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Ministry for Primary Industries
Manatū Ahu Matua

MINISTRY FOR PRIMARY INDUSTRIES
ANNUAL REPORT 2012/13

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

Growing and Protecting New Zealand

Contents

Foreword from the Director-General

I am pleased to present the 2012/13 Annual Report for the Ministry for Primary Industries (MPI).

It is just over a year since MPI's official launch as an organisation on 30 April 2012. Although it is early in our journey, we have made significant progress and this report captures MPI's achievements, and reviews our progress in delivering on *Our Strategy 2030* and realising our vision of Growing and Protecting New Zealand.

MPI is a multi-faceted organisation encompassing a wide range of activities. Our core business covers the systems of biosecurity, food safety and primary production. Our people are, amongst other things, scientists, policy makers, regulators, investigators, administrators, technicians, strategists, veterinarians, observers, inspectors, compliance officers, trade negotiators and dog handlers.

Our day to day business is complex and varied. In terms of biosecurity alone, we annually manage biosecurity risks across 700 000 containers, 90 000 vehicles and machinery and 35 million items of mail. Our dogs sniff the baggage of 5 million travellers and we set 7400 traps for uninvited insects. We do more than 20 000 lab tests a year looking for unwanted insects, mites, fungi, bacteria and viruses.

We also have an economic development focus. In 2012, to support the Government's Business Growth Agenda, MPI introduced the Export Double goal – our commitment to helping New Zealand's primary industries double the value of primary sector exports from $32 billion in June 2012 to $64 billion by 2025.

Our approach to make this a reality has several aspects. We administer the Primary Growth Partnership (PGP), a government–industry programme to develop new initiatives in the primary sector, currently with 13 programmes underway, and two pending.

We are involved in negotiating market access agreements. Last year marked the completion of negotiations on the Agreement Between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Co-operation.

We commissioned a report that showed that increasing the productive base of Māori freehold land could result in an additional $8 billion in gross output over 10 years. We ran a Sustainable Farming Fund round specifically for Māori agribusinesses to invest in projects to deliver economic, social and environmental benefits to our primary industries. Fourteen applications were approved for funding.

This is just a taste of what has been accomplished. We know there is much more to be done, which is why we are exploring other ways we can assist industry in achieving the Export Double goal.

It should be noted that New Zealand will not succeed in doubling its primary sector exports without protecting our producers, the natural resources they rely upon, our international reputation for food safety, biosecurity and animal welfare, and our good name for sustainable resource use. These are critical attributes of New Zealand products and are the things that international consumers value and pay for.

To ensure MPI's performance meets the expectations of the Government and industry, the Office of the Auditor-General (OAG) reviewed MPI's preparedness and response to biosecurity incursions.[1] Central Agencies' also carried out a Performance Improvement Framework (PIF) review.

The OAG biosecurity report noted that MPI needed to improve its biosecurity planning for potential incursions. Since that report, we have been working with industry and other stakeholders to improve our preparedness. New investments in x-ray equipment and trials of the use of x-ray images to screen airline baggage before it arrives in New Zealand are other steps we are taking to strengthen our biosecurity system.

The PIF report signalled that MPI is heading in the right direction and identified four areas of focus – developing people capability, delivering on the Export Double goal, seizing MPI's leadership role (within government, with the public and the primary sector), and becoming a stronger systems manager – to lift MPI's performance.

1 Office of the Auditor-General (2013) *Ministry for Primary Industries: Preparing for and responding to biosecurity incursions.* Office of the Auditor-General; Wellington.

MPI is committed to learning and improving. The delay of meat to China led to MPI undertaking a thorough review and developing an action plan. Many of the 25 actions contained in the plan are already underway and all will be completed by July 2014.

A significant challenge, which occurred outside of 2012/13 but should be noted, was the issue involving whey protein concentrate (WPC) manufactured by Fonterra. On 2 August 2013, MPI was informed by Fonterra of a possible food safety issue relating to the potential contamination of some batches of whey protein concentrate by *Clostridium botulinum* produced at their Hautapu site.

When we received this information from Fonterra, we immediately moved to protect consumers in New Zealand and international markets, by rapidly and transparently providing information to offshore regulators and consumers, by issuing statutory statements providing cautionary advice and information to consumers, by working with companies on voluntary recalls, and by tracing all potentially affected products through the supply chain as quickly as possible and verifying controls at product stores. We led a multi-agency response in close co-operation with the Ministry of Health, the Ministry of Foreign Affairs and Trade (MFAT), New Zealand Trade and Enterprise (NZTE) and the Department of Prime Minister and Cabinet.

A report detailing the tracing and verification of the WPC contaminant has been released (*Whey Protein Concentrate Incident Tracing and Verification Report*; Ministry for Primary Industries; August 2013), and demonstrates that all known potentially affected product originating in New Zealand was traced and managed. Throughout the entire response, MPI worked with industry and other government agencies to manage the market access issues that arose as overseas regulators took precautionary actions to either recall or ban products from their domestic markets.

Testing commissioned by MPI confirmed on 28 August 2013 that the bacteria found in the WPC manufactured by Fonterra was *Clostridium sporogenes*, not *Clostridium botulinum*. There are no known food safety issues associated with *Clostridium sporogenes*, although at elevated levels and in some foods it may be associated with spoilage.

MPI is cooperating with MFAT and NZTE in the Market Recovery Plan following the whey protein incident. To help New Zealand dairy exporters rebuild trust and reputation and respond to supply chain issues with key overseas markets the Government has established a $2 million Market Connections Fund. Alongside this, a Government Inquiry has been set up and MPI is conducting its own compliance investigation into what occurred. MPI has also announced a range of interim measures for the dairy sector to increase regulatory oversight and re-confirm, for ourselves, overseas regulators, and consumers, confidence in the integrity of our food safety regime.

Finally, I'd like to thank all of MPI's staff for their ongoing commitment and dedication to the organisation and our vision of Growing and Protecting New Zealand.

Scott Gallacher
Acting Director-General

THE YEAR IN REVIEW

This section introduces the Ministry for Primary Industries. It outlines how our work over the past year has contributed to Growing and Protecting New Zealand.

Figure 1: MPI's outcomes framework

Vision

Growing and Protecting New Zealand

Long-term success measures

- Increased export returns
- Increased access of products into new and changing markets
- Increased primary sector contribution to GDP
- Increased sector investment in innovation
- Increased primary sector productivity
- Increased productivity of Māori primary sector participants
- Fewer negative environmental impacts
- Reduced risk to and from the primary sectors

Long-term outcomes

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

Medium-term outcomes

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

Who we are and what we do

The Ministry for Primary Industries (MPI) contributes to Growing and Protecting New Zealand through a wide range of activities. You'll find us in a variety of work environments from airports and beaches to laboratories, abattoirs and fishing vessels. As at 30 June 2013, we have 2070 full-time equivalent staff based in around 50 towns and cities throughout New Zealand, and a small off-shore presence. We also manage the Crown's forestry assets as a commercial operation through Crown Forestry. We work 24 hours a day, 365 days a year growing and protecting New Zealand.

As well as providing policy and regulatory advice to the Government, we administer approximately 50 statutes and over 150 sets of regulations.

MPI is transforming itself into an economic development agency, working on sustainable improvement in primary sector export earnings. The three core business systems we manage – primary production, biosecurity and food safety – are the fundamentals of our work. They ensure that New Zealand produces safe, sustainable, high-quality products for domestic and international markets.

We are building our understanding of which of our interventions within the three systems (Table 1) make the best contribution to delivering on *Our Strategy 2030*.

TABLE 1: CORE BUSINESS SYSTEMS – MINISTRY FOR PRIMARY INDUSTRIES

Primary production system – determines the process by which resources are used to produce biologically based products that generate domestic and export revenues.[2]	MPI contributes in the areas of: natural resource use, animal welfare, forestry, market access, innovation, improving productivity of Māori-owned resources, sector structure, fisheries management and aquaculture.
Food safety system – safeguards consumers in New Zealand and overseas from the risks of food-related illness, while protecting New Zealand's reputation as a producer of safe and suitable food.	MPI sets minimum regulatory requirements and undertakes verification to support assurances to export markets that food products produced in New Zealand are safe and suitable.
Biosecurity system – protects New Zealand's economy, environment and human health from pests and diseases, and enhances the growth, integrity and reputation of New Zealand's primary products.	MPI works to prevent harmful pests and diseases from entering New Zealand. We manage systems to detect and respond to incursions and established pests, facilitate trade and encourage co-operation and participation in the system.

A key focus of our work is our contribution to two of the Government's priorities:

- **A more productive and competitive economy:** *Our Strategy 2030* aligns with the Government's economic priorities and is encapsulated in four long-term outcomes: maximise export opportunities; improve sector productivity; increase sustainable resource use; and protect from biological risk. Our Export Double goal ensures we are focused on delivering *Our Strategy 2030* and achieving it will realise an important part of our vision of Growing and Protecting New Zealand. MPI's deliverables against the Government's economic priorities are outlined in the long-term outcomes section (see pages 7–26).
- **Better public services:** MPI has actively participated in Better Public Services – Result 9, which aims to provide New Zealand businesses with a one-stop online shop for all government advice and support they need to run and grow their business. MPI staff were involved in the case for change for the New Zealand Single Business Number; the initial discussion around the Result 9 proposal for a one-stop online shop; and contributed to the rating and feedback tool for customer satisfaction. The Standards Integration Project (refer page 9), MPI website upgrade and Joint Border Management System (JBMS) also align with Result 9.

We deliver on the Government's priorities by working closely with other government agencies, primarily within the:

- **economic and industry development area:** to influence economic development, fiscal and public sector performance to secure a significant and sustainable improvement in the position of the goods relative to services;

2 The primary production system is complex, with many of the relevant government interventions delivered by other agencies. In these situations, MPI works with other agencies to ensure that they understand the impact of decisions on the primary industries.

- **natural resources sector:** to ensure environmentally sustainable resource use; most importantly through the reform of freshwater management and in supporting the development of irrigation infrastructure; and
- **border sector:** to improve border protection and facilitate trade through better co-ordination of border services and implementation of the JBMS.

We are also working to improve our organisational effectiveness. These improvements are detailed on page 30 of this report.

Long-Term Outcome:

Maximise Export Opportunities

OVERVIEW

New Zealand's primary industries are focused on export markets and rely on New Zealand maintaining and growing access to those markets. MPI works with exporters to reduce, and preferably eliminate, tariffs and other barriers to trade for goods. We also work to provide trusted assurances that New Zealand's products meet the requirements of importing countries. We do this to maximise the export opportunities for the primary sector.

MPI/INDUSTRY WORKING GROUPS GENERATE NEW IDEAS

Greater collaboration with industry has led to a host of new ideas some of which are already being progressed by MPI.

A private sector-led "bootcamp" of primary industry chief executives was held in August 2012. As a follow-up to further explore how MPI could help contribute to the sector's export growth aspirations, MPI hosted a forum with primary industry chief executives in October 2012.

The Chief Executives' forum identified five themes: skills, industry scale and structure, environmental outcomes, access to capital, market access and new assurances.

Working groups were established to explore each of them and they generated around 40 ideas for how MPI may be able to help the sector. Some of the ideas such as progressing Foods for Health, the use of the Government crest for new assurances, and negotiating better tariffs on processed goods integrate smoothly into MPI's existing work programme which shows that we are already working on issues that are a priority to industry. In response we have also increased resources for technical market access. MPI is reporting back to industry, through the MPI – Industry Chief Executive's Forum, on ideas as they are progressed.

MPI's aim is to listen to the primary industries, and work more closely with them to jointly meet the Export Double goal.

MEDIUM-TERM OUTCOME: EXPORT SUCCESS IS ENHANCED BY THE INTEGRITY OF PRIMARY SECTOR PRODUCTS AND INCREASING THE AWARENESS OF NEW ZEALAND'S UNIQUE CULTURE AND BRAND

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

An important principle of New Zealand's systems of assurance is transparency, which ensures overseas regulators can have trust and confidence in the information that MPI as the competent authority provides to them and in our integrity as a regulator.

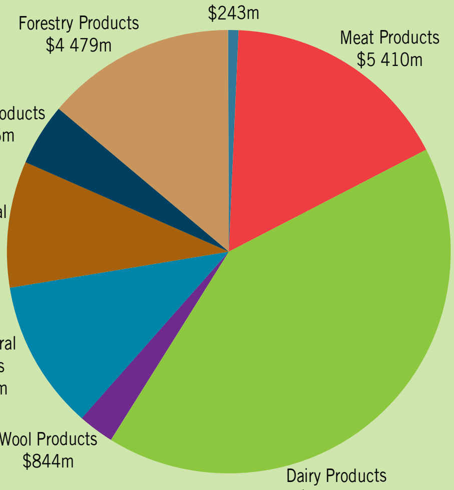
Market access for animal and plant products is dependent on having objective, rules-based trade and a sound domestic regulatory regime that encompasses biosecurity, animal welfare and food safety systems. The rules on human, plant and animal health set under the World Trade Organisation (WTO) and the standards set by international standards setting bodies (Codex Alimentarius and the International Plant Production Convention) underpin New Zealand's regulatory system. Market access often depends on our ability to provide assurance that our products adhere to those standards. The integrity of those assurances requires effective oversight and regulation of our production and processing systems.

During 2012/13 MPI reviewed animal welfare codes for industry. The codes of welfare for layer hens and meat chickens were revised and a new code of welfare for goats developed. The New Zealand Animal Welfare Strategy was also progressed. The Animal Welfare Bill was introduced into Parliament in May 2013 and referred to the Primary Production Select Committee. The Bill is intended to make the Animal Welfare Act 1999 more transparent, enable new regulations and provide wider powers to deal with people who breach animal welfare laws.

Over 2012/13, MPI has worked with industry to develop new assurances about New Zealand's production systems and regulatory environment, including developing fact sheets on sustainable fisheries and plant export grade programmes for apples to Europe. As part of this assurance work, a new "Foods for Health" initiative was initiated. High-value New Zealand products are in demand, particularly in Asia, and a collaborative work programme (in conjunction with industry) is under way to help realise export potential. The initiative seeks to ensure the regulatory settings continue to support the development of high-value nutrition products by New Zealand-based companies and their success in export markets.

PRIMARY SECTOR EXPORTS BY PRODUCT TYPE

New Zealand companies exported over $32 billion of agricultural products in 2012/13. Much of that trade was underpinned by one of the 138 000 export certificates that MPI issued during the year. Export certificates are documents which confirm the safety and suitability of food products being exported from New Zealand. Not all destination countries require them, but when food products are accompanied by an export certificate it means they meet all applicable standards in New Zealand and the destination country. Without the confidence of overseas regulators in the assurance offered by MPI's export certificates, many of New Zealand's major export markets would be closed.



PERFORMANCE INDICATOR	2012/13 PROGRESS
New Zealand's ranking on the Anholt-GfK Roper Nation's Brand Index for the exports index question "Feel good about buying products from [this] country". New Zealand's current ranking (2011) is 16 out of 50 countries. Over the next three-to-five years MPI is seeking an improved ranking, indicating an increasingly positive perception of New Zealand exports overseas.	New Zealand's ranking in the 2012 Anholt-GfK Roper Nations Brand Index remains at 16th out of 50 nations for the exports index question which asks about people's attitudes to buying products from New Zealand.
Our export assurances are trusted by trading partners, measured by 95% or more of the export certificates we issue meeting importing country requirements.	MPI issued approximately 138 000 certificates for animal products. About 1600 (1.1%) related to meat exports that were delayed at the Chinese border in May 2013.
There are no market closures as a result of export assurance systems failures.	There were delays to New Zealand meat at China's border due to certification issues.

IMPACT: EXPORTERS HAVE MORE ACCESS TO KNOWLEDGE, SYSTEMS AND TECHNOLOGY, TO PRODUCE AND SUPPLY PRODUCTS MORE EXACTLY TO MARKET SPECIFICATIONS AND PARTICIPATE IN INTEGRATED VALUE CHAINS

We are involved in technological developments to support integrated value chains. Work on the National Animal Identification and Tracing (NAIT) scheme was completed this year, after being established in 2010. The NAIT scheme was developed as a government-industry partnership with industry represented by Beef+Lamb NZ, Deer Industry NZ, Meat Industry Association, Dairy Companies Association of NZ, Federated Farmers and DairyNZ. From 1 July 2012, it became mandatory for cattle to be included in the scheme, with deer included from 1 March 2013. The scheme was designed with the flexibility to enable other livestock to be included in the future. NAIT, amongst other things, helps ensure New Zealand keeps pace with the individual animal traceability systems adopted by other countries and thus remains competitive.

MPI provides exporters with knowledge to support them to access markets. This knowledge is typically industry-related and is focused around the provision of market assurances for both exporters and the relevant competent authority for the importing country. MPI's role in this area is to manage the interaction and regulatory requirements for these processes.

The MPI Standards Integration Programme will make it easier for exporters to find and understand MPI's requirements and guidance, and ensure any legal obligations are crystal clear. When completed, exporters will see all the requirements and guidance relevant to their situation in one integrated view. This will be supported by the MPI website upgrade which will provide user-focused information for exporters to guide them through the system.

The Trade Single Window (TSW), an element of the Joint Border Management System (JBMS), will provide a single portal for exporters to interact with border agencies. This technological solution will provide exporters and importers with the ability to submit data to border agencies via a single process, instead of providing the same information to different agencies multiple times. By working to streamline the approval process to move goods overseas, exporters will save both time and money.

PERFORMANCE INDICATOR	2012/13 PROGRESS
Primary industry attendees at market access road shows report an increase in satisfaction related to advice provided on overseas market access requirements.	A market access road show is planned for November 2013. Road shows were not held in 2012/13 due to revisions of the purpose, structure and content to better target messaging after feedback from 2011/12 road shows.

IMPACT: EXPORTERS HAVE INCREASED AWARENESS OF THE POTENTIAL BENEFITS FROM THE USE OF THE NEW ZEALAND STORY, INCLUDING MĀORI VALUES AND CULTURE, IN PRIMARY INDUSTRY EXPORTS

New Zealand has a competitive advantage from the sustainable use of its natural resources by the primary sector. In 2012/13, MPI represented New Zealand in various international environmental forums where sustainability, access to and use of natural resources and the sustainability of New Zealand production systems were addressed. MPI's engagement in these meetings ensured international organisations' and other countries' policy frameworks, agreements, and monitoring and evaluation systems do not disadvantage New Zealand's production systems.

New Zealand Trade and Enterprise (NZTE), Tourism New Zealand and Education New Zealand are leading work on a New Zealand story to help communicate New Zealand's distinct and unique attributes to international audiences around the world. MPI provided input into this work, and the New Zealand Story project launch is expected later in 2013.

MPI is drafting a "New Zealand Primary Industries Story" that is being developed in consultation with primary industry stakeholders. The Primary Industries Story is scheduled to be completed by mid 2014 and will provide a link between the high level New Zealand Story and individual primary product brands, or fact sheets that provide greater detail of New Zealand's assurances systems. The work aims to ensure the attributes of core primary industries are reflected internationally and is intended to serve as a platform for individual product brand strategies.

PERFORMANCE INDICATOR	2012/13 PROGRESS
During the 2012/13 year, we will be developing a measure of increased awareness amongst exporters, of the potential benefits from the use of the New Zealand Story, including Māori values and culture. The measure will be related to our key deliverable of developing a more active approach to promoting the New Zealand Story.	MPI developed an indicator consistent with an NZTE indicator on the New Zealand Story usage. The MPI indicator will be measured using data gathered via the NZTE website. The new indicator is: Primary sector businesses use attributes of the New Zealand Story to enhance their own stories.

MEDIUM-TERM OUTCOME: EXPORTERS HAVE IMPROVED ACCESS TO FAST GROWING AND HIGH VALUE MARKETS AND BENEFIT FROM NEW EXPORT OPPORTUNITIES

IMPACT: MARKET ACCESS FOR OUR PRIMARY INDUSTRY SECTOR PRODUCTS, INCLUDING FOOD, IS MAINTAINED OR IMPROVED

MPI works with other government departments, especially the Ministry of Foreign Affairs and Trade (MFAT) and NZTE, to maintain and improve access to export markets. MPI's achievements this year include:

- Iran's meat market was re-opened after several years with no trade, after officials from Iran visited New Zealand to see MPI's meat regulatory systems and new processes were agreed;
- a comparability arrangement was successfully concluded with the United States of America's Food and Drug Administration (FDA) to remove unnecessary regulatory duplication on the $1.5 billion worth of trade in food and feed products handled by the FDA;
- progress with Algeria to simplify labelling and certification for dairy products in one of North Africa's biggest markets.

Thai and Peruvian officials also visited New Zealand during the year for audits of New Zealand systems, which aims to lessen the impact of their respective import requirements on New Zealand live animal, meat, horticulture and dairy exports. We also successfully took action to maintain existing market access where new measures were being brought in by trading partners that would otherwise have restricted trade.

MPI has also acted throughout 2012/13 to advise the public and trading partners when issues have arisen that relate to compliance with market access requirements, or that pose potential or actual risk to food safety and suitability. The discovery of dicyandiamide (DCD) traces in milk products by Fonterra is one such issue.

Although DCD did not pose a food safety concern, MPI was aware of the potential interest of international regulators and customers and set up a working group in December 2012 to plan a course of action as soon as we were alerted to potential risk related to DCD. As a result, MPI is investigating the process to get an international standard (Codex) set for DCD, which can take several years to complete. MPI also recognises the DCD incident reinforced the need for MPI to proactively engage with all stakeholders in a timely manner.

PERFORMANCE INDICATOR	2012/13 PROGRESS
The proportion of agriculture, forestry, fishing and associated manufacturing businesses reporting that they are entering new export markets remains constant or improves relative to 2011 levels[3]. In 2011, 3% of agricultural businesses, 14% of commercial fishing businesses and 1% of forestry and logging businesses reported entering new export markets.	In 2012, 6% of agricultural businesses, 14% of commercial fishing businesses and 3% of forestry and logging businesses reported entering new export markets.
A decline over the next three years in the percentage of primary industry businesses that generate overseas income that report overseas regulation or tariffs as a barrier to generating overseas income[4]. In 2011, 21% of primary industry businesses reported this as a barrier.	Statistics New Zealand is due to update this information late in 2013.
A decline over the next three years in the percentage of primary industry businesses not generating overseas income that report overseas government regulation or tariffs as a barrier to generating overseas income[5]. In 2011, 12% of primary industry businesses reported this barrier.	Statistics New Zealand is due to update this information late in 2013.

IMPACT: BILATERAL AND MULTILATERAL FRAMEWORKS AND STANDARDS ENSURE MORE MARKETS ARE AVAILABLE AND COSTS IMPOSED BY OVERSEAS AUTHORITIES ARE REDUCED

Throughout 2012/13, we continued to support MFAT in progressing all of the free trade agreements (FTAs) currently being negotiated. MPI plays an important role by undertaking substantial consultation and analysis in negotiations. This includes leading the negotiation of the sanitary and phytosanitary chapters in all FTA negotiations and providing support to MFAT and other agencies in other parts of the agreements where the performance of the primary sector might potentially be affected (for example, agricultural goods market access, investment, services and environmental issues).

We provided analytical and strategic guidance and negotiators for the expanded Trans-Pacific Strategic Economic Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). The TPP includes the United States, Mexico, Canada and, most recently, Japan. The RCEP includes the Association of Southeast Asian Nations (ASEAN) plus Australia, China, India, Japan, the Republic of Korea and New Zealand. Other negotiations are under way with Russia, Belarus, Kazakhstan, India and the Republic of Korea.

MPI strengthened its links with China in April, when New Zealand's Minister for Primary Industries signed a Strategic Plan on Promoting Agriculture Co-operation between New Zealand and China. The plan encourages co-operation and the sharing of knowledge to benefit both countries, particularly agriculture sectors. The Chinese Minister of Agriculture signed the plan while in New Zealand, the first visit by a Chinese Minister of Agriculture for over 30 years.

3 Measure taken from the Statistics New Zealand Business Operations Survey, Businesses entering new export markets for agriculture, forestry and fishing and the manufacturing sectors related to primary product processing.
4 Measure taken from the Statistics New Zealand Business Operations Survey, Businesses entering new export markets for agriculture, forestry and fishing and the manufacturing sectors related to primary product processing.
5 Measure based on agriculture, forestry and fishing businesses, and manufacturing business in the food, beverage and tobacco sector and the wood and paper product sectors.

PERFORMANCE INDICATOR	2012/13 PROGRESS
To understand whether primary industry exporters are benefiting from new market access opportunities, we will look at the change in primary industry exports to each country New Zealand has signed an FTA within the past five years. If benefits are being realised, we would expect to see increases in exporting activity to that country over a two-to-five year period following the agreement coming into effect.	New Zealand has eight FTAs in force with partners that account for 45.6% of its primary industry exports, compared with 42% recorded in 2011. New Zealand has entered into four new FTAs within the past six years: China (2008); ASEAN, Australia and New Zealand (AANZFTA) (2010); Malaysia (2010); Hong Kong (2011). Exports to these countries have increased (see Figure 4, page 28) following implementation of the FTAs.
Five new FTAs with agricultural provisions to be completed over the next three years (rolling).	A trade agreement with the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu was concluded in 2012/13 (and signed in July 2013). Six trade agreements are currently being negotiated and some are likely to be finalised in 2013/14.

IMPACT: MOVING TOWARDS A SINGLE ECONOMIC MARKET WITH AUSTRALIA BY REMOVING REGULATORY BARRIERS

We are working with Australia to promote best regulatory practice in the joint food standards system and improve and simplify the environment for trans-Tasman trade. In April 2013, we introduced a new joint food standard to permit and regulate scientifically substantiated health claims. This new standard will support New Zealand's food innovation and industry development goals. We are now implementing the standard, which includes developing science capability and international linkages. Robust implementation of the new standard is a crucial component in the inter-agency work on "Foods for Health".

New Zealand and Australia have also decided to enhance their relationship under the Closer Economic Relations agreement. MPI is working with the Australian Department of Agriculture, Fisheries and Forestry to promote a regulatory environment appropriate to the needs of the trans-Tasman food industry. This work includes co-operation between the regulators on imported food risk assessment and management, and biosecurity risk management systems to improve mutual confidence in both systems.

PERFORMANCE INDICATOR	2012/13 PROGRESS
A reduction in the certification and inspection of food products exported across the Tasman.	From 1 July 2012 to 30 June 2013, MPI added eight new premises to the list of New Zealand beef producers eligible to export processed beef products to Australia without certification.

DELAYS IN MEAT TO CHINA

From late April into May this year, over 1600 containers of New Zealand meat were held up at the Chinese border at a cost to the meat industry. MPI undertook a review and on 1 August released a review report and an action plan, *Delays to New Zealand Meat to China – a learnings review* and *Delays to New Zealand Meat to China Action Plan*. The review found that the delays stemmed from a failure to obtain approval from Chinese authorities for MPI to begin issuing new certificates for meat exports to China.

Exporters started raising concerns about consignments being delayed on 29 April 2013. Initially, MPI staff believed this was a "business as usual" issue which would be cleared within a few days. Consequently, no escalation of the issue to senior officials or Ministers occurred until 14 May 2013. A formal response structure to handle the matter was not established until 23 May. The failure within MPI to recognise the seriousness of the issue and consequential delays in initiating a formal response, compounded with incorrect information, resulted in unnecessary delays in resolving this matter.

Once the decision was made to issue replacement certificates, a short-term plan was initiated for addressing priority consignments. Both MPI and industry worked together to process 1600 certificates from Wednesday 22 May through to Sunday 26 May, demonstrating the commitment of both parties to resolve the issue.

MPI is implementing 25 management actions that will be completed by July 2014. These include:
- developing an MPI–China strategy, investing in more staff and training to strengthen relationships and understanding between MPI and key Chinese regulators;
- renewing efforts to double the resourcing for MPI's market access team in Wellington from 8 to 16;
- developing a new issues management system in partnership with the meat industry;
- improving processes for the identification and management of risks to trade issues, and the escalation of emerging risks internally and to Ministers.

We also announced additional resources will be placed into China. Two new MPI staff will be stationed in China by the end of the year, in addition to an increased number of locally engaged staff.

Long-Term Outcome:

Improve Sector Productivity

OVERVIEW

Improving sector productivity is critical to the New Zealand economy so primary industries can remain internationally competitive. To remain competitive, all sectors need to increase both the volume and value of their exports. MPI has a multi-faceted role in helping improve sector productivity, including:

- funding research into products and technologies, and partnering with industries to help them in their innovative activities;
- ensuring the primary industries have appropriate, and not burdensome, legislation and associated regulations;
- increasing policy focus on capital investment (incentives and returns), skill development and transfer.

Through our interventions, we aim to ensure that primary industries are well served by the Government's regulatory and non-regulatory interventions and unnecessary regulatory barriers are removed.

MEDIUM-TERM OUTCOME: IMPROVED GENERATION OF NEW IDEAS AND THEIR ADOPTION AND ADAPTATION BY THE PRIMARY INDUSTRIES, INCLUDING MĀORI, IS SUPPORTED BY GOVERNMENT ACTIONS

IMPACT: INCREASED INVESTMENT IN INNOVATION AND UPTAKE OF NEW PRACTICES AND TECHNOLOGIES BY THE PRIMARY INDUSTRIES, INCLUDING MĀORI

The continued success of New Zealand's primary industries depends on the application and uptake of new technologies and practices. The evidence suggests that many technologies, tools and management practices in the primary sector are not being adopted as readily as they could be[6]. If New Zealand is to achieve its goals in economic development and environmental performance, there is a need to improve the connectivity between the people involved; to ensure those involved are highly skilled; to attract more people to the profession; and to stimulate the demand for professional services.[7]

MPI fosters innovation through:

- the Primary Growth Partnership (PGP): as at 30 June 2013, there were 15 announced PGP programmes (13 contracted and two pending);
- the Sustainable Farming Fund (SFF);
- involvement in a world-class education, research and technology transfer hub at Lincoln University;
- a stock-take of initiatives to deliver skills, training and capability development opportunities relevant to Māori agribusiness;
- the ongoing development of technology, such as the OVERSEER® Nutrient Budgets software, which had a major upgrade released in August 2012. OVERSEER® is available free of charge through a partnership between MPI, the Fertiliser Association of New Zealand and AgResearch. This software management tool estimates movements of nutrients in a farming or growing operation, to improve the efficiency and sustainability of the production system – with direct economic benefits to farmers and growers. Regular enhancements ensure OVERSEER® keeps pace with new research and changing farmer and grower practices.

MPI is expecting its support for technology and skills development will influence an increase in primary industry businesses reporting that they are introducing new goods, services, processes or methods.

PERFORMANCE INDICATOR	2012/13 PROGRESS
The percentage of primary industry businesses that developed or introduced goods, services, processes or methods in the last year trends up over the next three-to-five years[8]. In 2011, 29% of primary industry businesses reported introducing goods, services, processes or methods.	The percentage of primary industry businesses that reported development or introduction of goods, services, processes or methods increased from 29% in 2011 to 31% in 2012.

6 *KPMG agribusiness agenda 2012*. KPMG; Wellington.
7 Ministry for Primary Industries (2013) *Survey of technology transfer services to farmers and growers in New Zealand*. Ministry for Primary Industries; Wellington.
8 Measure taken from the Statistics New Zealand Business Operations Survey, Businesses entering new export markets for agriculture, forestry and fishing and the manufacturing sectors related to primary product processing.

PERFORMANCE INDICATOR	2012/13 PROGRESS
The benefits (as set out in business cases) for productivity improvement from programmes supported under MPI funds are realised.	The Sustainable Farming Fund (SFF) is being evaluated at a programme level using external consultants. The evaluation runs from March 2013 – November 2013. The evaluation is being conducted for two reasons. Firstly, to see how well the SFF has met its policy objective as originally articulated and secondly, to see what improvements can be made to the SFF to more closely align the fund to Government objectives through the Business Growth Agenda (BGA). Evaluations for PGP will be completed at programme end (first programmes signed late 2010 and run for five to seven years). Metrics will be collected during the life of the programmes and these will contribute towards the final evaluations, but are not evaluations in themselves.

THE PRIMARY SECTORS INNOVATES WITH PGP

The Primary Growth Partnership (PGP) is an initiative that invests in industry-led programmes to boost research and development, innovation and productivity in the primary sector.

As at 30 June 2013, there were 13 programmes underway, with two further programmes in contract negotiation and planned to start before the end of 2013. Across these 15 programmes, government and industry have committed investments of over $670 million, with industry committing over 50 percent of this. Programmes are generally long-run in nature, commonly ranging between five to seven years.

One project MPI approved this year for co-funding of $1.75 million is the three-year Whai Hua programme. It will develop natural probiotic dairy milk products targeting health-conscious consumers in Asian and New Zealand markets and expects to generate $8.6 million a year by 2021.

Significant progress was made by the FarmIQ programme that started in November 2010. The aim is to create a demand-driven, integrated value chain for red meat that could grow the sector by 50 percent by 2025. As at 30 June 2013, ten new premium retail products and four hotel and restaurant-focused brands have been launched. Electronic identification traceability systems are in place so farmers can trace an individual animal from the farm to the point of meat processing. There are nine demonstration sheep and beef farms throughout New Zealand. In 2011/12 these farms recorded production increases and cost reductions of $1.4 million. More than 500 farmers are now involved in the programme.

The first release of the FarmIQ Farm Management System is live with 50 farmers trained. Commercial release of the programme is planned for November 2013.

Government funding is released to PGP programmes in stages on receipt of invoices for work undertaken in accordance with that programme's contract. As at 30 June 2013, total government funding paid to programmes since their commencement was $75.3 million ($36.72 million for 2012/13 alone).

Programmes are required to comply with a suite of governance, monitoring and assurance requirements, including the development of annual plans for approval by programme steering groups, production of quarterly reports and financial audits. Programmes are also subject to an independent review of progress against the programme's original objectives. As at 30 June 2013, three programmes had been audited with no major findings resulting. Further audits of programmes will be undertaken in 2014/15, as well as the first programme reviews as the older PGP programmes near their halfway point. An independent Investment Advisory Panel also monitors the progress of programmes, as well as initially determining which proposals for programmes progress to business plan development, for subsequent approval or rejection by the Director-General of MPI.

IMPACT: IMPROVING THE QUALITY OF REGULATION, INCLUDING REDUCED COMPLIANCE COSTS, ENCOURAGES NEW ZEALAND PRIMARY INDUSTRIES TO BE MORE COMPETITIVE AND INNOVATIVE

As the largest government regulator, MPI has the potential to enable productivity gains by improving the way it regulates. Given the primary sector's contribution to New Zealand's export earnings, even small gains in productivity from regulatory reform can impact on the country's economic performance.

This year we have made progress on:

- **The Food Bill:** We have worked with stakeholders to clarify and address concerns about the Bill. The Bill will provide a world-leading regulatory platform for all food produced or sold in New Zealand, including imports and exports. The Bill was several years in development and is now before the Primary Production Select Committee. Due to the Ministerial inquiry into the whey protein concentrate contamination incident, consideration of the Food Bill is now on hold until the interim inquiry report has been received, so any implications for the Bill can be reviewed against any possible legal, regulatory or operational changes.
- **Implementing the Biosecurity Law Reform Act 2012:** The amended Act covers the areas of border biosecurity, joint decision making on newly detected harmful organisms and ongoing management of established pests. The reforms enable better use of information to target risks and encourage partnerships in the management of potential biosecurity incursions. An important aspect of the reforms is the development of Government-Industry Agreements (GIAs) on preparing for, and responding to, newly detected pests and diseases, and for sharing the costs of jointly agreed activities.
- **Amending the Horticulture Export Authority (HEA) Act:** An independent review identified opportunities to improve the HEA Act by making it more useful and efficient, reduce compliance costs and generally update some provisions. MPI intends to make recommendations about legislative amendments early in 2013/14, based on the review and industry feedback.

PERFORMANCE INDICATOR	2012/13 PROGRESS
The percentage of primary industry businesses that report government regulation as hampering innovation to a high degree remains constant or decreases over the next three-to-five years.[9] In 2011, 7% of all primary industry businesses, and 21% of commercial fishing businesses, reported government regulation as hampering innovation to a high degree.	Statistics New Zealand is due to update this information late in 2013.
The quality of the regulatory advice we provide will help to determine the quality of regulation in the sector and, in turn, whether an unnecessary regulatory burden is imposed: • 50% of our Regulatory Impact Statements (RISs) are assessed internally as meeting or partially meeting the Regulatory Impact Analysis requirements in 2012, increasing to 75% in 2013 and 90% from 2014 onwards. • Independent external review of selected RISs assesses them as having the same or a higher rating as the internally assessed rating in at least 50% of cases in 2012 and 75% of cases from 2013 onwards.	The internal Regulatory Impact Analysis Panel (RIAP) has assessed 16 RISs since its establishment in August 2012. RIAP assessed 100% of those RISs as meeting or partially meeting the Regulatory Impact Analysis Quality Assurance (QA) criteria. The Treasury-commissioned Castalia review assessed seven of our RISs from the 2012 calendar year and considered that 71% met or partially met the QA criteria (although only one of those had also been reviewed by RIAP, the others pre-dating its establishment).

MEDIUM-TERM OUTCOME: THE PRIMARY INDUSTRIES, INCLUDING MĀORI, HAVE GREATER ACCESS TO CAPITAL AND HAVE THE SKILLS NEEDED TO GROW AND INNOVATE

IMPACT: IMPROVE AVAILABILITY OF INFORMATION ON PRIMARY INDUSTRY LABOUR MARKETS

MPI uses data provided by Statistics New Zealand and the Ministry of Business, Innovation and Employment (MBIE) and applies a specific primary industries framework to it for analysis purposes.

Research we commissioned over the year focused on how labour productivity performance and the impact of skills on productivity can be measured in the primary industries. A New Zealand Institute of Economic Research (NZIER) report (*Primary Sector Productivity – the measurement of primary sector productivity*) clarifies how productivity performance can be measured and how skills are taken into account in those measures. It also reviews existing research on performance trends and provides advice on options for further research.

We will use the report to inform our ongoing research programme in this area.

9 Measure taken from the Statistics New Zealand Business Operations Survey, Businesses entering new export markets for agriculture, forestry and fishing and the manufacturing sectors related to primary product processing.

PERFORMANCE INDICATOR	2012/13 PROGRESS
The percentage of businesses in the primary industries reporting a lack of management resources or personnel as a barrier to innovation.[10] In 2011, 15% of primary industry businesses reported this problem. We will develop a target for this area as we further explore our role in relation to access to skills for the primary industries.	Statistics New Zealand is due to update this information late in 2013.
The percentage of businesses in the primary industries reporting the cost to develop or introduce innovation as a barrier to innovation.[11] In 2011, 21% of primary industry businesses reported this problem. We will develop a target for this area as we further explore our role in relation to access to capital for the primary industries.	Statistics New Zealand is due to update this information late in 2013.
MPI publishes research into primary industry labour market trends and issues. This is a process measure in 2012/13 as we establish a better evidence base for further intervention, if warranted.	MPI focused its research efforts on how labour productivity performance and the impact of skills on productivity can be measured in the primary industries. NZIER was commissioned to provide a report which is due to be published by the end of September 2013.

IMPACT: IMPROVE THE PERFORMANCE OF MĀORI AGRIBUSINESS THROUGH IMPROVED AWARENESS OF CAPABILITY DEVELOPMENT OPPORTUNITIES THAT ARE TAILORED TO THEIR NEEDS

Growing the value of Māori agribusiness is an important factor to achieving our Export Double goal. We have work under way partnering with Māori to support them in maximising the sustainable use of their primary sector assets.

Contextual information on Māori agribusiness is being developed, and we recently commissioned a report on Māori freehold land[12]. The report indicates that increasing the productive base of Māori freehold land could result in an additional $8 billion in gross output over a 10-year period.

MPI conducted a special Sustainable Farming Fund (SFF) round in October 2012, from which 14 Māori agribusiness projects were approved for funding. The SFF invests funding in farmer, grower and forester-led projects that deliver economic, environmental and social benefits to New Zealand primary industries. The purpose is to assist rural communities to help themselves through applied research, technology transfer and extension projects, field trials and demonstration sites.

The round was considered a success with 47 applications received and 14 applications approved for funding – amounting to the greatest number of applications ever received or funded for Māori agribusiness in one round. We are continuing to work closely with successful applicants to progress their projects, maintain ongoing relationships and work collaboratively to resolve barriers that may impede their ability to deliver. Since this dedicated round, MPI is working more closely with Māori to encourage greater uptake and success within the general rounds of the SFF.

The Māori Agribusiness Programme is focused on providing Māori land owners with access to information, programmes and initiatives to generate and transfer the capability needed to improve productivity. A stocktake of initiatives that deliver skills, training and capability development opportunities relevant to Māori agribusiness was undertaken. Work developed from these initiatives will continue to support improving:

- accessibility and suitability of training programmes for Māori farmers;
- innovation and resilience in Māori agribusinesses;
- the Māori agribusiness sector's influence on policy and legislation.

There is no single approach that will be suitable for all Māori land owners. Work has started on exploring new ways in which MPI and other agencies can best support Māori land owners to continue the growth of their significant primary sector assets and resources.

PERFORMANCE INDICATOR	2012/13 PROGRESS
During 2012/13, we will develop a measure of Māori agribusiness awareness of capability development opportunities tailored to their needs.	A measure was developed for future reporting: An increase in the number of Māori agribusinesses using MPI skills, training and capability building opportunities. As this is a developing area of work, baseline information will be collected at the end of 2013/14 and achievement progress monitored from this point.

10 Measure taken from the Statistics New Zealand Business Operations Survey, Barriers that hampered innovation to a high degree for agriculture, forestry and fishing and the manufacturing sectors related to primary product processing.
11 Measure taken from the Statistics New Zealand Business Operations Survey, Barriers that hampered innovation to a high degree for agriculture, forestry and fishing and the manufacturing sectors related to primary product processing.
12 PriceWaterhouseCoopers (2013) *Growing the productive base of Māori freehold land*. Ministry for Primary Industries; Wellington.

IMPACT: IMPROVING ACCESS TO CAPITAL FOR THE PRIMARY SECTOR

MPI started work in 2012/13 to understand more about the impact of access to capital on primary sector growth. The Primary Sector Bootcamp led to a number of follow-up forums where industry and MPI came together and discussed issues affecting the primary industries and the role MPI could play to help resolve them. The issue of access to capital was a discussion theme at the October 2012 forum. An MPI-industry working group was tasked with developing specific ideas to enable primary sector growth through improved access to capital.

A report was commissioned on issues around access to capital and work to review and evaluate the findings of the report will be managed through the working group.

PERFORMANCE INDICATOR	2012/13 PROGRESS
The supportiveness of the regulatory environment will be measured through the introduction of surveying of large primary industry firms and key financiers in the primary industry.	MPI engaged with industry representatives on the issue of access to capital and commissioned Business and Economic Research Limited (BERL) to examine the issues raised. Barriers identified were about access to capital and outside of MPI's direct influence. Consequently a survey was not carried out during 2012/13 and the Statistics New Zealand data will be used as the source for future work.

Long-Term Outcome:

Increase Sustainable Resource Use

OVERVIEW

Sustainable resource use underpins consumer confidence in New Zealand-made products and, in turn, supports maximisation of export opportunities.

MEDIUM-TERM OUTCOME: THE PRIMARY SECTOR, INCLUDING MĀORI, MAXIMISES THE USE AND PRODUCTIVITY OF NATURAL RESOURCES WITHIN ENVIRONMENTALLY SUSTAINABLE LIMITS AND IS RESILIENT TO ADVERSE CLIMATIC AND BIOSECURITY EVENTS.

IMPACT: FRESH WATER AVAILABLE TO THE PRIMARY SECTOR IS UTILISED MOST EFFECTIVELY AND WATER QUALITY IS MAINTAINED OR IMPROVED

Most primary industries are heavily reliant on access to fresh water to maintain and grow productivity. Freshwater access gained further prominence owing to this year's drought.

The Government's proposal paper *Freshwater Reform 2013 and Beyond*, and subsequent round of public meetings in March 2013, attracted a lot of interest. Around 2000 people attended over 50 public meetings, hui, council and stakeholder meetings all over the country on both the freshwater and wider resource management reform proposals. *Freshwater Reform 2013 and Beyond*, proposes a series of reforms to support communities to make better decisions, plan, set objectives and limits for their water bodies, and then manage land and water use within those limits. Business and water users need certainty so they can plan and invest. Good water management needs wide community buy-in by getting everyone around the table early in the planning and decision-making process. Proposals for freshwater reform will be included in amendments to the Resource Management Act (RMA) and associated regulations. This includes an alternative regional collaborative planning process for water.

Parallel with this are changes to the National Policy Statement for Freshwater Management, which will include the addition of a national objectives framework and provisions requiring regional councils to account for discharges and water takes.

Budget 2013 set aside $80 million to facilitate the Crown's investments in regional off-farm irrigation infrastructure. This investment will be managed through Crown Irrigation Investments Ltd. The Irrigation Acceleration Fund, which supports the development of irrigation infrastructure proposals, approved funding of $18.3 million to 10 projects (as of June 2013), and MPI is continuing to progress contract negotiations for further projects.

PERFORMANCE INDICATOR	2012/13 PROGRESS
Increase real GDP from land-based production, while maintaining or improving water quality over the long term. Measures of water quality to be considered would include the following: • outcome measures of changes in water quality – for instance, from analysis of the National River Water Quality data;[13] • shorter term proxy measures for achievement of outcomes, such as movement to a limits-based framework for water quality on a catchment-by-catchment basis, and adoption of management practices to work within those limits.	Land-based primary and downstream processing contribution to GDP is estimated at $17.0 billion or 11.6% to 31 March 2013. This includes agriculture, forestry, wood and paper manufacturing, and 96.5% of food beverage and tobacco (FBT) manufacturing. (Seafood processing accounted for 3.5% of FBT in 2009 nominal GDP data). Services to agriculture and forestry are excluded. In July 2012, the Government announced the first stage of an action plan to improve water quality and the way fresh water is managed. A new freshwater collaborative planning option will be created that will give communities and iwi a greater say in planning what they want for their local waterways and how those waterways should be managed. A Ministry for the Environment (MfE) river condition indicator report (published July 2013) shows water quality is generally improving. While nitrate levels are increasing at about a quarter of monitored sites, overall concentrations of nutrients and bacteria are either stable or improving at most monitored sites.

13 Subject to data availability, the National River Water Quality data would be used as the source for assessing changes in water quality. Refer National Institute of Water and Atmospheric Research (2010), *Analysis of national river quality data for the period 1998-2007*, December 2010.

PERFORMANCE INDICATOR	2012/13 PROGRESS
	Shorter-term measures are discussed in the Freshwater Reform 2013 and Beyond document released in March 2013 (http://www.mfe.govt.nz/issues/water/). The document proposes a series of reforms to support communities to make better decisions, plan, set objectives and limits for their water bodies, and then manage land and water use within those limits. These proposals included a National Objectives Framework to assist councils in objective setting. In June 2013, the Government made decisions to progress work in a number of areas, including further developing the National Objectives Framework.
An increase in the number of hectares under irrigation over the next three years. In 2007, there was an estimated 620 000 hectares under irrigation.[14] Baseline information will be updated in 2012.	Baseline information was updated in June 2012. The Agricultural Production Statistics report identified that 721 700 hectares were under irrigation in 2012, compared with 620 000 hectares estimated in 2007. This is a 16% increase in hectares irrigated over the past five years.
An increase in the number of farms actively using nutrient management plans over the next three years.	Approximately 63% of dairy farms across the country have a nutrient management plan that is less than three years old (no change from 2011/12).[15] • Percentage of nutrients applied to land managed under a nutrient budget: approximately 63% (no change from 2011/12). • Percentage of nutrients applied to land managed under a nutrient management plan: approximately 40% (30% in 2011/12). The area of intensively farmed land that now has a nutrient management plan: approximately 945 000 ha (930 000 in 2011/12).

IRRIGATION ACCELERATION FUND PROVIDING RELIABLE WATER TO RURAL COMMUNITIES

Rural communities are closer to more reliable and sustainable water supplies for irrigation thanks to co-funding from the Government's Irrigation Acceleration Fund (IAF).

The IAF was established in 2011 to support the development of regional-scale, rural water infrastructure proposals to investment-ready stage. The IAF provides for $35 million over five years to projects that aim for viable economic development while also enhancing environmental sustainability and improving water use practices.

One project funded is the Central Plains Water project which has received $5.75 million for the design and planning for the headrace canal and pipe distribution network for the initial stage. Canal construction is planned to start in December 2013.

This will enable the 20 000 hectare area, which lies between the Rakaia River and Selwyn River, to be irrigated from surface water, reducing demand on the over allocated groundwater system. Ultimately the project will enable irrigation of 60 000 hectares, and contribute significantly to community aspirations for better lowland stream flows in summer, improved water quality in Lake Ellesmere/Te Waihora, and more effective town and stockwater systems.

Another rural community benefiting from IAF funding is the Wairarapa community with a project aimed at investigating how water infrastructure could be developed.

The options include a series of water storage lakes around low-lying foothills of the Wairarapa Valley.

Wellington Regional Council and IAF have agreed to provide half each of funding for $2.5 million worth of further investigation work. A decision is expected in December 2013 on whether to move to a full feasibility study.

About 10 000 hectares are at present under irrigation in the Wairarapa Valley, but the project could increase that by 30 000–50 000 hectares.

14 Statistics New Zealand Agricultural Production Census.
15 Data provided by the Fertiliser Association, August 2013.

IMPACT: THE PRIMARY SECTOR IS MORE RESPONSIVE TO THE CHALLENGES AND ECONOMIC OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

The Emissions Trading Scheme (ETS) is New Zealand's primary tool for reducing greenhouse gas emissions. MPI leads agricultural and forestry policy in climate change. We also operate the forestry ETS under delegated authority from the Environmental Protection Authority. An ETS review in 2011 resulted in the passage in November 2012 of the Climate Change Response (Emissions Trading and Other Matters) Amendment Bill which will improve the operation and administration of the ETS, while supporting the Government's economic growth priorities more effectively.

The Sustainable Land Management and Climate Change programme provides research funding for projects in areas where there are gaps in knowledge and where there is potential for advances in responding to climate change by the agriculture and forestry sectors. In 2012/13, MPI contracted for 30 new research projects that cover adaption and agriculture and forestry mitigation. In January 2013, MPI committed $1.6 million to a multi-partner call on agriculture greenhouse gas research. The call brings together research consortia across 14 countries to enhance international collaboration to mitigate climate change and meet the challenge of growing more food without growing greenhouse gas emissions from agriculture. MPI is evaluating proposals.

The international climate change negotiations meeting in Doha at the end of 2012 saw the adoption of the Kyoto Protocol's second commitment period (2013–2020). There was reasonable progress including a good result on a carbon markets framework and reporting requirements for land use, land use change and forestry.
New Zealand announced that it would not be taking its next commitment under the Kyoto Protocol but rather would take its commitment under the Convention.

PERFORMANCE INDICATOR	2012/13 PROGRESS
An increase in the number of hectares of forestry under the post-1989 ETS. The post-1989 ETS is an opportunity to derive economic returns from carbon sequestering. Participation with exotic or indigenous post-1989 forest land is voluntary. Participants receive New Zealand Units that can then be traded.	The number of hectares of post-1989 forest registered in the Emissions Trading Scheme increased over the period June 2012 (309 000) to June 2013 (320 000). The number of hectares registered peaked at over 370 000 hectares at the end of December 2012 and declined to around 320 000 hectares at the end of June 2013. This was due to forest owners taking advantage of an arbitrage opportunity by exiting the ETS and paying their liability using low-cost international units.

IMPACT: THE SEA COLUMN AVAILABLE TO THE PRIMARY SECTOR IS USED MORE EFFECTIVELY

The cornerstone of New Zealand's fisheries regime is the quota management system (QMS). The main fisheries management mechanism used to reduce sustainability risks is to modify the Total Allowable Catch, which is the limit on all removals from the fish stock, including those taken by commercial, recreational and customary fishers. All fisheries managed under the Fisheries Act 1996 have fisheries plans. These provide the context for specific management interventions. Significant achievements for 2012/13 were:

- Two further iwi forum fisheries plans were finalised, bringing the total to five.
- The Annual Operational Plan for Highly Migratory Species and Deepwater Species for 2013/14 was completed.
- Development of an updated National Plan of Action for Seabirds (NPOA-Seabirds 2013) was co-ordinated. Actions will be incorporated into the deepwater, highly migratory and inshore annual operating plans.

Robust scientific research and assessment of the abundance of fish stocks, and the health of the environment that supports them, underpins our fisheries management. During 2012/13, MPI surveys showed (among other things):

- The existence of a large new spawning area (discovered in 2011) for Chatham Rise orange roughy, which has substantially improved the status of this stock.
- West Coast South Island ling and hake stocks have been assessed to be well above their management targets.
- Both the eastern and western hoki stocks have increased over seven consecutive years to near or above the upper bound of the management target range.

This information will be used to inform management options for public consultation.

Aquaculture was identified as New Zealand's fastest growing segment in the seafood industry, and the fastest growing type of food production globally. MPI has boosted support for aquaculture production through the establishment of the Aquaculture Planning Fund in 2012. The fund assists regional councils with the costs of coastal planning for aquaculture in accordance with the RMA and the New Zealand Coastal Policy Statement 2010. So far, three applications have been approved, with funding available to councils to help with development. Fund applications for 2013 closed on 19 April 2013 with successful projects expected to start from 1 July 2013.

PERFORMANCE INDICATOR	2012/13 PROGRESS
Quota Management System fish stocks are sustainably managed to provide benefits from current and future use. Changes in fish stocks often occur over long periods, and fluctuations can occur in response to various factors. In considering whether fish stocks are being sustainably managed, for those fish stocks that are currently below the soft and hard limits, MPI will look at measures such as the number of fish stocks that have a rebuild strategy in place.	The following indicator was established for fish stocks: An ongoing increase in the number of fish stocks that are managed within acceptable limits. In particular, an ongoing decrease of any stocks that fall below the hard limit (with resulting fisheries closures). In summary, the majority of New Zealand's fisheries are performing well, and their status is similar to their 2012 levels. In all cases where fisheries are below the soft or hard limit[16], corrective management action has been, or is being, put in place to rebuild the stocks.

IMPACT: SUSTAINABLE USE OF NATURAL RESOURCES THROUGH COLLABORATIVE MANAGEMENT OF COMPLIANCE RISKS WITH INDUSTRY, AND INCREASED VOLUNTARY AND ASSISTED COMPLIANCE

To ensure New Zealand's natural resources remain sustainable in the long term, MPI mitigates the potentially adverse impacts of industry activities through its compliance programmes. MPI's approach to compliance emphasises using a range of interventions across the voluntary, assisted, directed and enforced (VADE) compliance spectrum.

We work with industry to manage resources such as New Zealand's fisheries, where our strategy is to promote high levels of voluntary compliance with fisheries laws, thereby creating an effective deterrent against illegal activity through rigorous monitoring and enforcement. Our contacts with recreational fishers and online guidelines on take and size limits are tools to support sustainable use of fisheries.

MPI and Department of Conservation collaborated together on public consultations on a review of the Maui's Dolphin Threat Management Plan (TMP). Gaining better information is our key focus in order to ensure the right balance between utilisation and long-term sustainability.

THE NATIONAL PLAN OF ACTION FOR SEABIRDS 2013

The National Plan of Action for Seabirds 2013 (NPOA-Seabirds) was launched by the Minister for Primary Industries in April. The NPOA-Seabirds sets out a firm commitment to protect seabirds from fishing incidents. The plan shows there is real determination to improve how we protect our unique seabirds.

MPI, the Department of Conservation, the fishing industry, tangata whenua and environmental groups all worked together on this important strategy. Many of those involved, such as the World Wildlife Fund, Forest and Bird and Fisheries Inshore NZ (which represents quota owners and fishers) welcomed the release of the NPOA-Seabirds as a good step towards protecting New Zealand's unique seabirds.

Seabirds are considered one of the world's most threatened bird groupings, and the key threat to seabirds is incidental capture and mortality through fishing operations. The plan defines objectives for the next five years to prevent, monitor and manage seabird interactions with the fishing industry.

MPI responded to a ministerial inquiry into foreign charter vessels (FCVs) fishing in New Zealand waters. The Government is committed to a range of actions relating to the use of FCVs by the local fishing industry, with MPI leading an inter-agency steering group to oversee the implementation of these changes. One of the key recommendations that MPI has implemented is having an observer on all FCVs from 1 October 2012. The Fisheries (Foreign Charter Vessels and Other Matters) Amendment Bill, which was introduced in October 2012 and is currently awaiting its second reading in Parliament, will improve management of vessel safety, employment conditions and fisheries management on foreign charter vessels operating in New Zealand waters.

16 The soft limit – a biomass level below which stock is deemed to be "overfished" or depleted and needs to be actively rebuilt. The hard limit – a biomass below which a stock is deemed to be "collapsed" and where fishery closures should be considered to rebuild a stock at the fastest possible rate.

At the end of December 2012, the Dairying and Clean Streams Accord, designed to help achieve clean and healthy water (including streams, rivers, lakes, groundwater and wetlands) in dairying areas expired. A new accord is now in place – the Sustainable Dairying: Water Accord. This seeks a further improvement in the management of risks to waterways from dairying and includes other dairy companies and partners. As part of the new accord, MPI will move from its previous monitoring role to one of support as a Friend of the Accord.

PERFORMANCE INDICATOR	2012/13 PROGRESS
Government Industry Agreements (GIAs) for biosecurity readiness and response are introduced, with 11 memorandums of understanding and eight deeds agreed in the next three years.	At the end of the 2012/13, 21 memorandums of understanding were signed with industry. The 2013/14 financial year will see the focus shift to signing the deed and negotiation of operational agreements.
The number of recreational fishers who reoffended after they had previously received a warning is stable or decreasing. The 2010/11 baseline measure was 291 fishers who reoffended.	In 2012/13, 264 recreational fishers reoffended after previously receiving a warning – a 10% decrease on the 2010/11 baseline. MPI staff conducted 3650 educational contacts with recreational fishers during 2012/13. The MPI website had an average of 932 visits per month to its guidelines on take and size limits. Both of these interactions are important tools in reducing the number of recreational fishing re-offenders.

IMPACT: THE CROWN'S OBLIGATIONS TO MĀORI IN RELATION TO USE AND MANAGEMENT OF NATURAL RESOURCES ARE MET

Tangata whenua have significant customary, cultural and commercial interests in fisheries and aquaculture. The delivery of the Crown's fisheries and aquaculture obligations to tangata whenua is important for continuing Crown–Tangata whenua relationships and the sustainable use of these significant interests.

The continuing roll out of iwi fisheries forums has enabled tangata whenua to contribute to the regulatory environment that helps grow and protect New Zealand's fisheries. The work undertaken with tangata whenua in the development and implementation of iwi fisheries plans and increasing the uptake and use of the kaimoana and South Island customary regulations are enabling tangata whenua to directly manage their customary fisheries in a way that is sustainable for future generations. The plans and regulations recognise the significance of these resources towards meeting Māori cultural and social wellbeing.

The continuing transfer of pre-commencement settlement assets and the progress towards aquaculture "new space" settlements assets is will also positioning tangata whenua to capitalise on the opportunities available in the growing aquaculture industry. These opportunities are estimated to be worth $1 billion over the next 10 years and will form an important part of the Māori economic portfolio.

Māori Commercial Aquaculture Settlement

MPI completed reports on growth forecasts for aquaculture and on the productivity of existing farms. These reports will assist us in undertaking regional negotiations to settle the Crown's Māori aquaculture new space obligations.

PERFORMANCE INDICATOR	2012/13 PROGRESS
MPI's fisheries and aquaculture obligations to Māori are met.	MPI has two distinct but related areas of focus for this work. For aquaculture, MPI's progress to inform the aquaculture obligations in the 'new space' delivery options is slower than anticipated, with the new deadlines extended through to 30 June 2014. In the meantime, MPI and Te Ohu Kaimoana (the Trustee) are continuing to progress the work programme, with settlements in the priority areas anticipated to be completed by 30 June 2014. With regards to MPI's fisheries obligations in terms of both statutory Crown obligations and treaty settlement, agreements were met and progress reported quarterly as part of MPI's strategic outcomes for the Māori programme.

Long-Term Outcome:

Protect from Biological Risk

OVERVIEW

New Zealand enjoys freedom from many pests and diseases that could impose significant costs if they were to become established here. New Zealand is also a leading exporter of safe and trusted food, fibre and other biological products to markets all over the world. The country's export sectors derive significant benefits and competitive advantage from their reputation for safety and trustworthiness. This is supported by New Zealand's favourable animal and plant health status and market assurances provided by MPI's biosecurity and food safety systems (including foods imported for domestic consumption).

MEDIUM-TERM OUTCOME: THE PRIMARY SECTOR IS PROTECTED FROM BIOLOGICAL RISKS THROUGH THE EFFECTIVE OPERATION OF THE BIOSECURITY AND FOOD SAFETY SYSTEMS

IMPACT: IMPROVED RISK IDENTIFICATION, SURVEILLANCE TARGETING AND CO-ORDINATION AT THE BORDER

Improving front-end border management systems is an ongoing focus of MPI. This year, MPI made significant changes to how passengers pass through quarantine at Auckland International Airport, including the realignment of x-ray machines, and the consolidation of inspection areas and risk assessment points. MPI received the Auckland Airport Service Provider Award for the new layout. We also increased our resourcing at the border with an additional 56 frontline staff recruited in the first six months of 2013.

MPI and the New Zealand Customs Service (Customs) are jointly developing the JBMS, which will allow a more cohesive portfolio of border services to be shared between the two border agencies.

Another joint programme to streamline border services is the Border Future Directions work, in conjunction with Customs and the Ministry of Business, Innovation and Employment. Several initiatives are being progressed to optimise current ICT investments – particularly JBMS and the Immigration Global Management System, as well as developing the delivery of services from a "whole of border" perspective – to improve customer service and border risk management. These initiatives will be implemented in stages, enabling prioritisation and resource management whilst managing project risks.

<table>
<tr><th>PERFORMANCE INDICATOR</th><th>2012/13 PROGRESS</th></tr>
<tr><td>No new incursions of notifiable pests and diseases through pathways that can be managed.</td><td>There has been no evidence of a self-sustaining and/or breeding population incursion within New Zealand's borders.</td></tr>
<tr><td>A reduction in the proportion of consignments that are non-compliant against import health standard requirements for imported goods.</td><td>
<table>
<tr><th></th><th>2010/11</th><th>2011/12</th><th>2012/13</th></tr>
<tr><td>Consignments inspected</td><td>50 505</td><td>49 945</td><td>47 703</td></tr>
<tr><td>Non-compliant consignments</td><td>10 966</td><td>10 520</td><td>10 457</td></tr>
<tr><td>Non-compliance (%)</td><td>22</td><td>21</td><td>22</td></tr>
</table>
Non-compliant consignments were treated, re-shipped or destroyed.</td></tr>
<tr><td>Implement decisions resulting from the Border Future Directions joint work programme with Customs and Immigration New Zealand, which is due to report to Ministers in 2012.</td><td>Cabinet agreed in September 2012 to a five-year programme of work to improve the effectiveness and efficiency of border agency operations.

The focus for 2012/13 was to identify the projects that can be delivered in the 2013/14 business year and plan the longer term work required to meet Cabinet's expectations.</td></tr>
</table>

NEW X-RAY TECHNOLOGY TO KEEP NEW ZEALAND SAFE

MPI has installed 11 new x-ray units at New Zealand's international airports.

These are used to screen passengers' baggage and mail. They also detect items of interest for Customs and the Department of Conservation.

With the new x-ray units and better image quality, MPI can screen baggage with greater accuracy and is less likely to stop baggage that is clear of biosecurity risk – resulting in fewer baggage searches and better travel experiences for passengers.

MPI has also started trialling the use of x-ray images to screen airline baggage before it arrives in New Zealand.

The trials are a world-first and involve the transfer of aviation security x-ray images from Melbourne Airport to Auckland International Airport for passengers on Air New Zealand flights, while the passenger is on the flight.

The technology allows biosecurity staff to assess the x-ray images before the plane touches down. Any bag containing biosecurity risk items will then be matched with the passenger, who will face further scrutiny by officials on landing.

If the trials are successful, MPI will look to extend the system to other major Australian airports.

IMPACT: NEW ZEALAND IS BETTER PREPARED TO RESPOND TO PEST AND DISEASE INCURSIONS

During 2012/13 MPI received 9160 calls to the exotic pest and disease hotline; of these 652 required further investigation which led to 17 responses being initiated, most of which were successful.

In July 2012, MPI released the findings of a review into the way MPI's (then MAF) systems and processes were applied to the importation of kiwifruit plant material, prior to the outbreak of the kiwifruit disease *Pseudomonas syringae pv Actinidiae* (Psa-V). MPI identified 16 actions to implement the review's six recommendations. To date, MPI has identified that 12 out of 16 actions have been completed, with the remaining actions rolled up into existing strategic projects.

MPI is increasing the efficiency and effectiveness of our frontline resourcing to protect New Zealand. Last year we implemented a new initiative to increase our agility to respond across multiple sets of legislation. This involved training compliance staff in a number of areas that enable them to hold multiple warrants. For example, we have maintained 11 specialist animal welfare inspectors, and today they are supported by 48 other compliance staff who also hold animal welfare warrants. This enables specialists to focus on complex jobs, and enables other staff to take on a supporting role. The first 21 multi-warranted compliance officers/investigators finished their training and were awarded warrants on 30 November 2012. There were 127 compliance staff multi-warranted in the 2012/13 financial year.

We also increased our resourcing at the border with an additional 56 frontline staff recruited in the first six months of 2013 and in Bluff we welcomed two new honorary fishing officers on board, to provide a boost for fishing compliance and give locals regulatory advice and education.

In December 2012, our Detector Dog Breeding Centre in Auckland bred nine Labrador puppies which are being trained up to become biosecurity detector dogs. They are the second litter born under a new MPI breeding programme for Labrador detector dogs. Labradors provide the flexibility of being able to work with both passengers and mail and are very useful for detecting biosecurity risks when used with other checks at the border. Dogs are good at picking up seeds and plants that can be hard to detect by x-ray. They also screen people faster than x-ray, and their visual presence is a significant factor in protecting our border.

During the year, the Office of the Auditor-General undertook a review of our preparedness and response to biosecurity incursions. The report noted areas where we need to improve our performance. All of the report's recommendations are being progressed and reported to MPI's leadership on a quarterly basis. Approaches already undertaken include:

- the signing of an action plan between Australia and New Zealand that will see defences against the threat of foot and mouth disease (FMD) strengthened. Initial areas of collaboration involve intelligence sharing, joint training and simulation, policy development and economic and disease modelling;
- MPI officials travelling to Britain to participate in a simulation of an outbreak of a significant exotic animal disease (swine fever);

- desktop response exercises, including fruit fly (Exercise Fruit Surprise) and FMD (Exercise Capricorn).

PERFORMANCE INDICATOR	2012/13 PROGRESS
Increase in the proportion of agencies and industry groups that are signed up to the capability network for pests and disease incursions	MPI achieved a 75% increase in the number of agencies and industry groups that are signed up to the capability network for pests and disease incursions. As at 30 June 2013, the individual memberships stand at 56 000 with an increase in support from central government agencies, enhanced input from regional councils and successful targeting of various groups including tertiary institutes, private sector providers and a growing range of technical specialists. The increase in the number of agencies/industry groups signed up to the capability network means these groups are likely more aware of the biosecurity risks from pests and diseases and they potentially provide MPI with additional skills and resources to respond to an incursion.

IMPACT: BIOSECURITY RISKS ARE MANAGED BY THOSE BEST ABLE TO MANAGE THE RISK, AND INCREASE VOLUNTARY AND ASSISTED COMPLIANCE

Managing biosecurity risks requires a collaborative approach led by MPI staff and includes stakeholders and members of the public. We are using compliance marketing activities (including surveys) to improve the level of biosecurity compliance among groups such as incoming international passengers and fresh waterway users.

During the year, MPI led a cross stakeholder project, taking a customer-centric approach to border compliance. Utilising design-based techniques, we sought to understand the behaviour and decisions of visitors to New Zealand, including what impedes their ability to be voluntarily compliant with our biosecurity regulations, and look at new ways in which they could be assisted to comply. A range of possible initiatives to address these constraints and exploit these opportunities were explored and agreed, and ways to progress these are being assessed.

In March 2013 the Court of Appeal found that MPI followed the correct decision-making process before allowing imports of raw pork from countries where the disease Porcine Reproductive and Respiratory Syndrome is present. The new import rules were introduced after assessing all available science, carrying out risk assessments, and consultation.

In June 2013, a new management agency was appointed for the National Bovine Tuberculosis (TB) Pest Management Plan. TBfree New Zealand Limited was created through the merger of the Animal Health Board and NAIT Limited and became the agency responsible for the National Bovine TB Pest Management Plan from 1 July 2013. This will enable a more efficient and flexible delivery of the plan.

Our "Declare or Dispose" programme aims to encourage travellers entering New Zealand through international airports to leave biosecurity risk items at home or to declare or dispose of them at the border. Programme monitoring shows an increase in people deciding not to pack risk items and in those who say they declared or disposed of risk items at the border. The latest research shows a similar number of passengers (to other years) who know that it is the law to declare or dispose: 78% (2010), 81% (2011), 82% (2012), 81% (2013).

MPI also undertakes an annual survey to measure compliance with the Check, Clean, Dry (CCD) campaign. This freshwater pest programme is in its eighth year and focuses on freshwater users taking personal responsibility for reducing the risk of spread by checking, cleaning and drying their equipment between waterways. Users appear to be relaxing their CCD actions – there was a decrease in those saying they always CCD.

2007	2008	2009	2010	2011	2012	2013
64%	67%	72%	75%	73%	76%	69%

MPI and partners are reviewing the programme to broaden its focus from didymo to include other freshwater pests. We are also aiming to gain more consistency across the programme, while refreshing its energy and reach.

IMPACT: RESPONSES TO PEST AND DISEASE INCURSIONS BETTER REFLECT THE PRIORITIES OF THE PRIMARY INDUSTRIES

Increasingly, our focus is on fostering collaboration and the use of partnerships with a range of biosecurity participants, both domestically and internationally.

In July 2012, we launched the Farmer Representatives Animal Welfare Toolkit. The toolkit is designed for farmer representatives who are asked to become part of an animal welfare response by an industry organisation, MPI, or by a farmer requesting support. The toolkit is the result of a collaborative effort with input from primary sector industry groups. An early and sustainable resolution of animal welfare issues is crucial for both animals and farmers, and this toolkit is designed to support farmer and industry representatives to resolve animal welfare incidents. The toolkit is a revision of a toolkit MPI (then MAF), Federated Farmers and NZPork created together in 2006.

The Foot and Mouth Disease (FMD) laboratory preparedness plan was completed in June this year and provides direction to laboratory operations for an FMD response. The plan provides information to personnel to fully understand the special containment requirements for conducting FMD diagnosis which will involve complex operational scientific work and high levels of skill. The plan forms the basis for continuous improvements in future years as new technology and techniques become available.

During 2012/13, much progress was made on the development of Government–Industry Agreements (GIAs). The GIAs will provide an opportunity for primary production industries to identify the biosecurity risks of greatest concern to them. Industries can then jointly invest with government to better manage those risks across the biosecurity system.

The GIA will be formalised in an overarching and enabling deed to be signed by interested industry groups and the Government. An industry group was formed to work with MPI on the agreement. A joint working group has finalised a draft deed, which is going through a consultation process before being submitted to Cabinet.

As industry groups are at varying stages in the GIA process, full implementation is expected to be achieved in around three to five years.

PERFORMANCE INDICATOR	2012/13 PROGRESS
GIAs for biosecurity are introduced, with 11 memorandums of understanding (MOUs) and eight deeds agreed in the next three years. The GIAs will provide an opportunity for industry groups to identify the biosecurity risks of greatest concern to them and to invest jointly with government to better manage those risks through readiness and response activities.	At the end of the 2012/13, 21 MOUs were signed with industry organisations to engage with MPI on GIAs. The 2013/14 financial year will see the focus shift to developing operational agreements.

IMPACT: IMPROVED SAFETY AND SUITABILITY OF FOOD, INCLUDING IMPORTED FOOD

New Zealand has an international reputation as a credible and trusted supplier of safe and suitable food to both the domestic and international markets. That reputation is underpinned by the domestic food regulatory regime administered by MPI. Food safety incidents can cause serious illness, undermine confidence in New Zealand's food supply and affect access to export markets.

Work is under way across MPI on implementing changes to New Zealand's food safety system. The Food Implementation Programme (FIP) is focused on passing the Food Bill and developing a fit-for-purpose and cost-effective food regulatory system that is intended to:

- improve assurance of food safety and suitability;
- underpin New Zealand's reputation as a trusted supplier of world-class food and beverages.

The FIP is a key strategic programme and work to support the FIP is being delivered by a number of projects covering legislation and regulations, food systems and standards. Once the Food Bill has passed, the transition to the new operating conditions generated by the legislation will be completed within three years of commencement.

Foodborne illness has an economic and social cost, both domestically and internationally. The impact of a foodborne illness can go further than the usual "upset tummy", with serious consequences to those people who have come into contact with food contaminated with food-related pathogens. An outbreak can result in loss of income by the affected individual, cost of health care, loss of productivity due to staff absences, costs of investigation of an outbreak, loss of income due to closure of businesses and loss of sales when the public avoids particular products. At the extreme end of an outbreak, people can become seriously ill and may possibly die.

MPI works to educate both the public and industry on safe food-handling practices, through a number of different channels – including online and print media. We are also working with local councils and health boards to ensure current regulatory practices are maintained while progress of the Food Bill is underway.

PERFORMANCE INDICATOR	2012/13 PROGRESS
Reduce, and maintain reductions in, the incidence of foodborne illness. As an indicator of success, we are seeking to reduce the incidence of specific foodborne illnesses to the following target rates in 2012/13, and to then maintain or further reduce incidence rates in future years. The target population rates for notified cases of illness acquired through foodborne vectors are: • campylobacteriosis, below 80 cases per 100 000; • listeriosis, below 0.47 cases per 100 000.	For campylobacteriosis, there was a slight increase, with 85.3 cases per 100 000 (3780 cases)[17] reported, up from 81 cases per 100 000 last year. For listeriosis, there was a slight decrease, with 0.46 cases per 100 000 (20 cases) reported, down from 0.48 cases per 100 000 last year.
A reduction in foodborne salmonellosis, as a result of targeted intervention strategies being undertaken in 2012/13.	There were 10.7 cases per 100 000 (474 cases) in 2012, a 3.9% reduction from 2011.

17 Foodborne illness data sets are for the 2012 calendar year.

Long-Term Success Measures

Are we delivering results for New Zealand?

Our Strategy 2030 has a set of eight long-term success measures (see Figure 2). These are a barometer for our success in implementing *Our Strategy 2030* and delivering on our four outcomes: maximise export opportunities; improve sector productivity; increase sustainable resource use; and protect from biological risk. They also show progress against areas where MPI contributes to the Government's Business Growth Agenda and its own Export Double goal.

Figure 2: *Our Strategy 2030* – long-term success measures

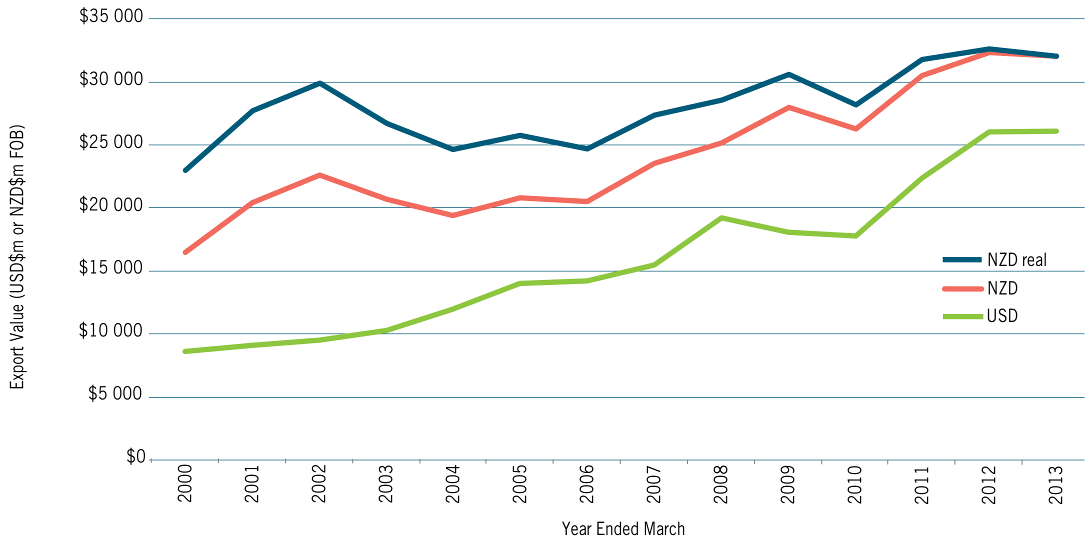
Increase primary sector contribution to gross domestic product	Increase access of products into new and changing markets	Increase productivity of Māori primary sector participants	Decrease negative environmental impacts
Increase primary sector productivity	Increase sector investment in innovation	Increase export returns	Decrease risk to and from the primary sector

We expect to see improvements in these measures over the long term. They will fluctuate from year to year, in response to variables like climate and exchange rates, and will be influenced by broader economic conditions. We work to ensure that MPI has the greatest impact possible in this context.

Figures 3 to 6 show a snapshot of trends in some of MPI's long-term success measures. We are working on ways to illustrate progress in the other measures for future reporting.

Figure 3: Increase export returns

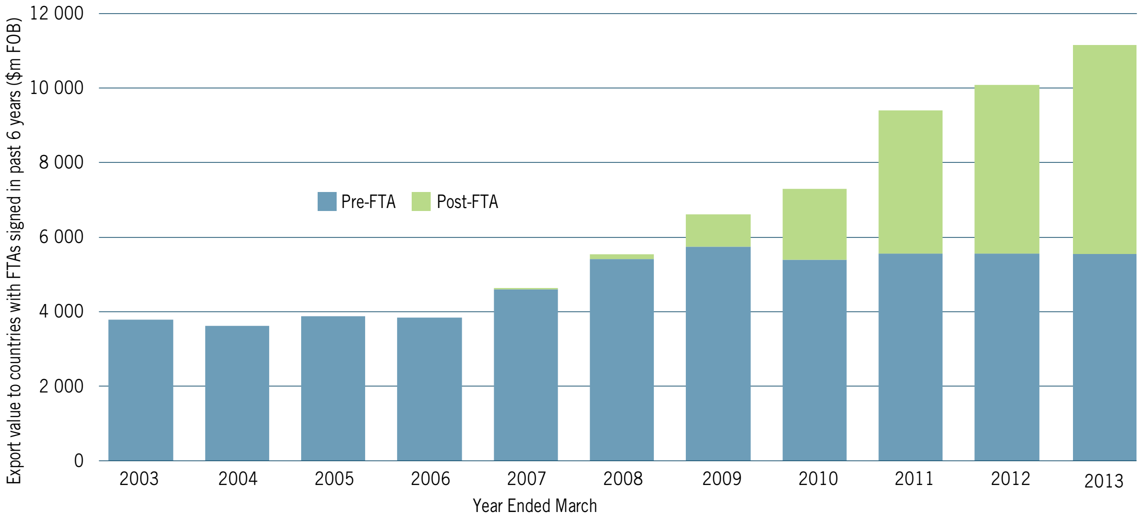
Export returns from the primary industries grew steadily over much of this period in both nominal and real terms. There were three peaks in 2002, 2009 and 2012, associated with favourable prices and production. Despite increased volumes from 2012 to 2013, export returns eased slightly due to decreased prices. The main impacts of the 2013 drought are likely to manifest in 2014 export quantities.



Source: Ministry for Primary Industries, Statistics New Zealand and the Reserve Bank of New Zealand

Figure 4: Increase access of products into new and changing markets

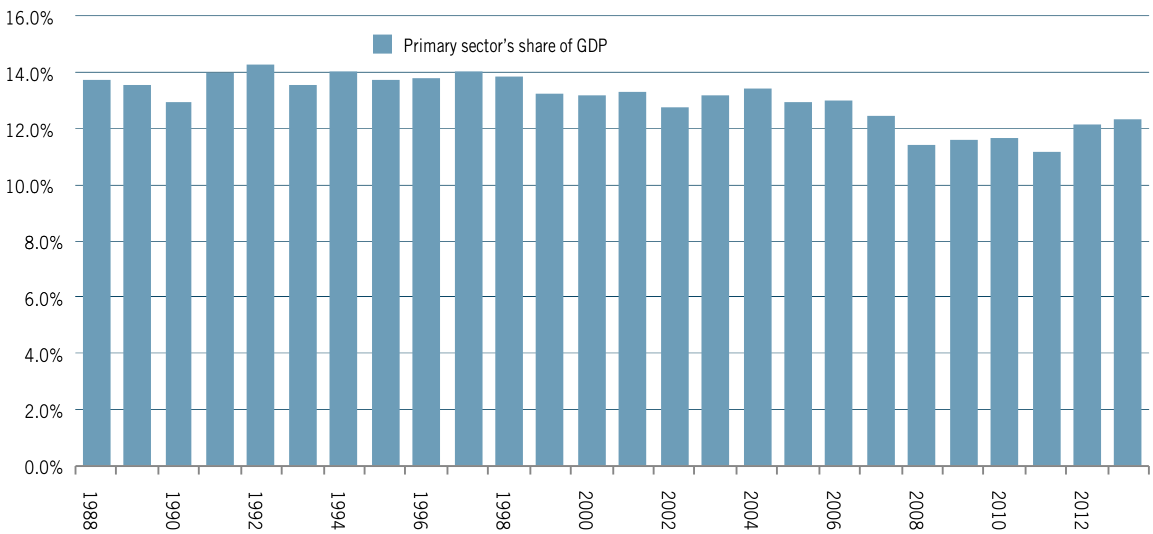
FTAs have been signed with China, Malaysia, the Association of Southeast Asian Nations and Hong Kong in the past six years. MPI provides analytical and strategic advice, and negotiates in the development of these agreements.



Source: Ministry for Primary Industries and Statistics New Zealand

Figure 5: Increase primary sector contribution to GDP

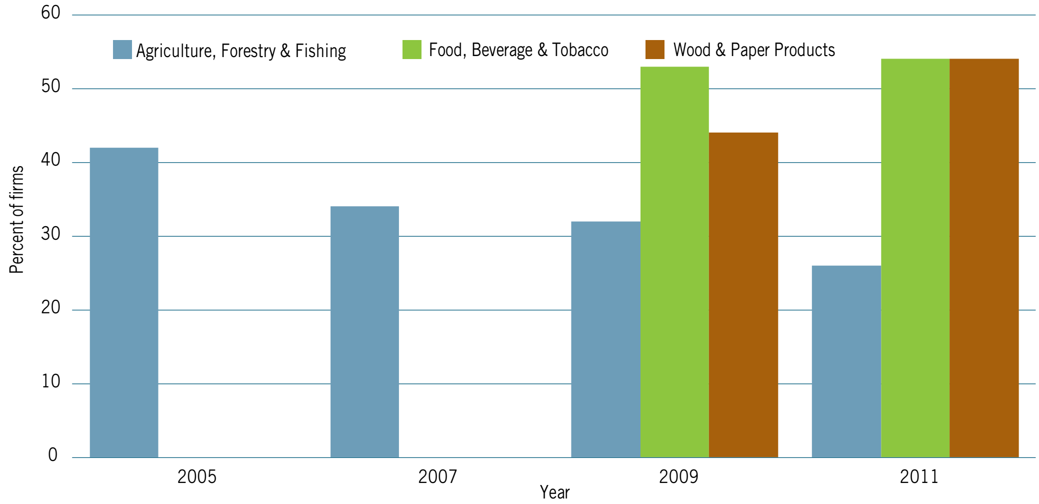
While the primary and downstream processing industries have been increasing over time, their share of GDP has been decreasing due to the expanding services industries. GDP share has increased over the last two years due to expansion of dairy and steady growth in fisheries and forestry.



Source: Ministry for Primary Industries and Statistics New Zealand

Figure 6: Increase sector investment in innovation[18]

Innovation[19] rates have been variable across the primary industries. Recent surveys have recorded declining innovation rates within the agriculture, forestry and fishing sectors, static rates within the food, beverage and tobacco sectors, and increasing rates within the wood and paper products sector[20]. MPI supports primary sector innovation through a range of channels including in the Primary Growth Partnership and Sustainable Farming Fund.



Source: Ministry for Primary Industries and Statistics New Zealand

18 Statistics New Zealand data to update this figure is unavailable. Survey results for 2013 will be available in 2014.
19 Innovation is defined as the introduction of any new or significantly improved goods, services, processes or marketing methods.
20 Food processing and wood processing industries were previously part of the general manufacturing category.

Organisational Effectiveness

MPI has a strong focus on building organisational capability and effectiveness, which will provide a platform to deliver *Our Strategy 2030* and contribute to the Government's priorities, including the Business Growth Agenda and Better Public Services Result Areas 9 and 10.

In March 2013, the Performance Improvement Framework (PIF) review of MPI was released by the State Services Commission. The report noted that the organisation has made a good start in many of the areas critical to success and expressed confidence in the ability of MPI to deliver ambitious results for the benefit of all New Zealanders. Whilst signalling MPI is heading in the right direction, the lead reviewers identified the need for MPI to continue transforming itself to meet the challenges ahead and signalled a number of ways MPI could lift its performance. The PIF review, together with our response, has helped us identify areas of focus to work towards our future state.

STRENGTHENING CAPABILITY

DEVELOPING PEOPLE CAPABILITY

MPI has commenced implementation of its three-year People Capability Strategy, with a focus on strengthening leaders, strengthening capacity and growing connections. The People Capability Strategy outlines MPI's road map for developing workforce capability in order to deliver on *Our Strategy 2030* and Government priorities.

Implementation of the Strategy builds on a series of activities including implementation of a Human Resource Implementation System (HRIS), roll out of Our Values, realigned policies and processes, a revamped leadership development programme and investing in leadership and management programmes, wellness initiatives, staff engagement survey, and succession planning.

OUR VALUES

In August 2012, the Ministry launched a new set of organisational values, which underpin the culture MPI is shaping to support its delivery of *Our Strategy 2030*. The PIF review acknowledged these values have been widely recognised and accepted as legitimate expressions of the values necessary to make the Ministry an effective and satisfying place to work.

BUILDING INNOVATION TO SUPPORT OUR EXPORT DOUBLE GOAL

MPI is committed to finding new and better ways to help the primary industries add value. We won't deliver *Our Strategy 2030* and realise the Export Double goal by continuing to do the same things that we've always done. To this end, MPI launched a number of initiatives in 2012/13 to build the innovation capability of the organisation.

As part of this, MPI initiated several innovation demonstration projects. These projects used design thinking techniques to tackle opportunities and problems, while building the skills and capability of our staff to work in a new way. For example, in one project we identified new ways to increase voluntary compliance of high risk passengers arriving at Auckland Airport with biosecurity requirements, as part of improving overall biosecurity outcomes.

DEVELOPING OUR SYSTEMS AND INFORMATION

MPI undertook specific work during 2012/13 to develop the implementation of a five-year Information Systems Strategic Plan (ISSP), with a key focus on consolidating and stabilising our base foundations. To achieve this, MPI has leveraged the All-Of-Government (AOG) ICT Infrastructure as a Service offering and moved 720 servers to the new AOG platform and managed to simplify all components and reduce our hosting costs.

MPI was also an active participant in the AOG ICT Action Plan Taskforce, which allowed us to lead the Electronic Content Management as a Service sourcing initiative with the Department of Internal Affairs, New Zealand Police, Department of Conservation and the Ministry of Social Development, on behalf of the AOG cloud programme. The intention is for MPI to adopt one of the service providers to replace the current electronic record management system.

ENABLING BETTER DECISION MAKING

To support MPI to deliver *Our Strategy 2030* and the ISSP, our Data and Information Strategy was launched in March 2013. The strategy sets a path to maximise the contribution of our data and information assets to better enable MPI to meet its overall vision. It provides a roadmap to create the right internal environment to facilitate good decision-making, and at the same time support the primary sector's decision-making through the release of high-value data and information.

IMPROVING FINANCE

During the year MPI completed the merger of the financial systems from the previous legacy organisations. As part of this MPI improved its planning, budgeting and reporting tools, for use within the Ministry. MPI has also recently joined the Optimise Finance programme led by the Treasury.

RESEARCH AND EVALUATION

We have enhanced the capability of our Research and Evaluation team to provide market research, and evaluation services. This will help MPI to monitor and adjust its programmes and services to achieve the required results.

During the past year the team was involved in a wide range of work including further developing the management and stewardship of the Primary Growth Partnership and Sustainable Farming Fund, and assessing innovative projects and our overall innovation process. Other work undertaken focused on operational activity associated with the management of MPI's primary production, and food safety and biosecurity systems, including reviewing customer and stakeholder feedback across MPI to inform MPI's communication strategy, and annual monitoring of various marketing programmes.

RISK MANAGEMENT

MPI's organisational risk management approach was refreshed to support achievement of *Our Strategy 2030* by revising our risk management policy and framework. The Senior Leadership Team (SLT) discusses extreme and high strategic risks quarterly. MPI's Risk Management Committee, comprising three independent members provides strategic advice and guidance to the Director-General.

Medium-term strategic risk themes associated with delivering *Our Strategy 2030* were identified and key mitigations addressed during the year are shown in Table 2.

EQUAL EMPLOYMENT OPPORTUNITIES

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

TABLE 2: KEY STRATEGIC RISKS AND MITIGATIONS

MEDIUM-TERM RISK THEMES	MITIGATIONS
Achievement of Export Double goal – would be at risk from insufficient resourcing, programme benefits not being achieved, industry not contributing and agencies not coordinating initiatives.	• Established an initial budget for this goal with clear protocols for agreeing allocation of funds to specific initiatives. • Established four innovation demonstration projects to foster and enable innovation in the primary sector and within MPI. • MPI and Industry Working Groups established to support and co-create solutions to encourage and connect ideas across industry and government agencies. • Established an overall outcomes model for Primary Growth Partnership (PGP) funding to assist the monitoring and evaluation of individual PGP programmes and to inform decisions on further funding programmes. • Initiated development of a sector risks and opportunities model to inform decision making related to supporting growth of existing trade and new growth initiatives. • Regularly engaged with Natural Resources Sector and Ministers to communicate and coordinate activities. • MPI funding assigned to test a number of ways in which MPI can work in partnership with Māori landowners, and other strategic partners such as the Federation of Māori Authorities, to raise the productivity of Māori land, contribute to the Export Double goal and generate public value.
Managing the risk of unwanted organisms – MPI interventions may fail to prevent an unwanted organism from causing significant economic impact to the primary sector.	• Government Industry Agreement for Readiness and Response Deed developed to provide transparent, consistent and equitable partnership between MPI and industry to improve biosecurity readiness and response outcomes.
MPI assures the integrity, safety and reputation of New Zealand's primary products – failure could have a significant impact on export market access.	• Initiated structural change and secured funding for increased resourcing to allow assurance processes and systems to keep pace with required export growth.
Other agencies' regulatory programmes – may cause MPI work plans to be revised, directing resources away from achievement of MPI goals.	• Actively participated and involved in the Natural Resources Sector, and land and freshwater policy development to ensure regulation will allow sustainable economic growth in the primary sector. • Policy and regulatory discussions held with agencies such as NZTE, MBIE, MfE, DOC, Customs and the Treasury to identify economic and environmental opportunities for progressing reforms.

STATEMENT OF SERVICE PERFORMANCE

Vote

Primary Industries

OUTPUT CLASS – ADMINISTRATION AND MANAGEMENT OF CROWN FORESTRY ASSETS

SCOPE OF APPROPRIATION

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

DESCRIPTION OF ACTIVITIES

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

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

PERFORMANCE INFORMATION

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Number of known breaches of statutes, lease agreements, forestry rights and other contractual arrangements brought or upheld against Crown Forestry since the last annual independent review.	0	0	0%
Number of hectares and percentage of the Crown forestry managed estate surrendered or sold.	2 818[21]	2 000 (4%)	41%
Average stumpage (net profit) per cubic metre of logs sold.	$38	$35	9%

COMMENT

All performance standards were met or exceeded, in particular the number of hectares surrendered or sold and the average stumpage. Post-harvest surrenders were made from five forests: Te Manawa, Lake Taupō, Rotoaira, Waikune and Onepu in accordance with lease/forestry right terms. An additional area of 1567 hectares (land only, trees retained under a forestry right) was transferred to iwi under a Treaty of Waitangi settlement.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
1 986	Revenue Crown	2 043	1 872	2 083
54	Revenue Other	13	5	14
2 040	Total Revenue	2 056	1 877	2 097
1 789	Total Expenses	2 018	1 877	2 097
251	Surplus/(Deficit)	38	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $2.018 million, which is $79 000 (3.8%) less than Supplementary Estimates. Approval has been obtained to carry forward $40 000 unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to contribute to the cost of ongoing work or commitments in relation to a number of corporate initiatives, notably: to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville; implementation of Government–Industry Agreements; and further changes to systems and processes as part of the Ministry's continuing transformation programme. The remaining $39 000 underspend represents cost savings. These cost savings, offset by $1000 lower than expected third party income resulted in a $38 000 operating surplus for this output class.

21 This measure combines several different categories, including leased Māori land that is surrendered back to the land owners post-harvest, Crown-owned land which is transferred to iwi within Treaty of Waitangi settlements and other land-based forestry assets that are sold as opportunities arise.

OUTPUT CLASS – ADMINISTRATION OF GRANTS AND PROGRAMMES

SCOPE OF APPROPRIATION

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

DESCRIPTION OF ACTIVITIES

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Percentage of applications processed within agreed standards and timeframes.	100%	100%	0%

COMMENT

Applications for both the Primary Growth Partnership (PGP) fund and the Sustainable Farming Fund (SFF) were assessed against an agreed process and within agreed timeframes. The SFF had 72 projects contracted, totalling $7.759 million for 2012/13. The PGP had 13 contracts in place, with $36.72 million in funding provided in 2012/13.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
9 250	Revenue Crown	7 983	10 131	9 325
89	Revenue Other	22	27	18
9 339	Total Revenue	8 005	10 158	9 343
6 538	Total Expenses	7 178	10 158	9 343
2 801	Surplus/(Deficit)	827	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $7.178 million, which is $2.165 million (23.2%) less than Supplementary Estimates. Approval has been obtained to carry forward $1.342 million unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville, implementation of Government–Industry Agreements, and further changes to systems and processes as part of the Ministry's continuing transformation programme ($0.392 million); Climate Change Technology Transfer programme ($0.250 million); and Aquaculture Planning Fund grant ($0.700 million). The remaining $0.823 million underspend represents cost savings. These cost savings, and $4000 higher than expected third party income resulted in a $0.827 million operating surplus for this output class.

OUTPUT CLASS – ANIMAL WELFARE AND ENFORCEMENT

SCOPE OF APPROPRIATION

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

DESCRIPTION OF ACTIVITIES

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Percentage of the milestones met for the review and development of Codes of Welfare in accordance with the National Animal Welfare Advisory Committee (NAWAC) work programme agreed by the Minister.	85%	80%	6%
Overall compliance rates are increasing.	92%	90%	2%
Percentage of persons/companies previously issued a warning, who continue non-compliant behaviour, resulting in further action is declining over the next 12 months.	19%	22%	14%

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Less than 5% of prosecutions incur adverse judicial comment regarding MPI's investigation process.	0%	0–5%	0%

COMMENT

Performance standards were met or exceeded for 2012/13. There were 511 animal welfare matters raised, with 39 (8%) resulting in non-compliance action being taken. A 14% decrease in the percentage of people and companies requiring follow-up action was also a good result for the year. This is a new set of compliance measures for 2012/13, which establishes the baseline for future year-on-year improvement.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
5 137	Revenue Crown	3 547	5 136	3 611
93	Revenue Other	20	–	38
5 230	Total Revenue	3 567	5 136	3 649
4 576	Total Expenses	3 585	5 136	3 649
654	Surplus/(Deficit)	(18)	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $3.585 million, which is $64 000 (1.8%) less than Supplementary Estimates. Approval has been obtained to carry forward the entire unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville, implementation of Government Industry Agreements, and further changes to systems and processes as part of the Ministry's continuing transformation programme ($34 000); and Animal welfare strategy and legislation review ($30 000). The lower than expected third party revenue resulted in an $18 000 operating deficit for this output class.

OUTPUT CLASS – BORDER BIOSECURITY RISK MANAGEMENT MCOA

SCOPE OF APPROPRIATION

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

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

DESCRIPTION OF ACTIVITIES

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Percentage of international air passengers that comply with biosecurity requirements by the time they leave the airport.	96.90%	98.50%	–2%
Number of imported goods inspected by MPI where biosecurity risks are identified and mitigated.	10 457	10 000–12 000 (of 49–52 000 inspections)	0%
Percentage rating satisfaction of cost-recovered external stakeholders (goods importers/exporters) with overall service as 4 or better on a scale where 1 represents very dissatisfied and 5 represents very satisfied.	87%	80%	9%
Percentage of international mail that complies with biosecurity requirements by the time it leaves the International Mail Centre.	99.9%	99%	1%
Percentage of World Organization for Animal Health (OIE), International Plant Protection Convention (IPPC) and Codex standards that are accepted by New Zealand.	100%	90%	11%
Percentage of import clearance processes completed within agreed timeframes thereby facilitating the wider supply chain.	49%	80%	–39%

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Percentage of milestones met of the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders.	75%	75%	0%
Percentage of export certificates meeting importing country technical requirements as specified by the overseas competent authority.	99%	95%	4%

COMMENT

Border biosecurity monitoring and clearance

There was a 1.6% improvement on the 2011/12 international air passenger survey result and the learning from last year's survey and this year's results will provide continued improvement in the pathway. This result was positively balanced by the volumes of goods inspected and satisfaction levels of service being maintained on similar levels as last year.

A total of 10 457 goods inspections required further action (treatment, re-ship or destruction) from a total of 47 703 inspections carried out. Although the standard was met with regards to the number of goods inspections (10–12 000), the overall number of items crossing the border was lower than the expected standard of 49–52 000 inspections.

Service delivery around import clearances was affected by a number of issues, including system outages, resource re-allocation and a 4% increase in volumes from 2011/12 to 2012/13. These all adversely impacted service level agreements for risk screening of clearance applications. Work is underway to implement enhancements to current systems and processes for 2013/14.

Border biosecurity systems development and maintenance

All performance standards were met or exceeded. Certification issues relating to China had no impact on this area as the export certificate measure relates to live animal exports and plant matter only.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
	Revenue Crown			
44 997	Border Biosecurity Monitoring and Clearance	53 276	47 752	54 236
8 687	Border Biosecurity Systems Development and Maintenance	12 699	8 616	12 962
53 684	Total Revenue Crown	65 975	56 368	67 198
	Revenue Other			
21 711	Border Biosecurity Monitoring and Clearance	24 653	31 771	25 282
7 075	Border Biosecurity Systems Development and Maintenance	4 105	3 200	4 936
28 786	Total Revenue Other	28 758	34 971	30 218
82 470	Total Revenue	94 733	91 339	97 416
	Expenses			
65 578	Border Biosecurity Monitoring and Clearance	78 389	79 523	79 518
15 494	Border Biosecurity Systems Development and Maintenance	16 788	11 816	17 898
81 072	Total Expenses	95 177	91 339	97 416
	Surplus/(Deficit)			
1 130	Border Biosecurity Monitoring and Clearance	(460)	–	–
268	Border Biosecurity Systems Development and Maintenance	16	–	–
1 398	Total Surplus/(Deficit)	(444)	–	–

FINANCIAL COMMENT

This MCOA was provided at a cost of $95.177 million which is $2.239 million (2.3%) less than Supplementary Estimates. Approval has been obtained to carry forward $1.223 million unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville, implementation of Government–Industry Agreements, and further changes to systems and processes as part of the Ministry's continuing transformation programme ($0.243 million); Joint Border Management System ($0.960 million); and Pest List Database ($20 000). There are activities under this MCOA that are operated on a full cost recovery basis from third parties. Two memorandum accounts are used to keep track of the accumulated surpluses and deficits to enable the Ministry to take a long-run perspective to fee setting and cost recovery. The Border Biosecurity Clearance Fees memorandum account covers: levies imposed on all importations of goods for which a document is lodged with the New Zealand Customs Service under regulation 26(2) of the Customs and Excise Regulations 1996; and all other fees collected under the Biosecurity Costs Regulations 2006 including inspection of risk goods, offshore inspection of ships and approval and audit of transitional containment facilities and facility operators. The Phytosanitary Exports memorandum account covers fees for certification of plant and forestry exports. An operating deficit of $0.444 million was made jointly under the memorandum accounts, resulting in the operating deficit for this MCOA.

OUTPUT CLASS – DEVELOPMENT OF POLICY ADVICE MCOA

SCOPE OF APPROPRIATION

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

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

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

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

DESCRIPTION OF ACTIVITIES

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

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

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

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

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
AGRICULTURE AND FORESTRY POLICY ADVICE			
Percentage of policy work programme milestones completed.	79%	85%	–7%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months.	7.5	8	–6%
Technical quality assessment of MPI policy advice on a scale of 1 to 10.	7.2	7	3%
BIOSECURITY POLICY ADVICE			
Percentage of policy work programme milestones completed.	94%	85%	11%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months.	8	8	0%
Technical quality assessment of MPI policy advice on a scale of 1 to 10.	7.2	7	3%
FISHERIES POLICY ADVICE			
Quarterly assessment of international engagement outcomes against set criteria to ensure they maintain or advance New Zealand's interest.	85% yes rating	70% yes rating	21%
Percentage of policy work programme milestones completed.	94%	85%	11%
The Minister for Primary Industries rates the quality of policy advice provided as 8 or better on a scale of 1 to 10 via discussion with MPI officials every six months.	7	8	–13%
Technical quality assessment of MPI policy advice on a scale of 1 to 10.	7.2	7	3%
OPERATIONAL ADVICE ON SUSTAINABILITY AND MANAGEMENT CONTROLS IN FISHERIES			
Percentage of research projects completed.	100%	95%	5%
Percentage of research projects meet MPI research and science information standard.	100%	100%	0%

COMMENT

Development of policy advice

The delivery and quality of policy advice to Ministers met most of the agreed performance standards. Those areas where improvement is required will be a focus for 2013/14 to ensure Ministers' policy needs are met.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
	Revenue Crown			
–	Agriculture and Forestry Policy Advice	17 635	17 974	17 738
–	Biosecurity Policy Advice	2 890	3 823	3 004
–	Fisheries Policy Advice	3 699	10 832	3 699
–	Operational Advice on Sustainability and Management Controls in Fisheries	31 791	37 250	34 340
–	Total Revenue Crown	56 015	69 879	58 781
	Revenue Other			
–	Agriculture and Forestry Policy Advice	305	–	443
–	Biosecurity Policy Advice	24	–	18
–	Fisheries Policy Advice	341	–	211
–	Operational Advice on Sustainability and Management Controls in Fisheries	505	1 596	1 016
–	Total Revenue Other	1 175	1 596	1 688
–	Total Revenue	57 190	71 475	60 469
	Expenses			
–	Agriculture and Forestry Policy Advice	17 940	17 974	18 181
–	Biosecurity Policy Advice	2 767	3 823	3 022
–	Fisheries Policy Advice	4 206	10 832	3 910
–	Operational Advice on Sustainability and Management Controls in Fisheries	32 296	38 846	35 356
–	Total Expenses	57 209	71 475	60 469
	Surplus/(Deficit)			
–	Agriculture and Forestry Policy Advice	–	–	–
–	Biosecurity Policy Advice	147	–	–
–	Fisheries Policy Advice	(166)	–	–

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
–	Operational Advice on Sustainability and Management Controls in Fisheries	–	–	–
–	Total Surplus/(Deficit)	(19)	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded MCOA was provided at a cost of $57.209 million which is $3.260 million (5.4%) less than Supplementary Estimates. Approval has been obtained to carry forward $2.766 million unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: Fisheries Research ($2.549 million); Global Research Alliance – Secretariat functions ($0.103 million); Heads of Agreement Mitigation Partnership ($0.100 million); and to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville, implementation of Government–Industry Agreements, and further changes to systems and processes as part of the Ministry's continuing transformation programme ($14 000). The remaining $0.494 million underspend represents cost savings. These cost savings offset by $0.513 million lower than expected third party income resulted in a $19 000 operating deficit for this MCOA.

This is a new appropriation in 2012/13. The former Votes Agriculture and Forestry, Biosecurity, and Fisheries appropriations have been merged into Vote Primary Industries. Also policy advice appropriations were reorganised around a common definition for policy advice provided by Treasury and applied by all government departments; and to differentiate between policy advice and implementation of policy advice.

OUTPUT CLASS – DOMESTIC BIOSECURITY RISK MANAGEMENT

SCOPE OF APPROPRIATION

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

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

DESCRIPTION OF ACTIVITIES

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
DOMESTIC BIOSECURITY SURVEILLANCE			
Percentage of key cost-recovered industry customers satisfied with the process and timeframes for receiving a response from laboratory services.	96%	80%	20%
Percentage of incursion investigations reaching an "Investigation Outcome Decision" within 30 days.	61%	80%	–24%
Percentage of surveillance programmes that meet international standard or best practice.	100%	100%	0%
BIOSECURITY INCURSION RESPONSE AND LONG TERM PEST MANAGEMENT			
Industry signup of Government–Industry Agreements (GIAs) memorandums of understanding (MOUs).	21	19	11%
Percentage of responses that achieve required outcomes.	100%	90%	11%

COMMENT

Domestic biosecurity surveillance

Almost all key cost-recovered industry customers were satisfied with MPI's provision of laboratory services. However, the time taken to carry out an investigation did not meet the agreed performance standard. This is due to the complexity of investigations that MPI undertakes, which can vary from a couple of days to months depending on the type of investigation. Surveillance programmes continue to meet international standards through MPI's consistent reporting requirements and production of annual technical reports.

Biosecurity Incursion Response

Work in this area has been positive with both performance standards for the GIA and responses requiring outcomes being exceeded for the year.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
	Revenue Crown			
12 115	Biosecurity Incursion Response and Long-Term Pest Management	24 731	12 984	25 097
38 405	Domestic Biosecurity Surveillance	24 175	34 992	24 662
50 520	Total Revenue Crown	48 906	47 976	49 759
	Revenue Other			
324	Biosecurity Incursion Response and Long-Term Pest Management	1 700	100	1 276
3 677	Domestic Biosecurity Surveillance	586	2 800	169
4 001	Total Revenue Other	2 286	2 900	1 445
54 521	Total Revenue	51 192	50 876	51 204
	Expenses			
13 447	Biosecurity Incursion Response and Long-Term Pest Management	26 431	13 084	26 373
41 222	Domestic Biosecurity Surveillance	24 761	37 792	24 831
54 669	Total Expenses	51 192	50 876	51 204
	Surplus/(Deficit)			
(1 008)	Biosecurity Incursion Response and Long-Term Pest Management	–	–	–
860	Domestic Biosecurity Surveillance	–	–	–
(148)	Total Surplus/(Deficit)	–	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded MCOA was provided at a cost of $51.192 million which is $12 000 less than Supplementary Estimates. Approval has been obtained to carry forward $0.853 million unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville, implementation of Government–Industry Agreements, and further changes to systems and processes as part of the Ministry's continuing transformation programme ($0.553 million); and Kauri Dieback Programme ($0.300 million). The underspends in revenue Crown funding activities were completely offset by an operating in deficit in third party funded activity, resulting in the breakeven operating result for this MCOA.

OUTPUT CLASS – IMPLEMENTATION OF POLICY ADVICE MCOA

SCOPE OF APPROPRIATION

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

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

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

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

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

DESCRIPTION OF ACTIVITIES

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

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

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
AQUACULTURE			
Percentage of project milestones for the annual aquaculture plan met.	72%	90%	–20%
FISHERIES ENFORCEMENT AND MONITORING			
Overall compliance rates are increasing.	90%	90%	0%
Percentage of persons/companies previously issued a warning, who continue non-compliant behaviour, resulting in further action is declining, over the past 12 months.	18%	22%	18%
Less than 5% of prosecutions incur adverse judicial comment regarding MPI's investigation process.	0%	0-5%	0%
Percentage of the Crown's obligations to Māori are delivered.	100%	100%	0%
FISHERIES MANAGEMENT			
Percentage of Official Information Act, Privacy Act and Ombudsmen requests delivered within statutory timeframes.	90%	95%	–5%
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards.	91%	95%	–4%
The Minister's rating of the quality of ministerial services on a scale of 1 to 10.	7	8	–13%
IMPLEMENTATION OF AGRICULTURE AND FORESTRY POLICY ADVICE			
Percentage of Official Information Act, Privacy Act and Ombudsmen requests delivered within statutory timeframes.	88%	95%	–7%
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards.	88%	95%	–7%
The Minister's rating of the quality of ministerial services on a scale of 1 to 10.	7	8	–13%
IMPLEMENTATION OF BIOSECURITY POLICY ADVICE			
Percentage of OIA, Privacy Act and Ombudsmen requests delivered within statutory timeframes.	86%	95%	–9%
Percentage of ministerial requests from the Minister for Primary Industries completed to agreed standards.	81%	95%	–15%
The Minister's rating of the quality of ministerial services on a scale of 1 to 10.	7	8	–13%

COMMENT

Aquaculture

Some planned milestones were not met due to other work taking higher priority. Work to complete the delayed milestones will be concluded in 2013/14. Overall progress toward achievement of the Government's Aquaculture Strategy and Five-year Action Plan is on track.

Fisheries enforcement and monitoring

Compliance rates remain steady with an 18% decrease in the percentage of people and companies requiring follow-up action. This is part of a new set of compliance measures for 2012/13, which establishes the baseline for future year-on-year improvement.

MPI is also meeting the Crown's obligations to Māori. MPI is responsible for delivering 11 obligations, requiring 22 activity sets (including 59 protocol agreements) to be delivered. All activities were delivered with some areas requiring extra attention to ensure standards are maintained.

Implementation of policy advice

Issues around timeliness and quality impacted on delivery of ministerial services. These issues are being addressed through training and process enhancements, with improvements expected in 2013/14.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
	Revenue Crown			
–	Aquaculture	2 910	2 897	4 278
–	Fisheries Enforcement and Monitoring	38 219	31 589	40 498
–	Fisheries Management	9 069	23 549	9 213
–	Implementation of Agriculture and Forestry Policy Advice	11 618	14 123	11 618
–	Implementation of Biosecurity Policy Advice	3 956	3 391	3 956
–	Total Revenue Crown	65 772	75 549	69 563
	Revenue Other			
–	Aquaculture	20	–	18
–	Fisheries Enforcement and Monitoring	1 285	770	1 378
–	Fisheries Management	209	–	311
–	Implementation of Agriculture and Forestry Policy Advice	85	300	69
–	Implementation of Biosecurity Policy Advice	30	160	21
–	Total Revenue Other	1 629	1 230	1 797
–	Total Revenue	67 401	76 779	71 360
	Expenses			
–	Aquaculture	2 930	2 897	4 296
–	Fisheries Enforcement and Monitoring	38 994	32 359	41 876
–	Fisheries Management	8 127	23 549	9 524
–	Implementation of Agriculture and Forestry Policy Advice	12 099	14 423	11 687
–	Implementation of Biosecurity Policy Advice	4 377	3 551	3 977
–	Total Expenses	66 527	76 779	71 360
	Surplus/(Deficit)			
–	Aquaculture	–	–	–
–	Fisheries Enforcement and Monitoring	510	–	–
–	Fisheries Management	1 151	–	–
–	Implementation of Agriculture and Forestry Policy Advice	(396)	–	–
–	Implementation of Biosecurity Policy Advice	(391)	–	–
–	Total Surplus/(Deficit)	874	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded MCOA was provided at a cost of $66.527 million which is $4.833 million (6.8%) less than Supplementary Estimates. Approval has been obtained to carry forward $3.791 million unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville, implementation of Government–Industry Agreements, and further changes to systems and processes as part of the Ministry's continuing transformation programme ($2.316 million); programme of central government regulatory interventions in Resource Management Act 1991 coastal plans to enable sustainable aquaculture growth ($1.143 million); Māori aquaculture settlements ($0.225 million); and Waikato river settlement negotiations with iwi ($0.107 million). The remaining $1.042 million underspend represents cost savings. These cost savings were offset by $0.168 million lower than expected third party income, resulted in a $0.874 million operating surplus for this MCOA.

This is a new appropriation in 2012/13. The former Votes Agriculture and Forestry, Biosecurity, and Fisheries appropriations have been merged into Vote Primary Industries. Policy advice appropriations were reorganised around a common definition for policy advice provided by the Treasury and applied by all government departments and to differentiate between policy advice and implementation of policy advice.

OUTPUT CLASS – IMPLEMENTATION OF THE EMISSIONS TRADING SCHEME AND INDIGENOUS FORESTRY

SCOPE OF APPROPRIATION

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

DESCRIPTION OF ACTIVITIES

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

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
IMPLEMENTATION OF THE NEW ZEALAND EMISSIONS TRADING SCHEME			
Percentage of emissions returns processed within 20 working days.	100%	100%	0%
Percentage of applicants that participate in the customer satisfaction survey give the quality of MPI's ETS service delivery a rating of at least 4 out of 5 (where 1 represents poor performance and 5 represents excellent performance).	51%	75%	–32%
ADMINISTRATION OF THE PERMANENT FOREST SINK INITIATIVE			
Percentage of processed draft covenants sent to applicants within 90 days.	85%	75%	13%
PROMOTION OF SUSTAINABLE MANAGEMENT OF INDIGENOUS FORESTRY			
Percentage of applicants who receive acknowledgement within 10 working days.	77%	100%	–23%
Percentage of post-harvest inspections that comply with harvest limits and management prescriptions under approved Annual Logging Plans.	94%	80%	18%
Percentage of registered sawmills inspected that comply with Part 3A of the Forests Act 1949 and the Forestry (Indigenous Timber Milling) Regulations.	95%	80%	19%
Percentage of draft sustainable forest management plan and sustainable forest management permit applications that are processed within 90 days.	100%	100%	0%

COMMENT

Overall performance in this area was positive with most performance standards being met or exceeded. There were issues with two areas – customer satisfaction rates with the Ministry's ETS services and the timeliness of processing of acknowledgements for customers involved with indigenous forests. MPI will work with ETS customers to improve engagement with the ETS, whilst application handling will be improved through process refinements.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
14 157	Revenue Crown	10 057	13 204	10 831
164	Revenue Other	57	40	46
14 321	Total Revenue	10 114	13 244	10 877
13 048	Total Expenses	10 103	13 244	10 877
1 273	Surplus/(Deficit)	11	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $10.103 million, which is $0.774 million (7.1%) less than Supplementary Estimates. Approval has been obtained to carry forward the entire unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to cover the cost of ongoing work or commitments in relation to the implementation of the Emissions Trading Scheme (ETS). The higher than expected income from third party activity resulted in an $11 000 operating surplus for this output class.

OUTPUT CLASS – INTERIM SECRETARIAT SOUTH PACIFIC REGIONAL FISHERIES MANAGEMENT ORGANISATION

SCOPE OF APPROPRIATION

This appropriation is limited to administrative support for the Interim Secretariat of the South Pacific Regional Fisheries Management Organisation (SPRFMO).

DESCRIPTION OF ACTIVITIES

The Interim Secretariat supports the establishment of a regional fisheries management organisation in the South Pacific Ocean. The SPRFMO addresses a management gap in respect of the knowledge of non-highly migratory fish stocks of the high seas of the South Pacific Ocean. It enables New Zealand to co-operate with other coastal and fishing States in developing binding international fisheries conservation and management measures. This improves sustainability and security of resource access and will create a more level playing field for New Zealand industry. It also contributes to enhanced regional stability and security in the region.

Its main activities are the receipt, compilation, storage and dissemination (where appropriate) of data; the receipt, storage and dissemination of reports and documents submitted by the participants; providing assistance to the relevant host in organising preparatory conference meetings and of subsidiary bodies; and the management of the contents of the SPRFMO website.

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Oversight of New Zealand's financial contribution to the Interim Secretariat of the SPRFMO Commission.	Achieved.	Expenditure and contribution reviewed quarterly.	N/A

COMMENT

MPI continued its work to support the administrative and financial management of the SPRFMO.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
166	Revenue Crown	150	148	150
218	Revenue Other	200	–	227
384	Total Revenue	350	148	377
384	Total Expenses	350	148	377
–	Surplus/(Deficit)	–	–	–

FINANCIAL COMMENT

The Ministry hosts the Interim Secretariat of the SPRFMO. This output class was provided at a cost of $0.350 million, which is $27 000 (7.2%) less than the Supplementary Estimates.

SUPPORT SERVICES AND INFRASTRUCTURE TO OTHER AGENCIES RDA

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
–	Revenue Crown	–	–	–
485	Revenue Other	555	898	605
485	Total Revenue	555	898	605
485	Total Expenses	555	898	605
–	Surplus/(Deficit)	–	–	–

FINANCIAL COMMENT

The Ministry earned $555 000 from the subleasing of surplus accommodation to other public sector agencies during 2012/13. This is a revenue dependant appropriation in that the Ministry is limited to incur expenditure up to the amount of revenue earned.

Vote

Food Safety

OUTPUT CLASS – ASSURANCE

This appropriation 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.

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
New Zealand access to overseas markets maintained after overseas audits of Verification Services (VS).	100%	100%	0%
Overall quality of VS service delivery as perceived by external stakeholders in the annual VS external stakeholder survey.	79%	70%	13%
Percentage of certificates that are accepted by overseas authorities.	99.99%	98%	2%

COMMENT

All performance standards were met or exceeded – with successful overseas audits from the EU, Peru, Thailand, and Iran, and a good customer satisfaction result for assurance service delivery.

There were 65 168 certificates signed during 2012/13, of which two were rejected due to errors. This measure tracks animal products certified for export that meet overseas market access requirements (OMAR) and are suitable for human consumption.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
3 799	Revenue Crown	4 067	2 862	4 072
53 006	Revenue Other	51 851	55 861	50 693
56 805	Total Revenue	55 918	58 723	54 765
57 040	Total Expenses	53 686	56 071	54 765
(235)	Surplus/(Deficit)	2 232	2 652	–

FINANCIAL COMMENT

This predominately third party funded output class was provided at a cost of $53.686 million, which is $1.079 million (2.0%) less than Supplementary Estimates. Approval has been obtained to carry forward $5000 unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to contribute towards the cost of changes to systems and processes as part of the Ministry's merger and organisational transformation programme. There are activities under this output class that are operated on a full cost recovery basis from third parties. Three memorandum accounts are used to keep track of the accumulated surpluses and deficits to enable the Ministry to take a long-run perspective to fee setting and cost recovery. The Verification of the Food Regulatory Programme memorandum account covers verification and certification activities undertaken by the Ministry in accordance with section 7 of the Animal Products (Fees, Charges and Levies) Regulations 2007. The Approvals, Accreditations and Registrations memorandum account covers the provision of approval and registration services to regulated parties under the Agricultural Compounds and Veterinary Medicines Act 1997 and the Animal Products Act 1999. The Standards Setting for the Food Industry memorandum account covers the Ministry's standards setting activities under the Standards output class and fees for certification and reconciliation services under the Animal Products (Dairy Industry Fees and Charges) Regulations 2007 under this output class. This output class contributed $2.232 million towards the $3.310 million operating surplus made collectively under these memorandum accounts.

OUTPUT CLASS – DEVELOPMENT AND IMPLEMENTATION OF POLICY ADVICE

SCOPE OF APPROPRIATION

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

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
DEVELOPMENT OF POLICY ADVICE			
Technical quality assessment of MPI policy advice on a scale of 1 to 10.	7.2	7	3%
Percentage of policy work programme milestones completed.	89%	85%	5%
The Minister's rating of the quality of policy advice on a scale of 1 to 10.	7	8	–13%
IMPLEMENTATION OF POLICY ADVICE			
Percentage of Official Information Act, Privacy Act and Ombudsmen requests delivered within statutory timeframes.	95%	95%	0%
Percentage of ministerial requests from the Minister for Food Safety completed to agreed standards.	85%	95%	–11%
The Minister rates the quality of ministerial services as 8 or better on a scale of 1 to 10 via discussion with MPI officials every 6 months.	7	8	–13%

COMMENT

Development of policy advice

The delivery and quality of policy advice to the Minister met two of the three agreed performance standards. Meeting the Minister's expectation for policy advice will be a focus for 2013/14.

Implementation of policy advice

Issues around timeliness and quality impacted on delivery of ministerial services. These issues are being addressed through training and process enhancements, with improvements expected in 2013/14.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
	Revenue Crown			
–	Implementation of Policy Advice	2 057	2 360	2 100
–	Policy Advice	2 680	2 011	2 684
–	Total Revenue Crown	4 737	4 371	4 784
	Revenue Other			
–	Implementation of Policy Advice	18	–	12
–	Policy Advice	13	–	8
–	Total Revenue Other	31	–	20
–	Total Revenue	4 768	4 371	4 804
	Expenses			
–	Implementation of Policy Advice	1 788	2 360	2 112
–	Policy Advice	2 091	2 011	2 692
–	Total Expenses	3 879	4 371	4 804
	Surplus/(Deficit)			
–	Implementation of Policy Advice	287	–	–
–	Policy Advice	602	–	–
–	Total Surplus/(Deficit)	889	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded MCOA was provided at a cost of $3.879 million, which is $0.925 million (19.3%) less than Supplementary Estimates. Approval has been obtained to carry forward $47 000 unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used for implementation of the Food Bill ($40 000) and to contribute towards the cost of changes to systems and processes as part of the Ministry's merger and organisational transformation programme ($7000). The remaining $0.878 million under spend represents cost savings. These cost savings along with $11 000 higher than expected third party income resulted in a $0.889 million operating surplus for this MCOA.

This is a new appropriation in 2012/13. Policy advice appropriations were reorganised around a common definition for policy advice provided by the Treasury and applied by all government departments; and to differentiate between policy advice and implementation of policy advice.

OUTPUT CLASS – INFORMATION

SCOPE OF APPROPRIATION

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Food safety information is provided in line with agreed programmes.	Achieved.	Achieved.	N/A

COMMENT

Food safety information is delivered via a number of different channels and programmes. During the year there were:

- 8550 Food Safety Consumer Helpline telephone calls and email enquiries received and responded to;
- 377 media contacts provided with advice;
- extensive hours of advice to television and radio productions.

In addition to these channels, information is also provided through print media with 61 000 *Food Safety in Pregnancy* and 54 000 *Food Safety in the Home* pamphlets distributed to expectant and new parents. Material was also provided to *Starters and Strategies* magazine – a magazine distributed each term to 28 000 teachers of students aged 5–14 years. The material is a ready-to-use unit of work on how to be *Foodsmart* at school and at home.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
4 367	Revenue Crown	1 399	3 088	1 401
193	Revenue Other	3	664	3
4 560	Total Revenue	1 402	3 752	1 404
4 320	Total Expenses	1 388	3 752	1 404
240	Surplus/(Deficit)	14	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $1.388 million, which is $16 000 (1.1%) less than Supplementary Estimates. Approval has been obtained to carry forward $2000 unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to contribute towards the cost of changes to systems and processes as part of the Ministry's merger and organisational transformation programme. The remaining $14 000 underspend represents cost savings, resulting in the operating surplus for this output class.

OUTPUT CLASS – RESPONSE

SCOPE OF APPROPRIATION

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Less than 5% of prosecutions incur adverse judicial comment regarding MPI's investigation process.	0%	0-5%	0%
Overall compliance rates are increasing.	94%	90%	4%
Percentage of persons/companies previously issued a warning, who continue non-compliant behaviour, resulting in further action, is declining over the past 12 months.	0%	22%	100%

COMMENT

All performance standards were met or exceeded. In particular, the 100% variance for the percentage of people and companies requiring follow-up action was a good result, as this meant there were no further follow-up actions required in 2012/13 for those people and/or companies issued a warning in 2011/12. This is part of the new set of compliance measures for 2012/13, which will be monitored for future year-on-year improvement.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
5 018	Revenue Crown	4 981	5 240	4 988
58	Revenue Other	14	–	10
5 076	Total Revenue	4 995	5 240	4 998
4 872	Total Expenses	4 976	5 240	4 998
204	Surplus/(Deficit)	19	–	–

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $4.976 million, which is $22 000 (0.4%) less than Supplementary Estimates. Approval has been obtained to carry forward $7000 unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used to contribute towards the cost of changes to systems and processes as part of the Ministry's merger and organisational transformation programme. The remaining $15 000 underspend represents cost savings. These cost savings along with $4000 higher than expected third party income resulted in a $19 000 operating surplus for this output class.

OUTPUT CLASS – STANDARDS

SCOPE OF APPROPRIATION

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

SERVICE PERFORMANCE MEASURE	ACTUAL 2012/13	STANDARD 2012/13	VARIANCE
Percentage of the milestones met of the Meat Inspection Reform Programme as agreed with the Meat Industry Strategic Directions Group.	80%	80%	0%
Percentage of the milestones met of the Sanitary and Phytosanitary Standards Market Access Programme as agreed with key meat, dairy, seafood and horticulture sector stakeholders.	75%	75%	0%
Percentage of export certificates meeting importing country technical requirements as specified by the overseas competent authority.	99%	95%	4%
Percentage of OIE, IPPC and Codex Standards that are accepted by New Zealand.	100%	90%	11%

COMMENT

Overall performance standards were met. Although meat certification to China was an issue during the latter part of 2012/13, 130 073 certificates out of 131 705 handled by MPI met the importing country technical requirements. This result includes those meat certificates related to China, of which 1626 certificates did not met requirements. In light of the impact of the China meat issue, we are reviewing the appropriateness of the 95% target.

REVENUE AND OUTPUT EXPENSES

ACTUAL JUNE 2012 $(000)		ACTUAL JUNE 2013 $(000)	MAIN ESTIMATES JUNE 2013 $(000)	SUPP ESTIMATES JUNE 2013 $(000)
11 841	Revenue Crown	11 016	14 695	11 321
5 877	Revenue Other	7 451	6 547	7 993
17 718	Total Revenue	18 467	21 242	19 314
17 541	Total Expenses	17 891	20 369	19 314
177	Surplus/(Deficit)	576	873	–

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $17.891 million, which is $1.423 million (7.4%) less than Supplementary Estimates. Approval has been obtained to carry forward $0.305 million of the unspent appropriation for revenue Crown funded activities to 2013/14. This funding will be used for implementation of the Food Bill ($200 000); for implementation of Free Trade Agreements ($90 000); and to contribute towards the cost of changes to systems and processes as part of the Ministry's merger and organisational transformation programme ($15 000). There are activities under this output class that are operated on a full cost recovery basis from third parties. The Standards Setting for the Food Industry memorandum account is used to keep track of the accumulated surpluses and deficits to enable the Ministry to take a long-run perspective to fee setting and cost recovery. This account covers the Ministry's standards setting activities under this output class and fees for certification and reconciliation services under the Animal Products (Dairy Industry Fees and Charges) Regulations 2007 under the Assurance output class. During 2012/13 an operating surplus of $243 000 was made under this memorandum account. Cost savings along with a contribution towards the memorandum account surplus resulted in a $0.576 million operating surplus under this output class.

FINANCIAL STATEMENTS

Statement of Responsibility

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

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

It is my opinion, these financial statements and statement of service performance fairly reflect the financial position of the Ministry as at 30 June 2013 and its operations for the year ended on that date.

Scott Gallacher
Acting Director–General
30 September 2013

Tony Murray
Chief Financial Officer
30 September 2013

Independent

Auditor's report

TO THE READERS OF MINISTRY FOR PRIMARY INDUSTRIES' FINANCIAL STATEMENTS, NON-FINANCIAL PERFORMANCE INFORMATION AND SCHEDULES OF NON-DEPARTMENTAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2013

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

We have audited:

- the financial statements of the Department on pages 58 to 90, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2013, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Department that comprises the statement of service performance on pages 35 to 52 and the report about outcomes on pages 7 to 26; and
- the schedules of non-departmental activities of the Department on pages 91 to 109 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2013, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, schedule of income and statement of trust monies, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

OPINION

In our opinion:

- the financial statements of the Department on pages 58 to 90:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Department's:
    - financial position as at 30 June 2013;
    - financial performance and cash flows for the year ended on that date;
    - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2013; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2013.
- the non-financial performance information of the Department on pages 7 to 26 and 35 to 52:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Department's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
    - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- the schedules of non-departmental activities of the Department on pages 91 to 109 fairly reflect, in accordance with the Treasury's instructions:
  - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2013 managed by the Department on behalf of the Crown; and

– the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Department on behalf of the Crown.

Our audit was completed on 30 September 2013. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

Material mis-statements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, the non–financial performance information and the schedules of non–departmental activities. If we had found material mis-statements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non–financial performance information and the schedules of non–departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE DIRECTOR–GENERAL

The Director–General is responsible for preparing:

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

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

Building a better working world

The Director-General is also responsible for the publication of the financial statements and non-financial performance information and schedules of non-departmental activities, whether in printed or electronic form.

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

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor–General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Department.

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

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS, STATEMENT OF SERVICE PERFORMANCE AND SCHEDULES OF NON-DEPARTMENTAL ACTIVITIES

This audit report relates to the financial statements, statement of service performance and schedules of non-departmental activities of the Ministry for the year ended 30 June 2013 included on the Ministry for Primary Industries' website. The Ministry for Primary Industries' Chief Executive is responsible for the maintenance and integrity of the Ministry's website.

We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements, statement of service performance and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, statement of service performance and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, statement of service performance and schedules of non-departmental activities as well as the related audit report dated 30 September 2013 to confirm the information included in the audited financial statements, statement of service performance and schedules of non-departmental activities presented on this website.

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

Overview of Departmental

Financial Results

For the year ended 30 June 2013

The following significant movements in actual results between the 2012/13 and 2011/12 years, and actual results against the 2012/13 Supplementary Estimates budget, are explained below.

ACTUAL 2012 $000		ACTUAL 2013 $000	SUPP ESTIMATES 2013 $000
391 798	**Income (in total)**	**380 872**	**392 836**
294 690	Revenue Crown	286 648	297 867
96 641	Revenue other	94 065	94 815
377 556	**Expenditure (in total)**	**375 869**	**390 374**
185 448	Personnel costs	192 651	196 375
14 242	**Operating surplus**	**5 003**	**2 462**
5 365	**Working capital**	**11 368**	**2 025**
65 059	**Non–current Assets**	**61 906**	**70 662**
	Current Liabilities		
468	Finance Leases	18	18
21 031	Employee entitlements	23 130	15 600
	Non–Current Liabilities		
9 156	Employee entitlements	9 212	9 200
59 736	**Equity**	**64 062**	**63 487**

SIGNIFICANT MOVEMENTS BETWEEN 2011/12 AND 2012/13

REVENUE FROM THIRD PARTIES

The Ministry absorbed the $4 million cost of employer contributions to the State Sector Retirement Savings Scheme (SSRSS) and KiwiSaver from 1 July 2013 following the Government's decision to discontinue funding for this cost through Vote State Services.

PERSONNEL

The increase in personnel costs from 2011/12 is the result of vacancies being filled through the implementation of the new organisation design through the merger of the three former entities (Ministry of Agriculture and Forestry, New Zealand Food Safety Authority and Ministry of Fisheries).

OTHER EXPENSES

The Ministry has rationalised its office accommodation throughout the country notably through the vacation and lease buy–out of the former Ministry of Fisheries Head Office building. This resulted in property lease savings of $3.7 million and a $42 million reduction in non–cancellable property lease commitments.

NON CURRENT ASSETS

During 2012/13 the Ministry sold the National Animal Identification and Tracing Scheme (NAIT) information system and customer call centre application to NAIT Ltd for $4.115 million as reflected in the fall in non-current assets and increase in working capital.

SIGNIFICANT VARIANCES BETWEEN 2012/13 ACTUAL RESULTS AND SUPPLEMENTARY ESTIMATES

EXPENDITURE

Departmental outputs were provided at a cost of $375.869 million, which is $14.505 million less than forecast in the Supplementary Estimates. Approval has been obtained to carry forward $11.219 million of operating funding to 2013/14 to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: $3.628 million to develop a business case for the upgrade of the Ministry's containment laboratory in Wallaceville, implementation of Government–Industry Agreements, and further changes to systems and processes as part of the Ministry's continuing transformation programme; $2.549 million for fisheries stock assessment and aquatic environment research (which informs fisheries advice); $0.960 million for implementation of the Joint Border Management System (JBMS); $1.143 million for a programme of central government regulatory interventions in Resource Management Act 1991 Coastal Plans to enable sustainable aquaculture growth; and $0.774 million for implementation of the Emissions Trading Scheme.

OPERATING SURPLUS

The operating surplus includes $2.866 million for the provision of outputs operating on a full cost–recovery basis from third parties. Memorandum accounts are used to keep track of the accumulated surpluses and deficits to enable the Ministry to take a long–run perspective to fee setting and cost recovery (note 23). This surplus is retained in equity and reduces the cumulative deficit for services subject to memorandum accounts to $0.618 million.

WORKING CAPITAL

Capital expenditure in the later part of the financial year was lower than anticipated, leading to the improved working capital position.

FINANCE LEASES

The fall in finance leases reflects the Ministry's decision to no longer obtain computer equipment under finance leases.

EMPLOYEE ENTITLEMENTS

The annual leave liability is higher than forecast. At 30 June 2013, 566 staff (26 percent) had leave balances over 30 days.

Statement of

Comprehensive Income

For the year ended 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES 2013 $000	SUPP ESTIMATES 2013 $000
	Income				
294 690	Revenue Crown		286 648	310 519	297 867
96 641	Revenue other	2	94 065	101 214	94 815
467	Gains	3	159	–	154
391 798	**Total income**		**380 872**	**411 733**	**392 836**
	Expenditure				
185 448	Personnel costs	4	192 651	197 800	196 375
11 394	Depreciation and amortisation expense	10, 11	11 272	11 630	11 377
4 092	Capital charge	5	5 034	4 637	5 034
132	Finance lease interest		31	19	64
6 806	Restructuring costs		871	–	532
169 684	Other operating expenses	6	166 010	197 647	176 992
377 556	**Total expenditure**		**375 869**	**411 733**	**390 374**
14 242	Net surplus/(deficit)		5 003	–	2 462
	Other comprehensive income				
	Item that will not be reclassified in surplus/(deficit)				
678	Gain on property revaluations	17	17	–	–
14 920	**Total Comprehensive Income**		**5 020**	**–**	**2 462**

Explanations of significant variances against budget are detailed in note 24.

The accompanying notes form part of these financial statements.

Statement of

Financial Position

As at 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES 2013 $000	SUPP ESTIMATES 2013 $000
	Assets				
	Current assets				
31 379	Cash and cash equivalents		45 574	18 103	12 968
38 843	Debtors and other receivables	7	30 631	38 000	29 750
890	Prepayments		1 380	2 000	2 000
4 531	Inventory	8	4 471	4 200	4 500
110	Non–current assets held for sale	9	110	–	110
75 753	**Total current assets**		**82 166**	**62 303**	**49 328**
	Non–current assets				
38 761	Property plant and equipment	10	35 543	42 797	39 380
26 298	Intangible assets	11	26 363	27 601	31 282
65 059	**Total non–current assets**		**61 906**	**70 398**	**70 662**
140 812	**Total assets**		**144 072**	**132 701**	**119 990**
	Liabilities				
	Current liabilities				
31 678	Creditors and other payables	12	43 505	34 700	30 975
13 450	Repayment of surplus	13	2 137	–	154
3 761	Provisions	14	2 008	855	556
21 031	Employee entitlements	15	23 130	18 100	15 600
468	Finance leases	16	18	19	18
70 388	**Total current liabilities**		**70 798**	**53 674**	**47 303**
	Non–current liabilities				
1 514	Provisions	14	–	250	–
9 156	Employee entitlements	15	9 212	12 600	9 200
18	Finance leases	16	–	–	–
10 688	**Total non–current liabilities**		**9 212**	**12 850**	**9 200**
81 076	**Total liabilities**		**80 010**	**66 524**	**56 503**
59 736	**Net assets**		64 062	66 177	63 487
	Equity				
62 339	Crown capital and retained earnings		63 782	69 458	63 782
(3 484)	Memorandum accounts (net position)		(618)	(3 484)	(1 176)
881	Property revaluation reserve		898	203	881
59 736	**Total Equity**	17	**64 062**	**66 177**	**63 487**

The accompanying notes form part of these financial statements.

Statement of

Changes in Equity

For the year ended 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES 2013 $000	SUPP ESTIMATES 2013 $000
37 424	Balance at 1 July		59 736	58 266	59 736
21 437	Capital contributions		2 038	8 506	2 038
(595)	Repayment of capital		(595)	(595)	(595)
14 242	Surplus/(deficit) for the year		5 003	–	2 462
678	Gain on property revaluations		17	–	–
(13 450)	Repayment of surplus to the Crown	13	(2 137)	–	(154)
59 736	Balance at 30 June	17	64 062	66 177	63 487

The accompanying notes form part of these financial statements.

Statement of

Cash Flows

For the year ended 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES 2013 $000	SUPP ESTIMATES 2013 $000
	Cash flows from operating activities				
302 648	Receipts from Crown		295 408	310 519	310 488
96 455	Receipts from revenue other		92 851	101 214	92 414
(194 076)	Payments to employees		(191 396)	(197 800)	(201 712)
(175 029)	Payments to suppliers		(156 530)	(197 897)	(186 580)
(4 092)	Payments for capital charge		(5 034)	(4 637)	(5 034)
1 250	Goods and services tax (net)		3 435	–	2 446
27 156	Net cash from operating activities	18	38 734	11 399	12 022
	Cash flows from investing activities				
2 176	Receipts from sale of property plant and equipment		1 318	–	796
–	Receipts from sale of intangible assets		4 184	–	4 118
(5 475)	Purchase of property plant and equipment		(5 401)	(10 911)	(7 581)
(12 976)	Purchase of intangible assets		(12 134)	(7 350)	(15 695)
(16 275)	Net cash from investing activities		(12 033)	(18 261)	(18 362)
	Cash flows from financing activities				
8 395	Capital injections from the Crown		2 038	8 506	2 038
(7 441)	Repayment of surplus to the Crown		(13 450)	(293)	(13 450)
(595)	Repayment of capital to the Crown		(595)	(595)	(595)
(778)	Payments of finance leases		(499)	(19)	(64)
(419)	Net cash from financing activities		(12 506)	7 599	(12 071)
10 462	**Net increase (decrease) in cash**		**14 195**	**737**	**(18 411)**
20 917	Cash at the beginning of the year		31 379	17 366	31 379
31 379	**Cash at the end of the year**		**45 574**	**18 103**	**12 968**

During the period, the Ministry did not acquire property, plant and equipment by means of finance leases (2012: $238 000).

The accompanying notes form part of these financial statements.

Statement of

Commitments

As at 30 June 2013

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 recognised as a liability at balance date.

NON–CANCELLABLE OPERATING LEASE COMMITMENTS

The Ministry leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises, which have a non–cancellable leasing period ranging from 1 to 16 years.

ACTUAL 2012 $000		ACTUAL 2013 $000
	Capital commitments	
–	Property plant and equipment	–
–	Intangible assets	–
–	**Total capital commitments**	–
	Other non–cancellable operating commitments	
25 827	Not later than one year	8 980
45 460	Later than one year and not later than five years	21 809
5 425	Later than five years	4 343
76 712	**Total non–cancellable operating lease commitments**	**35 132**
76 712	**Total commitments**	**35 132**

The total minimum future sublease payments expected to be received under non–cancellable subleases at the balance date is $1 512 000 (2012: $2 956 000).

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

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

The accompanying notes form part of these financial statements.

Statement of

Contingent Liabilities and Contingent Assets

As at 30 June 2013

UNQUANTIFIABLE CONTINGENT LIABILITIES

KIWIFRUIT VINE DISEASE PSA–V

In July 2012 the Ministry for Primary Industries (MPI) released the findings of an independent review of import requirements and border processes following an outbreak of the kiwifruit vine disease, Psa–V, in New Zealand. Kiwifruit growers are considering their legal options against MPI in light of the independent report. MPI has not been formally notified of any claims; but the growers have six years from the discovery of the disease to make any claims.

MPI has no quantifiable departmental contingent liabilities (2012: nil) and contingent assets (2012: nil) as at 30 June 2013.

Statement of Departmental

Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2013

No unappropriated expenditure was incurred in the year ended 30 June 2013 (2012: $1 008 000).

The accompanying notes form part of these financial statements.

Statement of Departmental

Expenses and Capital Expenditure against Appropriations

For the year ended 30 June 2013

EXPENDITURE AFTER REMEASUREMENTS 2012 $000		EXPENDITURE BEFORE REMEASUREMENTS 2013 $000	REMEASUREMENTS 2013 $000	EXPENDITURE AFTER REMEASUREMENTS 2013 $000	APPROPRIATION VOTED 2013* $000
	Vote Primary Industries				
	Appropriations for output expenses				
1 789	Administration and Management of Crown Forestry Assets	2 018	–	2 018	2 097
6 538	Administration of Grants and Programmes	7 178	–	7 178	9 343
4 576	Animal Welfare Education and Enforcement	3 585	–	3 585	3 649
81 072	Border Biosecurity Risk Management MCOA	95 231	(54)	95 177	97 416
65 578	*Border Biosecurity Monitoring and Clearance*	*78 443*	*(54)*	*78 389*	*79 518*
15 494	*Border Biosecurity Systems Development and Maintenance*	*16 788*	–	*16 788*	*17 898*
–	Development of Policy Advice MCOA	57 242	(33)	57 209	60 469
–	*Agriculture and Forestry Policy Advice*	*17 940*	–	*17 940*	*18 181*
–	*Biosecurity Policy Advice*	*2 767*	–	*2 767*	*3 022*
–	*Fisheries Policy Advice*	*4 239*	*(33)*	*4 206*	*3 910*
–	*Operational Advice on Sustainability and Management Controls in Fisheries*	*32 296*	–	*32 296*	*35 356*
54 669	Domestic Biosecurity Risk Management MCOA	51 221	(29)	51 192	51 204
13 447	*Biosecurity Incursion Response and Long Term Pest Management*	*26 460*	*(29)*	*26 431*	*26 373*
41 222	*Domestic Biosecurity Surveillance*	*24 761*	–	*24 761*	*24 831*
–	Implementation of Policy Advice MCOA	66 566	(39)	66 527	71 360
–	*Aquaculture*	*2 930*	–	*2 930*	*4 296*
–	*Fisheries Enforcement and Monitoring*	*38 994*	–	*38 994*	*41 876*
–	*Fisheries Management*	*8 127*	–	*8 127*	*9 524*
–	*Implementation of Agriculture and Forestry Policy Advice*	*12 138*	*(39)*	*12 099*	*11 687*
–	*Implementation of Biosecurity Policy Advice*	*4 377*	–	*4 377*	*3 977*
13 048	Implementation of the Emissions Trading Scheme and Indigenous Forestry	10 103	–	10 103	10 877
384	Interim Secretariat South Pacific Regional Fisheries Management Organisation	350	–	350	377
485	Support Services and Infrastructure to Other Agencies RDA	555	–	555	605
–	**Total Vote Primary Industries**	**294 049**	**(155)**	**293 894**	**307 397**
	Vote Agriculture and Forestry				
	Appropriations for output expenses				
26 436	Transferred to Vote Primary Industries	–	–	–	–
29 330	Policy Advice MCOA	–	–	–	–
55 766	**Total Vote Agriculture and Forestry**	–	–	–	–
	Vote Biosecurity				
	Appropriations for output expenses				
135 741	Transferred to Vote Primary Industries	–	–	–	–
8 331	Biosecurity Policy Advice	–	–	–	–
144 072	**Total Vote Biosecurity**				

EXPENDITURE AFTER REMEASUREMENTS 2012 $000		EXPENDITURE BEFORE REMEASUREMENTS 2013 $000	REMEASUREMENTS 2013 $000	EXPENDITURE AFTER REMEASUREMENTS 2013 $000	APPROPRIATION VOTED 2013* $000
	Vote Fisheries				
	Appropriations for output expenses				
384	Transferred to Vote Primary Industries	–	–	–	–
6 840	Development of Fisheries Policy	–	–	–	–
82 754	Implementation of New Zealand Fisheries Policies MCOA	–	–	–	–
89 978	**Total Vote Fisheries**				
	Vote Food Safety				
	Appropriations for output expenses				
57 040	Assurance	53 686	–	53 686	54 765
–	Development and Implementation of Policy Advice MCOA	3 879	–	3 879	4 804
–	*Implementation of Policy Advice*	*1 788*	–	*1 788*	*2 112*
–	*Policy Advice*	*2 091*	–	*2 091*	*2 692*
4 320	Information	1 388	–	1 388	1 404
3 817	Policy Advice	–	–	–	–
4 872	Response	4 976	–	4 976	4 998
17 541	Standards	17 891	–	17 891	19 314
87 590	**Total Vote Food Safety**	**81 820**	–	**81 820**	**85 285**
377 406	**Total All Votes**	**375 869**	**(155)**	**375 714**	**392 682**
	Permanent Legislative Authority				
19 971	**Capital Expenditure**	**16 259**	–	**16 259**	**22 808**

* This includes adjustments made in the Supplementary Estimates.

RESTRICTED BY REVENUE APPROPRIATION – SUPPORT SERVICES AND INFRASTRUCTURE TO OTHER AGENCIES

The Ministry earned $555 000 (2012: $485 000) revenue from the provision of services and infrastructure to other agencies. The Ministry is permitted to incur expenditure up to the amount of revenue earned for this appropriation.

The accompanying notes form part of these financial statements.

Statement of

Trust Monies

For the year ended 30 June 2013

MEAT LEVIES TRUST ACCOUNT

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

ACTUAL 2012 $000		ACTUAL 2013 $000
8	Balance at 1 July	5
57 644	Contributions	65 092
(57 647)	Distributions	(65 041)
–	Revenue	–
–	Expenditure	–
5	**Balance at 30 June**	**56**

FOREST TRUST ACCOUNT

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

ACTUAL 2012 $000		ACTUAL 2013 $000
1	Balance at 1 July	1
–	Contributions	–
–	Distributions	–
–	Revenue	–
–	Expenditure	–
1	**Balance at 30 June**	**1**

NATIONAL ANIMAL IDENTIFICATION TRACING TRUST

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

ACTUAL 2012 $000		ACTUAL 2013 $000
–	Balance at 1 July	–
–	Contributions	5,475
–	Distributions	(5,252)
–	Revenue	–
–	Expenditure	–
–	**Balance at 30 June**	**223**

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 2013

REPORTING ENTITY

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

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

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

The financial statements of the Ministry are for the year ended 30 June 2013. The financial statements were authorised for issue by the Acting Director–General of the Ministry on 30 September 2013.

BASIS OF PREPARATION

Statement of compliance

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

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

There were no changes in accounting policies during the financial year.

There were no revisions to accounting standards during the financial year that effected the Ministry's financial statements.

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

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

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

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

REVENUE

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

Revenue Crown

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

Third-party funded services

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

Statutory levies

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

Application fees

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

Rental income

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

Vested Assets

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

CAPITAL CHARGE

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

BORROWING COSTS

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

LEASES

Finance leases

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

Operating leases

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

FOREIGN CURRENCY TRANSACTIONS

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

FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

DEBTORS AND OTHER RECEIVABLES

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

Impairment is established as follows:

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

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

INVENTORIES

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

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

FORWARD FOREIGN EXCHANGE CONTRACTS

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

NON-CURRENT ASSETS HELD FOR SALE

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

All computers are capitalised and all other assets costing more than $5000 are capitalised.

Additions

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

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

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, which ever 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 the carrying amount does not differ materially from fair value, and at least every five years in the case of land and buildings, and at least every three years for artwork. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

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

INTANGIBLE ASSETS

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

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

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

Amortisation

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

CREDITORS AND OTHER PAYABLES

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

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

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

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

Long-term employee entitlements

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

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

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

Presentation of employee entitlements

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

SUPERANNUATION SCHEMES

Defined contribution schemes

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

PROVISIONS

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

Restructuring

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

Accident Compensation Corporation (ACC) Partnership Programme

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

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

EQUITY

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

Memorandum accounts

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

Property revaluation reserves

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

COMMITMENTS

Expenses yet to be incurred on non-cancellable operating lease contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

GOODS AND SERVICES TAX

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

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

BUDGET FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2013, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

STATEMENT OF COST ACCOUNTING POLICIES

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

Retirement and long service leave

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

CRITICAL JUDGEMENTS IN APPLYING THE MINISTRY'S ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying accounting policies.

Finance leases

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Ministry. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

The Ministry has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

NOTE 2: REVENUE OTHER

ACTUAL 2012 $000		ACTUAL 2013 $000
85 427	Statutory fees levies and charges	87 240
4 295	State Sector Retirement Savings Scheme (SSRSS) and KiwiSaver recovery	–
539	Rental income from sub–leased accommodation	593
6 380	Other goods and services	6 232
96 641	**Total revenue other**	**94 065**

NOTE 3: GAINS

ACTUAL 2012 $000		ACTUAL 2013 $000
466	Net gain on disposal of property, plant and equipment	159
1	Net gain on foreign exchange contracts	–
467	**Total gains**	**159**

During the period the Ministry disposed of motor vehicles as part of the normal vehicle replacement programme. The net gain on motor vehicle disposals was $130 000 (2012: $450 000).

NOTE 4: PERSONNEL COSTS

ACTUAL 2012 $000		ACTUAL 2013 $000
166 592	Salaries and wages	175 705
5 066	Employer superannuation contributions to defined contribution plans	5 069
6 809	Increase/(decrease) in employee entitlements	2 155
6 981	Other personnel costs	9 722
185 448	**Total personnel costs**	**192 651**

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

NOTE 5: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown on its Equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2013 was 8 percent (2012: 8 percent).

NOTE 6: OTHER OPERATING EXPENSES

ACTUAL 2012 $000		ACTUAL 2013 $000
	Fees to auditor	
398	– Fees to Ernst & Young for audit of financial statements	357
–	– Fees to Ernst & Young auditor for other services	16
12 677	Operating lease payments	8 920
1 156	Advertising and publicity	861
21 260	Fisheries and marine–related research contracts	21 717
11 246	Other research contracts	7 590
57 226	Other contracts for services	56 822
10 915	Travel	12 834
5 290	Property costs	5 240
7 509	Information technology	8 345
56	Inventory consumed (note 8)	60
(2)	Debt impairment (note 7)	152
1 408	Property plant and equipment written–off	213
–	Property plant and equipment impairment	585
313	Intangible assets written–off	2 306
283	Intangible assets impairment	–
281	Loss on property revaluations	–
22 743	Consultancy	23 011
16 925	Other operating expenses	16 981
169 684	**Total other operating expenses**	**166 010**

NOTE 7: DEBTORS AND OTHER RECEIVABLES

ACTUAL 2012 $000		ACTUAL 2013 $000
	Current debtors and other receivables	
4 902	Debtors	6 552
(140)	Less provision for impairment	(259)
4 762	Net debtors	6 293
27 621	Debtor Crown	18 861
6 460	Accrued revenue	5 477
38 843	**Total debtors and other receivables**	**30 631**

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

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

	2012			2013		
	GROSS $000	IMPAIRMENT $000	NET $000	GROSS $000	IMPAIRMENT $000	NET $000
Current	3 286	–	3 286	5 088	–	5 088
Greater than 30 days	624	–	624	562	–	562
Greater than 60 days	725	–	725	482	–	482
Greater than 90 days	267	(140)	127	420	(259)	161
Total	**4 902**	**(140)**	**4 762**	**6 552**	**(259)**	**6 293**

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

ACTUAL 2012 $000		ACTUAL 2013 $000
16	Individual impairment	33
124	Collective impairment	226
140	**Total provision for impairment**	**259**

Those specific debtors that are insolvent are fully provided for. The Ministry has identified 15 debtors that are insolvent totalling $38 000 as at 30 June 2013 (2012: nil).

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

ACTUAL 2012 $000		ACTUAL 2013 $000
58	Balance at 1 July	140
(2)	Additional provisions made (note 6)	152
124	Transfer from Ministry of Fisheries	–
(40)	Receivables written off during the year	(33)
140	**Balance at 30 June**	**259**

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

NOTE 8: INVENTORY

ACTUAL 2012 $000		ACTUAL 2013 $000
	Inventory held for distribution	
4 394	Foot-and-mouth vaccine	4 394
137	Security items for the transport of goods overseas	77
4 531	**Total inventory**	**4 471**

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 (2012: nil).

NOTE 9: NON-CURRENT ASSETS HELD FOR SALE

The Ministry-owned storehouse property on Aerodrome Road, Omaka, Blenheim has been classified as held for sale as part of the Kurahaupō historical Treaty settlement. The Crown's standard valuation process for properties sold as part of Treaty settlements is for the parties to agree on valuation instructions and on an independent valuer, who then values the property. After following this process the registered valuer, AC Hayward FNZIV FNZPI of Alexander Hayward Ltd, completed a valuation of the market value of the land and building as at 11 February 2009 of $110 000. The property is to be purchased by Rangitāne o Wairau (one of four Kurahaupō iwi). The Rangitāne settlement is one of the eight covered by the Te Tau Ihu Claims Settlement Bill that is expected to be enacted in December 2013.

ACTUAL 2012 $000		ACTUAL 2013 $000
	Non-current assets held for sale include	
25	Buildings	25
85	Land	85
110	**Total non-current assets held for sale**	**110**

The accumulated property revaluation reserve recognised in equity for the Omaka storehouse property at 30 June 2013 is $54 000.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	LAND $000	BUILDINGS $000	LEASEHOLD IMPROVEMENTS $000	FURNITURE, OFFICE EQUIPMENT AND ARTWORKS $000	MOTOR VEHICLES AND VESSELS $000	TOTAL $000
Cost or valuation						
Balance at 1 July 2011	1 523	13 190	11 053	28 027	6 642	60 435
Additions through purchase	–	187	1 329	2 008	2 161	5 685
Additions through merger with Ministry of Fisheries	147	3 053	4 316	4 862	5 950	18 328
Disposals	–	–	(3 734)	(14 867)	(1 377)	(19 978)
Revaluation	609	(3 417)	–	–	–	(2 808)
Held for sale	(85)	(25)	–	–	–	(110)
Reclassification	–	–	–	–	–	–
Balance at 30 June 2012	**2 194**	**12 988**	**12 964**	**20 030**	**13 376**	**61 552**
Balance at 1 July 2012	2 194	12 988	12 964	20 030	13 376	61 552
Additions through purchase	–	181	1 628	1 818	1 548	5 175
Disposals	–	–	(830)	(1 501)	(2 334)	(4 665)
Revaluation	–	–	–	17	–	17
Held for sale	–	–	–	–	–	–
Reclassification	–	(45)	45	(205)	3	(202)
Balance at 30 June 2013	**2 194**	**13 124**	**13 807**	**20 159**	**12 593**	**61 877**
Accumulated depreciation and impairment losses						
Balance at 1 July 2011	–	1 958	4 317	20 645	2 881	29 801
Depreciation expense	–	629	1 618	2 868	1 046	6 161
Additions through merger with Ministry of Fisheries	–	618	2 378	3 378	1 955	8 329
Eliminate on disposal	–	–	(2 397)	(14 787)	(1 111)	(18 295)
Impairment losses	–	–	–	–	–	–
Revaluation	–	(3 205)	–	–	–	(3 205)
Reclassification	–	–	–	–	–	–
Balance 30 June 2012	**–**	**–**	**5 916**	**12 104**	**4 771**	**22 791**
Balance at 1 July 2012	–	–	5 916	12 104	4 771	22 791
Depreciation expense	–	813	1 727	2 949	1 053	6 542
Eliminate on disposal	–	–	(617)	(1 498)	(1 469)	(3 584)
Impairment losses	–	–	585	–	–	585
Revaluation	–	–	–	–	–	–
Reclassification	–	–	–	(3)	3	–
Balance 30 June 2013	**–**	**813**	**7 611**	**13 552**	**4 358**	**26 334**
Carrying Amounts						
At 1 July 2011	1 523	11 232	6 736	7 382	3 761	30 634
At 30 June and 1 July 2012	2 194	12 988	7 048	7 926	8 605	38 761
At 30 June 2013	2 194	12 311	6 196	6 607	8 235	35 543

VALUATION

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

Artwork was valued at a fair value of $120 126 as at 30 June 2013 by Dunbar Sloane Limited.

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

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

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

WORK IN PROGRESS
The total amount of property, plant and equipment in the course of construction is $624 000 (2012: $3 602 000).

FINANCE LEASES
The net carrying amount of computer equipment held under finance leases is $17 000 (2012: $437 000).

NOTE 11: INTANGIBLE ASSETS

	ACQUIRED SOFTWARE $000	INTERNALLY GENERATED SOFTWARE $000	TOTAL $000
Cost			
Balance at 1 July 2011	6 696	25 063	31 759
Additions through purchase	903	13 589	14 492
Additions through merger with Ministry of Fisheries	5 159	8 176	13 335
Disposals	–	(422)	(422)
Reclassification	14	(14)	–
Balance at 30 June 2012	**12 772**	**46 392**	**59 164**
Balance at 1 July 2012	12 772	46 392	59 164
Additions through purchase	456	10 628	11 084
Disposals	(2 897)	(5 490)	(8 387)
Write–offs	(52)	(2 255)	(2 307)
Reclassification	498	(296)	202
Balance at 30 June 2013	**10 777**	**48 979**	**59 756**
Accumulated amortisation and impairment losses			
Balance at 1 July 2011	6 169	10 542	16 711
Additions through merger with Ministry of Fisheries	4 909	5 839	10 748
Amortisation expense	688	4 545	5 233
Disposals	–	(109)	(109)
Impairment losses	–	283	283
Reclassification	8	(8)	–
Balance at 1 July 2012	**11 774**	**21 092**	**32 866**
Amortisation expense	292	4 438	4 730
Disposals	(2 898)	(1 305)	(4 203)
Impairment losses	–	–	–
Reclassification	–	–	–
Balance at 30 June 2013	**9 168**	**24 225**	**33 393**
Carrying amounts			
At 1 July 2011	527	14 521	15 048
At 30 June and 1 July 2012	998	25 300	26 298
At 30 June 2013	1 609	24 754	26 363

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

WORK IN PROGRESS
The total amount of intangible assets in the course of construction is $11 223 000 (2012: $12 590 000). Work in progress is included in above figures at cost, less impariment, and is not amortised.

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

ACTUAL 2012			ACTUAL 2013	
CARRYING AMOUNT $000	REMAINING AMORTISATION PERIOD		CARRYING AMOUNT $000	REMAINING AMORTISATION PERIOD
2 067	3.75 years	Farm property information database (FarmsOnLine)	1 517	2.75 years
3 438	9.97 years	Animal Products Electronic Certification (AP E–cert) application	2 447	8.97 years
719	4.09 years	Electronic phytosanitary certification (ePhyto) generation system	543	3.08 years
3 347	4.84 years	Climate change information system	5 364	4.92 years
–	–	Laboratory information system	1 156	9.00 years
–	–	Financial management information system	883	4.00 years

NOTE 12: CREDITORS AND OTHER PAYABLES

ACTUAL 2012 $000		ACTUAL 2013 $000
1 083	Accounts payable	4 779
6 370	Unearned revenue	5 934
21 430	Accrued expenses	27 838
2 241	Creditor property plant & equipment and intangible assets	965
554	GST payable to Inland Revenue Department	3 989
31 678	**Total creditors and other payables**	**43 505**

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

NOTE 13: RETURN OF OPERATING SURPLUS

ACTUAL 2012 $000		ACTUAL 2013 $000
14 242	Net surplus from statement of comprehensive income	5 003
(1)	Adjust for unrealised losses/(gains) on forward foreign exchange contracts recognised in the surplus/(deficit)	–
281	Adjust for property revaluation losses/(gains) recognised in the surplus/(deficit)	–
(1 072)	Adjust for (surpluses)/deficits for services subject to memorandum accounts	(2 866)
13 450	**Total return of operating surplus**	**2 137**

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

NOTE 14: PROVISIONS

ACTUAL 2012 $000		ACTUAL 2013 $000
1 291	Restructuring	714
624	Compensation under the Biosecurity Act 1993	945
6	ACC Partnership Programme	18
2 610	Onerous lease	–
744	Other Provisions	331
5 275	**Total provisions**	**2 008**

NOTE 14A: PROVISION FOR RESTRUCTURING

ACTUAL 2012 $000		ACTUAL 2013 $000
451	Opening balance 1 July	1,291
425	Transferred from Ministry of Fisheries	–
1,364	Additional provisions made	400
(501)	Amounts used	(561)
(448)	Unused amounts reversed	(416)
1,291	**Closing balance**	**714**

The restructuring provision as at 30 June 2013 is primarily in respect to the amalgamation of Ministry of Fisheries and Ministry of Agriculture and Forestry. The provision represents the Ministry's best estimate of the cost of the restructuring and provides for equalisation allowances for 14 employees (2012: 17) and severance payments for a further 10 employees (2012: 13). It is anticipated all remaining costs associated with the restructuring will be incurred over the next year.

During the financial year severance was paid to 29 employees (2012: 104).

NOTE 14B: PROVISION FOR COMPENSATION UNDER THE BIOSECURITY ACT 1993

ACTUAL 2012 $000		ACTUAL 2013 $000
543	Opening balance	624
232	Additional provisions made during the year	349
(151)	Charged against provision for the year	(28)
624	**Closing balance**	**945**

This provision provides for compensation payable under section 162A of the Biosecurity Act 1993, as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where the exercise of these powers causes verifiable losses as a result of the damage or destruction of a person's property or restrictions on the movement of a person's goods. The provision represents the Ministry's best estimate of the cost of settling current compensation claims. The compensation payments are expected to be settled by 30 June 2014.

NOTE 14C: PROVISION FOR ACC PARTNERSHIP PROGRAMME

ACTUAL 2012 $000		ACTUAL 2013 $000
107	Opening balance	6
6	Additional provisions made	18
–	Charged against provision for the year	–
(107)	Unused amounts reversed during year	(6)
6	**Closing balance**	**18**

The liability for the ACC Partnership Programme is measured at the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries.

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

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

The Ministry has chosen a stop loss limit of 250 percent of the industry premium. The stop loss limit means the Ministry will only carry the total cost of claims of up to $500 000. The Ministry is not exposed to any significant concentrations of insurance risk as work-related injuries are generally the result of an isolated event to an individual employee.

NOTE 14D: PROVISION FOR ONEROUS LEASE LIABILITY

ACTUAL 2012 $000		ACTUAL 2013 $000
–	Opening balance	2 610
986	Transferred from Ministry of Fisheries	–
(217)	Charged against provision for the year	(2 320)
1 841	Additional provisions made during the year	–
–	Unused amounts reversed	(290)
2 610	**Closing balance**	–
1 096	Current portion	–
1 514	Non–current portion	–
2 610	**Total Liability**	–

The onerous lease liability provision is in respect to the vacated former Ministry of Fisheries head office building. In October 2012 agreement was reached with the landlord to buy out MPI's obligations under the head lease through to 30 June 2015.

NOTE 15: EMPLOYEE ENTITLEMENTS

ACTUAL 2012 $000		ACTUAL 2013 $000
	Current employee entitlements are represented by:	
4 264	Salaries and wages	5 528
13 388	Annual leave	13 906
618	Sick leave	646
1 235	Long service leave	1 284
1 526	Retiring leave	1 766
21 031	**Total current portion**	**23 130**
	Non–current employee entitlements are represented by:	
1 993	Long service leave	2 066
7 163	Retiring leave	7 146
9 156	**Total non–current portion**	**9 212**
30 187	**Total employee entitlements**	**32 342**

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

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

The discount rates used were: 1 year 2.71 percent; 2 year 3.14 percent; and 3 year–plus 5.5 percent (2012: 2.43 percent, 2.47 percent, 6 percent). A salary inflation factor of 3.5 percent has been used and is based on a 2.5 percent long term inflation assumption plus 1 percent for long term labour productivity growth for the public sector. The discount rates and salary inflation factor were provided by the Treasury.

If the discount rates were to increase by 1 percent, with all other factors held constant, the carrying amount of the liability would be an estimated $629 000 lower. If the discount rates were to decrease by 1 percent, with all other factors held constant, the carrying amount of the liability would be an estimated $708 000 higher.

If the salary inflation factor were to increase by 1 percent, with all other factors held constant, the carrying amount of the liability would be an estimated $659 000 higher. If the salary inflation factor were to decrease by 1 percent, with all other factors held constant, the carrying amount of the liability would be an estimated $596 000 lower.

NOTE 16: FINANCE LEASES

ACTUAL 2012 $000		ACTUAL 2013 $000
	Minimum lease payments payable:	
486	Not later than one year	18
19	Later than one year and not later than five years	–
505	**Total minimum lease payments**	**18**
(19)	Future finance charges	–
486	**Present value of minimum lease payments**	**18**
	Present value of minimum lease payments payable:	
468	Not later than one year (current)	18
18	Later than one year and not later than five years (non–current)	–
486	**Total present value of minimum lease payments**	**18**

DESCRIPTION OF LEASING ARRANGEMENTS

The Ministry has entered into finance leases for computer hardware. The net carrying amount of the leased items is $17 000 (2012: $485 000).

The finance leases can be renewed at the Ministry's option, with rents as set out in the Master Rental Agreement.

There are no restrictions placed on the Ministry by any of the finance leasing arrangements. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default in payment.

NOTE 17: EQUITY

ACTUAL 2012 $000		ACTUAL 2013 $000
	Crown capital and retained earnings	
37 221	Balance at 1 July	62 339
	Capital injections from the Crown for:	
13 335	– Amalgamation of Ministry of Fisheries from 1 July 2011	–
6 220	– Development of National Animal Identification Traceability (NAIT) application	800
1 652	– Design and development of the Joint Border Management System (JBMS) with New Zealand Customs Service	518
230	– Development of electronic wine certification capability	720
	Repayment of capital to the Crown for:	
(595)	– Part repayment of a 2004/05 capital injection for MAF Head Office accommodation	(595)
4 556	**Transfer to recognise memorandum account opening deficit**	–
14 242	Net surplus/(deficit)	5 003
(1 072)	Transfer of memorandum accounts net (surplus)/deficit	(2 866)
(13 450)	Return of operating surplus to the Crown	(2 137)
62 339	**Balance at 30 June**	**63 782**
	Memorandum accounts	
–	Balance at 1 July	(3 484)
(4 556)	Transfer to recognise memorandum account opening deficit	–
1 072	Net memorandum account surpluses/(deficits)	2 866
(3 484)	**Balance at 30 June**	**(618)**
	Revaluation reserve – Land	
100	Balance at 1 July	709
609	Revaluation gains	–
709	**Balance at 30 June**	**709**
	Revaluation reserve – Residential Buildings	
–	Balance at 1 July	69
69	Revaluation gains	–
69	**Balance at 30 June**	**69**
	Revaluation reserve – Artworks	
103	Balance at 1 July	103
–	Revaluation gains	17
103	Balance at 30 June	120
59 736	**Total equity**	**64 062**

NOTE 18: RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

ACTUAL 2012 $000		ACTUAL 2013 $000
14 242	Net surplus/(deficit)	5 003
	Add/(less) non–cash items	
11 677	Depreciation impairment and amortisation expense	14 164
(1)	Net foreign exchange gain	–
11 676	**Total non–cash items**	**14 164**
	Add/(less) items classified as investing or financing activities	
(466)	Net (gain)/loss on disposal of property plant and equipment	(159)
132	Finance lease interest expense	31
281	Revaluation expense	–
(53)	**Total investing or financing activities**	**(128)**
	Add/(less) movements in working capital items	
56	(Increase)/decrease in inventories	60
8 559	(Increase)/decrease in debtors and other receivables	8 134
2 798	(Increase)/decrease in prepayments	(490)
(12 412)	Increase/(decrease) in creditors and other payables	13 103
(108)	Increase/(decrease) in employee entitlements	2 155
2 398	Increase/(decrease) in provisions	(3 267)
1 291	**Total net movement in working capital items**	**19 695**
27 156	**Net cash from operating activities**	**38 734**

NOTE 19: RELATED PARTIES

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

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

SIGNIFICANT TRANSACTIONS WITH GOVERNMENT–RELATED ENTITIES

The Ministry has received funding from the Crown of $286.648 million (2012: $294.690 million) to provide services to the public for the year ended 30 June 2013.

The Ministry paid a capital charge to the Crown on its Equity of $5.034 million (2012: $4.092 million) for the year ended 30 June 2013.

COLLECTIVELY, BUT NOT INDIVIDUALLY, SIGNIFICANT TRANSACTIONS WITH GOVERNMENT–RELATED ENTITIES

In conducting its activities, the Ministry is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Ministry is exempt from paying income tax. During the year ended 30 June 2013 the Ministry paid the Inland Revenue Department and Accident Compensation Corporation $78.588 million and $0.642 million respectively (2012: $77.886 million and $0.760 million).

The Ministry also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government–related entities for the year ended 30 June 2013 totalled $50.079 million (2012: $34.400 million). These purchases included the purchase of specialist services and research capability from AgResearch, National Institute of Water and Atmospheric Research Ltd (NIWA) and AssureQuality, operating costs of Joint Border Management System (JBMS) from New Zealand Customs, air travel from Air New Zealand, legal services from Crown Law Office, and postal services from New Zealand Post.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS

Key management personnel compensation

ACTUAL 2012 $000		ACTUAL 2013 $000
2 592	Salaries and other short-term employee benefits	2 599
50	Other long-term benefits	24
138	Post employment benefits	158
–	Termination benefits	–
2 780	**Total key management personnel compensation**	**2 781**

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

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

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

During the year the Ministry contracted with Waikato Tainui, in which the Deputy Director-General Māori Primary Sector Partnerships partner is the Chief Executive Officer. The value of the services provided under the contract during the year totalled $84 000 (2012: $22 000) and were supplied on normal commercial terms. There were no outstanding balances at year end.

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

NOTE 20: FINANCIAL INSTRUMENT RISKS

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

MARKET RISK

Currency risk

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

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

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

Interest rate risk

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

Sensitivity analysis

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

Credit risk

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

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

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

Liquidity risk

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

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

Contractual maturity analysis of financial liabilities

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

	LESS THAN 6 MONTHS $000	BETWEEN 6 MONTHS AND 1 YEAR $000	BETWEEN 1 AND 5 YEARS $000
2012			
Creditors and other payables (note 12)	31 678	–	–
Finance leases (note 16)	284	184	18
2013			
Creditors and other payables (note 12)	43 505	–	–
Finance leases (note 16)	18	–	–

NOTE 21: CATEGORIES OF FINANCIAL INSTRUMENTS

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

ACTUAL 2012 $000		ACTUAL 2013 $000
	Loans and receivables	
31 379	Cash and cash equivalents	45 574
38 843	Debtors and other receivables (note 7)	30 631
70 222	**Total loans and receivables**	**76 205**
	Financial liabilities measured at amortised cost	
31 678	Creditors and other payables (note 12)	43 505

NOTE 22: CAPITAL MANAGEMENT

The Ministry's capital is its equity which comprise general funds and revaluation reserves. Equity is represented by net assets.

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

The object of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 23: MEMORANDUM ACCOUNTS

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

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

These transactions are included as part of the Ministry's operating income and expenses in the surplus/deficit, however, these transactions are excluded from the calculation of the Ministry's return of operating surplus (refer note 13). The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer note 17).

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

ACTUAL 2012 $000		ACTUAL 2013 $000
(1 772)	Border biosecurity clearance fees account	(2 232)
1 379	Phytosanitary exports account	1 395
(4 105)	Verification of the food regulatory programme	(946)
423	Approvals accreditations and registrations	331
591	Standards setting for the food industry	834
(3 484)	**Total memorandum account balances**	**(618)**

NOTE 23A: BORDER BIOSECURITY CLEARANCE FEES ACCOUNT

ACTUAL 2012 $000		ACTUAL 2013 $000
(2 722)	Opening balance 1 July	(1 772)
24 483	Revenue	23 654
(23 533)	Expenses	(23 342)
–	Transfers and adjustments	(772)
(1 772)	**Closing balance**	**(2 232)**

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 2010 including inspection of risk goods, offshore inspection of ships, and approval and audit of transitional containment facilities and facility operators.

NOTE 23B: PHYTOSANITARY EXPORTS ACCOUNT

ACTUAL 2012 $000		ACTUAL 2013 $000
1 199	Opening balance 1 July	1 379
2 435	Revenue	1 865
(2 255)	Expenses	(1 849)
1 379	**Closing balance**	**1 395**

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

NOTE 23C: VERIFICATION OF THE FOOD REGULATORY PROGRAMME

ACTUAL 2012 $000		ACTUAL 2013 $000
(5 462)	Opening balance 1 July	(4 105)
36 803	Revenue	37 672
(35 446)	Expenses	(35 285)
–	Transfers and adjustments	772
(4 105)	**Closing balance**	**(946)**

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

NOTE 23D: APPROVALS, ACCREDITATIONS AND REGISTRATIONS

ACTUAL 2012 $000		ACTUAL 2013 $000
728	Opening balance 1 July	423
3 197	Revenue	3 558
(3 502)	Expenses	(3 650)
423	**Closing balance**	**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 23E: STANDARDS SETTING FOR THE FOOD INDUSTRY

ACTUAL 2012 $000		ACTUAL 2013 $000
1 701	Opening balance 1 July	591
16 365	Revenue	17 395
(17 475)	Expenses	(17 152)
591	**Closing balance**	**834**

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

NOTE 24: MAIN ESTIMATES MAJOR BUDGET VARIANCES

Explanations for major variances from the Ministry's budgeted figures in the Information Supporting the Estimates are as follows:

STATEMENT OF COMPREHENSIVE INCOME

Revenue from the Crown

Revenue Crown was $23.871 million (8%) less than the Budget Day estimate owing to the following:

- carry forward of $20.822 million underspends in 2012/13 to meet staff remuneration cost pressures in 2014/15, 2015/16 and 2016/17;
- $3.443 million decrease for net effect of expense transfers from 2011/12 to 2012/13 and from 2012/13 to 2013/14, notably the carry forward of: $1.374 million for implementation of the Emissions Trading Scheme (ETS); $1.143 million funding for a programme of central government regulatory interventions in Resource Management Act 1991 coastal plans to enable sustainable aquaculture growth; and $0.689 million for fisheries research;
- transfer of $0.600 million to Vote Science and Innovation to support operation of research vessel Tangaroa;
- additional $0.384 million funding from Vote Foreign Affairs and Trade to meet overseas travel costs for negotiation of free trade agreements (FTAs) and closer economic partnership agreements (CEPs); and
- additional $0.610 million per annum over four years from 2012/13 for New Zealand to continue to host the Secretariat of the Global Research Alliance.

Revenue from third parties

Revenue other was $7.149 million (7 percent) less than Budget Day estimate owing to lower level of activity than forecast in the provision of outputs to third parties on a cost-recovery basis, notably under Vote Food Safety output class Assurance and Vote Primary Industries output class Border Biosecurity Risk Management MCOA.

Expenditure

Expenditure was $35.864 million (9%) less than Budget Day estimate owing to the following:

- expense transfers to 2013/14 of $3.443 million funded from revenue Crown;
- lower level of activity than forecast in the provision of outputs to third parties on a cost-recovery basis and at a lower cost than forecast contributing $2.866 million to the overall $5.003 million operating surplus; and
- savings in personnel and operating costs as a result of the implementation of the new organisation design through the merger of the three former entities (Ministry of Agriculture and Forestry, New Zealand Food Safety Authority and Ministry of Fisheries), of which $20.822 million is being carried forward to meet staff remuneration cost pressures in 2014/15, 2015/16 and 2016/17.

STATEMENT OF FINANCIAL POSITION (AND CASH FLOWS)

The year-end cash position was significantly greater than budgeted by $27 million, mainly owing to three factors:

- reduced Debtor Crown ($9 million);
- the lower level of capital expenditure than forecast ($9 million) in part owing to $2.9 million capital transfer to New Zealand Customs Service for development of JBMS, and carry forward of $2 million to 2013/14 for development of system for trans-Tasman transfer of x-ray images of checked-in baggage while a trial is evaluated to assess the technology; and
- creditors and payables are greater than forecast by $9 million in part owing to the need to accrue $5 million owing to New Zealand Customs Service for JBMS operating costs for six months to 30 June 2013.

NOTE 25: EVENTS AFTER BALANCE DATE

There have been no significant events after the balance date.

Non–Departmental

Statements and Schedules

INTRODUCTION AND OVERVIEW

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

The Ministry administered $241.148 million of expenditure, $170.206 million of revenue, $4.151 million of capital receipts, $273.706 million of assets, and $51.346 million of liabilities on behalf of the Crown for the year ending 30 June 2013. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output Performance sections of this report.

The financial information reported in these statements and schedules is consolidated into the Crown financial statements, and therefore readers of these statements and schedules should also refer to the Crown financial statements for the year ended 30 June 2013.

Schedule of

Non–Departmental Expenditure and Capital Expenditure against Appropriations

For the year ended 30 June 2013

EXPENDITURE AFTER REMEASUREMENTS 2012 $000		EXPENDITURE BEFORE REMEASUREMENTS 2013 $000	REMEASUREMENTS 2013 $(000)	EXPENDITURE AFTER REMEASUREMENTS 2013 $000	APPROPRIATION VOTED 2013 $000
	Vote Primary Industries				
	Appropriations for output expenses				
7 993	Climate change research[1]	8 281	–	8 281	8 472
30 762	Control of TB Vectors[1]	30 850	–	30 850	30 850
95 311	Management of Crown Forestry Assets[1]	100 326	(5 644)	94 682	99 900
1 789	Support for Walking Access	1 789	–	1 789	1 789
135 855	**Total appropriations for output expenses**	**141 246**	**(5 644)**	**135 602**	**141 011**
	Appropriations for benefits and other unrequited expenses				
736	Rural Veterinarians Bonding Scheme	1 399	–	1 399	1 400
	Appropriations for other expenses				
227	Adverse Climatic Events	595	–	595	776
5 257	Afforestation Grants Scheme[1]	5 360	–	5 360	5 840
–	Aquaculture Settlements[1]	–	–	–	10 848
1 900	Community Irrigation Fund and Schemes	1 072	–	1 072	1 302
4 066	East Coast Afforestation Grants	889	–	889	5 384
5	Fisheries Quota Shares and ACE Administration Costs	–	–	–	24
2 056	Hill County Erosion Fund	2 200	–	2 200	2 200
37 161	Primary Growth Partnership[1]	–	–	–	–
3 450	Provision for Write Downs	(43)	–	(43)	711
5 667	Response to Kiwifruit disease *Pseudomonas Syringae pv. Actinidiae*	1 526	–	1 526	4 805
2 477	Subscriptions to International Organisations	2 652	–	2 652	2 708
8 104	Sustainable Farming Fund[1]	7 759	–	7 759	9 300
70 370	**Total appropriations for other expenses**	**22 010**	**–**	**22 010**	**43 898**
206 961	**Total Vote Primary Industries**	**164 655**	**(5 644)**	**159 011**	**186 309**
	Vote Food Safety				
	Appropriations for other expenses				
2 086	Joint Food Standards Setting Treaty	2 086	–	2 086	2 100
2 086	**Total Vote Food Safety**	**2 086**	**–**	**2 086**	**2 100**
209 047	**Total All Votes**	**166 741**	**(5 644)**	**161 097**	**188 409**

1 This appropriation is subject to a report to Parliament under section 32A of the Public Finance Act.

DETAILS OF MULTI–YEAR APPROPRIATIONS

ACTUAL 2012 $000	OTHER EXPENSE APPROPRIATION AND VOTE	ACTUAL 2013 $000
	Global Research Alliance on Agricultural Greenhouse Gases[2]	
	Vote Agriculture and Forestry	
40 140	Original appropriation	–
(36 115)	Cumulative adjustments[3]	–
4 025	**Total adjusted appropriation**	–
1 678	Current year actual expenditure	–
2 347	Appropriation remaining	–
	Vote Primary Industries	
–	Original appropriation – over 4 years from 1 July 2012 to 30 June 2016	38 253
–	Cumulative adjustments[4]	442
–	Total adjusted appropriation	38 695
–	Current year actual expenditure	1 955
–	Appropriation remaining	36 740
	Primary Growth Partnership	
	Vote Primary Industries	
–	Original appropriation – over 5 years from 1 July 2012 to 30 June 2017	352 380
–	Cumulative adjustments[5]	1 371
	Total adjusted appropriation	**353 751**
–	Current year actual expenditure	36 729
–	Appropriation remaining	317 022
	Water Storage and Irrigation Investment Proposals[6]	
	Vote Agriculture and Forestry	
35 000	Original appropriation	–
(32 500)	Cumulative adjustments[7]	–
2 500	**Total adjusted appropriation**	
1 775	Current year actual expenditure	–
725	Appropriation remaining	–
	Vote Primary Industries	
–	Original appropriation – over 4 years from 1 July 2012 to 30 June 2016	32 500
–	Cumulative adjustments[8]	725
–	Total adjusted appropriation	33 225
–	Current year actual expenditure	5 994
–	**Appropriation remaining**	**27 231**

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2013.

2 This appropriation is subject to a report to Parliament under section 32A of the Public Finance Act.
3 Take-up unspent 2010/11 appropriation $1.138 million and establishment of appropriation under Vote Primary Industries $(38.253) million.
4 Take-up unspent 2011/12 appropriation $2.347 million, funding contribution from other countries $0.251 million, and departmental funding for secretariat functions $(2.156) million.
5 Take-up unspent 2011/12 appropriation $1.371 million.
6 This appropriation is subject to a report to Parliament under section 32A of the Public Finance Act.
7 Establishment of appropriation under Vote Primary Industries $(32.500) million.
8 Take-up unspent 2011/12 appropriation $0.725 million.

Statement of

Non–Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2013

There has been no unappropriated expenditure for the year ended 30 June 2013 (2012 $3 247 000).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2013.

Schedule of

Non–Departmental Income

For the year ended 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES PROJECTION 2013 $000	SUPP ESTIMATES PROJECTION 2013 $000
	Income				
115 043	Sale of forest produce		124 382	126 801	124 158
36 426	Fines penalties and levies	2	38 073	35 851	33 750
1 012	Sale of Crown–owned quota and Annual Catch Entitlement (ACE)		314	100	100
6 672	Deemed value for over–fishing		4 620	2 500	2 500
836	Forestry encouragement loan interest	3	749	773	757
695	Gain on remeasurement of forestry encouragement loans	3	886	–	–
681	Emissions Trading Scheme Fees		431	500	400
155	Doubtful debts recovered		–	–	–
151	Forestry land rental		202	200	200
45	Interest income		97	50	50
–	Global Research Alliance funding from other countries		452	–	251
161 716	**Total non–departmental income**		**170 206**	**166 775**	**162 166**

Schedule of Non–Departmental

Capital Receipts

For the year ended 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES PROJECTION 2013 $000	SUPP ESTIMATES PROJECTION 2013 $000
	Capital receipts				
1 675	Forestry encouragement loan repayments	3	3 194	2 316	2 012
17 234	Sale of non–current assets held for sale forestry assets and property plant and equipment		957	–	958
18 909	**Total non–departmental capital receipts**		**4 151**	**2 316**	**2 970**

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2013.

Schedule of

Non–Departmental Expenditure

For the year ended 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES PROJECTION 2013 $000	SUPP ESTIMATES PROJECTION 2013 $000
	Expenditure				
68 299	Grants		64 210	104 553	76 298
126 335	Operating		127 857	193 810	150 770
736	Benefits		1 399	1 760	1 400
9 671	Research and development		10 236	17 800	8 107
1 789	New Zealand Walking Access Commission funding	8	1 789	1 789	1 789
270	Depreciation and impairment of property plant and equipment		271	266	271
3 482	Impairment of receivables		(43)	–	–
24 974	Loss on revaluation of forests measured at fair value	5	5 200	–	–
938	Loss on impairment of forests measured at cost	5	444	–	–
1 758	Loss on revaluation of property plant and equipment		–	–	–
160	Loss on non–current asset held for sale		–	–	–
–	Loss on disposal of property plant and equipment		56	–	–
30 031	GST input expenses		29 729	38 784	34 301
268 443	**Total non–departmental expenditure**		**241 148**	**358 762**	**272 936**

Schedule of

Non–Departmental Assets

As at 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES PROJECTION 2013 $000	SUPP ESTIMATES PROJECTION 2013 $000
	Current assets				
7 743	Cash and cash equivalents		14 496	11 733	10 280
26 829	Debtors and other receivables	6	25 402	28 220	25 000
1 853	Prepayments		1 529	2 247	1 800
958	Non–current assets held for sale	4	15 468	1 456	3 068
2 198	Forestry encouragement loans	3	1 830	1 816	1 811
39 581	**Total current assets**		**58 725**	**45 472**	**41 959**
	Non–current assets				
6 566	Forestry encouragement loans	3	5 375	4 838	5 698
207 394	Forestry assets	5	191 501	235 230	207 394
20 959	Property plant and equipment	7	16 955	18 943	17 301
	Crown equity investment in Crown entities				
1 150	– New Zealand Walking Access Commission	8	1 150	1 150	1 150
236 069	**Total non–current assets**		**214 981**	**260 161**	**231 543**
275 650	**Total non–departmental assets**		**273 706**	**305 633**	**273 502**

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2013.

Schedule of

Non–Departmental Liabilities

As at 30 June 2013

ACTUAL 2012 $000		NOTES	ACTUAL 2013 $000	MAIN ESTIMATES PROJECTION 2013 $000	SUPP ESTIMATES PROJECTION 2013 $000
	Current liabilities				
37 725	Creditors and other payables	9	32 825	24 592	31 200
9 776	Over and under recovered costs from fishing industry	10	7 498	13 993	10 000
5 636	Provisions	11	2 148	1 518	2 887
	Non–Current liabilities				
5 809	Provisions	11	8 875	14 183	5 437
58 946	**Total non–departmental liabilities**		**51 346**	**54 286**	**49 524**

Schedule of Non–Departmental

Contingent Liabilities and Contingent Assets

As at 30 June 2013

UNQUANTIFIED CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

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

CONTINGENT ASSETS

The Ministry on behalf of the Crown has no contingent assets (2012: nil).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2013.

Schedule of

Non–Departmental Commitments

As at 30 June 2013

The Ministry on behalf of the Crown has entered into non–cancellable land leases for forestry purposes. The lease agreements commit the Crown to expenditure over the remaining term of the leases and have expiry dates ranging from 2013 to 2082. The commitments shown are the Ministry's best estimate of the minimum expenditure to be incurred over the remaining term of the leases.

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

ACTUAL 2012 $000		ACTUAL 2013 $000
	Non–cancellable operating lease commitments	
76 533	Not later than one year	66 175
191 410	Later than one year and not later than five years	188 492
380 575	Later than five years	334 131
648 518	**Total non–departmental operating lease commitments**	**588 798**

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 2013.

Statement of

Trust Monies

For the year ended 30 June 2013

DECLARED OVERFISHING TRUST ACCOUNT

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

ACTUAL 2012 $000		ACTUAL 2013 $000
1 115	Balance at 1 July	1 771
3 165	Contributions	4 395
(2 541)	Distributions	(3 372)
32	Revenue	64
–	Expenditure	–
1 771	**Balance at 30 June**	**2 858**

FORFEIT PROPERTY TRUST ACCOUNT

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

ACTUAL 2012 $000		ACTUAL 2013 $000
84	Balance at 1 July	774
1 198	Contributions	670
(518)	Distributions	(248)
13	Revenue	37
(3)	Expenditure	–
774	**Balance at 30 June**	**1 233**

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2013.

Notes to the Non-Departmental

Financial Statements

For the year ended 30 June 2013

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

ACCOUNTING POLICIES

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

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

There were no changes in accounting policies during the financial year.

The following particular accounting policies have been applied:

BUDGET FIGURES

The budget figures are those included in the information supporting the Estimates of Appropriations. In addition, these non-departmental schedules and statements also present the updated budget information from the Supplementary Estimates.

REVENUE

Fines and penalties

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

Interest income

Interest income is recognised using the effective interest method.

Sales of forest produce

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

Cost recovery levies

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

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

The cost of fisheries services provided by the Ministry during the period 1 July 2012 to 30 June 2013 is primarily recovered from the commercial fishing sector over the period 1 October 2012 to 30 September 2013. Such revenue is reported in the financial period to which the revenue relates.

Deemed value charges

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

GRANT EXPENDITURE

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

GOODS AND SERVICES TAX

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

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

DEBTORS AND OTHER RECEIVABLES

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

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default 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, the debt is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

FORESTRY ENCOURAGEMENT LOANS

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as such 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 either their carrying amount or their 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 $5000. The value of an individual asset that is less than $5000 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	5–45 years (2.2–20%)
Roads	20–25 years (4–5%)
Bridges and fencing	5–25 years (4–20%)
Motor vehicles	5–10 years (10–20%)
Plant and equipment	3–5 years (20–33%)

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

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

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

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

Gains or losses arising on initial recognition of forestry assets 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 forestry assets are included in the schedule of non-departmental expenses.

DERIVATIVE FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS
The Ministry on behalf of the Crown uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its foreign-exchange policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

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

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

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

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

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

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

- Forestry asset valuations (see note 5)
- Onerous contract provisions (see note 11b)
- Non-cancellable operating lease commitments (see Statement of Commitments).

The judgements and assumptions the Ministry has made on behalf of the Crown regarding the above assets and liabilities are disclosed in the statement of accounting policies and the other notes to the financial statements.

NOTE 2: FINES, PENALTIES AND LEVIES

ACTUAL 2012 $000		ACTUAL 2013 $000
32 582	Cost recovery levies from fishing industry – fisheries services	34 153
1 868	Cost recovery levies from fishing industry – conservation services	1 249
1 109	Biosecurity Act 1993 fines	1 534
613	Forfeitures for fisheries offences	164
–	Dairy industry levy	841
254	Fisheries Act 1996 infringement notices	132
36 426	**Total fines penalties and levies income**	**38 073**

NOTE 3: FORESTRY ENCOURAGEMENT LOANS

ACTUAL 2012 $000		ACTUAL 2013 $000
8 908	Balance at 1 July	8 764
836	Interest	749
(1 675)	Repayments	(3 194)
695	Unwind and present value adjustments	886
8 764	**Balance at 30 June**	**7 205**
2 198	Current	1 830
6 566	Non-current	5 375
8 764	**Balance at 30 June**	**7 205**

Loans advanced to local authorities between 1981 and 1986 at interest rates ranging from 4.5 percent to 7.0 percent under the Forestry Encouragement Loan Regulations (1967) to encourage afforestation. Loans become repayable when either 30 or 40 years has passed from the first loan advance or when clear felling in the loan forest commences.

Forestry encouragement loans were initially recoded at fair value based on the projected future cash flows discounted using market rates for loans of similar terms and credit risk. To ascertain comparable market rates at the time the loans were advanced, the Ministry used variable first mortgage housing rates sourced from the Reserve Bank historical series. Interest rates used to calculate fair value ranged from 15.38 perecent to 17.48 percent. The loans have subsequently been remeasured at amortised cost using the effective interest method to reflect actual and revised estimated cash flows.

The face value of forestry encouragement loans outstanding is $10 189 000 (2012: $12 634 000) as at 30 June 2013; comprising six loans (2012: 9) held by two local authorities (2012: 4). All outstanding loans are projected to repaid by 30 June 2021.

The Crown holds no collateral over forestry encouragement loans.

NOTE 4: NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale consist of the Crown's interest in forests 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 2013 is $228 000.

NOTE 5: FORESTRY ASSETS

ACTUAL 2012 $000		ACTUAL 2013 $000
	Forest measured at fair value	
230 789	Opening balance 1 July	203 891
12 549	Changes in fair value	23 846
(37 587)	Decrease due to harvesting	(29 046)
(1 860)	Cancellation of sale of forestry right due to (Resource Consent conditions) constraint in harvesting	1 860
–	Decreases due to reclassification as Held for Sale	(12 109)
203 891	Balance at 30 June	188 442
	Forest measured at cost less impairment (special purpose species)	
7 211	Opening cost 1 July	7 211
–	Increases due to purchases	–
7 211	Closing cost 30 June	7 211
(2 770)	Opening accumulated impairment 1 July	(3 708)
(938)	Impairment	(444)
(3 708)	Closing accumulated impairment 30 June	(4 152)
3 503	Balance at 30 June	3 059
207 394	**Total forestry assets**	**191 501**

The Ministry manages the Crown's interest in forests established on Crown owned land, leased Māori land and freehold land (under forestry rights). At 30 June 2013 the net stocked area of trees was 46 698 hectares (2012: 47,130 hectares).

During the year ended 30 June 2013:

- 7640 hectares (2012: 9213 hectares) of silvicultural tending were completed;
- 1 257 287 cubic metres of logs (2012: 1 597 708 cubic metres) were produced from harvesting operations;
- No forests were purchased (2012: Nil);
- No stocked forest area was sold (2012: 4469 hectares).

Forests measured at fair value

The valuations at 30 June 2012 and 30 June 2013 were carried out by Allan Bell and Associates, registered forestry consultants. The following valuation assumptions (unchanged from 2012) have been adopted in determining the fair value of forestry assets:

- a discount rate of 7 percent has been used in discounting the present value of expected post–tax cash flows;
- the prevailing company tax rate applied to pre–tax cash flows was 28 percent;
- notional land rental costs have been included for freehold land and actual rents for leased land and forestry rights;
- the forest has been valued on a going concern basis and only includes the value of the existing crop on a single rotation basis;
- no allowance for inflation has been provided except in calculating the cost–of–bush taxation effect;
- costs are current average costs;
- log prices are based on a start point of current prices (March quarter 2013) 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.

Special purpose species forest

On 1 January 2009, (2008/09 year) the Ministry purchased 5300 hectares of special purpose species (SPS) forest from Timberlands West Coast Limited (TWC). The SPS forest is right on Ngai Tahu land and was planted between 1993 and 2007 under an agreement between TWC and the Crown.

The fair value of the SPS forest cannot be reliably measured as market–determined prices are not available for significant quantities of cypress or blackwood logs, the relevant species in the SPS areas. The forest has therefore been valued at cost less impairment. An impairment assessment was carried out using a discounted cash flow analysis to model a net present value. Yield and log price assumptions are best estimates only and the resulting value is highly sensitive.

Financial risk management strategies

The Crown is exposed to financial risks arising from changes to international log prices and currency fluctuations. Movements in the log market are normally cyclical and MPI expects these prices to decline slightly in the short to medium term, following the slowing GDP growth in China. MPI's marketing strategy is based on a spread of domestic and export sales, and a spread of customers within both of these markets. During periods of oversupply, MPI revises its harvesting strategy in respect of those forests where there are no ongoing domestic supply contracts.

NOTE 6: DEBTORS AND OTHER RECEIVABLES

ACTUAL 2012 $000		ACTUAL 2013 $000
35 710	Debtors and other receivables	29 548
(8 881)	Less provision for impairment	(4 146)
26 829	**Total current debtors and other receivables**	**25 402**

The carrying value receivables approximate their fair value.
The ageing profile of debtors and other receivables at year end is detailed below:

	2012			2013		
	GROSS $000	IMPAIRMENT $000	NET $000	GROSS $000	IMPAIRMENT $000	NET $000
Not past due	24 711	–	24 711	23 508	–	23 508
Greater than 30 days	662	–	662	1 181	–	1 181
Greater than 60 days	337	–	337	115	–	115
Greater than 90 days	10 000	(8 881)	1 119	4 744	(4 146)	598
Total	**35 710**	**(8 881)**	**26 829**	**29 548**	**(4 146)**	**25 402**

The provision for impairment has been calculated based on expected losses for the Crown's pool of debtors.
Expected losses have been determined based on a review of individual debtors.
At 30 June 2013 the Ministry has identified thirty–nine debtors that are insolvent (2012: 67).
Movement in the provision for impairment of receivables is as follows:

ACTUAL 2012 $000		ACTUAL 2013 $000
61	Balance at 1 July	8 881
8 820	Additional provisions made	–
–	Unused amounts reversed	(43)
–	Receivables written off	(4 692)
8 881	**Balance at 30 June**	**4 146**

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 2011	22 947	256	5 934	437	29 574
Additions	–	–	–	–	–
Revaluations	1 736	40	–	–	1 776
Reversal of accumulated depreciation on revaluation	–	(40)	–	–	(40)
Disposals	(5 558)	–	(284)	–	(5 842)
Transfer to held for sale	–	–	–	–	–
Balance 30 June 2012	**19 125**	**256**	**5 650**	**437**	**25 468**
Balance 1 July 2012	19 125	256	5 650	437	25 468
Additions	–	–	–	–	–
Revaluations	(319)	–	–	–	(319)
Reversal of accumulated depreciation on revaluation	–	–	–	–	–
Disposals	–	–	(96)	–	(96)
Transfer to held for sale	(3 248)	(116)	(30)	(35)	(3 429)
Balance 30 June 2013	**15 558**	**140**	**5 524**	**402**	**21 624**
Accumulated depreciation and impairment losses					
Balance at 1 July 2011	–	32	3 942	305	4 279
Depreciation expense	–	10	244	16	270
Reversal of accumulated depreciation on revaluation	–	(40)	–	–	(40)
Eliminate on disposal	–	–	–	–	–
Transfer to held for sale	–	–	–	–	–
Balance 30 June 2012	**–**	**2**	**4 186**	**321**	**4 509**
Balance at 1 July 2012	–	2	4 186	321	4 509
Depreciation expense	–	11	245	15	271
Reversal of accumulated depreciation on revaluation	–	–	–	–	–
Eliminate on disposal	–	–	(40)	–	(40)
Transfer to held for sale	–	(10)	(29)	(32)	(71)
Balance 30 June 2013	**–**	**3**	**4 362**	**304**	**4 669**
Carrying Amounts					
At 1 July 2011	22 947	224	1 992	132	25 295
At 30 June and 1 July 2012	19 125	254	1 464	116	20 959
At 30 June 2013	**15 558**	**137**	**1 162**	**98**	**16 955**

Land and buildings have been valued at fair value as at June 2012 by independent registered valuers, JL Hancock of Crighton Anderson Property Infrastructure Ltd; C Hawkey of PGG Wrightson Real Estate Ltd; D Armstrong of Forest Land Consultants Ltd; GW Banfield of Veitch Morison Valuers Ltd; J Dunckley of Crighton Anderson Property Infrastructure Ltd and MH Morice of Morice Ltd.

NOTE 8: NEW ZEALAND WALKING ACCESS COMMISSION

The New Zealand Walking Access Commission is a Crown entity established under the Walking Access Act 2008, to provide leadership and co-ordination of walking access, the negotiation and funding of new access over private land and the creation of a code of responsible conduct in respect of walking access.

NOTE 9: CREDITORS AND OTHER PAYABLES

ACTUAL 2012 $000		ACTUAL 2013 $000
–	Creditors	4 008
9 167	Accrued expenses	9 213
28 558	Grants payable	18 012
–	GST payable	1 592
37 725	**Total creditors and other payables**	**32 825**

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

NOTE 10: OVER AND UNDER RECOVERED COSTS FROM FISHING INDUSTRY

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

This liability reflects the balance of the net over- and under-recovery of cost recovery levies for the period 1 October 1995 to 30 June 2013 to be applied against future cost recovery levy orders .

NOTE 11: PROVISIONS

ACTUAL 2012 $000		ACTUAL 2013 $000
	Current	
968	Rural veterinarians bonding scheme	1 551
4 668	Commercial aquaculture claims settlement	597
5 636	**Total current provisions**	**2 148**
	Non–current provisions	
301	Rural veterinarians bonding scheme	172
4 271	Onerous contracts	3 395
1 237	Commercial aquaculture claims settlement	5 308
5 809	**Total non–current provisions**	**8 875**
11 445	**Total provisions**	**11 023**

NOTE 11A: RURAL VETERINARIANS BONDING SCHEME

ACTUAL 2012 $000		ACTUAL 2013 $000
1 160	Opening balance	1 269
774	Additional provisions made	1 400
(627)	Amounts used	(946)
(38)	Unused amounts reversed	–
1 269	**Closing balance**	**1 723**

The rural veterinarians bonding scheme provides payments to veterinary professionals agreeing to work in under–staffed rural areas. Payments are for a maximum of $11 000 per annum for five years and are made after the third, fourth and fifth year. The scheme commenced on 1 January 2009 and this provision represents the Ministry's liability at balance date for the seventy-seven veterinarians currently in the scheme.

NOTE 11B: ONEROUS CONTRACTS

ACTUAL 2012 $000		ACTUAL 2013 $000
4 546	Opening balance	4 271
–	Additional provisions made	–
(275)	Increase/(decrease) for passage in time and change in discount rate	(876)
4 271	Closing balance	3 395

This provision relates to non-cancellable contracts for the lease of land for forestry purposes on the east coast of the North Island and South Westland. Based on current market conditions the unavoidable costs of meeting the contracts exceed the economic benefits to be received from them. The provision has been measured at the present value of the expenditures expected to be required to settle the obligations. A market-determined discount rate of 7 percent has been used that reflects the time, value of money and the risks specific to the obligation. The contracts expire in 2030 and 2079 respectively.

NOTE 11C: COMMERCIAL AQUACULTURE CLAIMS SETTLEMENT

ACTUAL 2012 $000		ACTUAL 2013 $000
8 943	Opening balance	5 905
–	Additional provisions made	–
(3 038)	Amounts used	–
5 905	Closing balance	5 905

The Māori Commercial Aquaculture Claims Settlement Act 2004 provides a full and final settlement of Māori contemporary claims to commercial aquaculture space created since 21 September 1992.

The Act establishes the Crown's obligation to provide iwi with the equivalent of 20% 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.

There were no settlements during the 2012/13 financial year.

NOTE 12: EXPLANATIONS OF MAJOR VARIANCES

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

NON-DEPARTMENTAL INCOME

Income from levies to recover costs of fisheries-related conservation services, and fisheries services from the commercial fishing sector, was $1.076 million higher than budgeted.

Revenue from deemed value charges for fish taken in excess of quota under the quota management system was $2.12 million greater than forecast.

CAPITAL RECEIPTS

The Ministry is actively engaged with loan grantees to reduce the number and amount outstanding under the Forestry Encouragement Loan scheme. Loan repayments during the period were $878 000 higher than expected.

The Treaty of Waitangi settlement (Rereahu) covering the sale of Pureora forest land was concluded during the year. This asset was recorded as held for sale at 30 June 2012.

NON-DEPARTMENTAL EXPENDITURE

The annual revaluation of Crown forests resulted in a revaluation loss of $5.644 million (2012: $25.912 million). The Crown accounting policy is to not budget for annual revaluation movements.

Grants expenditure of $36.7 million against the Primary Growth Partnership multi-year appropriation (MYA) was $33 million less than the current year's forecast share but at a comparable level to that incurred in the previous financial year. The MYA provides flexibility to incur expenditure up to the total of the appropriation as the government-industry initiatives incur costs and across financial years.

The Crown has a legislative obligation under the Māori Commercial Aquaculture Claims Settlement Act 2004 to settle pre-commencement and new space obligations to iwi. The Crown has discharged a significant component of its pre-commencement space obligations in the South Island and Coromandel region (payment of $100 million under a Deed of Settlement between the Crown and South Island and Coromandel iwi). Pre-commencement space negotiations are in progress for the remaining regions, covered by the residual $10.848 million appropriation that is being carried forward to 2013/14 and remaining $5.904 million in the Commercial Aquaculture Claims Settlement liability provision. In Budget 2012, a further $74.500 million funding was appropriated over three years (to 2014/15) to meet the Crown's new space obligations. New space settlement is complex owing to the forecast nature of estimating growth and valuation of space, which will require technical expertise and stakeholder engagement to progress negotiations. While some progress has been made, the entire $55.500 million appropriation for 2012/13 is being carried forward to 2013/14.

NON–DEPARTMENTAL ASSETS

The $31 million fall in value of Forestry Assets from the $235 million provided in the Main Estimates (financial position at 30 June 2011) to $204 million (including held for sale) was largely owing to a reduction in log price trends (used in the valuation model) which meant that the projected value of growing stock diminished. The value also declined owing to sale of two forestry rights (Waipoua and Oponae) and progressive surrender of the largest forests – Lake Taupō and Rotoaira. The surrender of forests is consistent with government policy to exit from forestry leases on commercial terms.

NON–DEPARTMENTAL LIABILITIES

The liability for over and under recovery from the fishing industry decreased by $6.5 million from $14 million provided for in the Main Estimates to $7.5 million reported at 30 June 2013. The reduction is primarily due to the final determination of levies for the fishing year that runs from 1 October 2012 to 30 September 2013.

APPENDICES

Terms and Definitions

Aquatic environment
The natural and biological resources comprising any aquatic ecosystem and including all aquatic life and the oceans, seas, coastal areas, intertidal areas, estuaries, rivers, lakes and other places where aquatic life exists.

Biosecurity
The exclusion, eradication or effective management of the risks posed by pests and diseases or unwanted organisms to the economy, environment and human health.

Check, Clean, Dry
The campaign, which began in 2005, focuses on getting waterway users to always Check, Clean, Dry equipment and clothing between waterways to minimise the spread of freshwater pests.

Codex Alimentarius
Is a collection of internationally recognised standards, codes of practice, guidelines and other recommendations relating to foods, food production and food safety.

Emissions Trading Scheme (ETS)
The ETS is one of the Government's responses to climate change and global warming.

Fisheries plan
A plan approved by the Minister of Fisheries under section 11A of the Fisheries Act 1996. Fisheries plans specify what the government, tāngata whenua and stakeholders want to achieve for specific fisheries (the objectives) and associated implementation strategies and services (including research, regulations and compliance) to achieve the objectives.

Fisheries stakeholders
Those groups (including commercial and recreational fishers) that have environmental interests in and derive value from the use of fisheries resources or have a strong interest in their sustainable use.

Fish stock
A species of fish, shellfish or other marine life within a particular area of the country that is treated as one "unit" by the fisheries management system. Catch allowances are set for commercial, recreational and customary fishers for each fish stock (area).

Free Trade Agreements (FTAs)
These are designed to liberalise trade between countries.

Government–Industry Agreement (GIA)
In September 2009, Cabinet announced that MPI would develop a GIA with industries. The purpose of a GIA is for government and industry to work together to prioritise biosecurity threats and organise readiness and response.

Hard limit
A biomass level below which a stock is deemed to be "collapsed" and where fishery closures should be considered to rebuild a stock at the fastest possible rate.

Import health standards
Documents specifying the requirements that imported risk goods must meet for the effective management of risks.

Incursion responses
MPI's response to the occurrence of an organism previously unknown to be established in New Zealand.

IPPC
International Plant Protection Convention.

Joint Border Management System (JBMS)
The Joint Border Management System is being developed by the New Zealand Customs Service and MPI. JBMS will enable smarter, swifter border processing for goods passing in and out of New Zealand.

Kaimoana
Māori for seafood and/or shellfish.

Kaitiaki
A person appointed under the customary fishing regulations who can authorise customary non-commercial food gathering. The term includes Tangata Tiaki/Kaitiaki under the Fisheries (South Island Customary Fishing) Regulations 1999, and Tangata Kaitiaki/Tiaki under the Fisheries (Kaimoana Customary Fishing) Regulations 1998.

Land and Water Forum
The Land and Water Forum comprises various primary industry groups, environmental and recreational non-governmental organisations, iwi and other organisations with an interest in fresh water and land management. It advises the Government on how water should be managed in New Zealand.

National Animal Welfare Advisory Committee
This committee was established under the Animal Welfare Act 1999 to provide independent advice to the Minister for Primary Industries on the welfare of animals in New Zealand, research needs and legislative proposals. A full list of the committee's functions can be found under section 57 of the Animal Welfare Act 1999.

OIE
Office International des Epizooties (World Organisation for Animal Health).

Outcomes
The impacts on, or the consequences for, the community of the outputs or activities of the Ministry (but also influenced by others).

Outputs
The goods or services produced by the Ministry.

Overfishing threshold
Percentage in excess of a fisher's annual catch entitlement.

Performance Improvement Framework (PIF)
The PIF is run jointly by the State Services Commission, the Department of the Prime Minister and Cabinet and the Treasury, and seeks continuous improvement in agencies.

Primary Growth Partnership (PGP)
The Primary Growth Partnership is a government–industry initiative that invests in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary, forestry and food sectors.

Quota management system (QMS)
The term applied to New Zealand's fishery management system, which works through rights being allocated to fish certain species as individual transferable quotas. A limit is set on the amount of each fish stock that may be taken in a given year.

Regulatory Impact Analysis Panel (RIAP)
A Regulatory Impact Analysis Panel provides a formal opinion on the quality of the Regulatory Impact Analysis section in required regulatory papers.

Regulatory Impact Statements (RISs)
Regulatory Impact Statements are prepared to support the consideration of regulatory proposals. A RIS provides a high-level summary of the problem being addressed, the options and their associated costs and benefits, the consultation undertaken, and the proposed arrangements for implementation and review.

Soft limit
A biomass level below which a stock is deemed to be "overfished" or depleted and needs to be actively rebuilt.

SPRFMO
South Pacific Regional Fisheries Management Organisation, which will manage non-highly migratory species in the high seas of the South Pacific Ocean.

Sustainable Farming Fund (SFF)
The Sustainable Farming Fund (SFF) invests in farmer, grower and forester-led projects that deliver economic, environmental and social benefits to New Zealand's primary industries.

Sustainable Land Management and Climate Change (SLMACC) Research Programme
The Sustainable Land Management and Climate Change research programme was launched in September 2007. Its aim is to help the agriculture and forestry sectors address the challenges arising from climate change.

Tangata whenua
In relation to a particular area, means the hapū or iwi that is Māori and holds mana whenua (customary authority) over that area.

Total Allowable Catch
This is the total amount (in tonnes) of fish stocks within the QMS that can be caught by fishers each year, whether they are recreational, customary or commercial fishers.

Total Allowable Commercial Catch
The portion of the Total Allowable Catch for each fish stock allocated to commercial fishers.

Trade Single Window (TSW)
The Trade Single Window is a component of the JBMS. It will enable parties involved in international trade and transport to submit the craft and cargo clearance data required by New Zealand border agencies electronically, through one entry point.

Legislation

Administered by MPI as at 30 June 2013

MPI administers about 50 statutes and nearly 360 sets of regulations.

Significant resources were deployed to ensure the commencement of the National Animal Identification and Tracing Act 2012 (NAIT Act). The NAIT Act implements a national animal identification and traceability scheme and was one of the biggest initiatives for the primary sector in 2012. The NAIT Act currently applies to cattle and deer. It is a significant tool for responding to a biosecurity outbreak, such as foot and mouth disease, and ensuring that disruption to the New Zealand economy and market access is minimised.

The Biosecurity Law Reform Act 2012 amended the Biosecurity Act 1993 to allow the biosecurity system to respond to an increasingly challenging environment. This includes promoting more effective and efficient biosecurity measures, encouraging partnerships in the management of biosecurity risks and providing flexibility to allow future improvements.

Work was carried out to update the regime in the Dairy Industry Restructuring Act 2001 to reflect the changing structure of the dairy industry, the need for greater transparency in milk pricing and to ensure the regime continued to support growth and innovation in the sector. The Dairy Industry Restructuring Amendment Act introduced a new regime in relation to Fonterra's milk price setting, proposed capital restructure and share valuation.

The Food Bill introduces substantial reforms to the regulatory regime for the safety and suitability of food. It seeks to provide an efficient, risk-based regulatory regime that places a primary duty on people trading in food to ensure that what is sold is safe and suitable. This Bill would, on commencement, replace the Food Act 1981 and, over time, the Food Hygiene Regulations 1974 and Food (Safety) Regulations 2002.

The Animal Welfare Amendment Bill seeks to amend the Animal Welfare Act 1999 to improve the enforceability, clarity and transparency of New Zealand's animal welfare system. This Bill implements the Government's decisions resulting from the 2011/12 review of the Act. The changes will enhance the operation of the Act, rather than alter the fundamental principles and policy settings, which remain appropriate. Substantial parts of this policy will not be implemented by the Bill itself but rather through regulations to be developed following the passing of the Bill.

The Fisheries (Foreign Charter Vessel and Other Matters) Amendment Bill seeks to amend the Fisheries Act 1996, to improve the management of matters pertaining to vessel safety, employment and fisheries management on foreign charter vessels (FCVs) operating in New Zealand waters. This Bill seeks to protect the human rights of crews and ensure New Zealand's reputation as a responsible and sustainable fishing nation is maintained. It proposes introducing a new regime that would widen the range of matters the chief executive could consider when deciding FCV registrations, expand the chief executive's powers to include the suspension of consent for registration and extend the functions of on-board observers. This Bill aims to strengthen the Government's ability to enforce New Zealand law by requiring FCVs to be reflagged to New Zealand while operating within New Zealand's Exclusive Economic Zone.

The Airports (Cost Recovery for Processing of International Travellers) Bill provides for recovery by the Government of the costs of aviation security, biosecurity and customs traveller processing. This relates to scheduled international flights arriving at, or departing from, new or re-established international airports; and international flights where, on request, travellers are processed in a non-routine way at any international airport.

PUBLIC ACTS

- Agricultural and Pastoral Societies Act 1908
- Agricultural Compounds and Veterinary Medicines Act 1997
- Animal Control Products Limited Act 1991
- Animal Products Act 1999
- Animal Welfare Act 1999
- Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- Biosecurity Act 1993
- Commodity Levies Act 1990
- Dairy Industry Restructuring Act 2001
- Driftnet Prohibition Act 1991
- Fisheries Act 1996
- Fisheries Act 1983
- Fisheries (Quota Operations Validation) Act 1997
- Food Act 1981
- Forestry Encouragement Act 1962
- Forestry Rights Registration Act 1983
- Forests Act 1949
- Forests (West Coast Accord) Act 2000
- Hazardous Substances and New Organisms Act 1996 (in respect of new organisms by virtue of section 97A)
- Hop Industry Restructuring Act 2003
- Irrigation Schemes Act 1990
- Kiwifruit Industry Restructuring Act 1999
- Meat Board Act 2004
- Maori Commercial Aquaculture Claims Settlement Act 2004
- Maori Fisheries Act 2004
- Ministry of Agriculture and Fisheries (Restructuring) Act 1995
- Ministries of Agriculture and Forestry (Restructuring) Act 1997
- Ministry of Agriculture and Forestry (Restructuring) Act 1998
- New Zealand Horticulture Export Authority Act 1987
- Plants Act 1970
- Pork Industry Board Act 1997
- Primary Products Marketing Act 1953
- Public Works Act 1981 (Part XIX)
- Royal New Zealand Institute of Horticulture Act 1953
- Taratahi Agricultural Training Centre (Wairarapa) Act 1969
- Treaty of Waitangi (Fisheries Claims) Settlement Act 1992
- Veterinarians Act 2005
- Walking Access Act 2008
- Wine Act 2003
- Wool Industry Restructuring Act 2003

PRIVATE ACTS

- Auckland Agricultural Pastoral and Industrial Shows Board Act 1972
- Canterbury Agricultural and Pastoral Association Empowering Act 1982
- Clevedon Agricultural and Pastoral Association Empowering Act 1994
- Kumeu District Agricultural and Horticultural Society Act 1991
- Marlborough Agricultural and Pastoral Association Empowering Act 1974
- Telford Farm Training Institute Act 1963
- Tokoroa Agricultural and Pastoral Association Empowering Act 1968
- United Wheatgrowers Act 1936
- Waikato Show Trust Act 1965

Publications

Produced 1 July 2012 – 30 June 2013

MPI publishes a variety of publications. These include technical reports, information papers, discussion papers, standards, regulations, manuals, statistical releases and newsletters. This report lists print publications. Many MPI publications are published online only, and are available on our websites at **www.mpi.govt.nz/news-resources/publications.aspx**, **www.foodsafety.govt.nz/elibrary/**, **www.biosecurity.govt.nz/biosec/pubs-news** and **www.fish.govt.nz/en-nz/Publications/default.htm**. Hard copies are available on request by phoning 0800 00 83 33 or emailing brand@mpi.govt.nz. We also contribute to a wide range of books, journals and magazines produced by other organisations that are not included here.

MPI-WIDE

- Annual Report 2011/12
- Situation and Outlook for Primary Industries (SOPI) 2013
- Situation and Outlook for Primary Industries Update December 2012
- Statement of Intent 2013–18

Discussion papers

- Animal Welfare Matters Proposals for a New Zealand Animal Welfare Strategy and Amendments to the Animal Welfare Act 1999
- Regulations under the National Animal Identification and Tracing Act 2012 to Implement the NAIT scheme: Regulations for Infringement Offences and Regulations Establishing the NAIT Information System Access Panel

Information papers

- Analysis of Submissions on MPI Discussion Paper No: 2012/15 Regulations for Infringement Offences and Regulations Establishing the NAIT Information System Access Panel

Technical papers

- Impacts of Climate Change on Land-based Sectors and Adaptation Options: Stakeholder Report

STATISTICAL RELEASES

- Primary Industries Production and Trade March Quarter 2012
- Primary Industries Production and Trade June Quarter 2012
- Primary Industries Production and Trade September Quarter 2012
- Primary Industries Production and Trade December Quarter 2012

AGRICULTURE

- Growing the Productive Base of Māori Freehold Land
- Primary Growth Partnership – Business-led, Market-Driven Primary Sector Innovation

FARM MONITORING REPORT 2012

Apiculture monitoring

- Apiculture

Horticulture monitoring

- Bay of Plenty Kiwifruit
- Canterbury Arable Cropping
- Pipfruit
- Viticulture

Pastoral monitoring

- Canterbury Dairy
- Lower North Island Dairy
- National Dairy
- Northland Dairy
- Southland Dairy
- Taranaki Dairy
- Waikato/Bay of Plenty Dairy
- West Coast South Island Dairy
- North Island Deer
- South Island Deer
- Canterbury/Marlborough Breeding and Finishing Sheep and Beef
- Canterbury/Marlborough Hill Country Sheep and Beef
- Central North Island Hill Country Sheep and Beef
- Gisborne Hill Country Sheep and Beef
- Hawke's Bay/Wairarapa Sheep and Beef
- National Sheep and Beef
- Northland Sheep and Beef
- Otago Dry Hill Sheep and Beef
- South Island High Country Sheep and Beef
- Southland/South Otago Hill Country Sheep and Beef
- Southland/South Otago Intensive Sheep and Beef
- Waikato/Bay of Plenty Intensive Sheep and Beef
- Western Lower North Island Intensive Sheep and Beef

FACT SHEETS

- Coping with Stress on the Farm? 24 July 2012
- Need Help with Drought Relief?

- Situation and Outlook for Primary Industries 2013 Fact Sheet
- Volcanic Eruption! Impacts and Hazard Mitigation for New Zealand's Primary Production Industries

ANIMAL WELFARE

- Animal Welfare Matters New Zealand Animal Welfare Strategy
- Guidance for Veterinarians Dealing with Cases of Suspected or Actual Animal Abuse and Family Violence
- National Animal Ethics Advisory Committee Annual Report 1 January to 31 December 2011
- National Animal Welfare Advisory Committee Annual Report 1 January to 31 December 2011

CODES OF WELFARE

- Animal Welfare (Layer Hens) Code of Welfare 2012
- Animal Welfare (Llamas and Alpacas) Code of Welfare 2013
- Animal Welfare (Meat Chickens) Code of Welfare 2012

BIOSECURITY

- National Plant Pest Accord 2012

FACT SHEETS

- A Biosecurity Risk for New Zealand: Myrtle Rust *(Puccinia psidii)*
- Brown Marmorated Stink Bug (BMSB)
- Check, Clean, Dry Advice for Whitebaiters
- Feeding Food Waste to Pigs
- Fruit Fly Surveillance Programme
- Giant African Snail
- Great White Cabbage Butterfly
- Gum Leaf Skeletoniser
- Gypsy Moth Surveillance Programme
- Have You Seen Signs of Termites?
- Milling and Exporting Swamp Kauri
- Red Imported Fire Ant
- Red-vented Bulbul Bird
- Salvinia
- Sawyer Beetle
- *Styela clava*. The Clubbed Tunicate – a Type of Sea Squirt
- Water Hyacinth

FISHERIES

- Annual Operational Plan for Deepwater Fisheries for 2012/13
- Aquatic Environment and Biodiversity Annual Review 2012
- Fisheries Assessment Plenary May 2013: Stock Assessments and Yield Estimates Volume 1: Introductory Sections to Jack Mackerel
- Fisheries Assessment Plenary May 2013: Stock Assessments and Yield Estimates Volume 2: John Dory to Red Gurnard
- Fisheries Assessment Plenary May 2013: Stock Assessments and Yield Estimates Volume 3: Red Snapper to Yellow-eyed Mullet
- Fisheries Assessment Plenary November 2012: Stock Assessment and Yield Estimates
- Maui's Dolphin Risk Assessment
- National Plan of Action – 2013 to Reduce the Incidental Catch of Seabirds in New Zealand fisheries
- Report from the Fisheries Assessment Plenary, May 2012: Stock Assessments and Yield Estimates Part 1: Introductory Sections to Jack Mackerel
- Report from the Fisheries Assessment Plenary, May 2012: Stock Assessments and Yield Estimates Part 2: John Dory to Red Crab
- Report from the Fisheries Assessment Plenary May 2012: Stock Assessments and Yield Estimates Part 3: Red Gurnard to Yellow-eyed Mullet

FACT SHEETS

- Akaroa Taiāpure
- All About Your Infringement Notice
- Auckland Kermadec Recreational Fishing Rules
- Central Recreational Fishing Rules
- Challenger Recreational Fishing Rules
- Fiordland Recreational Fishing Rules
- Guidelines for Gathering Paua
- South-east Recreational Fishing Rules
- Southland Recreational Fishing Rules

FOOD SAFETY

- Eating Safely When You Have Food Allergies
- Food Safety in Pregnancy
- Food Safety Practices in Preparing and Cooking a Hāngi: He whakatairanga i ngā ahuatanga mahi mō te tunu hāngi

FACT SHEETS AND POSTERS

- Cross-Contamination – a Major Cause of Foodborne Illness poster
- Food Bill – Facts for Food Retailers
- Food Bill – The Facts
- Gloves Don't Always Mean Clean poster
- Hygiene Matters poster
- Labelling and Selling Eggs in Their Shells (Shell Eggs)
- Separate Your Foods to Prevent Transferring Bacteria poster

FORESTRY

- A Guide to the Field Measurement Approach for Forestry in the Emissions Trading Scheme
- National Exotic Forest Description (NEFD) as at 1 April 2012

Grants Approved

1 July 2012 – 30 June 2013

MPI administers several grant programmes to help land managers and rural communities manage New Zealand's natural resources in a sustainable manner. Table 3 provides information on the number of grants approved in the 2012/13 budgeting round.

ADVERSE CLIMATIC EVENTS

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

Government responds to situations beyond the capacity of the wider community to cope, but not to individual requests for assistance. After an adverse event, the Government has a role in restoring public infrastructure and protecting the health and safety of its citizens. The Government may also help primary producers that feel the effect of an adverse event acutely.

AFFORESTATION GRANTS SCHEME

The Afforestation Grants Scheme is a contestable fund designed to encourage more planting of trees in small forests and on farms. The Government announced the scheme in 2007 as part of its package of climate change initiatives.

COMMUNITY IRRIGATION FUND

The Community Irrigation Fund aims to build resilience and ensure long-term economic growth within sustainable environmental limits by reducing the risks rural businesses and communities face from water shortages caused by climate change. The fund achieves this by providing grants to help promoters of community water storage and/or irrigation schemes to generate investor and/or community support and local government to undertake activities contributing to a strategic plan for water management that considers the potential for rural irrigation-related infrastructure.

EAST COAST FORESTRY PROJECT

The East Coast Forestry Project was established to deal with the wide-scale erosion problem in the Gisborne district. Since 1992, MPI has provided funding to landholders to control erosion on the worst eroding or erosion-prone land in the district.

PRIMARY GROWTH PARTNERSHIP

The Primary Growth Partnership is a government–industry partnership that invests in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary and food sectors, including forestry.

SUSTAINABLE FARMING FUND

The purpose of the Sustainable Farming Fund is to support the financial, environmental and social performance of New Zealand's productive land-based sectors. It does this by funding projects that are:

- based on solving problems or taking up opportunities related to sustainable resource use;
- defined and driven by a farmer, grower or forester.

SUSTAINABLE LAND MANAGEMENT HILL COUNTRY EROSION PROGRAMME

The Sustainable Land Management Hill Country Erosion Fund, through regional initiatives, provides targeted government support to communities that need to protect erosion-prone hill country. It recognises that, wherever possible, farmers seek to retain the maximum practical production from their land.

RURAL VETERINARIANS BONDING SCHEME

To deal with shortages of veterinarians in rural areas, the Government has committed to a voluntary bonding scheme for veterinarians. The scheme gives veterinarians a taxable payment of $11 000 for every year if they work in an eligible area, for up to five years.

TABLE 3: GRANTS APPROVED 2012/13

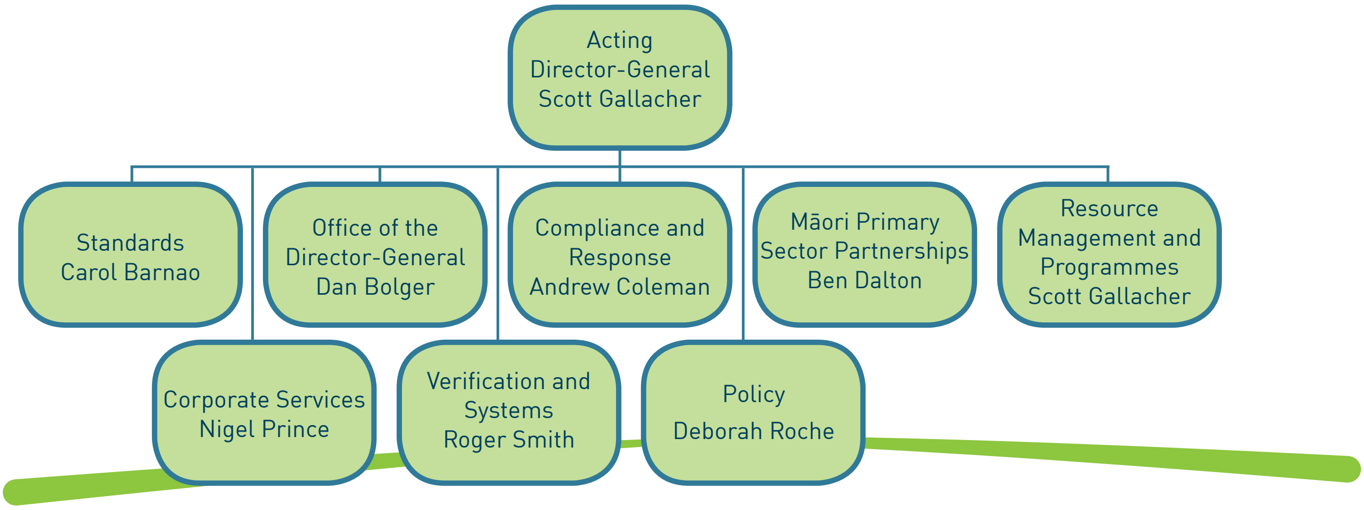
MPI programme	Number of grants approved in 2012/13	Allocated amount approved (excl GST) (total life of grant)
Adverse Climatic Events	26	$1 435 001
Afforestation Grants Scheme (Regional Council Pool)	29	$2 322 400
Afforestation Grants Scheme (Public Tender Pool)	27	$2 808 031
Irrigation Acceleration Fund	9	$14 318 858
Community Irrigation Fund	2	$280 000
East Coast Forestry Project	11	$1 267 464
Primary Growth Partnership	5	$76 473 757
Sustainable Farming Fund	70	$10 598 189
Sustainable Land Management Hill Country Erosion Programme	Nil	Nil
Rural Veterinarians Bonding Scheme*	30	$1 650 000
Total	209	$111 153 700

* Applicants are bonded for a minimum of three years and for a maximum of five years as long as they continue to meet the eligibility criteria under the vet bonding scheme. For each completed year of bond, the applicant receives $11 000. The bonding period starts on the first date of employment in an eligible practice (the commencement date). The first payment ($33 000) is made at the end of three years from the commencement date. A vet can be bonded for three, four or five years, depending on whether they decide to stay working in an eligible practice and continue to meet the scheme's other eligibility criteria. It is also possible applicants may decide to leave the scheme before receiving their first payment.

The Ministry's

Organisational Structure

AS AT 30 SEPTEMBER 2013



MPI is currently structured as eight branches along the following function lines:

Policy Branch advises on the policy and legislative frameworks that the primary industries work within, including their adaptation to cope with change, and generally develops primary and secondary regulation. Policy also develops and manages evolving initiatives to improve primary industry productivity and is part of free trade negotiations.

Resource Management and Programmes (RMP) Branch and the **Standards Branch** both help manage the systems MPI is responsible for within the policy and legislative frameworks. Within the systems for fisheries management (RMP) and biosecurity and food safety (Standards) they set or advise Ministers on objectives and determine the best way to achieve those objectives from the range of interventions available. RMP Branch manages a range of grants and funding programmes, including PGP and SFF, that seek to achieve specific outcomes in the fisheries, aquaculture, forestry and other sectors. RMP Branch also administers the Emissions Trading Scheme for Forestry. Standards Branch supports improved market access for our exports through assurance processes and negotiation of sanitary and phyto-sanitary requirements.

The Verifications and Systems Branch provides border clearance services for goods and people entering New Zealand, and verifies the integrity of goods leaving New Zealand to meet exporting country requirements.

The Compliance and Response Branch is the first to respond to any form of biosecurity incursion or breach of the Acts that MPI administers. To prepare for such events, the branch has a range of surveillance, intelligence and monitoring programmes, and works with industry to educate and prepare for responses to different situations.

Corporate Services Branch supports the performance of the whole business through provision of human resource management tools and advice, information systems management, financial systems and advice, and legal services.

Māori Primary Sector Partnerships (MPSP) Branch works across the organisation seeking to ensure that the potential of Māori interests in the primary industries are able to be realised and that the Ministry is delivering upon its obligations to Māori, in support of the Crown–Iwi relationship.

Office of the Director-General (ODG) Branch provides advice on organisational direction setting, performance, risks and communications, and manages ministerial processes. Support is provided to other branches through communications advice, project capability development and assistance to deliver key initiatives.

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