <i>Mycoplasma bovis</i> Response	11,200
8,415	Other goods and services	6,984
192,433	Total revenue other	205,279

Note 3: Personnel costs

Actuals 2018 \$000		Actuals 2019 \$000
259,504	Salaries and wages	279,958
7,954	Employer superannuation contributions to defined contribution plans	8,679
(2,275)	Increase/ (decrease) in employee entitlements including Holidays Act 2003 provision	1,836
12,630	Other personnel costs	12,161
277,813	Total personnel costs	302,634

Note 4: Capital charge

MPI pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2019 was 6 percent (2018: 6%).

Note 5: Other operating expenses

Actuals 2018 \$000		Actuals 2019 \$000
	Fees paid to auditor Ernst and Young	
379	– audit of financial statements	425
–	– other services	40
19,377	Operating lease expenses	24,170
2,358	Advertising and publicity	3,023
22,817	Fisheries and marine-related research contracts	20,349
9,699	Other research contracts	11,126
160,957	Other contracts for services	219,910
17,742	Travel	19,897
6,961	Property costs	9,947
12,562	Information technology	16,206
(5,214)	Net gain/(loss) on foreign exchange derivatives	(1,371)
119	Debt impairment (note 6)	298
447	Property, plant and equipment impairment and written-off	1,977
1,463	Consultancy and professional specialist services	3,534
4,468	Response consumables	18,923
31,258	Other operating expenses	40,343
285,393	Total other operating expenses	388,797

Prior year results incorrectly reported contracted services and response consumables against consultancy and professional specialist services. These disclosures have been corrected.

Other fees paid to Ernst and Young were for a review of MPI's aquaculture settlement model (2018: nil).

Note 6: Debtors and other receivables

Actuals 2018 \$000		Actuals 2019 \$000
Exchange transactions		
13,300	Debtors	16,444
(177)	Less provision for impairment	(433)
13,123	Net debtors	16,011
9,058	Border Clearance Levy	7,207
4,022	Biosecurity Systems Entry Levy	5,093
3,179	Accrued revenue	2,307
	– Industry Funding for <i>Mycoplasma bovis</i> Response	11,200
Non-exchange transactions		
38,813	Debtor Crown	33,943
68,195	Total debtors and other receivables	75,761

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

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

	2018			2019		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Current	9,277	–	9,277	12,068	–	12,068
Greater than 30 days	2,579	–	2,579	1,942	–	1,942
Greater than 60 days	425	–	425	559	–	559
Greater than 90 days	1,019	(177)	842	1,875	(433)	1,442
Total	13,300	(177)	13,123	16,444	(433)	16,011

The expected credit loss 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 \$433,000 (2018: \$177,000).

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

Actuals 2018 \$000		Actuals 2019 \$000
148	Balance at 1 July	177
220	Additional provisions made	341
(101)	Unused amounts reversed during the year	(43)
(90)	Receivables written off during the year	(42)
177	Balance at 30 June	433

Note 7: Inventories

Actuals 2018 \$000		Actuals 2019 \$000
Held for distribution inventories		
4,880	Foot and mouth vaccine	4,880
247	Other	191
5,127 Total inventories		5,071

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 (2018: nil).

Note 8: Property, plant and equipment

	Land \$000	Buildings \$000	Leasehold improvements \$000	Furniture office equipment and artworks \$000	Motor vehicles and vessels \$000	Total \$000
Cost or valuation						
Balance at 1 July 2017	2,123	37,750	23,106	28,344	15,480	106,803
Additions through purchase	–	29,239	26,333	954	1,592	58,118
Write-offs and gain/ (loss) disposals	–	–	(96)	(6,929)	(347)	(7,372)
Balance at 30 June 2018	2,123	66,989	49,343	22,369	16,725	157,549
Balance at 1 July 2018	2,123	66,989	49,343	22,369	16,725	157,549
Additions through purchase	–	27,751	12,209	3,257	4,209	47,426
Write-offs and gain/ (loss) disposals	–	–	(9,400)	(1,393)	(2,097)	(12,890)
Balance at 30 June 2019	2,123	94,740	52,152	24,233	18,837	192,085
Accumulated depreciation and impairment losses						
Balance at 1 July 2017	–	1,450	13,903	18,890	6,009	40,252
Depreciation expense	–	967	1,267	1,564	958	4,756
Write-offs and gain/ (loss) disposals	–	–	(95)	(4,358)	(238)	(4,691)
Balance 30 June 2018	–	2,417	15,075	16,096	6,729	40,317
Balance at 1 July 2018	–	2,417	15,075	16,096	6,729	40,317
Depreciation expense	–	909	3,262	1,485	1,161	6,817

	Land \$000	Buildings \$000	Leasehold improvements \$000	Furniture office equipment and artworks \$000	Motor vehicles and vessels \$000	Total \$000
Write-offs and gain/ (loss) disposals	-	-	(9,285)	(1,392)	803	(9,874)
Balance 30 June 2019	-	3,326	9,052	16,189	8,693	37,260

Carrying amounts (Net Asset Value)						
At 1 July 2017	2,123	36,300	9,203	9,454	9,471	66,551
At 30 June 2018	2,123	64,572	34,268	6,273	9,996	117,232
At 30 June 2019	2,123	91,414	43,100	8,044	10,144	154,825

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

Land

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

Buildings

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

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

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

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

Work in progress

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

Buildings in the course of construction for 2019 total \$82.563 million (2018: \$54.883 million). Leasehold improvements for 2019 total \$1.516 million (2018: \$13.673 million). No other asset classes have assets in the course of construction.

Note 9: Intangible assets

	Acquired software \$'000	Internally generated software \$'000	WIP software purchased \$'000
Cost			
Balance at 1 July 2017	17,569	64,501	82,070
Additions	269	2,704	2,973
Write-offs and gain/(loss) disposals	(1,340)	(1,328)	(2,668)
Balance at 30 June 2018	16,498	65,877	82,375
Balance at 1 July 2018	16,498	65,877	82,375
Additions	655	3,341	3,996
Write-offs and gain/(loss) disposals	(1)	(1,509)	(1,510)
Balance at 30 June 2019	17,152	67,709	84,861
Accumulated amortisation and impairment losses			
Balance at 1 July 2017	13,316	40,990	54,306
Amortisation expense	1,400	4,150	5,550
Write-offs and gain/(loss) disposals	(1,340)	(1,328)	(2,668)
Balance at 30 June 2018	13,376	43,812	57,188
Balance at 1 July 2018	13,376	43,812	57,188
Amortisation expense	1,130	4,436	5,566
Write-offs and gain/(loss) disposals	(1)	(1,509)	(1,510)
Balance at 30 June 2019	14,505	46,739	61,244
Carrying amounts (net asset value)			
At 1 July 2017	4,253	23,511	27,764
At 30 June and 1 July 2018	3,122	22,065	25,187
At 30 June 2019	2,647	20,970	23,617

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

Work in progress

Work in progress for the year ended 30 June 2019 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 development for the year ended 30 June 2019 is \$3.835 million (2018: \$3.725 million).

Note 10: Creditors and other payables

Actuals 2018 \$000		Actuals 2019 \$000
Current liabilities		
Exchange transactions		
12,946	Creditors	4,944
7,200	Unearned revenue	6,203
1,466	Lease incentive	1,466
514	Auckland kennel lease	532
36,343	Accrued expenses	48,457
Non-exchange transactions		
3,413	GST payable to Inland Revenue Department	4,377
61,882	Total current liabilities	65,979
Non-current liabilities		
Exchange transactions		
4,629	Auckland kennel lease	4,252
4,629	Total non-current liabilities	4,252
66,511	Total creditors and other payables	70,231

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

Note 11: Return of operating surplus

Actuals 2018 \$000		Actuals 2019 \$000
(1,164)	Net surplus/(deficit)	8,436
50	Adjust for unrealised losses/(gains) on forward foreign exchange contracts recognised in the surplus/(deficit)	-
3,565	Adjust for (surpluses)/deficits for services subject to memorandum accounts	14,094
2,451	Total return of operating surplus	22,530

Memorandum accounts are disclosed separately within equity. These accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies or charges. The repayment of surplus is required by 31 October of each year.

Note 12: Provisions

Actuals 2018 \$000		Actuals 2019 \$000
Current		
1,674	Other provisions	185
Non-current		
34	Lease make-good	3,145
1,708	Total provisions	3,330

Note 12a: Lease make-good provision

Actuals 2018 \$000		Actuals 2019 \$000
725	Opening balance 1 July	34
	– Additional provisions made during the year	3,121
(691)	Amounts used	(10)
34	Closing balance	3,145

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

Note 13: Employee entitlements

Actuals 2018 \$000		Actuals 2019 \$000
Current employee entitlements represented by:		
1,854	Salaries and wages	2,108
26,113	Annual leave	22,937
542	Sick leave	595
1,747	Long service leave	1,749
3,274	Retiring leave	3,478
33,530	Total current employee entitlements	30,867
Non-current employee entitlements represented by:		
2,349	Long service leave	2,983
8,897	Retiring leave	9,090
11,246	Total non-current employee entitlements	12,073
44,776	Total employee entitlements	42,940

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 1.26 percent; 2 year 1.03 percent; and 3 year-plus 2.23 percent (2018: 1.78%, 1.90%, 3.55%). A salary inflation factor of 3.1 percent (2018: 3.1%) has been used and is based on a 1.72 percent medium term inflation assumption. The discount rates and salary inflation factor were provided by the Treasury.

If the discount rates were to differ by 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$807,180 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 \$899,411 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 \$954,697 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 \$872,359 lower.

Note 14: Equity

Actuals 2018 \$'000		Actuals 2019 \$'000
Crown capital and retained earnings		
116,460	Balance at 1 July	165,571
42,000	Capital injections from the Crown	16,601
	Repayment of capital to the Crown for:	
[867]	– Part repayment of capital injection	[9,296]
[972]	Write-off irrecoverable memorandum account operating deficits	–
[1,164]	Net surplus/ (deficit)	8,436
3,565	Transfer of memorandum accounts net surplus/ (deficit)	14,094
9,000	Retention of prior year surplus	2,451
[2,451]	Return of operating surplus to the Crown	[22,530]
165,571	Balance at 30 June	175,327
Memorandum accounts (Note 19)		
11,655	Balance at 1 July	9,062
[3,565]	Net memorandum account (surpluses)/deficits	[14,094]
972	Write-off irrecoverable operating deficits	–
9,062	Balance at 30 June	[5,032]

Actuals 2018 \$000		Actuals 2019 \$000
Revaluation reserve – land		
684	Balance at 1 July	684
684	Balance at 30 June	684
Revaluation reserve – residential buildings		
5,260	Balance at 1 July	5,260
5,260	Balance at 30 June	5,260
Revaluation reserve – artworks		
119	Balance at 1 July	119
119	Balance at 30 June	119
180,696	Total equity	176,358

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

Actuals 2018 \$000		Note	Actuals 2019 \$000
(1,164)	Net surplus/(deficit)		8,436
Add/(less) non-cash items classified as investing or financing activities			
5,549	Amortisation, impairment and write-off of intangible assets	9	5,566
5,204	Depreciation, impairment and write-off of property, plant and equipment		8,794
10,753	Total non-cash items		14,360
Add/(less) items classified as investing or financing activities			
3	Net (gain)/loss on sale of property, plant and equipment	2	280
(508)	Adjust for unrealised (gains)/losses on forward foreign exchange contracts recognised in the surplus/(deficit)		–
(505)	Total investing or financing activities		280
Add/(less) movements in working capital items			
38	(Increase)/decrease in inventories		56
(6,791)	(Increase)/decrease in debtors and other receivables		(7,566)
224	(Increase)/decrease in prepayments		(307)
12,243	Increase/ (decrease) in creditors and other payables		(1,679)
2,275	Increase/ (decrease) in employee entitlements		(1,836)
(721)	Increase/ (decrease) in provisions		1,622
7,268	Total net movement in working capital items		(9,710)
16,352	Net cash from operating activities		13,366

Note 16: Related parties

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

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

Key management personnel compensation

Actuals 2018 \$000		Actuals 2019 \$000
3,164	Leadership team, including the Director-General's remuneration	3,995
8	Full-time equivalent staff numbers	9

Key management personnel of MPI comprise the Minister of Agriculture, Minister of Forestry, Minister of Fisheries, the Director-General and nine Deputy Directors-General. The figures for 2018/19 exclude the Deputy Director-General China Relations, who is on secondment to the Ministry of Foreign Affairs and Trade.

The above key management personnel compensation disclosure excludes the Minister of Agriculture, Minister of Forestry and Minister of Fisheries. The Ministers' remuneration and other benefits are not received only for their role as a member of key management personnel of MPI. The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by MPI.

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

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

There are no related party disclosures required under 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

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

Actuals 2018 \$000	Financial instrument categories	Actuals 2019 \$000
Financial assets		
78,484	Cash and cash equivalents	53,879
68,195	Financial assets at amortised cost (note 6)	75,761
146,679	Total financial assets	129,640
Financial liabilities		
49,289	Financial liabilities at amortised cost (excluding unearned revenue and leases) (note 10)	53,401
12	Foreign exchange derivatives	-
49,301	Total financial liabilities	53,401

Cash and cash equivalents

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

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

Derivative financial instruments

MPI uses forward foreign exchange contracts to manage exposure to foreign exchange movements. MPI does not hold these contracts for trading purposes. MPI has not adopted hedge accounting.

Forward foreign exchange contracts are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value at each balance date. Movements in the fair value are recognised in the statement of comprehensive revenue and expense.

Note 17a: Financial instrument risks

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from future purchases and recognised liabilities, which are denominated in a foreign currency.

MPI purchases goods and services internationally and is exposed to currency risk arising from various exposures, primarily with respect to the Euro, British Pound, US and Australian dollars. MPI's Foreign Exchange Management Policy requires MPI to manage currency risk arising from future

transactions and recognised liabilities by entering into foreign spot or exchange forward contracts when the total transaction exposure to an individual currency exceeds NZD\$100,000. MPI's policy has been approved by the Treasury and is in accordance with the requirements of the Treasury's Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure. As at 30 June 2019, MPI's exposure to interest rate risk, and its sensitivity to that risk, is not considered material.

Interest rate risk

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

Credit risk

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

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

MPI's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors (note 6), and derivative financial instrument assets (note 17). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

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

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

Note 18: Capital management

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

MPI manages its revenues, expenses, assets, liabilities and general financial dealings prudently and in a manner that promotes the current and future interests of the New Zealand public. MPI's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, and compliance with the Government budget processes and with Treasury instructions, and the Public Finance Act 1989.

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

Note 19: Memorandum accounts

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

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

These transactions are included as part of MPI's operating income and expenses, however, these transactions are excluded from the calculation of MPI's return of operating surplus (refer note 11).

The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer note 14).

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

Actuals 2018 \$000		Actuals 2019 \$000
(1,877)	Border biosecurity clearance fees account	(4,020)
873	Phytosanitary exports account	829
(1,284)	Verification of the food regulatory programme account	(6,027)
2,811	Approvals, accreditations and registrations	3,331
395	Standards setting for the food industry account	3,382
2,337	Wine standards management – Wine Act 2003	3,221
(43)	Food standards and assurance – Food Act 2014	(244)
5,850	Border biosecurity traveller clearance levy	(5,504)
9,062	Total memorandum account balances	(5,032)

Note 19a: Border biosecurity clearance fees account

Actuals 2018 \$000		Actuals 2019 \$000
1,925	Opening balance 1 July	(1,877)
43,884	Revenue	50,527
(47,686)	Expenses	(52,670)
(1,877)	Closing balance	(4,020)

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

Actuals 2018 \$000		Actuals 2019 \$000
912	Opening balance 1 July	873
2,342	Revenue	2,311
(2,381)	Expenses	(2,355)
873	Closing balance	829

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

Note 19c: Verification of the food regulatory programme account

Actuals 2018 \$000		Actuals 2019 \$000
(2,499)	Opening balance 1 July	(1,284)
40,766	Revenue	38,510
(40,523)	Expenses	(43,760)
972	Write-off accumulated operating deficits	–
–	Transfer from Standards Setting for the food industry account	507
(1,284)	Closing balance	(6,027)

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

Note 19d: Approvals, accreditations and registrations

Actuals 2018 \$000		Actuals 2019 \$000
1,763	Opening balance 1 July	2,811
5,202	Revenue	4,653
(4,154)	Expenses	(4,133)
2,811	Closing balance	3,331

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

Note 19e: Standards setting for the food industry account

Actuals 2018 \$000		Actuals 2019 \$000
665	Opening balance 1 July	395
21,586	Revenue	26,253
(21,856)	Expenses	(22,759)
	– Transfer to verification of the food regulatory programme account	(507)
395	Closing balance	3,382

This account covers MPI's standards setting activities and fees for certification and reconciliation services under the Animal Products (Dairy Industry Fees and Charges) Regulations 2007. This account also covers certification activities undertaken by MPI in accordance with section 7 of the Animal Products (Fees, Charges and Levies) Regulations 2007.

Note 19f: Wine standards management – Wine Act 2003

Actuals 2018 \$000		Actuals 2019 \$000
1,285	Opening balance 1 July	2,337
2,651	Revenue	2,630
(1,599)	Expenses	(1,746)
2,337	Closing balance	3,221

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

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

Actuals 2018 \$000		Actuals 2019 \$000
(142)	Opening balance 1 July	(43)
833	Revenue	1,020
(734)	Expenses	(1,221)
(43)	Closing balance	(244)

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

Note 19h: Border biosecurity traveller clearance levy

Actuals 2018 \$000		Actuals 2019 \$000
7,746	Opening balance 1 July	5,850
58,768	Revenue	51,551
1,675	Revenue from the Crown for exempt travellers	592
(62,339)	Expenses	(65,172)
	- Expense adjustment for 2018	1,675
5,850	Closing balance	(5,504)

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

Note 20: Events after balance date

On 19 September 2019, the Minister of Finance agreed to allow MPI to retain \$11.200 million of its operating surplus. Any operating surplus is typically repaid to the Treasury.

Non-Departmental Statements and Schedules

For the year ended 30 June 2019

Introduction and overview

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

On behalf of the Crown for the year ending 30 June 2019, MPI administered \$322.154 million of expenses. This represents an increase of \$3.430 million from the prior year and is largely reflective of the work under way to compensate those affected by the *Mycoplasma bovis* outbreak. Income for the year is \$223.304 million, an increase of \$76.035 million from the previous year, driven mainly by recognition of industry's contribution towards financing the work to eradicate *Mycoplasma bovis*.

Non-departmental assets are \$615.022 million, an increase of \$195.737 million from the prior year. This has been driven by increased cash holdings because cash was drawn down to fund *Mycoplasma bovis* compensation payments, as well as an increase in receivables to recognise industry's contribution towards *Mycoplasma bovis*.

Non-departmental liabilities are \$116.550 million, an increase of \$9.805 million from the prior year. This is primarily as a result of an increased provision for *Mycoplasma bovis* compensation due to more farms having been served infection notices.

The \$65.502 million capital expenditure, an increase of \$29.059 million for the prior year, is mainly due to the Crown's investment in Crown Irrigation Investment Limited. The Central Plains Water and the Kurow-Duntroon Irrigation Company infrastructure were brought forward into 2018/19.

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

The financial information reported in these statements and schedules is consolidated into the Crown financial statements, and therefore readers of these statements and schedules should also refer to the Crown financial statements for the year ended 30 June 2019.

Statement of Non-Departmental Expenditure and Capital Expenditure Against Appropriations

For the year ended 30 June 2019

Actual 2018 \$000	Annual appropriations	Expenditure before remeasurements 2019 \$000	Expenditure after remeasurements 2019 \$000	Appropriation voted 2019 \$000	Unaudited forecast 2020 \$000
Vote Forestry					
APPROPRIATIONS FOR OUTPUT EXPENSES					
Growth and Development of the Forestry Sector MCA					
74,710	Operational Management of the Crown Forestry Estate	78,563	78,563	87,006	92,379
Vote Agriculture, Biosecurity, Fisheries and Food Safety					
Agriculture: Programmes Supporting Sustainability					
–	Agriculture: Recovery Assistance	1,918	1,918	2,450	–
3,179	Agriculture: Climate Change Research	2,015	2,015	2,304	2,260
Biosecurity: Border and Domestic Biosecurity Risk Management					
26,000	Control of Bovine TB	24,000	24,000	24,000	24,000
1,789	Support for Walking Access	1,789	1,789	1,789	1,789
Food Safety: Protecting Consumers					
250	Food Safety Science and Research	–	–	700	1,150
105,928	Total output expenses	108,285	108,285	118,249	121,578
APPROPRIATIONS FOR BENEFITS OR RELATED EXPENSES					
1,409	Rural Veterinarians Bonding Scheme	1,548	1,548	1,650	1,650
1,409	Total benefits or related expenses	1,548	1,548	1,650	1,650
APPROPRIATIONS FOR OTHER EXPENSES					
Vote Forestry					
Growth and Development of the Forestry Sector MCA					
2,181	Hill Country Erosion Fund	3,501	3,501	4,125	6,111
–	Forestry Grants and Partnership Programmes	10,110	10,110	19,107	90,582
Vote Agriculture, Biosecurity, Fisheries and Food Safety					
–	Aquaculture Settlements	1,263	1,263	4,750	18,000
Food Safety: Protecting Consumers					
2,100	Joint Food Standards Setting Treaty	2,100	2,100	2,100	2,100
Agriculture: Programmes Supporting Sustainability					
1,028	Adverse Climatic Events	505	505	526	526
8,174	Sustainable Farming Fund	10,000	10,000	11,692	11,136
561	Adverse Earthquake Events	–	–	46	–
46	Provision for Fisheries Debt Write Downs	41	41	1,000	1,000

Actual 2018 \$000	Annual appropriations	Expenditure before remeasurements 2019 \$000	Expenditure after remeasurements 2019 \$000	Appropriation voted 2019 \$000	Unaudited forecast 2020 \$000
	Biosecurity: Border and Domestic Biosecurity Risk Management				
81,109	Compensation and ex-gratia following a biosecurity event	2,638	2,638	11,062	–
–	– Compensation in response to <i>Mycoplasma Bovis</i>	77,918	77,918	130,891	17,000
2,995	Subscriptions to International Organisations	3,177	3,177	3,208	3,208
	Fisheries: Managing the Resource Sustainably				
–	– Fisheries Quota Shares and ACE Administration Costs	–	–	24	24
98,194	Total other expenses	111,253	111,253	188,531	149,687
	APPROPRIATIONS FOR CAPITAL EXPENDITURE				
	Growth and Development of the Forestry Sector MCA				
444	Crown Forestry Assets	6,802	6,802	13,100	35,400
444	Total capital expenses	6,802	6,802	13,100	35,400
205,975	Total annual appropriation expenditure	227,888	227,888	321,530	308,315

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 2019.

Statement of Non-Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2019

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 MPI appropriations.

There was no unappropriated expenditure for the year to 30 June 2019 (2018: \$6.109 million).

Statement of Non-Departmental Expenditure and Capital Expenditure Against Appropriations Continued

For the year ended 30 June 2019

Actuals 2018 \$000	Multi-year appropriations	Actuals 2019 \$000
Vote Forestry		
APPROPRIATIONS FOR OUTPUT EXPENSES		
Afforestation Grants Scheme		
	– Original appropriation – over three years from 1 July 2018 to 30 June 2021	10,363
	– Adjustments for 2018/19	3,249
	– Adjusted appropriation	13,612
	– Actual expenses for 2018/19	2,765
	– Appropriation remaining	10,847
Forestry and Other Economic Development and Erosion Control		
	– Original appropriation – over four years from 1 July 2018 to 30 June 2021	26,950
	– Adjustments for 2018/19	1,150
	– Adjusted appropriation	28,100
	– Actual expenses for 2018/19	2,139
	– Appropriation remaining	25,961
\$000	Multi-year appropriations	\$000
Vote Agriculture, Biosecurity, Fisheries and Food Safety		
APPROPRIATIONS FOR OUTPUT EXPENSES		
Global Research Alliance on Agricultural Greenhouse Gases		
26,960	Original appropriation – over four years from 1 July 2016 to 30 June 2020	26,960
7,148	Cumulative adjustments	7,148
	– Adjustments for 2018/19	8,460
34,108	Adjusted appropriation	42,568
12,279	Actual expenses to 2017/18	12,279
	– Actual expenses for 2018/19	9,658
21,829	Appropriation remaining	20,631
Primary Growth Partnership		
244,312	Original appropriation – over five years from 1 July 2017 to 30 June 2022	244,312
(80,892)	Adjustments for 2017/18	(80,892)
163,420	Adjusted appropriation	163,420
38,299	Actuals expenses to 2017/18	38,299
	– Actual expenses to 2018/19	29,829
125,121	Appropriation remaining	95,292

Actuals 2018 \$000	Multi-year appropriations	Actuals 2019 \$000
Water Storage and Irrigation Investment Proposals		
25,000	Original appropriation – over five years from 1 July 2016 to 30 June 2021	25,000
(3,863)	Cumulative adjustments to 2017/18	(3,863)
21,137	Adjusted appropriation	21,137
16,389	Actual expenses to 2017/18	16,389
	– Actual expenses for 2018/19	3,779
4,748	Appropriation remaining	969
APPROPRIATIONS FOR CAPITAL EXPENDITURE		
Crown Irrigation Investments Limited		
63,000	Original appropriation – over four years from 1 July 2017 to 30 June 2021	63,000
(10,200)	Adjustments for 2017/18	(10,200)
	– Adjustments for 2018/19	27,600
52,800	Adjusted appropriation	80,400
	– Actual expenses for 2018/19	58,700
52,800	Appropriation remaining	21,700
66,967	Total multi-year appropriation expenditure	48,170
	Total Vote Agriculture, Biosecurity, Fisheries and Food Safety	43,266
	Total Vote Forestry	4,904
	Total expenditure for 2019	286,743
	Total capital expenditure for 2019	65,502

Schedule of Non-Departmental Revenue

For the year ended 30 June 2019

Actual 2018 \$000		Note	Actual 2019 \$000	Estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
110,494	Sale of forest produce		106,110	109,159	114,757
30,177	Fines, penalties and levies	2	35,405	38,170	38,838
2,142	Sale of Crown quota and annual catch entitlement (ACE)		3,451	100	100
4,182	Deemed value for over-fishing		8,011	5,000	5,000
72	Emissions Trading Scheme fees		–	150	150
18	Forestry land rental		–	19	19
184	Miscellaneous revenue		143	50	50
–	Industry contribution for compensation and response costs – <i>Mycoplasma bovis</i>	3	70,184	–	–
147,269	Total non-departmental revenue		223,304	152,648	158,914

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 2019.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2019

Actual 2018 \$000		Note	Actual 2019 \$000	Estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
59,961	Grants		66,570	67,804	152,895
103,553	Operating		106,852	129,471	135,799
81,109	Compensation for biosecurity incursions	13	80,556	-	17,000
1,409	Benefits		1,548	1,650	1,650
11,223	Research and development		11,672	15,181	24,140
1,789	New Zealand Walking Access Commission funding	8	1,789	1,789	1,789
152	Depreciation and impairment of property, plant and equipment	7	151	162	162
46	Impairment of receivables		41	1,000	1,000
12,106	Loss on revaluation of forests measured at fair value	5b	16,074	-	-
21,659	Impairment of the Crown's equity investment in Crown Irrigation Investments Limited	9	10,045	-	-
25,717	GST input expenses		26,856	28,785	44,141
318,724	Total non-departmental expenses		322,154	245,842	378,576

In June 2018, Cabinet approved funding for the *Mycoplasma bovis* biosecurity incursion. At the time of establishing baselines for the 2018/19 financial year in Budget 2018, there was no appropriation in 2018/19 for compensation.

Schedule of Non-Departmental Capital Expenditure

For the year ended 30 June 2019

Actual 2018 \$000		Note	Actual 2019 \$000	Estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
36,000	Investment in Crown Irrigation Investments Ltd	9	58,700	39,245	14,313
443	Purchase and development of Crown Forestry assets	5	6,802	15,400	35,400
36,443	Total non-departmental expenses		65,502	54,645	49,713

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 2019.

Schedule of Non-Departmental Assets

As at 30 June 2019

Actual 2018 \$000		Note	Actual 2019 \$000	Estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
Current assets					
166,025	Cash and cash equivalents		250,727	47,415	41,228
38,330	Forests – for harvest	5	38,925		
19,241	Debtors and other receivables	6	71,881	25,475	25,475
1,735	Prepayments		2,631	2,000	2,000
550	Non-current assets held for sale	4	550	–	–
225,881	Total current assets		364,714	74,890	68,703
Non-current assets					
204	Debtors and other receivables	6	18,471	25	25
122,055	Forests	5	112,188	200,608	208,885
19,254	Property, plant and equipment	7	19,103	18,970	18,930
	Crown equity investment in Crown entities				
1,150	– New Zealand Walking Access Commission	8	1,150	1,150	1,150
50,741	– Crown Irrigation Investments Limited	9	99,396	139,245	140,409
193,404	Total non-current assets		250,308	359,998	369,399
419,285	Total non-departmental assets		615,022	434,888	438,102

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 2019.

Schedule of Non-Departmental Liabilities

As at 30 June 2019

Actual 2018 \$000		Note	Actual 2019 \$000	Estimates of appropriations 2019 \$000	Unaudited forecast 2020 \$000
Current liabilities					
33,152	Creditors and other payables	10	36,881	18,700	18,700
11,429	Over and under recovered costs from fishing industry	11	9,280	12,500	12,500
60,836	Provisions	12	68,971	3,286	3,462
105,417	Total current liabilities		115,132	34,486	34,662
Non-current liabilities					
1,328	Provisions	12	1,418	1,240	1,328
1,328	Total non-current liabilities		1,418	1,240	1,328
106,745	Total non-departmental liabilities		116,550	35,726	35,990

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 2019.

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2019

Contingent liabilities

Unquantified

Central Otago irrigation schemes

The Crown has possible financial obligations to current owners of ex-Crown dams in Central Otago to upgrade or partially decommission their dams to meet the requirements of the Building (Dam Safety) Regulations 2008. These regulations came into force on 1 July 2014.

Scampi quota decisions

Decisions made between 1993 and 1996 regarding the allocation of scampi permits were disputed. If the outcome of the review is favourable, a third party is likely to request the allocation of scampi quota, and/or seek damages through court proceedings. Judgement in April 2018 dismissed the review. The decision has subsequently been appealed and the matter is to remain a contingency until the outcome of the appeal.

Quantified

Biosecurity compensation

Under section 162A of the Biosecurity Act 1993, MPI's has received claims for compensation that it is yet to formally assess. These relate to *Mycoplasma bovis* (\$9 million), *Bonamia ostreae* (\$114 million), myrtle rust (\$102,937), pea weevil (\$322,763), kauri dieback (\$347,000) post-entry quarantine (PEQ) (\$13.5 million), and velvetleaf response (\$460,000) and may result in compensation being sought. These claims can be quantified but do not meet the tests for recognising a provision.

Due to the complexity and uncertainty of the amount of these claims, the contingent liability has been disclosed at the claimant value and may be overstated until the claim is fully assessed. The Crown declined \$73.370 million in claims lodged for *Bonamia ostreae*, this decision is subject to arbitration, so MPI continues to reflect these claims at 30 June 2019. Note that additional claimants may submit claims and this has not been reflected in the total.

Contingent assets

MPI, on behalf of the Crown, has no contingent assets (2018: nil).

Schedule of Non-Departmental Commitments

As at 30 June 2019

MPI, on behalf of the Crown, has entered into non-cancellable land leases for forestry and forestry partnership commitments. The lease agreements commit the Crown to expenditure over the remaining term of the leases and have expiry dates ranging from 2019 to 2083. The commitments shown are MPI's best estimate of the minimum expenditure over the remaining term of the leases.

Actuals 2018 \$000		Actuals 2019 \$000
	Non-cancellable operating lease commitments	
70,606	Not later than one year	82,526
187,349	Later than one year and not later than five years	200,618
444,389	Later than five years	968,461
702,344	Total non-departmental operating lease commitments	1,251,605

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 2019.

Schedule of Trust Monies

For the year ended 30 June 2019

Declared overfishing trust account

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

Actuals 2018 \$000		Actuals 2019 \$000
6,644	Balance at 1 July	3,576
5,176	Contributions	9,834
(8,419)	Distributions	(10,946)
175	Revenue	143
3,576	Balance at 30 June	2,607

Forfeit property trust account

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

Actuals 2018 \$000		Actuals 2019 \$000
1,331	Balance at 1 July	1,422
110	Contributions	778
(43)	Distributions	(1,559)
24	Revenue	188
1,422	Balance at 30 June	829

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 2019.

Notes to the Non-Departmental Statements and Schedules

For the year ended 30 June 2019

Note 1: Statement of accounting policies

Reporting entity

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

These non-departmental balances are consolidated into the Financial Statements of the Government, for the year ended 30 June 2019. 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 as appropriate for public benefit entities.

Functional and presentation currency

The non-departmental statements and schedules are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of MPI is New Zealand dollars.

Significant accounting policies

Budget figures

The budget figures are those included in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2019. They are consistent with the financial information in the Main Estimates.

Forecast figures

The 2019 forecast figures for the year ended 30 June 2019 are those submitted to the Treasury for purposes of consolidation into the 2018 Budget Economic and Fiscal Update (2018 BEFU out-year 1 figures).

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

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

The forecast financial statements and schedules were authorised for issue by the Director-General of MPI on 8 May 2019. The Director-General is responsible for them, including the appropriateness of the assumptions underlying them and all other required disclosures.

While MPI regularly updates its forecasts, updated forecast financial statements and schedules for the year ending 30 June 2019 (2018/19 financial year) will not be published.

The forecast has been compiled on the basis of existing government policies and Ministerial expectations.

The main assumptions are as follows:

- + MPI's non-departmental activities conducted on behalf of the Crown will remain substantially the same as the previous year
- + estimated year-end information for 2018/19 is used as the opening position for the 2019/20 forecasts.

Factors that could lead to material differences between the forecast information presented and the 2018/19 actual financial results include changes in activities required by the Government, year-end revaluations, and technical adjustments.

Revenue – exchange transactions

Sales of forest produce

Revenue from the sale of forest produce is recognised at the point of sale, for example, delivered to mill or port, on truck or on skid (heavy vehicle used in logging operations for pulling trees out of the forest).

Revenue – non-exchange transactions

Fines and penalties

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

Cost recovery levies

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

- + to manage the harvesting or farming of fisheries resources

- + to avoid, remedy or mitigate a risk to, or an adverse effect on, the aquatic environment or the biological diversity of the aquatic environment.

The cost of fisheries services provided by MPI during the period 1 July 2018 to 30 June 2019 is primarily recovered from the commercial fishing sector over the period 1 October 2018 to 30 September 2019. 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.

Mycoplasma bovis: Industry revenue contribution

MPI accrues for revenue it becomes entitled to under the signed Operational Agreement with industry bodies. Accruals are recognised in line with the agreed percentages documented in the agreement, being 32 percent of eligible costs.

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

Grant and partnership expenditure

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

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.

Changes in accounting policies

Financial instruments

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

In January 2017, the External Reporting Board (XRB) issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- + new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost
- + a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses
- + revised hedge accounting requirements to better reflect the management of risks.

MPI adopted the new accounting standard PBE IFRS 9 for the financial statements in 2019/20. This is in accordance with the Treasury's decision on when the Financial Statements of Government will adopt PBE IFRS 9. There is no material change as a result of adopting this standard.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at

amortised cost using the effective interest rate, less any impairment provision for expected credit loss.

Expected credit loss is established when there is objective evidence that MPI will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

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

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%–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%)
- + 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 from fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

The Crown accounts for revaluations of property, plant and equipment on a class of asset basis. The results of revaluing are credited or debited to an asset revaluation 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. For valuation purposes, MPI's cash flows are discounted using a mid-point discount to reflect the average log sale date. Where market-determined prices or values are not available, forestry assets are measured at cost less any accumulated depreciation and impairment losses.

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

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

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Creditors and other payables are classified as either exchange or non-exchange transactions in the notes to the schedule of non-departmental liabilities.

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.

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.

Provision for biosecurity incursion events

This provision for compensation payable under section 162A of the Biosecurity Act 1993 is as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where there are verifiable losses as a result of the damage or destruction of a person's property or restrictions on the movement of a person's goods. The provision represents MPI's best estimate of the cost of settling current compensation claims.

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 balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Critical accounting estimates and assumptions

In preparing these financial statements, MPI on behalf of the Crown, has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical

experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- + recoverability of cost recovery levies and *Mycoplasma bovis* industry revenue contribution (see note 3)

- + forest valuations (see note 5)
- + non-cancellable operating lease commitments (see statement of commitments)
- + provision for biosecurity incursions (see note 12a)
- + impairment of the Crown's equity investment in Crown Irrigation Investments Limited (see note 9).

Note 2: Fines, penalties and levies

Actuals 2018 \$000		Actuals 2019 \$000
	Cost recovery levies from fishing industry:	
23,601	– Fisheries services	28,355
1,528	– Conservation services	2,025
4,329	Biosecurity Act 1993 fines	4,178
452	Dairy industry levy	509
213	Fisheries Act 1996 infringement notices	128
56	Animal welfare infringement	210
30,179	Total fines, penalties and levies income	35,405

Note 3: Industry contribution for compensation and response costs – *Mycoplasma bovis*

In June 2019, MPI and industry finalised an agreement for the funding of costs relating to the *Mycoplasma bovis* response. Under this agreement, MPI recovers 32 percent of response and compensation costs through industry partners on behalf of the Crown. The amount covers response costs incurred in 2018/19 amounting to \$45 million, and \$25 million for compensation. It is assumed that the full amount recoverable will be collected through a levy.

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 2019 is \$225,000 (2018: \$225,000).

Note 5: Forests

Actuals 2018 \$000		Actuals 2019 \$000
	Forests measured at fair value	
172,048	Opening balance 1 July	159,942
-	- Forestry additions	3,906
20,616	Changes in fair value	19,087
(32,722)	Decrease due to harvesting	(35,161)
159,942	Total forestry assets measured at fair value	147,774
443	Forestry assets acquired but not planted	3,339
160,385	Closing balance of forestry assets	151,113
	Forest measured at cost less impairment	
7,211	Opening cost 1 July	7,211
7,211	Closing cost 30 June	7,211
(7,211)	Opening accumulated impairment 1 July	(7,211)
(7,211)	Closing accumulated impairment 30 June	(7,211)
-	Balance 30 June	-

Note 5a: Gain/(loss) on forest revaluation

Actuals 2018 \$000		Actuals 2019 \$000
172,048	Opening balance of forestry assets	159,942
-	- Forestry additions	3,906
172,048	Forestry assets before valuation	163,848
159,942	Closing balance of forestry assets after valuation	147,774
(12,106)	Gain/(loss) on forest revaluation	(16,074)

MPI manages the Crown's interest in forests established on Crown owned land, leased Māori land and freehold land (under forestry rights). At 30 June 2019, the net stocked area of trees was 15,156 hectares (2018: 12,583 hectares).

During the year ending 30 June 2019:

+ 772,222 cubic metres of logs (2018: 808,675 cubic metres) were produced from harvesting operations

+ no forests were purchased (2018: nil)

+ under the One Billion Trees Programme, additional forestry rights were entered into comprising 11,435 hectares (2018: 3,675). Total area under new forestry rights is now 15,110 hectares. Not all of this area was planted in the 2019 planting season

+ 1,388 hectares of Crown Forestry managed estate were surrendered or sold (2018: 2,166).

Forests measured at fair value

The valuations at 30 June 2019 were carried out by Alan Bell and Associates, registered forestry consultants specialising in forest valuation. The following valuation assumptions have been adopted in determining the fair value of forestry assets:

- + a discount rate of 6 percent has been used for forests greater than 1,000 hectares and 6.5 percent for forests less than 1,000 hectares in discounting the present value of expected post-tax cash flows
- + in the 2018/19 year, MPI's cash flows were discounted using a mid point discount. This is in recognition that cash received is spread throughout the year
- + the prevailing company tax rate applied to pre-tax cash flows was 28 percent
- + notional land rental costs have been included for freehold land and actual rents for leased land and forestry rights
- + the forest has been valued on a going concern basis and only includes the value of the existing crop on a single rotation basis
- + no allowance for inflation has been provided except in calculating the cost-of-bush taxation effect
- + costs are current average costs
- + log prices were based on a start point of current prices (adjusted March quarter 2019) then moving on a straight line basis to trend prices (12 quarter unadjusted average prices) after five years and then remaining constant at trend prices.

Forestry valuation sensitivity analysis

MPI's forestry valuations apply March 2019 log prices, because June quarter prices are not generally available. The exceptions are Lake Taupo and Rotoaira, whose June prices are available. New forests are valued on a cost plus basis.

A 20 percent change in log prices changes the long term log prices applied in the forestry valuation by approximately 2 percent. The valuation of younger forests is not sensitive to a change in price compared to older forests closer to maturity, and mature forests tend to have a larger impact. The three forest valuations most sensitive to a change in log prices are Lake Taupo Lease, Rotoaira Lease and Tokararangi. The earliest of these is due to mature in 2021.

Lake Taupo Lease, Rotoaira Lease and Tokararangi forests represent 75 percent of the total forest value as at 30 June 2019. An increase to log prices by 20 percent for these forests would increase their fair value by \$23 million. A decrease to log prices by 20 percent would decrease their fair value by \$24 million.

Forests measured at cost less impairment

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

For the valuation year ending June 2016, Crown Forestry undertook a fair value estimate of the crop value based on a silvicultural inventory completed during the year. With 10 years remaining on the initial lease term, this type of valuation is appropriate and reasonable. The resultant value, as a result of the poor form and considerably slower growth of the trees, was nil under the majority of the scenarios run. The forest was subsequently valued at nil, and a provision recognised to cover rates, rent and overheads until the end of the term of the forest right.

Nothing has changed in the past 36 months to alter this decision.

Land price revaluation

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

Financial risk management strategies

The Crown is exposed to financial risks arising from changes to international log prices and currency fluctuations. Despite a significant fall signalled in July 2019, log prices were stable all year to the end of June. A stable exchange rate, stable freight

rates and steady fuel costs maintained log prices into China for the past 12 months. This market is still setting the benchmark in other export markets and the domestic market. On top of this, increased prices for pruned logs on the export market saw a corresponding increase in pruned log prices to domestic sawmills. MPI experienced strong demand for log sales over the 2018/19 year in both the domestic and export sectors. Pulp prices remained flat in the central North Island. MPI's marketing strategy is based on a spread of domestic and export sales, and a spread of customers within both of these markets, including a limited exposure to the market in China.

Held for sale forest assets

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

Note 6: Debtors and other receivables

Actuals 2018 \$000		Actuals 2019 \$000
Current assets		
Non-exchange transactions		
14,257	Debtors and other receivables – fines, penalties and levies	64,446
(138)	Less provision for impairment	(179)
Exchange transactions		
5,122	Debtors and other receivables – Crown Forestry operations and miscellaneous revenues	7,614
19,241	Total current	71,881
Non-current assets		
Non-exchange transactions		
	– Debtors and other receivables – fines, penalties and levies	18,249
Exchange transactions		
204	Debtors and other receivables – Crown Forestry operations and miscellaneous revenues	222
204	Total non-current	18,471
19,445	Total debtors and other receivables	90,352

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

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

	2018			2019		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	18,061	-	18,061	89,320	-	89,320
Greater than 30 days	910	-	910	-	-	-
Greater than 60 days	439	-	439	-	-	-
Greater than 90 days	173	(138)	35	1,211	(179)	1,032
Total	19,583	(138)	19,445	90,531	(179)	90,352

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

At 30 June 2019, MPI has not identified any debtors (2018: nil) that are insolvent.

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

Actuals 2018 \$000		Actuals 2019 \$000
158	Balance at 1 July	138
39	Additional provisions made	41
(59)	Receivables written off	-
138	Balance at 30 June	179

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 2017	18,267	225	5,898	402	24,792
Additions	112	-	-	-	112
Balance 30 June 2018	18,379	225	5,898	402	24,904
Balance 1 July 2018	18,379	225	5,898	402	24,904
Additions	-	-	-	-	-
Balance 30 June 2019	18,379	225	5,898	402	24,904
Accumulated depreciation and impairment losses					
Balance at 1 July 2017	-	-	5,152	346	5,498
Depreciation expense	-	5	133	14	152
Balance 30 June 2018	-	5	5,285	360	5,650

	Land \$000	Buildings \$000	Roads, fences and equipment \$000	Motor vehicles \$000	Total \$000
Balance at 1 July 2018	-	5	5,285	360	5,650
Depreciation expense	-	5	133	13	151
Balance 30 June 2019	-	10	5,418	373	5,801
Carrying amounts (net asset value)					
At 1 July 2017	18,267	225	746	56	19,294
At 30 June and 1 July 2018	18,379	220	613	42	19,254
At 30 June 2019	18,379	215	480	29	19,103

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

Note 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 (CIIL) is a Crown-owned company incorporated under the Companies Act 1993 on 1 July 2013 to facilitate the Crown's investments in regional water storage and off-farm irrigation infrastructure schemes. The company is also listed in Schedule 2 of the Crown Entities Act 2004.

In 2018/19, MPI assessed its investment in CIIL for indicators of impairment. The most appropriate information available to estimate the value of the Crown's investment in CIIL is the net asset position of CIIL. The investment has been impaired to reflect the CIIL net asset position as at 30 June 2019. Movements in the Crown's investment are shown in the table below.

Actuals 2018 \$000		Actuals 2019 \$000
Crown Irrigation Investments Limited (CIIL) impairment		
36,400	Opening balance	50,741
36,000	Investment in CIIL	58,700
(21,659)	Impairment of Crown equity investment in CIIL	(10,045)
50,741	Closing balance (total investment)	99,396

Note 10: Creditors and other payables

Actuals 2018 \$000		Actuals 2019 \$000
Non-exchange transactions		
2,915	GST payable	2,225
11,684	Grants payable	13,403
8,941	Compensation payable for biosecurity incursions	9,086
4,307	Other accrued expenses	3,340
Exchange transactions		
5,305	Crown Forestry accrued expenses	8,827
33,152	Total creditors and other payables	36,881

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

Note 11: Over-and-under recovered costs from fishing industry

Section 265 of the Fisheries Act 1996 creates a mandatory obligation on the Minister of Fisheries to have regard to under and over-recovery of costs of any conservation service or fisheries service in a previous financial year when recommending a cost recovery levy order for a current or future year.

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 2019 to be applied against future cost recovery levy orders.

Note 12: Provisions

Actuals 2018 \$000		Actuals 2019 \$000
Current		
1,419	Rural veterinarians bonding scheme	1,564
2,043	Commercial aquaculture claims settlement	2,043
57,374	Compensation for biosecurity incursions	65,364
60,836	Total current provisions	68,971
Non-current provisions		
731	Rural veterinarians bonding scheme	847
597	Onerous contracts	571
1,328	Total non-current provisions	1,418
62,164	Total provisions	70,389

Note 12a: Compensation for biosecurity incursions

Actuals 2018 \$000		Actuals 2019 \$000
	– Opening balance	57,374
57,374	Additional provisions made	75,251
	– Amounts used	(67,261)
57,374	Closing balance	65,364

MPI's recognition of a provision for biosecurity events is completed in accordance with its accounting policy for provisions. Provisions for compensation payable under section 162A of the Biosecurity Act 1993 is as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where there are verifiable losses as a result of the damage or destruction of a person's property or restrictions on the movement of a person's goods. The provision represents MPI's best estimate of the cost of settling compensation claims where MPI has exercised its powers to manage or eradicate organisms.

As at 30 June 2019, MPI's provision relates mainly to the incursion of *Mycoplasma bovis*. MPI recognises a provision on the issue of a "Notice of Infection" or "Notice of Direction" to an affected property. The provision accounts for several elements associated with claims for *Mycoplasma bovis* as a result of the "Notice of Infection" or "Notice of Direction".

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

- + Destruction of stock comprises \$27.900 million of the compensation for biosecurity incursions provision. Claims amounts for the destruction of stock take account of the value of animals less the meat value received. To estimate stock values, and the expected return from the sale of meat, MPI has applied averages based on information collated from stock valuations and payments from meat processing plants.
- + Loss of milk production comprises \$22.100 million of the compensation for biosecurity incursions provision. Claims for milk production losses take account of the quantity of milk, sales price per kilogram of milk solids, production costs per kilogram of milk solids and the number of months of lost production included at balance date.

To estimate milk production losses assumptions have to be made on each element including how long the farm will take to get back into production. This can vary farm by farm, and complete information is not available, consequently, MPI has had to estimate the period for which milk production losses will be incurred. Key assumptions included in MPI's estimate include the date when a farm will repopulate and the level of production that will be achieved compared with production achieved prior to the destruction of the farm's stock. With regard to milk production losses, a period of seven months has been applied as the time required, from the time of depopulation, to repopulate a farm and fully return to production. Increasing or decreasing this period by one month will change the provision by \$4 million.
- + Impact of movement controls comprise \$8.4 million of the compensation for biosecurity incursions provision. The calculation of this component of the provision is based on historical average cost per claim for similar properties, and an estimate of the number of properties expected to claim based on the number of notices issued.

Note 12b: Rural veterinarians bonding scheme

Actuals 2018 \$000		Actuals 2019 \$000
2,010	Opening balance	2,150
1,408	Additional provisions made	1,557
(1,268)	Amounts used	(1,296)
2,150	Closing balance	2,411

The rural veterinarians bonding scheme provides payments to veterinary professionals agreeing to work in understaffed rural areas. Payments are for a maximum of \$11,000 per annum for five years and are made after the third, fourth and fifth year. The scheme commenced on 1 January 2009 and this provision represents MPI's liability at balance date for the 108 (2018: 101) veterinarians currently in the scheme.

Note 12c: Commercial aquaculture claims settlement

Actuals 2018 \$000		Actuals 2019 \$000
2,043	Opening balance	2,043
-	- Amounts used	-
2,043	Closing balance	2,043

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. Timing of settlement is dependent on finalisation of negotiations.

Note 13: Expenditure on compensation for biosecurity events

Actuals 2018 \$000		Actuals 2019 \$000
	Compensation for biosecurity incursions expenditure:	
69,922	<i>Mycoplasma bovis</i>	77,918
11,187	Other incursions	2,638
81,109	Total expenditure for biosecurity incursions	80,556

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

Note 14: Explanations of major variances

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

Non-departmental revenue

The positive revenue variance in 2018/19 is attributable to the industry contribution for the *Mycoplasma bovis* compensation and response costs. Revenue will be collected by industry bodies through a levy and paid onto the Crown. There is also a positive variance for the deemed values for over-fishing due to a higher prevalence of over-catch this year. Therefore, more deemed values were issued in the 2018/19 financial year.

Non-departmental expenses

Expenditure for compensation for biosecurity incursions is driving the overall increase in non-departmental expenditure compared to budget. The overspend in the budget is due to timing differences. The Cabinet paper to grant funding for the *Mycoplasma bovis* biosecurity incursion was approved in June 2018. Through subsequent technical budget updates, MPI has transferred funding into the 2018/19 financial year. This is reflected in the Supplementary Estimates.

Operating expenses were \$22.619 million lower than budget primarily due to the timing of aquaculture settlements. The Crown's ability to meet these and remaining obligations is dependent on negotiations with iwi. While negotiations continue, an expense transfer and in-principle expense transfer was sought to carry forward underspent budget from 2018/19 to 2019/20.

Non-departmental capital expenditure

Capital expenditure increased by \$10.857 million compared to budget primarily due to the Crown's investment in the Central Plains Water Stage 2 and the Kurow-Duntroon Irrigation Company infrastructure upgrade project being brought forward in 2018/19. This was partially offset by an underspend in capital investments in Crown Forestry assets. This is primarily due to delays in securing land through negotiated commercial agreements with landowners, as well as contractual commitments related to planting operations.

Note 15: Events after balance date

Mycoplasma bovis

Subsequent to 30 June 2019, MPI, under the Biosecurity Act 1993, has continued to respond to incursions, such as *Mycoplasma bovis*. In undertaking these activities MPI has issued "Notices of Infection" and "Notices of Direction" post balance date. The issue of these notices may result in losses as a result of damage or destruction of property, or restrictions on the movement of goods. The financial impact is yet to be measured.



07 Our non-departmental
statements and schedules
Ā mātau kaute me ngā hōtaka
ehara nō te tari



Legislation we administer

Ngā ture e whakahaerehia ana e mātau

MPI has overall responsibility for 41 statutes and more than 300 legislative instruments.

Acts administered

- + 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 (Ancillary and Transitional Provisions) Act 1999
- + Animal Products Act 1999
- + Animal Welfare Act 1999
- + Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- + Biosecurity Act 1993
- + Commodity Levies Act 1990
- + Dairy Industry Restructuring Act 2001
- + Driftnet Prohibition Act 1991
- + Fisheries (Quota Operations Validation) Act 1997
- + Fisheries Act 1983
- + Fisheries Act 1996
- + Food Act 2014
- + Forestry Encouragement Act 1962
- + Forestry Rights Registration Act 1983
- + Forests (West Coast Accord) Act 2000
- + Forests Act 1949
- + Hop Industry Restructuring Act 2003
- + Irrigation Schemes Act 1990
- + Kaikōura (Te Tai o Marokura) Marine Management Act 2014
- + Kiwifruit Industry Restructuring Act 1999
- + Māori Commercial Aquaculture Claims Settlement Act 2004
- + Māori Fisheries Act 2004
- + Meat Board Act 2004
- + Ministries of Agriculture and Fisheries (Restructuring) Act 1995
- + Ministries of Agriculture and Forestry (Restructuring) Act 1997
- + Ministries of Agriculture and Forestry (Restructuring) Act 1998
- + National Animal Identification and Tracing Act 2012
- + New Zealand Horticulture Export Authority Act 1987
- + Pork Industry Board Act 1997
- + Primary Products Marketing Act 1953
- + Public Works Act 1981 (Part 19)
- + 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

Grants approved

Kua whakaaetia te takuhe

1 July 2018 to 30 June 2019

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

Adverse climatic events

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

The Government responds to situations that are beyond the capacity of the wider community to cope with, but not to individual requests for assistance. After an adverse event, the Government has a role in restoring public infrastructure and protecting the health and safety of its citizens. The Government may also help primary producers that acutely feel the effect of an adverse event.

Afforestation Grants Scheme

The Afforestation Grants Scheme (AGS) has funding available for five years up to 2020. The AGS is a contestable fund designed to encourage more planting of trees in small forests and on farms. The AGS has been transferred into Te Uru Rākau from April 2018.

Irrigation Acceleration Fund

The Irrigation Acceleration Fund has supported rural water harvesting, storage and distribution infrastructure.

Following the Government's wind down of large-scale irrigation, this fund has closed, with no further applications being accepted. All existing contracts were completed in 2018/19.

The programmes we administer help communities to cope after adverse climatic events and support rural water management and distribution infrastructure.

Funding supported three distinct activities:

- + Strategic water management studies – to help with the development of regional approaches to integrated water management, particularly the potential of rural irrigation-related infrastructure and testing of the Managed Aquifer Recharge concept.
- + Community-scale water management and infrastructure development – to help new, smaller-scale community scheme developments, as well as capital upgrades of existing community scheme infrastructure.
- + Regional-scale water management and infrastructure development (through Crown Irrigation Investments Limited) – to support regional schemes as well as capital upgrades of existing large-scale scheme infrastructure.

Erosion Control Funding Programme

The Erosion Control Funding Programme (ECFP) (formerly known as the East Coast Forestry Project) was established in 1992 to deal with the wide-scale erosion problem in the Gisborne district. MPI provides funding to landholders and community groups in the district to address erosion through the treatment of highly erodible land and other supporting activities. The final application round for land treatments was held in 2018 and no further rounds will be held. Community project applications remain open until June 2021, or earlier if available funding is committed.

Sustainable Food and Fibre Futures (SFF Futures)

The funds we administer range from supporting the sustainable development of New Zealand's food and primary sectors, to supporting projects that help to meet New Zealand's international climate change obligations.

SFF Futures is the merger of two pre-existing funds: the Primary Growth Partnership (PGP) and the Sustainable Farming Fund (SFF). SFF Futures opened to applicants in October 2018. Its purpose is to support the sustainable development of New Zealand's food and primary sectors and, in doing so, contribute to the Government's objectives to:

- + grow and share New Zealand's prosperity
- + support thriving and sustainable regions
- + transition to a carbon-neutral New Zealand.

The PGP was a government-industry partnership that invested in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's food and primary sectors, including forestry. Established by Cabinet in 2009, PGP ran until 2017, when it was closed to new applicants. PGP agreements continue to run under their individual contracts.

The SFF was established (as the Sustainable Resource Development Fund) in 2000 to support the economic, environmental and social performance of New Zealand's land-based sectors. The final SFF funding round was held in 2018.

Hill Country Erosion Fund

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

Sustainable Land Management and Climate Change Research Programme

This programme helps the agriculture and forestry sectors with the challenges arising from climate change. Each year, MPI approves several 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, lifecycle analysis, farm catchment systems analysis and social impact.





Voluntary Bonding Scheme for Veterinarians

To deal with a shortage of veterinarians working with production animals in rural areas, a voluntary bonding scheme provides veterinarians with a taxable payment of \$11,000 per year for every year they work in an eligible area, over the five year bonding period.

Agricultural Greenhouse Gas Inventory

The Greenhouse Gas Inventory fund supports projects that help to meet New Zealand's international climate change obligations, including projections of current and future emissions. Projects also look at how to incorporate up-to-date technology and developments into our emissions accounting methods.

Earthquake Recovery Fund

Funding has been provided to those regions where the long-term land use was affected by the 2016 Kaikōura earthquake.

The Earthquake Recovery Fund supports long-term land use changes in the earthquake affected Hurunui, Kaikōura and Marlborough regions. To date, \$5 million across two types of funding has been provided, this covers projects and direct-to-landowner grants. Direct-to-landowner grants were provided for two years from 2017/18–2018/19, finishing in June. Close to \$1million was taken up by farmers who were able to spend \$5,000 (excluding GST) per farm to get professional advice on land use suitability and optimisation.

Mycoplasma bovis Recovery Advice Service

Farmers whose farm is or has been a “restricted place” can receive assistance from the *Mycoplasma bovis* Recovery Advice Service to pay for business and technical advice on recovering from the effects of *Mycoplasma bovis*. It makes payments to eligible farmers of up to \$5,000 (excluding GST) per property that is run as a separate business entity.

One Billion Trees grants and partnerships

This programme will deliver 500 million-plus trees through commercial planting and replanting.

The One Billion Trees Fund supports individuals and groups across New Zealand to plant trees or manage land sustainably. Te Uru Rākau’s role is to work in partnership directly with landowners and organisations that want to achieve the goal of planting 1 billion trees by 2028.

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

The fund is structured to deliver two streams of funding:

- + Direct landowner grants provide incentives to reduce barriers to planting. The grants contribute to the cost of planting and establishing trees and fostering indigenous regeneration.
- + Partnership funding is focused on partnering with organisations and groups to enable an increase in tree planting – whether through research, innovation or sector development.





08 Ministers' reports on
non-departmental appropriations
Ngā pūrongo a te Minita mō ngā
tahua ehara nā te tari

Ministers' reports on non-departmental appropriations

Ngā pūrongo a te Minita mō ngā tahua ehara nā te tari

Purpose

The Minister of Agriculture, Biosecurity and Food Safety, the Minister of Fisheries, and the Minister of Forestry are required under section 19B of the Public Finance Act 1989 to report against non-departmental appropriations in Votes Agriculture, Biosecurity, Fisheries and Food Safety, and Vote Forestry. This report has been appended to the annual report of the Ministry for Primary Industries for publication and is not subject to audit.

Afforestation Grant Scheme (M35)

Introduction

This report covers Vote Forestry Non-Departmental Other Expense Afforestation Grant Scheme (M35).

Funding provided under this scheme is expected to result in around 13,400 hectares of new forest.

The last funding round of the Afforestation Grant Scheme (AGS) was held in 2018 for new plantings from 2018–2020. The objective of the AGS was to encourage and support new forest planting, with applications prioritised,

if necessary, according to their contribution to environmental outcomes. The expected result was to have 15,000 hectares of new forest planted by 2020. The last round of AGS applicants were guaranteed the new One Billion Trees (1BT) grant rates, which are higher, so fewer hectares can be planted with the grant funding available. The AGS is now expected to result in around 13,400 hectares of new forest. Other secondary benefits include helping to reduce soil erosion, improving land use productivity and storing carbon.

The main features of the AGS are as follows:

- + Grant applications must be for forests of between 5 hectares and 300 hectares.
- + Planting must be on land that is not already forest land.
- + The grant rate is \$1,300 per hectare, regardless of species. The grant rates approved in the 2018 funding round match the higher 1BT grant rates (up to \$6,000 per hectare).
- + Grantees are prohibited from receiving carbon credits from the Crown for the first 10 years. Grantees approved in the 2018 funding round are prohibited from receiving carbon credits from the Crown for the first 6 years, to be consistent with the 1BT provisions.

An allocation of \$19.5 million was available for grants for the life of the fund.

Statement of service performance

Intended impacts, outcomes or objectives

The objective of the AGS was to achieve and encourage new planting of up to 15,000 hectares of new forest over the life of the programme.

Description of activities

For the first three funding rounds held in 2015, 2016 and 2017, 248 applications were approved

to plant 12,452 hectares. As at June 2019, 6,036 hectares have been established and had claims paid.

With the introduction of the 1BT programme, the fifth funding round for AGS was not held. Rates were also increased for eligible recipients of the 2018 round, to align with top-up funding available under the 1BT Direct Landowner Grant. Therefore, it is forecast that nearly 13,400 hectares will have been planted under AGS, once all planting is complete.

Vote Forestry		2018/19			2017/18
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Non-Departmental Other Expenses					
Afforestation Grant Scheme (M35)	Total area afforested since initial implementation of the scheme (ha)	2,500 ha	1,718 ha ¹	x	2,656 ha
This appropriation is limited to grants to private landowners for afforestation purposes.					

Comments

1 When the One Billion Trees programme was introduced, the fifth funding round for the AGS was not held, which meant fewer hectares of land could be contracted. Rates were also increased for eligible recipients of the 2018 round to align with top-up funding available under the One Billion Trees Direct Landowner Grant. It was therefore no longer possible to achieve the planting target set, given the dollars per hectare changed but the total dollars available did not. Therefore, it is forecast that around 13,400 hectares will have been planted under the AGS, once all planting is complete and final payments are made by 30 June 2021.

Service performance – financial				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
3,560	This category is limited to the administration of government-approved schemes, grants and assistance to the land-based sectors.	2,765 ¹	7,022	10,271

Comments

1 This multi-year appropriation started on 1 July 2016 and expires 30 June 2021. This is intended to achieve and encourage new planting of an expected 13,438 hectares of forest. Some grantees are considering applying for One Billion Trees funding and may withdraw from the AGS.

Global Research Alliance on Agricultural Greenhouse Gases

Introduction

This report covers Vote Agriculture, Biosecurity, Fisheries and Food Safety Non-Departmental Other Expense Global Research Alliance on Agricultural Greenhouse Gases.

The Global Research Alliance on Agricultural Greenhouse Gases (the Alliance) was established in 2009 and has 57 member countries and 19 partners. Its partners are international organisations whose goals align with the Alliance (for example, the Food and Agriculture Organization of the United Nations, World Bank, World Farmers' Organisation and international and regional agricultural research institutes). The Alliance focuses 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 Chair for 2018/19 is Germany, and Indonesia will take over the Chair at the Global Research Alliance Council meeting in October 2019. New Zealand was the Council Chair from 2011 to 2012.

The Alliance's work focuses on the following four research groups (with countries that co-ordinate each group identified):

- + Croplands Research Group (Brazil, Spain and United States of America)
- + Livestock Research Group (Ireland and New Zealand)
- + Paddy Rice Research Group (Japan, Senegal and Uruguay)
- + Integrated Research Group (Australia, Canada and France).

The groups have developed work plans covering collaborative activities designed to share methodologies and techniques, build capacity amongst scientists and other practitioners, and move towards break-through 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 and Special Representative, co-chairing its Livestock Research Group (LRG), providing scientific representation in almost all of the other groups, and being an active member of its Council.

New Zealand has contributed \$73.5 million until 30 June 2020 to support the work of the Alliance. This appropriation includes the additional \$8.5 million announced in 2019. The multi-year appropriation for this initiative is used to invest in international and domestic research and capability-building opportunities, and for extension activities that arise through the Alliance, particularly the LRG. A small amount is used to meet the administrative and operational costs to New Zealand participating in the Alliance, including hosting its Secretariat, providing its Special Representative and to support Alliance activities.

MPI contracts 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 LRG
- + 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 has been the New Zealand Fund for Global Partnerships in Livestock Emissions Research. This contestable international fund was launched in 2011, in support of the Alliance's aims, and invests in research on mitigating greenhouse gas emissions from pastoral livestock systems. Eight projects, at a total of \$8.76 million, were funded under the fourth round of this fund, and are due for completion by 30 June 2020.

Other investments in Alliance priority activities include supporting capability-building projects, training and engagement workshops, extension activities, and supporting New Zealand involvement in bilateral or multi-country research calls.

The Alliance Council adopted its first strategic plan for 2016–2020. Priority actions include developing flagship projects, that aim to raise the visibility of research across the Alliance and encourage greater investment from member countries and partner organisations. To support the flagships, the Alliance Council is developing mechanisms to align research programmes and resourcing of Alliance members and partners, and has established the Global Research Alliance Development Scholarships to build scientific capability in developing countries.

Statement of service performance

Intended impacts, outcomes or objectives

The Alliance's primary objective is to find new and more efficient ways of co-ordinating and increasing international investment and research into reducing agricultural greenhouse gas emissions. Specifically, the Alliance seeks to:

- + deepen and broaden existing networks of agriculture mitigation research
- + 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 several 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.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18
Appropriation	Performance measures	Target	Actual	Standard met?
Non-Departmental Other Expenses				
Global Research Alliance on Agricultural Greenhouse Gases (M2)	Percentage of Alliance projects funded with the New Zealand budget completed to contracted quality standards	95%	98%	✓
This appropriation is limited to the Global Research Alliance on Agricultural Greenhouse Gases.				100%

Service performance – financial

Alliance expenditure is covered by a multi-year appropriation over four years, from 1 July 2016 to 30 June 2020. Multi-year appropriations give departments flexibility to manage expenses over several 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.

Service performance – financial			
Description	2018/19 \$000	2019/20 \$000	2019 \$000
This category is limited to the administration of government approved schemes, grants and assistance to the land-based sectors.	10,388	8,480	18,868
Carry forward of underspend from multi-year appropriation finished in 2017/18	1,000	1,961	2,961
Fiscally neutral adjustments	(40)	0	(40)
Budget initiatives from 2019	0	8,500	8,500
Indicative spending profile	11,348	18,941	30,289
Actual expenses for 2018/19	9,658	0	9,658
Appropriation remaining	1,690	18,941	20,631

Primary Growth Partnership

Introduction

We have partnered with landowners, producers, growers, industries and others to develop high-value, innovative and profitable forestry, food and fibre products for local and overseas markets. These innovation programmes run over several years.

This report covers Vote Agriculture, Biosecurity, Fisheries and Food Safety Non-Departmental Other Expenses for the Primary Growth Partnership.

The Primary Growth Partnership (PGP) is a government-industry initiative that makes joint investment into significant programmes of research and innovation that boost the economic growth and sustainability of

New Zealand's primary production, forestry and food sectors. PGP programmes are primarily business-led and market-driven innovation programmes across the primary industry value chain.

The PGP was replaced by the Sustainable Food and Fibre Futures (SFF Futures) from October 2018. Applications can continue to be made under the SFF Futures Fund, which is open all year round. For more information, see: www.agriculture.govt.nz/funding-and-programmes/sustainable-food-and-fibre-futures

Statement of service performance

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 sector, from producer to consumer.

To receive PGP funding, a programme must comprise a suite of complementary and mutually supporting projects that demonstrate:

- + a path to market
- + additionality
- + economic benefits

- + spill-over benefits
- + sustainability benefits.

Summary of selected Primary Growth Partnership programmes as at 30 June 2019

PGP programmes are delivering clear and tangible benefits. Some of the key programmes being delivered are detailed as follows.

Clearview Innovations

The final report has been completed and the process for post-programme evaluation has started. The Clearview Innovations PGP programme took a fail-fast approach to identifying and evaluating concepts with commercial potential. Out of the initial 25 concepts, 6 products and tools with commercial potential were developed that are now either in market or will be within 12 months. These concepts are expected to generate an estimated economic benefit of \$56 million per year by 2025.

The products are:

- + N-Guru™, a decision support tool that accurately predicts pasture responses to nitrogen, allowing farmers to use nitrogen more efficiently on their farms.
- + SpreadSmart™, a technology that automatically applies fertiliser from topdressing planes at an ideal rate – it avoids environmentally sensitive areas, is more efficient and improves returns for farmers.
- + MitAgator™, which takes data from OVERSEER files and links it with a geo-referenced farm map, a soil map and a digital elevation model. It develops risk maps for individual farms and identifies areas where there is more likely to be a loss of phosphorous, nitrogen, sediment, and bacterial contaminants. This tool is in its final development for commercial release in 2018.

The original goals of the programme were to:

- + improve the efficiency of nitrogen fertiliser use in pastoral systems by 50 percent by 2018
- + reduce nitrogen losses from dairy farm systems by 30 percent by 2018
- + increase the efficiency of phosphorous fertiliser use by 20 percent by 2020
- + reduce soil accumulation and/or plant uptake of phosphorous fertiliser contaminants by 20 percent by 2018.

High Performance Mānuka Plantations

High Performance Mānuka Plantations was a seven-year programme between the MPI and the Mānuka Research Partnership (NZ) Limited (MRPL) that was completed in September 2018. The programme set its sights on moving the mānuka honey industry from wild harvest to science-based farming of mānuka plantations, to increase the yield and reliability of supply of medical-grade mānuka honey.

During its life, the programme developed an extensive understanding of plantation mānuka. The programme established trial mānuka plantations across 14 sites in the North Island and South Island. Through the programme, high-quality monofloral mānuka honey has been harvested on the largest 130 hectare plantation trial site in Tutira, north of Napier, showing peak honey production in plantations occurs five to ten years following the first harvest of mānuka honey.

The programme identified productivity gains from mānuka plantations over the first six years of plantation development. It has compiled an extensive volume of technical notes to help in plantation mānuka design and husbandry, which is available to the public through Mānuka Farming NZ consultancy services, which was set up as part of the programme. The knowledge and expertise developed by the programme will help landowners to plant high performance mānuka plantations and support New Zealand's developing mānuka honey industry.

Omega Lamb

The Omega Lamb programme is producing the world's tastiest, healthiest lamb and increasing returns for farmers. The programme is targeting premium markets through a new, healthier and tastier type of lamb meat. Research found the right combination of genetics, management and pasture could be used to change the types and amounts of fat.

Omega Lamb is targeting premium markets with a new type of lamb called Te Mana Lamb that has higher levels of polyunsaturated (good) fats and omega-3 fatty acids – producing healthier sheep and healthier, tastier, more succulent meat. Taste tests have already shown that good fat composition improves the taste of lamb, and, in October 2016, a Te Mana Lamb dish won the silver medal in the Culinary Olympics in Germany. Omega ewes are also thriving on New Zealand's hill country and producing healthier, faster-growing lambs.

SPATnz

SPATnz is selectively breeding high-value shellfish. To deliver what the industry and market requires, breeding of mussels in captivity is essential. Wild spat sources allow little control over the timing and quantity of spat supply or the characteristics of the crop. Selectively bred hatchery spat can be produced year-round from carefully selected parents.

Traditional selective breeding continues to deliver huge gains in virtually every primary production sector on land, and with the help of this programme, the same is being achieved for greenshell mussel farming. Research under this programme focuses on selective breeding and the development of hatchery technology to produce improved spat at the large scale required by industry. SPATnz has operated a pilot-scale mussel hatchery since early 2015, and has successfully developed methods for spat production. Those methods are now being scaled up to enable spat production at the level required to deliver benefits widely.

Trials have shown that hatchery spat is growing to harvest-size mussels in almost half the time of wild-sourced spat and has more consistent quality and size. This technology and enhanced capability will be a breakthrough for our mussel industry, and will provide significant economic returns. In early 2019, SPATnz was announced as a finalist in the Commercial Impact Award category of the KiwiNet Awards.

Description of activities

PGP programmes are innovation programmes run over several years. At the beginning of the year (1 July 2018), 15 programmes were under way with industry partners. The High Performance Mānuka Plantations programme ended on 30 September 2018 and the Clearview Innovations programme ended on 31 October 2018. Three new programmes started between October 2018 and February 2019: Caprine Innovations NZ, Hāpi Brewing Success and Mid-Rise Wood Construction.

The table below lists the current programmes for the PGP.

PGP Programme	Description of Programme
Clearview Innovations	This programme developed new soil nutrient products and management services that helped farmers increase productivity, reduce nutrient losses and improve water quality. This programme is now completed.
High Performance Mānuka Plantations	This programme focused on transitioning mānuka production from wild harvest to science-based farming. It combined improved genetics with optimum husbandry practices to enable long-term gains for New Zealand's mānuka honey industry. This programme is now completed.
FoodPlus	This programme is generating more value from the red meat carcass and developing innovative uses for parts of the animal carcass. The three streams in the programme focus on food products, ingredients and healthcare.
Lighter Wines	This programme is designed to position New Zealand as number one in the world for naturally produced, high quality, lower alcohol and lower calorie "lighter" wines.
Marbled Grass-fed Beef	This programme aims to meet increasing consumer demand for better quality and naturally produced food products, by supplying the best marbled grass-fed beef in the world.
New Zealand Avocados Go Global	This programme focuses on developing new markets, a more consistent and sustainable supply of avocados, an efficient supply chain, as well as greater information transfer and adoption across the industry.
Omega Lamb	This programme targets premium markets with a new type of lamb that has higher levels of polyunsaturated (good) fats and omega-3 fatty acids – producing healthier sheep and healthier, tastier meat.
Passion2Profit	This programme aims to grow and capture the full value of New Zealand farm-raised venison through its positioning in new markets as a premium non-seasonal meat, lifting productivity and better aligning supply and demand.

PGP Programme	Description of Programme
Pioneering to Precision	This programme seeks to improve fertiliser practice on hill country farms through remote sensing of the nutrient status of farms, enabling improved decisions and application of fertiliser with precision technology.
Precision Seafood Harvesting	This programme is intended to deliver better quality seafood and reduce the impact that the harvesting of wild-caught fish has on unintended catch, such as juvenile fish and by-catch species, through the development and use of Modular Harvest System nets.
Red Meat Profit Partnership (RMPP)	This programme helps farmers drive sustainable productivity improvements by creating an environment where they learn from each other, share what works, and access professional advice, technical expertise, training, information and talent.
Seed and Nutritional Technology Development	This programme focuses on mitigating and adapting to climate change, including the impact of droughts and pests, and improving animal health and productivity, through the delivery of innovative forages for New Zealand farms.
Sheep – Horizon Three	This programme aims to build a high-value and sustainable New Zealand sheep dairy industry by taking a market-led approach to improving all parts of the value chain.
SPATnz	This programme is developing hatchery production and selective breeding to improve mussel spat supply, produce high-performing mussel strains with specific traits (for example, anti-inflammatory activity) and adapt to future challenges, such as climate change and ocean acidification.
W3: Wool Unleashed	This programme aims to drive fundamental change in the way strong wool is produced, marketed and sold, delivering premiums for New Zealand's strong wool sector, by developing products that align with customer preferences.
Caprine Innovations NZ	This programme aims to make goat milk formula the preferred alternative to conventional infant milk formula, for customers in New Zealand and overseas.
Hāpi Brewing Success	This programme aims to develop premium hops and craft beers through market-led plant breeding and precision farming and processing methods.
Mid-Rise Wood Construction	This programme aims to encourage the use of New Zealand grown timber, mainly in the form of cross laminated timber panels, in the construction of mid-rise buildings using pre-fabrication.

Four business cases have been approved and are currently being contracted. It is anticipated these will become new programmes during the 2019/20 financial year.

Monitoring Primary Growth Partnership programmes

Individual GPG programmes are monitored in the following ways.

+ Quarterly progress reports

Funding agreements require co-investors to submit quarterly progress reports, which are reviewed by the Investment Advisory Panel and MPI. Summaries are published on the MPI website.

+ Annual business plan updates

Funding agreements require each programme's business plan to be reviewed and updated annually to ensure the programme is operating effectively, meeting its objectives and tracking towards outcomes.

+ Financial management audits

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 reviews

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. Progress review report summaries are published on the MPI website.

+ GPG annual meeting

The annual meeting is attended by the Minister for Primary Industries, Investment Advisory Panel members, programme partners and MPI. This provides an opportunity to discuss the progress of programmes, highlight significant achievements, and share learnings and ways of operating.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19			2017/18
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Primary Growth Partnership Programme (M2) 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 relevant industry groups, including research related to greenhouse gases via the New Zealand Agricultural Greenhouse Gas Research Centre.	Percentage of quarterly reports reviewed and signed off by Programme Steering Group	90%	100%	✓	100%
	Percentage of annual business plans approved in accordance with specific Primary Growth Partnership agreements	90%	69% ¹	✗	67%
	The annual meeting is held in accordance with Investment Advisory Panel Terms of Reference	Achieved	Achieved	✓	Achieved
	Percentage of quarterly reports reviewed and signed off by the chair of the New Zealand Agricultural Greenhouse Gas Research Centre Steering Group	100%	100%	✓	100%

Comments

¹ Out of 16 programmes, 10 annual business plans were reviewed and accepted, in accordance with specific GPG agreements.

The delays to annual plans were due to: one programme plan being expanded to include post-programme plans, three plans needing an improvement in quality, and one programme with performance issues (which have subsequently been resolved).

Service performance – financial

The PGP fund expenditure is covered by a multi-year appropriation over five years from 1 July 2017 to 30 June 2022. Multi-year appropriations give departments flexibility to manage expenses over several years up to a maximum of five years. This appropriation is limited to primary sector investment in education and skills development, research and development, product development,

commercialisation, market development and technology transfer, in partnership with relevant industry groups, including research related to greenhouse gases via the New Zealand Agricultural Greenhouse Gas Research Centre. 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	244,312
Adjustments for 2016/17	-
Adjustments for 2017/18	(80,892)
Adjusted appropriation	163,420
Actual expenses for 2018/19	68,128
Estimated appropriation remaining	95,292

The \$0.6 million increase in 2018/19 was to cover new PGP programmes that were expected to start during that year.

Water Storage and Irrigation Investment Proposals

Introduction

The investment has resulted in 73,300 hectares in operation (water flowing) compared with 55,300 hectares 12 months ago.

This report covers Vote Agriculture, Biosecurity, Fisheries and Food Safety Non-Departmental Other Expense Water Storage and Irrigation Investment Proposals. Budget 2016 allocated \$25 million (over five years) to support irrigation infrastructure

proposals to the investment-ready prospectus stage. The appropriation was split at a ratio of 90:10 between Crown Irrigation Investments Limited (CIIL) and the Irrigation Acceleration Fund (IAF) administered by MPI.

The IAF has supported community-scale irrigation schemes and strategic water management studies. CIIL has been responsible for larger-scale regional irrigation infrastructure development projects.

In the 2017 Budget, CIIL was allocated \$26 million to increase the amount of grant funding available to assess the feasibility of regional-scale schemes.

In late 2017, in line with the Government's aim to wind down public investment in large-scale irrigation projects, the IAF and CIIL stopped accepting applications. As of 2019, all existing IAF contracts have been completed. The remaining contracts with CIIL for construction of the Waimea Community Dam and Kurow-Dunroon Irrigation Scheme will be honoured, and any residual funds will be re-appropriated.

Statement of service performance

Intended impacts, outcomes or objectives

The objective of funded water storage and irrigation investment proposals is to support investment in modern water management infrastructure, providing reliable water for both economic and environmental uses.

A reliable source of water, managed responsibly, gives farmers and communities more certainty, a wider range of landuse options and the potential to improve river flows. This is particularly important during dry times or where over-allocation of groundwater has occurred. By collecting water when it is plentiful, due to rainfall events or snow melt, the trillions of litres of fresh water available in New Zealand can be better managed. Water can be stored, used to recharge aquifers and diverted (with flows managed). This ensures supply for farms that need water to grow grass, crops, vines, seeds, fruits and vegetables, while providing rivers with sustained flows, even when nature does not provide them.

These objectives are now to be delivered through the PGF administered by MBIE on a case-by-case basis. MPI is working closely with MBIE to help with developing, assessing and managing water storage projects.

Description of activities

This "other expense" covers grant payments for technical work programmes required to develop scheme proposals, water studies and trials, and community consultation and engagement.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19			2017/18
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Water Storage and Irrigation Investment Proposals (M2) This appropriation is limited to proposals for water management studies, trials and irrigation scheme investigations.	Total potential new irrigated area enabled by existing Crown funded projects that are commissioned, in construction or in development	n/a	n/a ¹	n/a	220,650 hectares comprising: <ul style="list-style-type: none"> + 73,300 hectares in operation (water flowing) compared with 55,300 hectares 12 months ago + 28,800 hectares in construction 116,050 hectares under investigation for development

Comments

1 The fund was halted and no new contracts were entered into.

Service performance – financial

The IAF expenditure (undertaken by MPI and CIIL), which was covered by a multi-year appropriation (five years, from 1 July 2016 to 2021), has been halted. All development contracts have been completed.

Service performance – financial				
Actual June 2018 \$000		Actual June 2019 \$000	Main Estimates June 2019 \$000	Supp Estimates June 2019 \$000
3,439	Actual expenses incurred, compared with that appropriated in estimates (funded by the Crown)	3,779	-	4,748

Appropriation, adjustments and use	\$000
Original appropriation	25,000
Culmulative adjustments for 2018/19	(3,863)
Adjusted appropriation	21,137
Actual expenses to 2017/18	16,389
Actual expenses for 2018/19	3,779
Appropriation remaining	969

Forestry and Other Economic Development, and Erosion Control (M2)

Introduction

This report covers Vote Forestry Non-Departmental Other Expense Forestry and Other Economic Development, and Erosion Control (M2).

The Erosion Control Funding Programme (ECFP) funds three main types of erosion treatments through land treatment grants:

- + forestry planting
- + space planting (willow or poplar poles)
- + indigenous reversion.

Funding has been provided to projects in areas that are affected by eroding land and severe soil erosion.

An ECFP land treatment grant can be used to control erosion on the worst eroding or erosion-prone land in the Gisborne district (MPI refers to this type of land as target land). These grants are used for establishing an effective tree cover through planting or encouraging natural reversion to native bush.

Grant rates are calculated on the treatment type. Grant rates for pole treatments are calculated on actual and reasonable costs, and rates for reversion and forestry are on a per hectare basis. Forestry and reversion treatments within the catchments of high-priority gullies are also entitled to an additional \$500 per hectare over and above the standard rate for these treatment types.

The ECFP supports:

- + the Crown to meet its commitments in the Deed of Settlement and subsequent Relationship Accord, agreed in April 2014 with Te Rūnanganui o Ngāti Porou and Gisborne District Council, 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 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.

In February 2017, Cabinet approved an expansion of the ECFP's scope, to realign the fund back to its original intent, which included:

- + controlling soil erosion through large-scale commercial forestry and other sustainable afforestation in the Gisborne – Tairāwhiti region
- + providing employment and regional development
- + recognising environmental needs on individual properties.

The last funding round for ECFP land treatments was held in 2018.

In 2017, MPI established the option for ECFP community projects. This broadens the support available for erosion control activities in the region. Applications for community projects remain open.

In the past year, ECFP has awarded \$478,000 to the following two community projects.

+ **East Coast Nursery for Healthy Rivers, Healthy Land and Healthy People**

Around 20,000 hectares of the worst eroding land is yet to be treated, along with a further 25,000 hectares of severely eroding land. The Waiapu community would like to turn this challenge into an opportunity for social, cultural, economic and environmental outcomes. At the heart of this is eco-sourced native plants for erosion treatment of hill country and erosion-prone riparian land. The community supports the establishment of a "nursery" to provide this

eco-sourced plant material for: retiring steep hill country, production forests, riparian areas and coastal erosion treatment, *pinus radiata* and exotics for production forests, fruit trees for horticulture, training opportunities for locals, nursery and planting jobs, and cultural taonga resources such as harakeke, kiekie and pingao for weaving and toetoe kakaho for whareniui. Additionally, native plants will restore ecological habitats decimated by deforestation and erosion that require restoration efforts within the catchment.

+ **Motu Catchment Project**

The Motu River catchment is unique, with high scenic and wilderness values. It is home to native and endangered species and is highly used for recreational purposes. A water conservation order is in place for the river downstream of the Motu falls. Above the falls, the catchment hosts productive farmland, with 66 percent of the upper catchment in pastoral farming. The unstable nature of the land, together with the influence of high intensity rain storms, means the area is subject to erosion, and consequently at times the river carries a large sediment load.

Eleven landowners with 13 farms have joined together with the support of the wider community to plan this project. The project will involve water quality and ecological benchmarking, and risk assessment using erosion management plans. Erosion mitigation will also be undertaken, including stock exclusion from the Motu River and its tributaries, along with riparian planting.

Erosion in the Gisborne district

The Gisborne district has a severe erosion problem – 26 percent of the district's land is susceptible to severe erosion, compared with only 8 percent of all land in New Zealand. Severe erosion includes large-scale gully erosion, earthflow erosion and deep-seated slumps.

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 could become a 1-in-50-year event by the end of this century.

Statement of service performance

Intended impacts, outcomes or objectives

The ECFP's primary objectives are to encourage the establishment of erosion control treatments on the worst eroding or erosion-prone land and to support broader initiatives to address erosion in the Gisborne district.

By treating erosion, long-term productivity will improve through retaining productive land, reducing the effect of sediment entering waterways and reducing the damage to infrastructure caused by extreme weather events. Erosion treatments help with reducing flood peaks, reducing the likely effects of climate change, improving water quality by reducing nutrient leaching and improving indigenous biodiversity. Broader community-level projects will also lead to improved economic and social outcomes for the district, such as economic growth, employment opportunities and skills development.

Description of activities

In the 2018/19 funding round for ECFP land treatments, 83 applications were assessed for funding eligibility with 64 approved for funding for planting in subsequent years.

Four community-led projects were also assessed, of which two were approved for funding support.

In 2018/19, 401 hectares of erosion treatments were established. Maintenance was also carried out on projects undertaken in previous years. The actual planted area established was mapped using a geographic information system, and grant money was paid, based on the land planted and in accordance with the agreed grant rate.

Vote Agriculture, Biosecurity, Fisheries and Food Safety		2018/19		2017/18	
Appropriation	Performance measures	Target	Actual	Standard met?	Actual
Forestry and Other Economic Development, and Erosion Control (M35)	Number of hectares approved for planting and treatment	1,000 ha	5,079 ha	✓	4,727 ha
	This appropriation is limited to forestry and other economic development and erosion control in the Tairāwhiti region.	Total area afforested since initial implementation of the scheme	43,000 ha	42,224 ha ¹	✗

Comments

¹ The standard was not met because some 2018 and 2019 blocks have not had inspections completed yet. This figure counts only blocks that have been inspected and paid. Furthermore, within several funded established blocks there are pockets of native reversion, which are not counted in this figure (as already existing and therefore not funded) but that do add to the overall erosion protection for the area.

The ECFP is in the mature phase of programme uptake, and most willing participants joined the scheme in previous years. MPI has now prioritised the very worst eroding land and is working in partnership with Gisborne District Council and Te Rūnanganui o Ngāti Porou to support landowners who have several unique challenges. In recent years, this has included recruiting an additional 1.5 full-time equivalent (FTE) staff (to bring the total to 2.5 FTE), to support community outreach and community participation in the ECFP across the Gisborne region.

The additional support in recent years has enabled more landowners to apply for ECFP funding, resulting in a significant lift in application numbers and approvals. With no further land treatment funding rounds planned, the future focus will be on supporting approved grantees to establish and maintain approved treatments on their land.

The One Billion Trees Programme, launched in November 2018, offers an alternative funding avenue for Gisborne (East Coast) landowners wishing to plant trees or revert their land to native bush.

Service performance – financial

The ECFP expenditure is covered by a multi-year appropriation over four years, from 1 July 2017 to 30 June 2021. Multi-year appropriations give departments flexibility to manage expenses over several 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.

This appropriation is limited to forestry and other economic development and erosion control in the Tairāwhiti region.

This multi-year appropriation started on 1 July 2017 and expires 30 June 2021. This is intended to achieve and encourage new planting of an expected 15,000 hectares of forest over the next three years.

Appropriation, adjustments and use	\$000
Original appropriation	26,950
Adjustments for 2018/19	1,150
Adjusted appropriation	28,100
Actual expenses for 2018/19	2,139
Estimated Appropriation Remaining	25,961

New Zealand Government

