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Ministry for Primary Industries
Manatū Ahu Matua

MINISTRY FOR PRIMARY INDUSTRIES ANNUAL REPORT 2011/12

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

New organisation, new strategy, achievements and a platform for the future

I am pleased to present the inaugural annual report for the Ministry for Primary Industries (MPI). This report to 30 June 2012 marks MPI's completion of its first year as a single entity; a year of significant change and challenge and one in which MPI has created a strong platform to help enable the primary sector to identify and seize opportunities for improved productivity and market returns.

The amalgamation of the Ministry of Agriculture and Forestry, the New Zealand Food Safety Authority and the Ministry of Fisheries created one agency focused on enabling the primary industries to be as successful as possible for the benefit of all New Zealanders. The merger resulted in substantial reorganisation, we have a new organisational strategy and a new name. The merger, effective 1 July 2011, enhanced the Ministry's ability to partner with primary industries, deliver high-quality services and provide integrated strategic advice, while reducing duplication and operational costs – thereby contributing to the Government's Better Public Services programme.

I would like to acknowledge the contribution of MPI staff. Throughout this period of intense change, staff have continued to go about core business with energy and dedication. In a year of fundamental change, MPI's sustained and improved performance is both a notable achievement and a credit to all staff.

This report summarises MPI's key activities over the past year and outlines progress towards the achievement of its long-term strategic outcomes. Our vision of "growing and protecting New Zealand" is supported by our long-term strategy – *Our Strategy 2030* – endorsed by Cabinet, of enabling and partnering with the primary industries to: maximise export opportunities; improve sector productivity; increase sustainable resource use; and protect from biological risk.

We have continued to make good progress on the delivery of a number of key priorities for the Government, and have worked with many other agencies to progress wider government primary sector initiatives.

KEY ACHIEVEMENTS

MAXIMISING EXPORT OPPORTUNITIES, IMPROVING SECTOR PRODUCTIVITY AND INCREASING SUSTAINABLE RESOURCE USE

MPI has worked with the primary industries to help lift their economic performance during 2011/12, including with a doubling of the value of Primary Growth Partnership (PGP) funded projects to $567 million. There is a focus within the PGP on the extension and adoption of new technologies in the pastoral, seafood and forestry sectors.

We have focused on supporting rural water infrastructure development with the approval of funding support for a number of regional scale irrigation scheme proposals. We have also been working on a proposal for a Crown equity fund entity to manage future equity investment in major water projects and further comprehensive policy development to support the National Policy Statement for Freshwater Management.

The delivery of the Government's Aquaculture Strategy and Five-year Action Plan to Support Aquaculture has strengthened the Government's commitment to support the aquaculture industry in achieving an annual $1 billion sales goal by 2025. The strategy serves as a blueprint for how government will work with industry to create opportunities for new aquaculture development. A spokesperson for Aquaculture New Zealand summed it up by saying "It is exactly what we need for industry to work with government to implement the reforms and drive sustainable growth".

MPI also continued to work on the Dairy Industry Restructuring Amendment Act 2012. This change in legislation will enable Fonterra to proceed with its Trading Among Farmers scheme and help to ensure the dairy industry remains efficient and innovative.

As the largest regulator in government, we have been focusing on ensuring our regulatory approach enables growth rather than constrains it.

PROTECTING FROM BIOLOGICAL RISK

In March, MPI led Exercise Taurus 2012 to test the whole-of-government biosecurity response to a simulated outbreak of foot and mouth disease. Exercise Taurus was very successful and has been evaluated against previous exercises, and recent pest and disease responses. We have identified themes for ongoing improvement that now form activities in the readiness and response work programme.

In May 2012, one of the 7500 MPI surveillance traps caught a Queensland fruit fly. MPI immediately escalated surveillance, detection and notification activities, and the response was terminated after further trapping found no further fruit flies. This was a good illustration of our biosecurity response system at work.

We have progressed Memorandums of Understanding (MoUs) to a Government–Industry Agreement (GIA) with five industry organisations.[1] Under the GIA, the government and primary industries are partnering on biosecurity preparedness and response, making joint decisions on, and sharing the costs of, biosecurity activities. Working together will harness greater biosecurity capability than MPI or industries have in isolation.

The need for partnership in the biosecurity arena was an important finding of the independent review on the kiwifruit vine disease Psa-V. I commissioned this review in response to the outbreak of Psa-V in kiwifruit vines to ensure that if any improvements were needed to strengthen the biosecurity system, they were identified and acted upon. MPI has prepared an action plan and is implementing all the recommendations.

Another industry–government partnership success for MPI this year has been the finalisation of the National Animal Identification and Tracing (NAIT) scheme, which has delivered a national framework for animal identification and tracing. The scheme strengthens our biosecurity system and enhances New Zealand's reputation for producing food to the highest standards of quality, safety and environmental responsibility.

In the food safety area, there was much public debate on the Food Bill, and MPI worked to ensure that accurate information was available. Work also continued on improving and simplifying trade for products not covered by the joint food standards and on the joint food standards system with Australia.

HOW WE WORK

We are making a fundamental shift in the way we work. MPI's role is no longer the regulatory compliance role of its predecessor organisations; MPI is now working to partner with and enable the primary industries to achieve the maximum benefit for New Zealand. During the year, we continued to develop our organisation to deliver on the expectations and aspirations of the Government, primary sector, related agencies, trading partners and our people. This work included the development of the values we need to successfully deliver on this shift.

While there is a lot to be done, MPI has made significant progress in delivering on its strategy and achieving the Government's goals for the primary sector. I look forward to continuing to build on our foundation year.

Wayne McNee
Director-General

Prior to 30 April 2012, the Ministry for Primary Industries was known as the Ministry of Agriculture and Forestry.

1 Once individual industry groups sign the MoU, they agree to work with MPI to identify key risk organisms and assess the associated benefits and costs of indicative preparedness and/or response programmes.

THE YEAR IN REVIEW

This section introduces the new Ministry for Primary Industries. It outlines how our work over the past year has contributed to the Ministry's outcomes and intended results and what we are doing to improve the performance of the Ministry.

The Ministry's Role

The Ministry's work spans the agriculture, horticulture, aquaculture, fisheries, forestry and food industries, animal welfare, and the protection of New Zealand's primary industries from biological risk. The Ministry is the single key adviser to the Government across all aspects of the primary industries, food production and related trade issues.

We have a large operational footprint, with approximately 2300 permanent staff positions in 88 locations throughout New Zealand.

WHAT WE DO TO HELP GROW AND PROTECT NEW ZEALAND

PRIMARY SECTOR PRODUCTIVITY	We co-invest alongside key industry partners in the innovation that will drive improved productivity and technological advancement in the primary sector.
FISHERIES MANAGEMENT	We ensure the sustainable use of fisheries resources within environmental limits, by using science, information, education and enforcement.
AQUACULTURE	We work with industry, councils, communities, iwi and government agencies to grow aquaculture as a sustainable export industry.
BIOSECURITY	We work to prevent harmful pests and diseases from entering New Zealand. We monitor and help eradicate and manage pests if they do get in.
FOOD SAFETY	We set minimum regulatory requirements and work to ensure food imported into New Zealand or produced here and exported overseas is safe.
TRADE PATHWAYS	We work around the world with industry and other government agencies to negotiate free trade agreements, improve market access for our products and provide assurances that keep our trade pathways open.
CLIMATE CHANGE	We provide advice on the Emissions Trading Scheme (for forestry and agriculture) and work with the primary sector to find innovative solutions to ensure a sustainable future.
FORESTRY	We manage the Crown's forestry assets, regulate the sector and work with industry to increase productivity and profitability.
HORTICULTURE	We oversee regulatory regimes that enable the horticulture industry to collectively fund activities designed to boost productivity.
ACCESS TO WATER	We are working with other agencies to reform the fresh water management system and accelerating development of rural water infrastructure to drive productivity and growth.
ANIMAL WELFARE	We set regulations and standards for animal welfare and enforce them.
MĀORI AGRIBUSINESS	We partner with Māori to enable an increase in the productivity of their primary sector assets.
TREATY OF WAITANGI PARTNERSHIP	We work to ensure delivery of the Crown's Treaty of Waitangi obligations.

Achieving Results

CONTRIBUTING TO THE GOVERNMENT'S PRIORITIES

Cabinet's endorsement of *Our Strategy 2030* confirmed the Government's expectations of MPI in supporting the economic growth of the primary sector. It also reflects the role of MPI in protecting the resource base on which the primary industries depend, be it farming relatively free from disease and pests, ensuring that fisheries are sustained or that the reputation of New Zealand products for safety and quality is maintained.

The agriculture, food, forestry and fishing industries are major drivers of New Zealand's employment and economy, accounting for 12.6 percent of gross domestic product (GDP) in the year to 31 March 2012. In the same year, our industries also generated 71 percent of New Zealand's merchandise export earnings, accounting for $32.3 billion.[2]

Many parts of the primary sector are highly integrated. Producers and processors often work across several parts of the production value chain. MPI works with them as a single, integrated agency that seeks to take a consistent approach across the whole sector and the full production value chain.

With the formation of MPI and the development of a new organisational strategy, a new outcomes framework has been developed (Figure 1). This outcomes framework is not just a combination of the equivalent frameworks from our predecessor organisations, rather it is a unified framework that refocuses the organisation on our vision of "growing and protecting New Zealand".

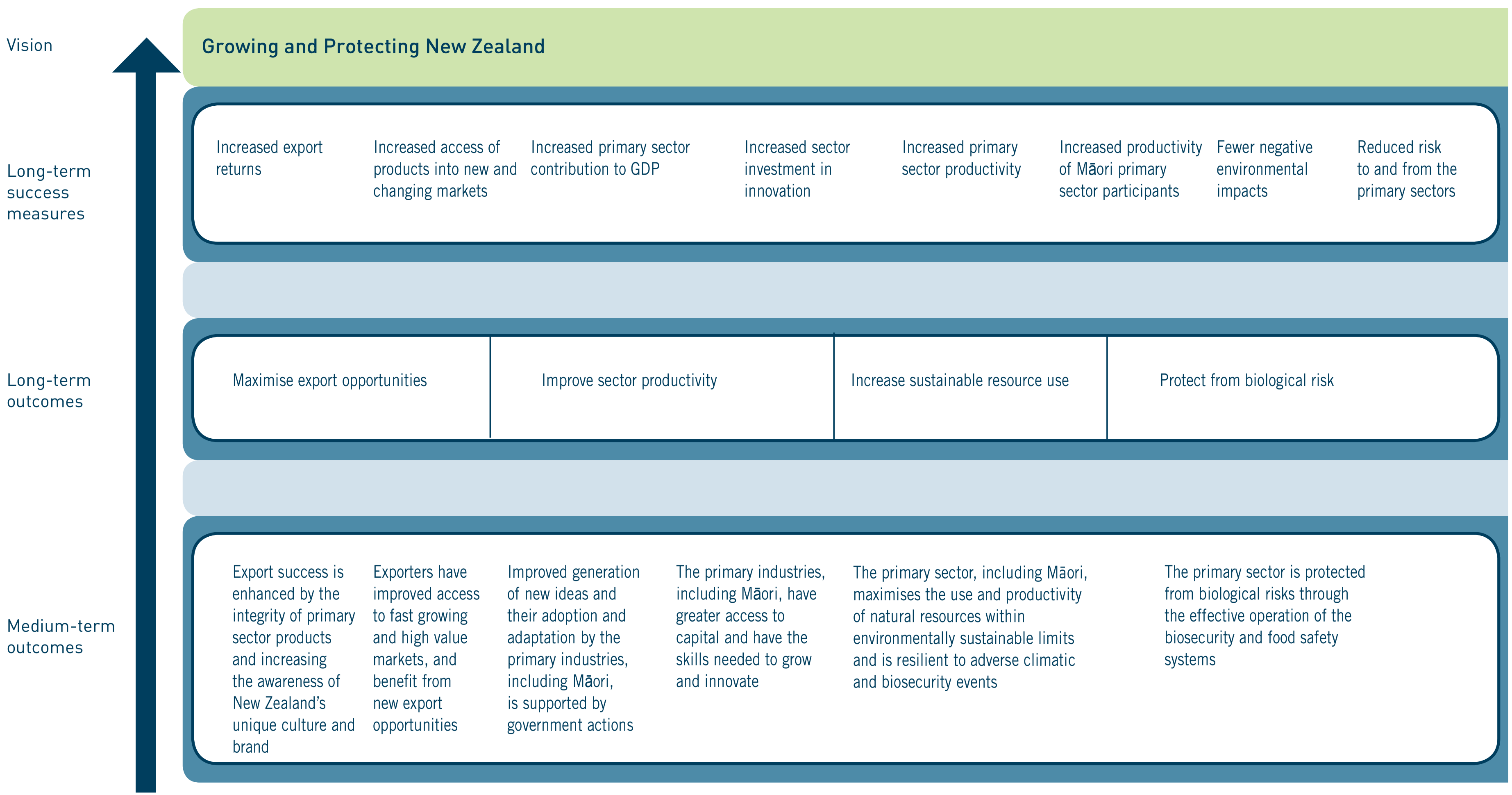
For the purposes of this annual report, we are reporting against our new outcomes framework and associated medium-term outcomes and impact measures.[3] Where there is currently insufficient data (for example, due to time lags in the availability of data or insufficient data capture) or an area of work has not previously been a focus for MPI, we have supplemented the 2012 results with measures for relevant areas from the previous performance frameworks.[4] In addition, we have made extensive use of qualitative information to demonstrate progress towards outcomes and provide a fuller and more meaningful picture of MPI's contribution.

2 Statistics New Zealand, March year 2012.

3 All of the Ministry's medium-term outcomes have a three-to-five year horizon and were finalised in April 2012.

4 Statement of Intent 2011–14.

Figure 1: MPI's outcomes framework



Long-Term Outcome:

Maximise Export Opportunities

OVERVIEW

New Zealand's primary industries are heavily focused on export markets and are reliant on New Zealand maintaining access to export markets. This is why MPI is vitally interested in maximising the export opportunities for the primary sector. MPI works with exporters to create new opportunities by reducing, or preferably eliminating, tariffs and other barriers to trade for goods, as well as providing trusted assurances that New Zealand's products meet the requirements of importing countries.

HOW DOES OUR WORK CONTRIBUTE TO OUR INTENDED RESULTS?

MPI's work under this long-term outcome seeks to enhance export success through medium-term outcomes 1 and 2 and associated impacts.

MEDIUM-TERM OUTCOME 1: 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[5]) and competitive advantage from New Zealand's reputation for safe and suitable food, favourable animal and plant health status and market assurances. New Zealand's well-respected systems (both government and industry led) are crucial for the long-term growth and consumer confidence in New Zealand-made products and services. There are opportunities to build on the integrity of New Zealand's systems and to develop new ways to assist exporters to access and succeed in international markets and gain additional export value from the New Zealand story and brand.[6]

IMPACT: REPUTATION OF NEW ZEALAND PRODUCTS, AND THE SYSTEMS THEY RELY ON, IS ENHANCED

The key market access focus for MPI is to provide trusted assurances that New Zealand's products meet the requirements of importing countries.

PERFORMANCE MEASURE	2011/12 PROGRESS
Our export assurances are trusted by trading partners, measured by 95 percent or more of the export certificates we issue meeting importing country requirements.	Export certificates: 99.9 percent (phytosanitary) and 99 percent (animal) export certificates met importing country requirements.
There are no market closures due to export assurance systems failures.	There were no market access closures due to failure of our assurance systems.
No cases associated with breaching international trade rules brought and upheld against New Zealand entities.	No cases brought and upheld against New Zealand entities for breaching international trade rules.

A significant achievement for the year was the implementation of the National Animal Identification and Tracing (NAIT) scheme that, among other things, will ensure we keep pace with individual animal traceability systems adopted by other countries and thus remain competitive. By 30 June 2012, over 34 000 people in charge of animals covered by NAIT – cattle and deer – had voluntarily registered with the programme. The scheme became compulsory for cattle 1 July 2012 and will be compulsory for deer from 1 March 2013.

New Zealand has a well developed animal welfare system that is built on sound animal welfare standards and is highly regarded by other countries. New Zealand's animal welfare standards enable exporters to demonstrate to overseas retailers and consumers that our products meet their animal welfare expectations. However, even isolated cases of poor animal welfare could have a negative impact on New Zealand's reputation as a responsible agricultural producer with the potential to affect exports.

5 Includes reduced port of entry inspection rates and other testing/audit regimes.
6 In future, MPI will use the Anholt-GfK Roper Nation Brands Index and other commissioned research to measure perceptions of New Zealand business practices including awareness of New Zealand's unique culture and brand. New Zealand's current ranking for brand image is 16 out of 50 countries and we are looking to support improvement over the next three-to-five years.

PERFORMANCE MEASURE	2011/12 PROGRESS
Long-term decrease in breaches of the Animal Welfare Act 1999 and levels of non-compliance with New Zealand's indigenous forestry regulations.	The number of animal welfare breaches[7] investigated by MPI in 2011–12 continued to show a steady decline.

2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
49	43	48	39	26	24

MPI is leading the development of New Zealand's first national animal welfare strategy. It is also reviewing the Animal Welfare Act 1999. The public will be consulted on proposals during August and September 2012, with the launch of the final strategy and introduction of an Animal Welfare Amendment Bill planned for 2013.

There were two convictions in 2011/12 for non-compliance with the indigenous forestry regulations, which is consistent with previous years.

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

MPI has a key role in ensuring that exporters have ready access to market access requirements. This includes working with other agencies (for example, New Zealand Trade and Enterprise) to develop the export capability of small and medium enterprises.

PERFORMANCE MEASURE	2011/12 PROGRESS
Primary industry attendees at market access road shows report an increase in satisfaction related to advice provided on overseas market access requirements.	Survey respondents: 30 percent of survey respondents rated the 2012 roadshows as "effective" or "very effective". The results were affected by a high number of "not applicable" (36 percent) and "neutral" (30 percent) responses. These results will form a baseline for future roadshows or similar stakeholder events. The future method of roadshow assessment may also be reviewed.

Other MPI initiatives during the past year included an updated version of MPI's industry-focused website[8] providing access to information for those considering or currently exporting food products, and continued stakeholder engagement through industry-based forums (for example, Dairy Product Safety Advisory Council, Manufacturers and Retailers Forum).

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

Although New Zealand's primary industries are successful, there are opportunities to generate better returns through leveraging positive brand images. MPI continues to contribute to the work (for example, Business Growth Agenda and the Green Growth Initiative) of other agencies – such as the Ministry of Business, Innovation and Employment; New Zealand Trade and Enterprise and the Ministry of Foreign Affairs and Trade (MFAT) – to identify opportunities to promote the New Zealand story, leverage "Brand NZ" and address misinformation about how New Zealand manages its natural resources and undertakes primary sector business.

MEDIUM-TERM OUTCOME 2: EXPORTERS HAVE IMPROVED ACCESS TO FAST GROWING AND HIGH VALUE MARKETS, AND BENEFIT FROM NEW EXPORT OPPORTUNITIES

New Zealand has strong comparative advantages in the primary sector. New Zealand also faces complex challenges such as distance and size, and barriers to trade with some of the most desirable markets.
New Zealand relies on a rules-based international trading system to provide access to markets. A considerable amount of MPI's international work is focused on influencing international forums in order to ensure that emergent rules will maximise export opportunities for primary sector exports and enable increased sustainable resource use.

7 Investigation resulting in the outcome of: issuing a written or official warning, court order (temporary enforcement order, enforcement order or compliance order) or a prosecution recommendation.
8 www.foodsafety.govt.nz.

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

PERFORMANCE MEASURE	2011/12 PROGRESS
An increase in the number of markets that remain open, new markets that opened, and new products that are opened to markets.	There were a number of notable market access successes for MPI in 2011/12 including: • New Zealand exports of beef to Malaysia are gaining momentum again, with 12 meat processing premises[9] now approved to export products there. The New Zealand–Malaysia meat product trade was severely curtailed in 2005 due to new halal requirements. MPI is also working alongside MFAT, industry and the Halal Standards Advisory Council to ensure that New Zealand can provide high-integrity, government-underpinned halal assurances to other key halal markets; • final acceptance of New Zealand apples into Australia, following a long dispute about whether the bacterial disease fire blight posed a threat to the Australian industry; • access to Japan for New Zealand apples following the development of a new compliance programme negotiated between MPI and Japanese officials. Japan's market is very attractive for industry, not just because of potentially higher prices for apple exports, but also because it offers an alternative to traditional apple markets; • agreement of some of New Zealand's key trading partners that a proposed alternative meat inspection programme met their requirements. The proposed programme is based on successful trial work undertaken by MPI in conjunction with the meat industry and AsureQuality and will allow fully trained meat company staff to undertake some non-food safety aspects of meat inspection; • the response of trading partners to the finding of a single Queensland fruit fly – which was to allow business as usual while the facts were being established. This action demonstrated a high level of trust in MPI's systems to accurately report and deal with any incursion; • the release of a consignment of avocados to Hawaii following the timely intervention by the MPI Plant Health and Environment Laboratory. The laboratory was able to demonstrate that the detained consignment was not infected with avocado scab but, rather, a non-actionable pest. This was an excellent outcome for MPI and the New Zealand avocado industry.

MPI continued to work with relevant government agencies and the export sector to agree sector market access strategies and market access priorities for the next one to five years. Market access strategies and one-to-five year priorities have been agreed with the four priority industries – meat, dairy, seafood and horticulture.

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

The global marketplace for primary sector products is governed by significant tariff and non-tariff rules and regulations, a lot of which unduly restrict market access. Free trade agreements (FTAs) – bilateral and regional – represent one avenue to address these restrictions, to maintain or improve market access and reduce costs imposed by overseas authorities.

9 As at 13 June 2012 and includes approval for beef and sheepmeat.

MEASURE	2011/12 PROGRESS
In order to understand whether primary industry exporters are benefiting from new market access opportunities, we will look at the change in New Zealand's primary industry exports to each country that 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 currently has eight FTA agreements in force, which account for 42 percent of its primary industry exports. In the past five years, New Zealand has entered into four new FTAs: China (2008); Malaysia (2009); the Association of South East Asian Nations (ASEAN) (2010); and Hong Kong (2011).[10] New Zealand exports to these countries have increased (see Figure 4, page 25) following implementation of the FTAs, although this increase is not necessarily totally attributable to the FTAs. New Zealand is currently negotiating a further eight bilateral and regional trade agreements. New Zealand is also upholding multilateral trade agreements and working to improve the multilateral trade rules that increase profits for our exporters. (Source: Ministry for Primary Industries based on Statistics New Zealand data available through Global Trade Atlas for calendar year 2011)
Five new FTAs with agricultural provisions to be completed over the next three years.	No trade agreements were finalised in 2011/12. Eight trade agreements are currently being negotiated and some of these are likely to be finalised in 2012/13.

Through 2011–12 MPI has continued to support MFAT to progress all the FTAs currently being negotiated. MPI provided key analytical and strategic guidance as well as negotiators for the agricultural goods market access negotiations in expanded Trans-Pacific Strategic Economic Partnership (TPP, which includes the United States). MPI has also undertaken substantial consultation and analysis in the negotiations with India and with the Customs Union of Russia, Belarus and Kazakhstan. MPI leads the negotiation of the sanitary and phytosanitary chapters in all FTA negotiations. MPI has also provided strong support to MFAT and other agencies in other parts of the agreements being negotiated where there is the potential for an impact on the performance of the primary sectors (for example, in respect of investment and services and also environmental issues). MPI has continued to support progress in the Republic of Korea FTA by advancing the co-operative forums on agriculture and forestry it has with Korea, with the aim of maximising benefits to New Zealand by showcasing domestic business opportunities. The New Zealand Commerce and Industry Office (NZCIO) in Taipei and the Taipei Economic and Cultural Office in Wellington have commenced negotiations on an economic co-operation agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). MPI has been advising NZCIO in these negotiations.

Sustainable use of New Zealand's natural resources by the primary sector

New Zealand has a competitive advantage stemming from the sustainable use of its natural resources by primary sectors. In 2011/12, MPI represented New Zealand in a range of international environmental forums where sustainability, access to and use of natural resources and the sustainability of New Zealand production systems were addressed. The focus of MPI's engagement in these forums is to ensure that international organisations' and other countries' policy frameworks, agreements, and monitoring and evaluation systems do not disadvantage New Zealand's production systems, and continue to allow for New Zealand's means of managing natural resources.

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

New Zealand and Australia have agreed to enhance their relationship under CER. As part of this 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 (including producers). This work includes co-operation between the regulators on imported food risk assessment and management. Officials have also increased co-operation on biosecurity risk management systems that could increase the level of mutual confidence in the respective systems.

MEASURE	2011/12 PROGRESS
A reduction in the certification and inspection of food products exported across the Tasman.	Effective October 2011, MPI negotiated improved access for New Zealand beef producers who are able to export beef products to Australia without export certificates.

10 The years in parentheses are the years that the FTAs entered into force.

Long-Term Outcome:

Improve Sector Productivity

OVERVIEW

New Zealand has highly competitive and efficient primary production systems that export to virtually every corner of the globe – an achievement deriving primarily from smart use of its natural resources, generation of new ideas through research and development, adoption of new technologies and methods, and the responses of businesses to changing trading environments. MPI has a multi-faceted role in helping to improve sector productivity, including:

- funding research into products and technologies, and partnering with industries to assist them in their innovative activities;
- ensuring that the primary industries have appropriate, and not burdensome, regulations and governance;
- reducing the compliance costs of regulations;
- increasing policy focus on capital investment (incentives and returns), skill development/transfer and the implications of on-farm debt.

The aim is to ensure that primary industries are well served by government interventions as well as to remove unnecessary regulatory barriers. This outcome represents a shift in focus for MPI and it is developing knowledge of the most effective and appropriate approaches to support productivity growth.

HOW DOES OUR WORK CONTRIBUTE TO OUR INTENDED RESULTS?

MPI's work under this outcome seeks to improve sector productivity through medium-term outcomes 3 and 4 and associated impacts.

MEDIUM-TERM OUTCOME 3: IMPROVED GENERATION OF NEW IDEAS AND THEIR ADOPTION AND ADAPTATION BY THE PRIMARY INDUSTRIES, INCLUDING MĀORI, IS SUPPORTED BY GOVERNMENT ACTIONS

To better reflect our emerging contribution to sector productivity we have developed two new medium-term outcome measures.[11] These measures will be reported on initially in the Annual Report 2012/13.

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

Sustained funding for research and development is an important enabler of productivity growth, however, innovation rates have been variable across the primary industries over recent years (see Figure 6, page 26). There is also good evidence to suggest that many technologies, tools and management practices in the primary sector are not being adopted as readily as they could be.[12] In early 2012, MPI conducted a survey of primary industries to establish the state of the technology transfer in the sector. The data from that survey is currently being analysed and will be used to make recommendations to the Government on moving from the current situation to the more ideal system.

MPI's major contribution to innovation is through administration of the Primary Growth Partnership (PGP), which promotes economic growth and sustainability by investing in programmes of research and innovation. The programmes approved so far are long-term projects, ranging from five to seven years. Independent economic modelling of the major contracted PGP programmes indicates an expected GDP increase of around $8 billion by 2025.

11 MPI's new medium-term outcome measures are:
- The percentage of primary industry businesses that developed or introduced goods, services, processes or methods in the past year trends up over the next three-to-five years. In 2011, 29 percent of primary industry businesses reported introducing goods, services, processes or methods.
- 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. In 2011, 7 percent of all primary industry businesses, but 21 percent of commercial fishing businesses, reported government regulation as hampering innovation to a high degree.

12 Deloitte (2011) *Red Meat Sector Strategy Report*. Deloitte; Wellington.

PERFORMANCE MEASURE	2011/12 PROGRESS
Increases in investment in research and development funding.	In 2011/12, three new PGP contracts were signed with a collective Crown investment of $37.2 million. This lifts the total Crown investment in contracted programmes to $200.4 million over the total of eight programmes now contracted. Seven further proposals either completed development or were developing business plans throughout the year. The total Crown investment for these proposals, if they are approved, will be $135.4 million. Two of these programmes have so far been announced publicly – Brownrigg Agriculture, and Beef + Lamb New Zealand. For smaller scale innovation projects, MPI provides funding through the Sustainable Farming Fund that invests up to $8 million annually. Sixty-one projects (from 140 applications) were approved[13] in 2011/12 for commencement in the 2012/13 year. The 2011/12 funding round was the first year that aquaculture projects have been accepted by the Sustainable Farming Fund, and four out of the seven proposed aquaculture projects were approved.

MPI is also working to promote opportunities to demonstrate the utility of new technologies, tools and management practices on the ground in New Zealand production systems. A memorandum was recently signed with Landcorp to enhance mutual co-operation, including in the area of technology transfer and extension.

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

As the largest regulator in government there is significant potential for enabling gains in productivity by improving the way MPI regulates. Given the primary sector's contribution to New Zealand's export earnings, even small gains in productivity from regulatory reform can have substantial impacts on the country's overall balance sheet.

PERFORMANCE MEASURE	2011/12 PROGRESS
The quality of the regulatory advice that MPI provides will help to determine the quality of the regulation in the sector and, in turn, whether an unnecessary regulatory burden is imposed:	
Fifty percent of MPI's Regulatory Impact Statements (RISs) are assessed internally as meeting or partially meeting the Regulatory Impact Analysis requirements in 2012, increasing to 75 percent in 2013 and 90 percent from 2014 onwards.	100 percent of MPI RISs (nine) were internally assessed as meeting or partially meeting the Regulatory Impact Analysis requirements.
Independent external review of selected RISs assesses the RISs as having the same or a higher rating as the internally assessed rating in at least 50 percent of cases in 2012, and 75 percent of cases from 2013 onwards.	There were two independent and separate external reviews of seven RISs for 2011/12 with 100 percent of MPI RISs meeting or partially meeting the Regulatory Impact Analysis requirements. In 2011, MPI established a Policy Capability and Regulatory Systems team that is responsible for developing and implementing frameworks and processes to ensure that policy and regulatory systems across MPI are of sound quality.
The total real cost of food safety verification remains within approximately 5 percent of the 2009 baseline for export red meat, seafood and store premises. Current baselines: red-meat exporters ($414 400), seafood exporters ($12 280), stores ($15 000).	Costs for 2011/12: • Red-meat exporters ($433 881), which is an increase of 4.7 percent. • Seafood exporters ($9564), which is a decrease of 28.39 percent. • Stores ($15 689), which is an increase of 4.39 percent. MPI is working with the animal products industries to reduce regulatory intervention and improve productivity (for example, single verifier concept[14] and, as appropriate, reduced compliance audits).

13 Ranging from a one-year study to develop a nutrient management guide for the pork industry through to a three-year study looking at aquaculture breeding and farming techniques.
14 Introduction of the new single verifier programme enabling more than one audit at the same premises (under the Animal Products Act 1999 or the Biosecurity Act 1993) within a single visit saves the operators costs and time by reducing the duplication that arises from separate audits.

MEDIUM-TERM OUTCOME 4: THE PRIMARY INDUSTRIES, INCLUDING MĀORI, HAVE GREATER ACCESS TO CAPITAL, AND HAVE THE SKILLS NEEDED TO GROW AND INNOVATE

To enhance productivity growth, resources must be able to flow to their highest value use. In the case of investment, this applies to the flow of capital across the economy. Increased skills can enhance the returns to capital investment and increase firms' ability to adapt to new markets and competitive challenges. For the primary industries, the ability to develop and utilise the skills of their workforces is critical for increasing productivity growth. This medium-term outcome represents a new area of work for MPI.

IMPACT: IMPROVE AVAILABILITY OF INFORMATION ON PRIMARY INDUSTRY LABOUR MARKETS

PERFORMANCE MEASURE	2011/12 PROGRESS
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.	At present, information is available for the forestry sector only. MPI has work planned to expand this information base in 2012/13 and has developed the project plan for that work.

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

MPI has engaged intensively with Māori land owners over the early part of 2012 to understand the barriers to productivity and the pathways to improvement. MPI has identified, through these discussions, that there are three areas of key impact:

- effective programmes and tailored services;
- effective policy, standards and legislation;
- effective collaboration and co-ordination.

MPI is implementing a Māori agribusiness programme that aligns with the five drivers of productivity identified by the New Zealand Treasury[15] – enterprise, innovation, skills, investment and natural resources. This programme includes:

- partnering with training providers to improve the accessibility and suitability of programmes for Māori farmers;
- conducting a special Sustainable Farming Fund round for projects that will encourage innovation and resilience in Māori agribusinesses;
- developing initiatives to improve the Māori agribusiness sector's influence on policy and legislation, including the priority area of the development of freshwater allocation.

PERFORMANCE MEASURE	2011/12 PROGRESS
During 2012/13 we will develop a measure of Māori agribusiness awareness of capability development opportunities tailored to their needs.	Performance measures are being developed for each initiative within the programme to measure the contributing impact of this work towards the programme's goal of increasing the productivity of Māori agribusiness.

IMPACT: A REGULATORY ENVIRONMENT THAT SUPPORTS IMPROVED ACCESS TO CAPITAL FOR THE PRIMARY SECTOR

Over the past year, MPI has been involved in two significant legislative processes – Dairy Industry Restructuring Amendment Act 2012 (the Act) and marine aquaculture reform – both of which have implications for improving access to capital in the primary sector. The Act provides for the Trading Among Farmers (TAF) scheme, by which Fonterra proposes to restructure its capital. The reformed marine aquaculture regime[16] aims to support aquaculture development by reducing costs, delays and uncertainty with the regulatory process, as well as promoting investment in aquaculture.

15 New Zealand Treasury (2008) *Putting Productivity First*, New Zealand Treasury; Wellington.
16 Effective 1 October 2011.

Long-Term Outcome:

Increase Sustainable Resource Use

OVERVIEW

Sustainable growth in resource use underpins consumer confidence in New Zealand-made products and, in turn, supports maximisation of export opportunities. MPI's role is to both encourage New Zealand primary producers to maximise productivity of resources but also to ensure that they do it in a sustainable manner.

HOW DOES OUR WORK CONTRIBUTE TO OUR INTENDED RESULTS?

MPI's work under this outcome seeks to increase sustainable resource use through medium-term outcome 5 and associated impacts.

MEDIUM-TERM OUTCOME 5: 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

Water is a key strategic and productive asset for New Zealand. It is estimated that more efficient management of water through irrigation has the potential to increase agricultural exports by as much as $4 billion-plus per annum by 2026.[17] A package of initiatives is under way that recognises the strategic value of fresh water to New Zealand's economy and way of life. These initiatives aim to increase the volume of water available for productive purposes, and ensure a cleaner freshwater resource for all New Zealanders.

PERFORMANCE MEASURE	2011/12 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; • 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.	The agriculture, food, forestry and fishing industries account for 12.6 percent of GDP in the year to 31 March 2012.[18] In 2011, the Fresh Start for Fresh Water programme[19] was introduced to design and implement an improved freshwater management regime. The programme includes a requirement for councils to set and manage to explicit water quantity and quality limits and provided $15 million over two years to address historical water quality issues.[20] The Primary Sector Water Partnership (PSWP), of which MPI is an observer, is working towards industry-wide goals to maintain or enhance water quality and efficiency from primary production land. PSWP continues to work with regional government on specific catchment projects – Southland, Canterbury and Waikato. MPI participates in the Dairying and Clean Streams Accord, working to reduce the impacts of dairy farming on the quality of freshwater resources (see page 17).
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.[21] Baseline information will be updated in 2012.	In the period since 2007, the area of irrigated land in New Zealand has expanded further, largely through individual farm scale development. Significant growth is expected in the next three years – much of it resulting from irrigation scheme developments that have been supported by the MPI-administered Community Irrigation Fund and, recently, the Irrigation Acceleration Fund. The Irrigation Acceleration Fund provides $35 million over five years to support the development of irrigation infrastructure proposals. At the end of June 2012, $7.7 million was allocated to six projects, and two proposals at a value of $5.9 million were being assessed. These developments have the potential to deliver new irrigation of up to 340 000 hectares nationwide, including 270 000 hectares in Canterbury, over the next 15 years.

17 *The Economic Impact of Increased Irrigation*, Prepared for the Ministry for Primary Industries by NZIER, 2010.
18 Statistics New Zealand, March year 2012.
19 Jointly administered by MPI and the Ministry for the Environment.
20 The Ministry for the Environment administered Fresh Start for Fresh Water Clean-Up Fund.
21 Statistics New Zealand Agricultural Production Census.

PERFORMANCE MEASURE	2011/12 PROGRESS
An increase in the number of farms actively using nutrient management plans over the next three years: • eighty percent of nutrients applied to land, managed through quality assured nutrient budgets and nutrient management plans by 2013; • by 2016, 1.7 million hectares of intensively farmed land (dairy, arable, and horticulture) will have implemented nutrient management plans.	Approximately 63 percent of nutrients applied through quality assured nutrient budgets, and approximately 30 percent of nutrients applied through quality assured nutrient management plans.To date, 930 000 hectares of intensively farmed land has a nutrient management plan.[22] The Ballance Agri-Nutrients PGP programme aims to improve on-farm productivity through efficient fertiliser use and developing best practice nutrient management. This is expected to have a significant impact on the environment by reducing nitrate run-offs into waterways.

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 to reduce its greenhouse gas emissions. MPI leads agriculture and forestry policy in climate change and has an ETS regulatory role for agriculture and forestry. MPI also operates the forestry ETS under delegated authority from the Environmental Protection Authority (EPA). A review of the scheme in 2011 provided a number of recommendations as to how to progress the scheme, and ETS amendments have since been approved for agriculture and forestry. MPI is now working jointly with the Ministry for the Environment to draft legislation and develop regulations for offsetting.

PERFORMANCE MEASURE	2011/12 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.	As at March 2012, the actual post-1989 uptake in the ETS was estimated to be around 49 percent, up from 32 percent (203 127 hectares) in 2010/11. Projections of likely uptake remain around 62 percent (397 000 hectares) by the end of 2012.

POST-1989 FOREST	2008/09	2009/10	2010/11	2011/12[23]
Uptake (per cent)	5.5	16.9	32	48.6
Area (hectares)	34 949	107 580	203 127	308 662

Note: Figures include applications where the status is approved and in process.

(Source: Ministry for the Environment)

Field measurement approach

Currently, forest owners registered in the ETS and the Permanent Forest Sink Initiative use averaged regional- or national-based carbon look-up tables to determine the number of carbon credits they can claim. This method is simple and cost effective but does not reward forest owners with forests that have above-average carbon storage and it also over estimates carbon storage in forests with lower than average growth. MPI, in consultation with the New Zealand forest industry, has developed the Field Measurement Approach (FMA) that will see forest owner's use data collected from their trees to produce a carbon look-up table that is specific to their forest. All forest owners who have 100 hectares or more registered will use the FMA methodology. This data has been collected all over New Zealand since late 2011, and, in September 2012, the data from this fieldwork can be submitted to MPI to produce the specific carbon look-up tables. Forest owners must use their specific look-up table when making their mandatory emissions return in 2013.

Climate change research

The Sustainable Land Management and Climate Change Research Programme supports new knowledge generation for MPI's climate change programme. The research programme supported 28, one- or three-year research projects over the past year to a value of $8 million. Twenty-three projects were completed by the end of 2011/12. These projects provide information on new mitigation technologies for agriculture and forestry.

The Global Research Alliance on Agricultural Greenhouse Gases (the Alliance) is an international forum for countries and other partners to collaborate on agricultural greenhouse gas mitigation research. New Zealand

22 Primary Sector Water Partnership (2011) *Annual Report 2010–11*, Primary Sector Water Partnership.
23 March 2012 estimated post-1989 forest uptake, year ending June 2012.

recently handed over the chairmanship of the Alliance to Canada, but retains the secretariat. MPI leads New Zealand's involvement in the Alliance, including administering the $45 million budget.[24]

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

Status of fish stocks

New Zealand's fisheries management regime is recognised as being world-leading. The cornerstone of that regime is the quota management system (QMS). There are currently 636 stocks in the QMS. Of these, 289 stocks are considered to be "nominal" stocks – fish stocks for which a significant commercial or non-commercial potential has not yet been demonstrated. For the remaining stocks, each year, MPI convenes several fisheries assessment working groups to combine the results of scientific research with catch reports from commercial fisheries and data from the observer programme into assessments of the status of New Zealand's fish stocks. This information is summarised in two annual fisheries assessment plenary reports.

PERFORMANCE MEASURE	2011/12 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 a range of factors. In considering whether fish stocks are being sustainably managed, for those fish stocks that are currently below the soft[25] and hard[26] limits, MPI will look at measures such as the number of fish stocks that have a rebuild strategy in place.	In summary the majority of New Zealand's fisheries are performing well. Soft limit – of the 125 stocks of known status relative to the soft limit, 83.2 percent were above the limit, slightly less than in 2010 and 2011, but an improvement over 2009. In terms of tonnage of landings, 96.6 percent of stocks of known status were above the soft limit in 2012. Hard limit – of the 163 stocks of known status relative to the hard limit, 93.9 percent were above the limit, similar to the previous three years. In terms of tonnage of landings, 99.5 percent of stocks of known status were above the hard limit in 2012. Overfishing threshold – of the 104 stocks of known status relative to the overfishing threshold, 81.7 percent were below the threshold, an appreciable improvement over each of the previous three years. In terms of tonnage of landings, 95.9 percent of stocks of known status were below the overfishing threshold in 2012. In all cases where fisheries are below the soft or hard limit, corrective management action has been, or is being, put in place to rebuild the stocks.

The main fisheries management mechanism used to take advantage of utilisation opportunities, or to reduce sustainability risks, is to modify the Total Allowable Catch or Total Allowable Commercial Catch (TACC) appropriately. Examples of this management mechanism in operation include:

- the TACC for the hoki stock was reduced substantially over the period 2002–07. Both stocks of hoki (eastern and western) have continued to increase in size and both are now well within their management target range. As a result, the hoki quota was progressively increased from 90 000 metric tonnes to 130 000 metric tonnes over the period 2009–2011;
- in 2011 a new and substantial aggregation of orange roughy was surveyed on the Chatham Rise and this has lead to a revision of the status of this orange roughy stock to a more favourable categorisation;
- Gurnard around the east and south coasts of the South Island was assessed to be very likely to be above its management target, and on the west coast of the South Island the survey estimate for 2011 was the highest recorded over the period 1992–2011;
- high scallop abundance in commercial parts of the Coromandel scallop fishery has allowed a substantial in-season increase in that fishery to be approved.

Fisheries plans

Fisheries plans cover all fisheries resources managed under the Fisheries Act 1996 and provide the context for specific management interventions. Progress during the year included:

- drafting of a compliance strategy for highly migratory species;
- completion of the first full compliance risk profile focusing on the South Island hoki fisheries;
- new fishery-specific plans – ling and southern blue whiting fisheries – added to the national deepwater fish plan;
- completion of the first trial year for the draft inshore finfish, shellfish and freshwater fishery plans;
- finalisation of three iwi forum fish plans.

24 For the period ending 30 June 2016.
25 The soft limit – a biomass level below which a stock is deemed to be "overfished" or depleted and needs to be actively rebuilt.
26 The hard limit – a biomass level below which a stock is deemed to be "collapsed" where fishery closures should be considered in order to rebuild a stock at the fastest possible rate.

Fisheries science

Good fisheries management is underpinned by robust scientific research and assessment of the abundance of fish stocks and the health of the environment that supports them. During 2011/12, MPI:

- published the first Aquatic Environment and Biodiversity Annual Review summarising information on a range of environmental effects of fishing and aspects of the marine environment and marine biodiversity of relevance to fisheries;
- completed two significant whole-of-government projects: the Chatham–Challenger Oceans 2020 project and New Zealand's International Polar Year–Census of Antarctic Marine Life project;
- published its first comprehensive suite of fish identification guides with images and descriptions for over 450 species.
- commissioned and managed the largest ever marine amateur fisheries research in New Zealand.

Increased hectares in aquaculture production

Aquaculture has been identified as New Zealand's fastest growing segment in the seafood industry, and the fastest growing type of food production globally. In 2011/12, MPI led the reform of the marine aquaculture regime enabling integrated decision-making that balances aquaculture with other marine interests.

PERFORMANCE MEASURE	2011/12 PROGRESS
An increase in the number of hectares in aquaculture production over the next four years.	Since enactment of the new legislation, a number of applications for new farms have been lodged. This includes a proposal to increase salmon production in the Marlborough region, which is currently under consideration by the EPA as a project of national significance. A decision on this proposal is expected in December 2012. There is some way to go before the space that is permitted[27] for aquaculture production is fully utilised. As at June 2012, MPI estimated that there are 8300 hectares in aquaculture production.[28] MPI forecasts that aquaculture production will increase at a moderate rate in the short to medium term until new farms established under the new legislation are up to full operating production in three-to-four years time.

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

Dairying and Clean Streams Accord

MPI administers the Dairying and Clean Streams Accord – an agreement between Fonterra, the Ministry for Primary Industries, the Ministry for the Environment and Local Government New Zealand (on behalf of regional councils) – that aims to contribute toward clean and healthy water (including streams, rivers, lakes, groundwater and wetlands) in dairying areas. The accord has been an important voluntary instrument that helped raise environmental awareness among dairy farmers.

PERFORMANCE MEASURE	2011/12 RESULT
An increase in priority actions and targets met under the Dairying and Clean Streams Accord.	Overall there has been progress against the Accord targets. Nationally, the level of full compliance with regional council dairy effluent rules and consent conditions in 2010/11 increased to 69 percent compared with 65 percent in 2009/10. The average level of significant non-compliance with regional council dairy effluent rules and consent conditions decreased from 16 percent in 2009/10 to 11 percent in 2010/11. There was also improvement against other targets. However, an independent stock exclusion survey undertaken in 2011, while not directly comparable to annual reporting, suggests reported stock exclusion progress may be over-represented. Note: 2011/12 results not yet available. (Source: *The Dairying and Clean Streams Accord: Snapshot of Progress 2010/11*).

27 Space that has the relevant authorisation to farm (i.e. has completed the Resource Management Act 1991 consent and Fisheries Act 1996 undue adverse effects test process).
28 Does not include offshore sites with no proven productivity.

Compliance and managing the adverse impacts of fishing

To ensure New Zealand's fisheries remain sustainable in the long term and to protect New Zealand's aquatic environment, it is essential that all people fishing stick to the rules. MPI's compliance strategy targets both recreational and commercial fishers. First, through promoting high levels of voluntary compliance with fisheries laws, and, second, by creating an effective deterrent against illegal activity through rigorous monitoring and enforcement.

PERFORMANCE MEASURE	2011/12 PROGRESS
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 2011–12, 393 fishers reoffended. Note, the volume of inspections increased and the overall rate of non-compliance is stable (see measure below).
Commercial and non-commercial compliance:	
• commercial compliance rate to have an annual improvement and be at 85–90 percent by 2014 (current baseline 83 percent at 2010);	Eighty-four percent commercial compliance.
• non-commercial compliance rate to be annually maintained at a minimum until 2014 (current baseline 95 percent at 2010).	Ninety-six percent recreational compliance.
Fishing interactions with protected species are managed within fishing restrictions and to any limits set:	
• compliance programme in place to maintain compliance with spatial limits and fishing restrictions set to protect Maui's and Hector's dolphins;	Set net bans extended along the Taranaki coast to further protect Maui's dolphins. Compliance strategy (involving education, monitoring and enforcement) for Hector's dolphins continues in the Canterbury area.
• minimising the adverse effect of fishing on New Zealand sea lions through annual mortality limits that are not exceeded.	No sea lions were reported captured during the 2011 and 2012 seasons, which is a decrease from two during the 2010 season.

Ministerial inquiry into foreign charter vessels (FCVs)

In response to the Ministerial Inquiry, the Government agreed that, amongst other things, all vessels that are commercially fishing in New Zealand's Exclusive Economic Zone will need to be flagged to New Zealand by 2016. The full suite of decisions will significantly improve the monitoring and enforcement of the existing management regime for FCVs and strengthen accountabilities.

MPI is working with other government agencies to implement the Government's decisions. This includes working with industry during the four-year transition period to manage the required change to industry operating models and business arrangements. Planning for the legislative process to amend the Fisheries Act 1996 has been completed, and the aim is to deliver the Bill to Parliament by December 2012. Observer services will be increased to 100 percent by 1 October 2012 with one observer placed on each FCV and a second observer placed on high-risk vessels.

Public trust and confidence

A trusted and effective fisheries management regime is essential to ensure New Zealanders understand their rights and responsibilities and act accordingly.

PERFORMANCE MEASURE	2011/12 PROGRESS
Public confidence and trust is increasing to 70 percent satisfaction by 2014 (the baseline from 2010/11 was 40 percent).	Public trust and confidence in the management of New Zealand's fisheries is relatively stable, with 38 percent of New Zealanders indicating they have trust and confidence in MPI's management of New Zealand's fisheries. It should be noted that the wording around the "confidence" survey question[29] has changed subtly over time to reflect the changing operating environment.

29 From 2007 to 2010, the question gauged agreement that "Fisheries in New Zealand are managed effectively". In 2011, it changed to "confidence in the management of Fisheries". To accommodate the merger, the 2012 question asked "as you may or may not be aware, the Ministry of Fisheries has now become part of the Ministry for Primary Industries. Do you have trust and confidence in the integrity of their management of New Zealand's fisheries?" The original benchmark question "The Ministry of Fisheries is doing a good job" 55 percent agree is no longer being tracked.

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

The Crown and iwi have negotiated and agreed specific rights and obligations relating to fisheries and aquaculture in accordance with the Treaty of Waitangi. Delivery on these obligations is fundamental to the Crown's partnership with tāngata whenua. The Ministry achieves this by incorporating delivery of the Crown's obligations into its strategic objectives and core business and by providing for meaningful engagement with Māori.

MPI has an important role to assist in enabling Māori to achieve their natural resource-based growth potential. The Ministry has been working hard in 2011/12 to more effectively fulfil the Crown's Treaty of Waitangi obligations to provide for input and participation of Māori with particular regard for kaitiakitanga, customary food gathering, consultation, and commercial and aquaculture rights.

PERFORMANCE MEASURE	2011/12 PROGRESS
MPI's fisheries and aquaculture obligations to Māori are met.	**Fisheries** Forum fisheries plans have been completed for four iwi, in addition to one non-forum plan. At present, 30 of the 57 iwi listed in schedule 3 of the Māori Fisheries Act 2004 are engaged in the forum fishery plan process. **Aquaculture** Ninety-eight percent, by value, of the Crown's pre-commencement obligation settled. A total of 14 aquaculture settlement areas (ASAs) were gazetted in priority regions (i.e. Northland, Waikato and Marlborough) to protect future aquaculture settlement options for iwi. MPI continues to progress Crown's aquaculture space obligations alongside iwi and Te Ohu Kaimoana Trustee Limited to formalise regional agreements that set out settlement assets.

Long-Term Outcome:

Protect from Biological Risk

OVERVIEW

New Zealand has a unique comparative advantage in primary sector production that relates in part to its relative pest-free status. Biosecurity incursions risk undermining that comparative advantage and having significant impacts on the economy. Similarly, New Zealand's food safety system provides confidence to both New Zealanders and international trading partners that New Zealand products are safe and suitable, including those foods imported into New Zealand that are consumed here or become part of the export food chain.

HOW DOES OUR WORK CONTRIBUTE TO OUR INTENDED RESULTS?

MPI's work under this outcome seeks to protect the primary sector from biological risk through medium-term outcome 6 and associated impacts.

MEDIUM-TERM OUTCOME 6: 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

Biosecurity risks are always changing and we need to be constantly improving and adapting our system. Identifying improvements where incursions happen is part of the reason why New Zealand's biosecurity system is so strong.

PERFORMANCE MEASURE	2011/12 PROGRESS
No new incursions of notifiable pests and diseases through pathways that can be managed.	During the year, there were a number of pest and disease incursions[30] but they were all eradicated and therefore there has been no establishment of notifiable organisms within New Zealand. The detections were of *Coptotermes acinaciformis* (subterranean termites), *Paratrechina longicornis* (crazy ant), West Indian drywood termites, *Synchytrium endobioticum* (potato wart) and *Anoplolepis gracilipes* (yellow crazy ant).

Improving our capability and performance

Throughout the year, MPI continued to systematically review all aspects of biosecurity and develop new and improved ways of managing biosecurity risk. At the border, there has been an increasing focus on intelligence and risk profiling to identify high-risk goods and pathways (for example, in relation to Direct Exit Lanes).

<table>
<tr><th>PERFORMANCE MEASURE</th><th>2011/12 PROGRESS</th></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>2011/10</th><th>2011/12</th></tr>
<tr><td>Consignments inspected</td><td>50 505</td><td>49 945</td></tr>
<tr><td>Non-compliant consignments</td><td>10 966</td><td>10 520</td></tr>
<tr><td>Non-compliance (percent)</td><td>22</td><td>21</td></tr>
</table>
Non-compliant consignments were treated, re-shipped or destroyed.</td></tr>
<tr><td>A decrease in international travellers with undeclared risk items.</td><td>A survey at Auckland, Wellington and Christchurch airports (May–June 2012) showed a compliance rate of 95.3 percent (8131 arrivals surveyed) compared with the 98.5 percent target. The shortfall was mostly due to low-risk items that, in most cases, pose minimal biosecurity risk. The same survey showed that there is better compliance from Direct Exit passengers than from passengers from the rest of the world.[31] This confirms our risk profiling is working.</td></tr>
</table>

30 To meet the definition of incursion, there needs to be evidence of a self-sustaining and/or breeding population.
31 Of passengers randomly searched after they had cleared the border, 4.67 percent were found to be carrying risk material of some sort versus only 0.46 percent of those passengers going through Direct Exit Lanes.

Joint Border Management System

MPI and the New Zealand Customs Service (Customs) are jointly developing the Joint Border Management System (JBMS). JBMS will support both agencies' activities in clearing goods, craft and people at the New Zealand border, and will allow a significantly more cohesive portfolio of border services to be shared between the two border agencies, including the more effective targeting of resources. Key JBMS milestones for 2011/12 included:

- implementation of the MAFPAX for the MPI passenger processing component and completion of the implementation review;
- agreement of the implementation approach for JBMS, including identification of systems changes required;
- identification of the industry partners for two Trade Single Window pilots and discussion on requirements and expectations with them commenced;
- consultation with industry on policy and procedure changes that will affect them, and their feedback incorporated;
- commencement of public consultation on JBMS cost recovery with publication of a discussion document and scheduling of open meetings around the country, along with meetings with key stakeholders.

Border future directions

The Border Future Directions programme is a joint MPI, Customs and Immigration New Zealand (Ministry of Business, Innovation and Employment) project to streamline services and work more effectively and efficiently at the border. Proposals being considered include improvements to passenger and cargo clearance, aligning and streamlining "trusted trader" programmes and developing a cross-agency approach to risk-targeting and technology improvements.

PERFORMANCE MEASURE	2011/12 PROGRESS
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.	A report back to Ministers on the programme is due later in 2012.

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

Typically, MPI is involved with a number of different responses to incursions at any time. While these are usually relatively minor, low risk or easily resolved, MPI must always be ready for more significant incursions with potentially significant consequences for the primary sector, as evidenced by the kiwifruit vine disease Psa-V incursion and the Queensland fruit fly find.

In addition to the lessons from responses and exercises such as Exercise Taurus 2012, MPI has been working to built capability through the National Biosecurity Capability Network (NBCN). This is a joint initiative between MPI and AsureQuality to build and manage a network of resources that can be deployed in response to any biosecurity outbreak.[32]

PERFORMANCE MEASURE	2011/12 PROGRESS
Increase in the proportion of agencies and industry groups that are signed up to the capability network for pests and disease incursions.	Recruitment efforts resulted in an increase in the number of agencies signed up to NBCN in 2011/12 of 58 (6 to 64). The increase included 28 organisations that work within the animals industry only, 19 more generic organisations able to provide capability for both animals and other incursions and all 15 regional councils with their broad capability and pool of resources.

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. To improve the level of compliance, MPI sets rules and requirements that are clear and fit-for-purpose, which reward voluntary compliance and create disincentives for non-compliance.

32 Central and local government agencies, specialist biosecurity service providers (for example, pest control companies and veterinarians) and other general service providers (for example, waste disposal and equipment suppliers).

PERFORMANCE MEASURE	2011/12 PROGRESS
Increase in members of the public who change behaviour to support achievement of biosecurity, food and animal welfare objectives.	MPI's "Declare or Dispose" programme is in its fourth year. The programme aims to reduce the level of risk to New Zealand posed by airline passengers bringing in and failing to declare or dispose of risk goods. Programme monitoring shows an increase in people identifying risk items and leaving them behind and in those who say they declared or disposed at the border. The latest research findings show an increase in those who know it is the law to declare or dispose:

2010	2011	2012
78%	81%	82%

The *Check, Clean, Dry* (CCD) freshwater pest programme is in its seventh year and focuses on freshwater users taking personal responsibility for reducing the risk of spread by checking, cleaning and drying their equipment between waterways. Results from the 2012 CCD survey[33] showed an improving trend in the percentage of anglers who always check, then clean or dry (or freeze) their equipment when they move between fresh waterways:

2007	2008	2009	2010	2011	2012
64%	67%	72%	71%	73%	76%

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

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

PERFORMANCE MEASURE	2011/12 PROGRESS
The Government–Industry Agreement for biosecurity is introduced, with 11 MoUs and eight deeds agreed in the next three years. The GIA 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.	As at July 2012, five industry organisations – involved with poultry/eggs, kiwifruit, tomatoes, citrus and potatoes – had signed MoUs and others had indicated their intention to sign later in 2012.

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 highly robust domestic food regulatory regime administered by MPI. Food safety incidents can cause serious illness, undermine the confidence in New Zealand's food supply and affect access to export markets.

Reducing foodborne illness caused by pathogens

Foodborne illness has an economic and social cost and is an indicator of food regulatory system effectiveness from a trading partner perspective. MPI has risk reduction strategies for the three most important foodborne pathogens causing illness in New Zealanders. MPI is on track to achieve its five-year goals for Campylobacter, Listeria and Salmonella (Table 1).

Table 1: Trends in foodborne disease notifications

FOODBORNE PATHOGEN	PUBLIC HEALTH GOAL	2007 BASELINE*	2013 TARGET*	2011 OBSERVATION	REDUCTION ACHIEVED TO DATE (%)
Campylobacteriosis	50 percent reduction below baseline	161.9	80.95 or below	81.0 (3568 cases)	50
Salmonellosis	30 percent reduction below baseline	14.2	9.9 or below	11.2 (493 cases)	21
Listeriosis	No increase in annual foodborne rate	0.47	0.47 or below	0.48 (21 cases)	+ 2**

*Per 100,000 population.
** The rate for foodborne listeriosis represents a small increase from the 2007 baseline. This is likely to be the result of the small numbers involved.
Source: Foodborne disease In New Zealand, Prepared for the Ministry for Primary Industries by Institute of Environmental Science and Research Limited, 2012.

33 2012 *Check, Clean, Dry* Campaign Research, Prepared for the Ministry for Primary Industries by Ipsos Public Affairs, 2012.

PERFORMANCE MEASURE	2011/12 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 then to 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: 81 cases per 100 000 (3568 cases).[34] For listeriosis: 0.48 cases per 100 000 (21 cases).
A reduction in foodborne salmonellosis, as a result of targeted intervention strategies being undertaken in 2012/13.	Eleven cases per 100 000 (493 cases) in 2011, a 12.5 percent reduction from 2010.

Food Residues Surveillance Programmes

The Food Residue Surveillance Programme (FRSP) assesses the effectiveness of current controls of chemical residues on imported and locally produced foods. Other systems, like those under the Agricultural Compounds and Veterinary Medicines Act 1997, manage control, and, where necessary, reduction in chemical biological hazards. As a package, these initiatives all support a decrease in biological hazards.

PERFORMANCE MEASURE	2011/12 PROGRESS
Decrease in biological hazards (including agricultural compound residues) in the food chain.	With testing completed for 2011–12 FRSP, test results to date[35] indicate that New Zealand growers are largely following good agricultural practice in how they use chemicals. All food products imported from Japan were tested for radionuclides (following the 2011 earthquake) to reduce the potential for biological hazards getting into the food chain. All products were well below actionable levels for radiation.

34 Foodborne illness data sets are for are for the 2011 calendar year.
35 Quarter 4 will be published in September 2012.

Long-Term Success Measures

Are we delivering results for New Zealand?

Our Strategy 2030 includes a set of eight long-term success measures (Figure 2). These measures are a barometer for our success in implementing *Our Strategy 2030* and delivering on our four outcomes. We expect to see improvements in these measures only over the long term. MPI's activities are only one of the factors influencing the measures, and other factors – particularly broader economic conditions – also play a crucial part. However, MPI will be successful when the primary industries are successful – so it is important MPI considers the sector's performance in assessing its own performance.

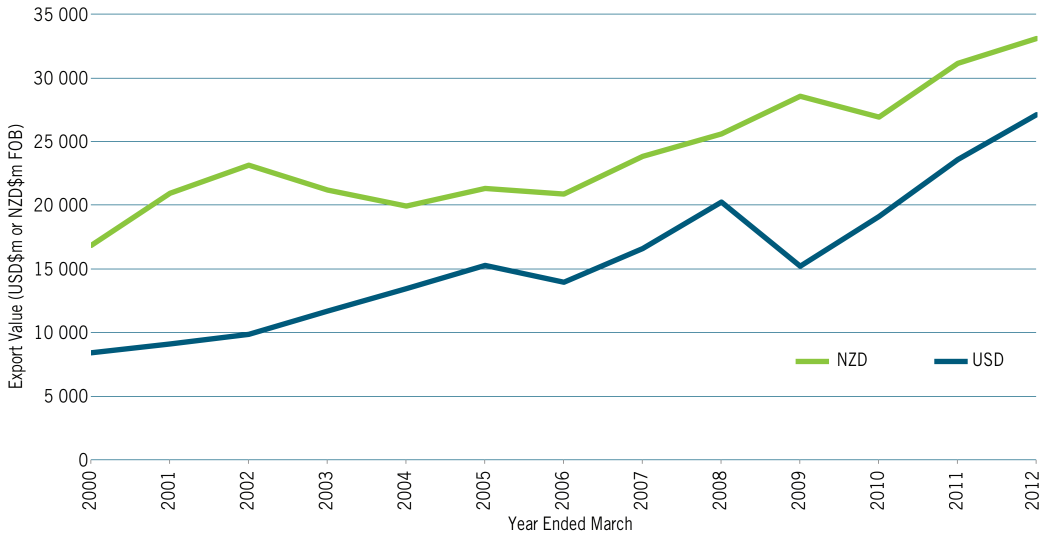
Figure 2: Our Strategy 2030 – long-term success measures

Increase primary sector contribution to GDP	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

The following figures (Figures 3–7) show a snapshot of recent trends in some of our long-term success measures. Not all of our long-term success measures are represented in these figures, and we will be working on ways to illustrate our success in these areas for future reporting (for example, Māori primary sector productivity, environmental impacts, and risk to and from the primary sector).

Figure 3: Increase export returns

Export returns from the primary industries have generally been growing steadily.[36] This reflects a combination of both increased productivity and higher prices. MPI works with exporters to create new export opportunities, as well as providing trusted assurances.

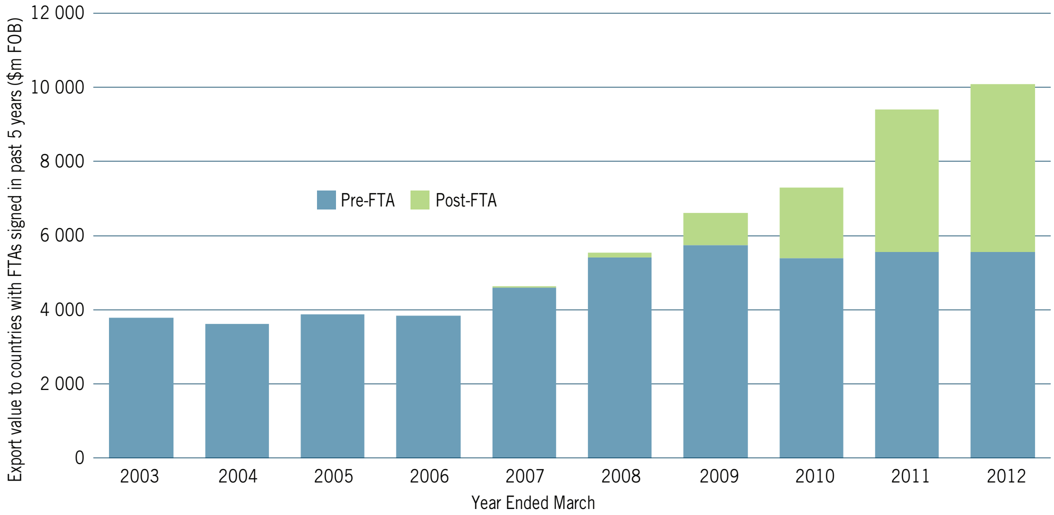


Source: Ministry for Primary Industries, Statistics New Zealand and Reserve Bank of New Zealand

36 Drought effects reduced earnings in the years ended March 2009 and 2010.

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

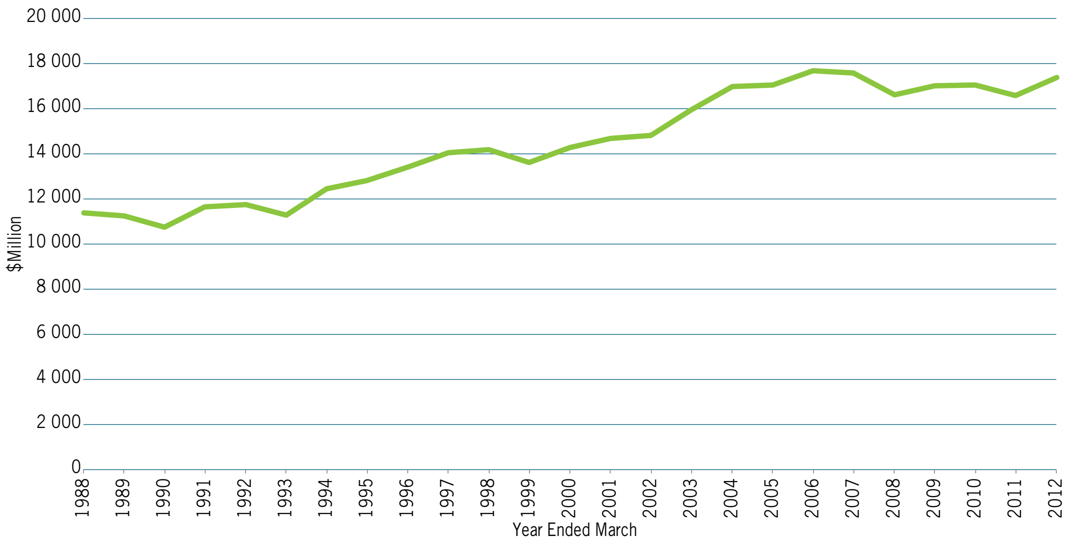
Free trade agreements (FTAs) have been signed with China, Malaysia, ASEAN and Hong Kong in the past five years. The additional value of exports going to these markets since entry into force of FTAs is illustrated in this figure.[37] MPI provides key analytical and strategic advice as well as negotiators.



Source: Ministry for Primary Industries and Statistics New Zealand

Figure 5: Increase primary sector contribution to GDP

The GDP contribution from the primary industries has been stable since 2006, with increases in dairy and forestry being largely offset by declines in sheep meat and wool production.

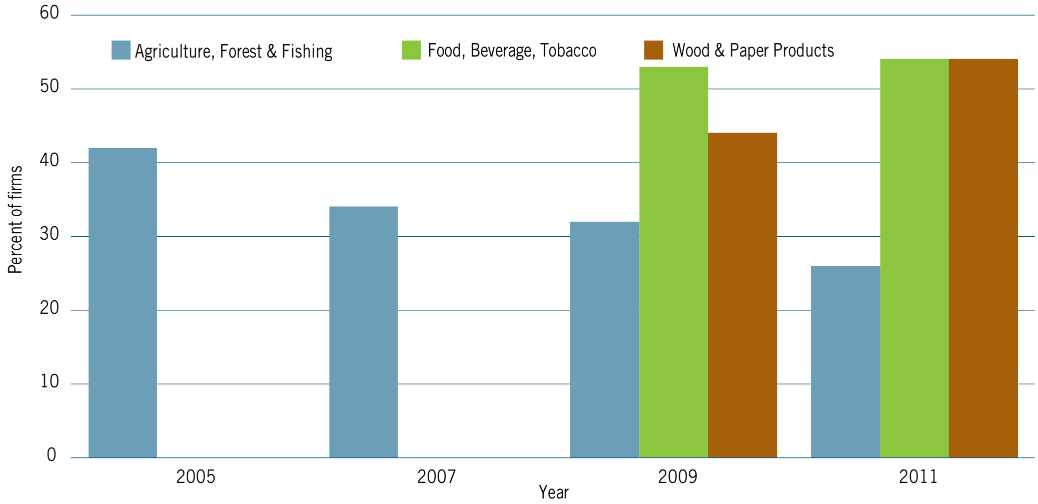


Source: Ministry for Primary Industries and Statistics New Zealand

37 FTAs were only one factor operating over the past five years that would influence trends in export value.

Figure 6: Increase sector investment in innovation

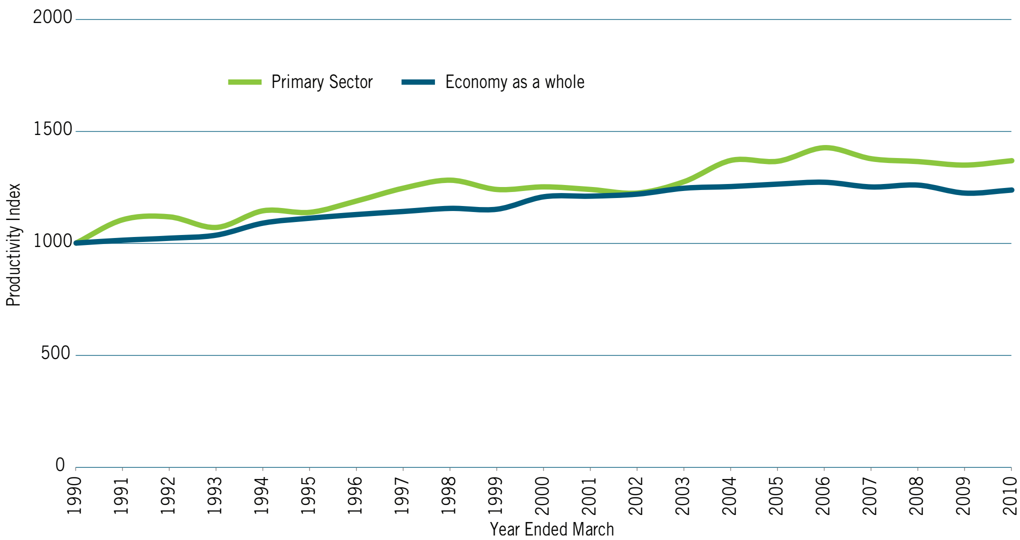
Innovation[38] rates have been variable across the primary industries. Recent surveys have recorded declining innovation rates within the agriculture, forestry and fishing sectors, static rates within the food, beverage and tobacco sectors and increasing rates within the wood and paper products sector.[39] MPI supports primary sector innovation through its involvement in the Primary Growth Partnership and Sustainable Farming Fund.



Source: Ministry for Primary Industries and Statistics New Zealand

Figure 7: Increase primary sector productivity growth

Primary sector productivity (multifactor) growth has been much higher than the economy as a whole (measured sector[40]). MPI seeks to drive productivity through policy development – increasingly in the areas of capital investment, skills transfer, on-farm debt – and improved regulatory settings. MPI also co-invests in innovation with industry partners.



Source: Statistics New Zealand

38 Innovation is defined as the introduction of any new or significantly improved goods, services, processes or marketing methods. Statistics New Zealand (2011) *Innovation in New Zealand: 2011*. Statistics New Zealand; Wellington.

39 Food processing and wood processing industries were previously part of the general manufacturing category.

40 Measured Sector covers approximately 80 percent of the economy but excludes government administration and defence, health, education and owner–occupied dwellings.

Organisational Effectiveness

This section reports on the main initiatives MPI is taking to strengthen its capability to deliver on its strategy, including delivering on its outcomes, and covers: bringing the new organisation to life, engaging its people and doing things better.

This year, we have focused on building our capability as well as our structure – as these are essential for us to best support the primary sector, deliver high-quality services and provide integrated strategic advice (while reducing duplication and operational costs). Both also contribute to the Government Better Public Services programme.

NEW ORGANISATIONAL STRUCTURE

The structure operates functionally, in other words it groups people together where they have similar skill sets and are doing similar work, in order to support the wide ranging activities within the primary sector and to create a single gateway to the Government for industries within the sector.

The Government's priorities, together with *Our Strategy 2030*, require us to operate differently. Our new approach of enabling and partnering requires us to be focused on our relationships with the primary sector and to be highly innovative, business and future-focused. On this basis, our organisational design is more than a structure, including ways to change our behaviours and processes, to enable the delivery of the emerging organisational strategy.

LEADERSHIP AND GOVERNANCE

A strengthened governance arrangement gives clarity of leadership direction, while ensuring accountability for issues throughout MPI. The Senior Leadership Team (SLT) "looks up and out" with a strategic focus in terms of both outcomes and strategy, and drives the culture, capability and health of the organisation.

A key focus for SLT is working with senior management to ensure alignment of MPI's work plans with *Our Strategy 2030*. Strategic and operational advisory groups leverage senior management capability, provide integration between senior managers and SLT, and clarify responsibility for internal cross-cutting issues and external relationship management. In addition, the Risk Management Committee, an integral part of the governance framework, provides independent advice to the Director-General on the fulfilment of his duties and on whether MPI is well positioned to pursue Government's primary industry policy and public good objectives.

RISK MANAGEMENT

The focus for risk management development in 2011/12 was integration and communication. Risk identification and reporting has been integrated into organisational processes such as strategic and operational business planning and project management. The introduction of the advisory groups has provided improved risk communication and management across the organisation.

STRENGTHENING CAPABILITY

We have identified a path to deliver on *Our Strategy 2030* including how resources are best utilised. Our progress against our major capability initiatives is set out in Table 2. These activities, along with many others, are contributing to our growing capability. Maintaining our strategic focus, and prioritising our work programme to reflect it, will help to ensure we are using our resources effectively.

A particularly important contribution to our continuous improvement path is the information gathered through our Performance Improvement Framework (PIF) Self-Review (finalised in September 2012), as well as the independent PIF review to be undertaken in October 2012. The outcome from each of these reviews will inform our capability planning for the future.

Table 2: Progress against capability initiatives

OUTCOME SOUGHT	WHERE ARE WE UP TO?
Developing an organisational culture that supports the Ministry in successfully partnering with and enabling the primary sectors	After significant consultation with staff, the first phase of the culture project has been completed with the launch of our values in July 2012. The new values underpin the culture MPI is shaping to support its delivery of *Our Strategy 2030*.
People Capability Strategy – including leadership programmes	A three-year strategy has been agreed with the key themes: strengthening our leaders and strengthening our capability, growing our connections and growing engagement. Implementation plan completed and development under way.
Information Systems Strategic Plan (ISSP)	An ISSP has been developed to provide integrated systems that are accessible and appropriate to future needs, and to improve communication, engagement and productivity across the organisation and out to customers. The strategy provides a pathway from current state to future state in three to five years.
Finance Strategic Framework	A strategic framework for finance has been developed for merging current systems and growing MPI's financial capability to provide robust and useful business and financial information through enhanced processes and reporting.
Harmonising systems and processes	Single systems for financial management and human resources are now in place and payroll services are outsourced – resulting in savings on licences, server space and support costs. Additional functionality has been (and will continue to be) implemented to meet business needs and improve workflow and resource use. An example being online staff leave and timesheet information – reducing support costs and enabling cost recovery systems to be developed and managed online.
Reviewing existing strategies, systems, processes and frameworks to ensure alignment to *Our Strategy 2030*	Over 50 common policies, processes and frameworks have been revised to date – including chart of accounts, key policies and implementation of the Prince2 project management framework; with the balance to be completed and/or aligned over the next 12 months.

EQUAL EMPLOYMENT OPPORTUNITY

Equal employment opportunity principles are incorporated in all relevant documents and practices.

CONTRIBUTION TO BETTER PUBLIC SERVICES WITHIN TIGHT FINANCIAL CONSTRAINTS

MPI is actively involved in all-of-government and syndicated initiatives. Many of our cross-sector engagement activities, including much of the border sector work, are directly related to the better public service programme. We have participated in the State Sector Better Administrative and Support Services Programme since 2009 and expect the benefits from merger integration will be reflected in this year's results.

WORKING WITH OTHER AGENCIES

We have a strong level of engagement with other agencies, primarily within the government's economic, border and natural resources sectors. This engagement continues to evolve, from providing individual agencies with the MPI perspective to full collaborative arrangements that seek to pursue joint opportunities to support "NZ Inc" outcomes. Key initiatives include: the Fresh Start for Fresh Water programme; the JBMS; negotiation of international trade agreements and review of FCVs.

STATEMENT OF SERVICE PERFORMANCE

Service Performance

INTRODUCTION

Service performance measures enable the measurement and reporting of the quantity, quality and timeliness of an agency's outputs. They provide key information about an agency's role and performance. MPI's service performance measure results for 2011/12 are grouped and presented within the four Vote appropriations in the following pages.

ENHANCEMENTS MADE DURING THE YEAR

The service performance information contained in this section is provided for a new set of measures that were established after the development of *Our Strategy 2030*, which was agreed with Cabinet in August 2011. These revised measures were finalised in early April 2012. The intention was to create a set of measures that are relevant and useful in assessing the Ministry's performance. Consequently, there are a number of measures for which data has not previously been gathered or for which systems do not yet exist to gather the information. Best endeavours have been made to provide relevant data for this year against the revised measures. Where this has not been possible, explanations have been provided in the variance sections. All data provided is for the full 12-month period from 1 July 2011 to 30 June 2012.

Vote

Agriculture and Forestry

The objective of Vote Agriculture and Forestry is to make a significant contribution towards achieving the Government's priority of economic growth. It also aims to support the sustainability and environmental integrity of the primary production sectors. The output expenses within Vote Agriculture and Forestry contribute to MPI achieving the following intermediate outcomes:

- Market access for New Zealand's animal and plant products is maintained and enhanced.
- A business environment for the agriculture, food and forestry sectors that supports innovation, enterprise and high performance.
- Enhanced prosperity for Māori engaged in the agriculture, food and forestry sectors.
- Effective stewardship of the Crown's forestry assets.
- New Zealanders are informed and involved participants in MPI's regulatory systems.
- More resilient rural communities.
- Primary sectors use natural resources and systems in an increasingly sustainable manner.

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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	1 709	2 025	1 789	1 491
Revenue from Crown	1 694	1 986	1 986	1 594
Revenue from Other	15	39	54	23
Surplus/(Deficit)	–	–	251	126

FINANCIAL COMMENT

This annual output expense appropriation was provided at a cost of $1.789 million, which is $0.236 million (13 percent) less than the Supplementary Estimates. This $0.236 million underspend represents cost savings. These cost savings, and $15 000 higher than expected third party income, resulted in a $0.251 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: MANAGEMENT OF CROWN FORESTS				
Number of hectares and percentage of the Crown Forestry managed estate surrendered or sold	8000 (14%)	9497 (16.5%)	New Measure	Achieved Disposals influenced by West Coast re-negotiation of Forestry Right – the exact outcome of which was unknown at the time the estimate was prepared. All land sale processes are driven by the relevant iwi Deed of Settlement and Claims Settlement legislation. Where trees only are sold, the sale is subject to relevant lease/forestry right and Treasury sign-off.
Number of known breaches of statutes, lease agreements, forestry rights and other contractual arrangements brought or upheld against Crown Forestry since the last independent review	0	0	0	Achieved Evidenced by independent audit of a sample of Crown Forestry's managed estate and lack of any court or tribunal finding against Crown Forestry.
Average stumpage price per cubic metre of logs sold ("Stumpage" refers to the net profit per cubic metre sold)	$32	$26	New Measure	Not Achieved This was heavily influenced by the sale of the first tranche of standing volume at Tokararangi Forest. This was a high-volume (364 000 m^3) sale at a low stumpage price (reflecting the remote location of this forest and consequent high cost of goods sold).

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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	10 507	10 125	6 538	6 259
Revenue from Crown	10 410	10 035	9 250	6 324
Revenue from Other	97	90	89	103
Surplus/(Deficit)	–	–	2 801	168

FINANCIAL COMMENT

This annual output expense appropriation was provided at a cost of $6.538 million, which is $3.587 million (55 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $0.785 million of the unspent appropriation to 2012/13 to contribute $75 000 towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries and $0.710 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme. The remaining $2.802 million under spend represents cost savings. These cost savings, offset by $1000 lower than expected third party income, resulted in a $2.801 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
ADMINISTRATION OF ADVERSE CLIMATIC EVENTS RECOVERY ASSISTANCE				
Applications will be processed from receipt to notification of decision within agreed timeframes	100%	100%	New Measure	Achieved
Payments will be made in accordance with agreed schedule	100%	100%	New Measure	Achieved
PRIMARY GROWTH PARTNERSHIP				
Applications will be processed from receipt to notification of decision within agreed timeframes	100%	100%	New Measure	Achieved
Payments will be made in accordance with agreed schedule	100%	57%	New Measure	Not Achieved The terms of the PGP contracts require payment to be made within 15 days of the receipt of an invoice. There have been frequent issues with verification of invoices and the provision of supporting information. This has had the effect of delaying payment until an invoice has been approved. Where payment is delayed due to an inability to approve an invoice co-investors are advised as to the reason for the delay and the steps required to amend the invoice. An example of an invoice being delayed was where the co-investor had not meet a contractual requirement and payment was withheld until this was rectified, payment followed rectification but the invoice was not reissued and so, at first blush, there appears to be a significant delay to the payment process.
AFFORESTATION GRANTS SCHEME				
Applications will be processed from receipt to notification of decision within agreed timeframes	100%	100%	New Measure	Achieved No applications received this year.
Payments will be made in accordance with agreed schedule	100%	88%	New Measure	Not Achieved Three claims were paid outside of 30 days due to difficulties contacting the land owners and adverse weather conditions. An inspection of the forest needs to be carried out prior to any payment being made. Adverse weather conditions caused a delay in completing these inspections, which caused a delay in making the payments.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
SUSTAINABLE FARMING FUND				
Applications will be processed from receipt to notification of decision within agreed timeframes	100%	0%	New Measure	Not Achieved These decisions were later than expected, with responsibilities shifting as a result of MPI's organisational changes. Additionally, the consideration of applications took longer than expected to complete with extra information supplied to provide assurance to the funding recommendations. Previous funding decisions had been posted out, but in the 2012 funding round all teams were emailed a copy of their decision letter.
Payments will be made in accordance with agreed schedule	100%	66%	New Measure	Not Achieved This performance measure was met in the July 2011 and November 2011 reporting rounds. In the March 2012 reporting round, this was not met due to changes in staff, which resulted in some delays processing payments in a timely manner. To ensure that the 20-day payment measure is achieved in the 2012/13 financial year, current SFF payment processes are being reviewed with a number of changes being made.

OUTPUT CLASS – ANIMAL WELFARE EDUCATION AND ENFORCEMENT

SCOPE OF APPROPRIATION

This appropriation is limited to standard setting, 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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	4 729	5 555	4 576	4 170
Revenue from Crown	4 707	5 467	5 137	4 261
Revenue from Other	22	88	93	30
Surplus/(Deficit)	–	–	654	121

FINANCIAL COMMENT

This annual output expense appropriation was provided at a cost of $4.576 million, which is $0.979 million (21 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $0.330 million of the unspent appropriation to 2012/13 to contribute $23 000 towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries and $0.307 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme. The remaining $0.649 million under spend represents cost savings. These cost savings, and $5000 higher than expected third party income, resulted in a $0.654 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: ENFORCEMENT OF NEW ZEALAND'S ANIMAL WELFARE REGULATORY FRAMEWORK				
Number of MOUs agreed under Compliance and Enforcement Programme	3	0	0	Not Achieved While relationships with industry have continued to develop throughout the year under the Safeguarding our Animals and Safeguarding our Reputation Programmes, they have not been formalised with MOUs. The restructuring of MPI has impacted on the speed of progressing these. Industry partners wanted to see how MPI would structure itself in relation to animal welfare and its role within the programme before progressing with MOUs. The format and process for MOUs is also being reconsidered as a consequence of the changes. The MOUs are on the 2012/13 work programme, and it is expected that an MOU will be signed with New Zealand Federated Farmers, Royal New Zealand Society for the Prevention of Cruelty to Animals, the Poultry Industry Association of New Zealand and the Egg Producers Federation of New Zealand by 30 June 2013.
OUTPUT: PROSECUTION OF CASES OF ALLEGED BREACHES OF THE ANIMAL WELFARE ACT 1999				
Percentage of complaints (alleged breaches) correctly evaluated and categorised within the required timeframe	90%	94%	New Measure	Achieved
Percentage of lower threshold criminal behaviour investigations completed according to the requisite investigation process within six months and either closed or forwarded for prosecution	75%	100%	New Measure	Achieved
Percentage of higher threshold criminal behaviour investigations completed according to the requisite investigation process within 18 months and either closed or forwarded for prosecution	75%	85%	New Measure	Achieved
Percentage of prosecutions dismissed for not disclosing a prima facie case	0%	0%	New Measure	Achieved (Six prosecutions under the Animal Welfare Act 1999 in 2011/12)
Percentage of cases lodged with the court that incurred adverse judicial comment against MPI	Less than 5%	0%	0%	Achieved (Six prosecutions under the Animal Welfare Act 1999 in 2011/12)
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	80%	90%	New Measure	Achieved Eight out of nine completed. Llama and alpaca code is 90% complete.

OUTPUT CLASS – IMPLEMENTATION OF 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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	12 539	14 915	13 048	10 988
Revenue from Crown	12 363	14 741	14 157	11 452
Revenue from Other	176	174	164	201
Surplus/(Deficit)	–	–	1 273	665

FINANCIAL COMMENT

This annual output expense appropriation was provided at a cost of $13.048 million, which is $1.867 million (14 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $0.584 million of the unspent appropriation to 2012/13 to contribute $0.117 million towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries and $0.467 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme. The remaining $1.283 million under spend represents cost savings. These cost savings, offset by $10 000 lower than expected third party income, resulted in a $1.273 million operating surplus for this output class.

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 IIIA.

This appropriation also covers MPI's operational involvement in the Government's 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 the Ministry of Business, Innovation and Employment.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: ADMINISTRATION OF THE PERMANENT FOREST SINK INITIATIVE				
Percentage of draft covenants sent to eligible applicants within 90 days of receipt of all information needed to process the draft covenant	75%	94.30%	75%	Achieved
Percentage of applications to the Permanent Forest Sink Initiative that include all required information will be processed from receipt to notification of decision within agreed timeframes	100%	94.30%	New Measure	Not Achieved Responsibility shifted during the merger. The operational processes took time to bed in with new "owners", resulting in interim performance reduction.
OUTPUT: IMPLEMENTATION OF THE NEW ZEALAND EMISSIONS TRADING SCHEME				
Percentage of emissions returns that include all required information will be processed from receipt to notification of decision within agreed timeframes	100%	99.80%	New Measure	Not Achieved There were 1491 returns filed in the mandated return period for period ending 31 December 2011. Two returns were missed through clerical error and later approved outside the timeframes. Processes have since been amended.
Percentage of applications that include all required information will be processed from receipt to notification of decision within agreed timeframes	100%	100%	New Measure	Achieved

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Percentage of applicants who participate in the customer satisfaction survey give the quality of MPI's ETS service delivery a rating of at least 3 out of 5 (where 1 represents poor performance and 5 represents excellent performance)	75%	79%	85%	Achieved A "one-off" application process resulted in considerable delays for many. This, in conjunction with changes to ETS legislation and regulatory processes, may have contributed to the 6% drop in satisfaction.
OUTPUT: PROMOTION OF SUSTAINABLE MANAGEMENT OF INDIGENOUS FORESTRY				
Percentage of annual logging plans inspected that comply with post-harvest forest inspections	80%	100%	New Measure	Achieved Of the annual logging plans operations that were audited, no compliance issues were found.
Percentage of sawmills inspected that comply with government regulations	80–100%	100%	95%	Achieved MPI inspected 121 of the 176 registered sawmills.
OUTPUT: PROSECUTION OF ALLEGED BREACHES OF NEW ZEALAND'S INDIGENOUS FORESTRY LEGISLATIVE FRAMEWORK				
Percentage of complaints (alleged breaches) correctly evaluated and categorised within the required timeframes	90%	100%	New Measure	Achieved
Percentage of lower threshold criminal behaviour investigations completed according to the requisite investigation process within six months and either closed or forwarded for prosecution	75%	70%	New Measure	Not Achieved Impacted by uneven flow of work and legislated timeframes and merger impacts. Resolved for 2012/13.
Percentage of higher threshold criminal behaviour investigations completed according to the requisite investigation process within 18 months and either closed or forwarded for prosecution	75%	100%	New Measure	Achieved Two higher threshold investigations were run in 2011/12.
Percentage of prosecutions dismissed for not disclosing a prima facie case	0%	0%	New Measure	Achieved There was one prosecution (with two defendants) under the Forestry Act 1949 in 2011/12.
Percentage of cases lodged with the court that incurred adverse judicial comment	0–5%	0%	0%	Achieved There was one prosecution (with two defendants) under the Forestry Act 1949 in 2011/12.

OUTPUT CLASS – POLICY ADVICE (MULTI-CLASS OUTPUT APPROPRIATION)

SCOPE OF APPROPRIATION

Agriculture and forestry policy advice

This output class is limited to policy advice, developing and administering legislation, communication and implementation on economic, environmental and social matters affecting land-based sectors and ministerial servicing.

Animal welfare policy advice

This output class is limited to policy advice and analysis on animal welfare and ministerial servicing.

Climate change policy advice

This output class is limited to policy advice, developing and administering legislation, communication and implementation on climate change matters affecting land-based sectors and ministerial servicing.

REVENUE AND OUTPUT EXPENSES

Agriculture and forestry policy advice

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	23 712	24 784	21 753	21 538
Revenue from Crown	23 284	24 071	23 070	21 232
Revenue from Other	428	713	647	378
Surplus/(Deficit)	–	–	1 964	72

Animal welfare policy advice

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	992	1 798	1 476	823
Revenue from Crown	991	1 767	1 688	842
Revenue from Other	1	31	29	3
Surplus/(Deficit)	–	–	241	22

Climate change policy advice

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	10 691	7 458	6 101	10 005
Revenue from Crown	10 480	7 408	6 477	9 922
Revenue from Other	211	50	50	83
Surplus/(Deficit)	–	–	426	–

DESCRIPTION OF ACTIVITIES

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.

FINANCIAL COMMENT

This annual multi-class output expense appropriation (MCOA) was provided at a cost of $29.330 million, which is $4.710 million (16 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $2.011 million of the unspent appropriation to 2012/13 to contribute $0.304 million towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries; $0.284 million for governance of the Global Research Alliance; $0.528 million to progress FTAs; $30 000 for the water quality project; $50 000 for Forestry Act research; $50 000 for the CLUES catchment modelling software; $180 000 for climate change research; $72 000 for the animal welfare strategy and legislative review project; and $0.513 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme. The remaining $2.699 million under spend represents cost savings. These cost savings, offset by $68 000 lower than expected third party income, resulted in a $2.631 million operating surplus for this MCOA.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: AGRICULTURE AND FORESTRY POLICY ADVICE				
New Zealand Institute of Economic Research's (NZIER's) mean rating of MPI policy advice on a scale of 1–10	7	7.4	7.1	Achieved
The Minister rates the quality of policy advice as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	3.75	5	Not Achieved Feedback from the Minister for the six months to December 2011 was 3; feedback to 30 June 2012 was 4.5 – Annual average 3.75. The Minister has indicated he is now very satisfied with service delivery.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
The Minister rates the quality of ministerial services as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	3.75	5	Not Achieved Feedback from the Minister for the six months to December 2011 was 3; feedback to 30 June 2012 was 4.5 – annual average 3.75. The Minister has indicated he is now very satisfied with service delivery.
Percentage of ministerial correspondence accepted without amendment for dispatch	95%	96%	92%	Achieved
Percentage of Parliamentary Questions completed within specified timeframes	95%	100%	99%	Achieved
Percentage of ministerial correspondence completed within 20 working days	100%	96%	98%	Not Achieved The redistribution of ministerial writing after the merger impacted on the timeliness. This is being addressed with training.
Percentage of OIA requests actioned within 20 working days	100%	80%	78%	Not Achieved Training and process enhancements have raised the percentage of all OIA requests actioned within timelines from an average of 70% for the first 10 months to 86% for the last two months.
OUTPUT: ANIMAL WELFARE POLICY ADVICE				
NAWAC members rate the quality of administrative support and scientific policy and legal advice provided by MPI as 3 or better on a scale of 1 to 5 (where 1 represents poor performance and 5 represents excellent)	3	4.5	3	Achieved
The Minister rates the quality of policy advice as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	4.5	4	Achieved
The Minister rates the quality of ministerial services as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	3.75	New Measure	Not Achieved Feedback from the Minister for the six months to December 2011 was 3; feedback to 30 June 2012 was 4.5 – annual average 3.75. The Minister has indicated he is now very satisfied with service delivery.
Percentage of parliamentary questions completed within specified timeframes	95%	100%	99%	Achieved
Percentage of ministerial correspondence completed within 15 working days	95%	87%	94%	Not Achieved The redistribution of ministerial writing after the merger impacted on the timeliness. This is being addressed with training.
Percentage of ministerial correspondence completed within 20 working days	100%	98%	100%	Not Achieved The redistribution of ministerial writing after the merger impacted on the timeliness. This is being addressed with training.
Percentage of OIA requests actioned within 20 working days	100%	75%	76%	Not Achieved Training and process enhancements have raised the percentage of all OIA requests actioned within timelines from an average of 70% for the first 10 months to 86% for the past two months.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: CLIMATE CHANGE POLICY ADVICE				
Percentage of parliamentary questions completed within specified timeframes	95%	100%	100%	Achieved
The Minister rates the quality of policy advice as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	3.75	5.0	Not Achieved Feedback from the Minister for the six months to December 2011 was 3; feedback to 30 June 2012 was 4.5 – annual average 3.75. The Minister has indicated he is now very satisfied with service delivery.
Percentage of ministerial correspondence completed within 20 working days	100%	100%	100%	Achieved
Percentage of OIA requests actioned within 20 working days	100%	80%	85%	Not Achieved Training and process enhancements have raised the percentage of all OIA requests actioned within timelines from an average of 70% for the first 10 months to 86% for the past two months.
Percentage of ministerial correspondence accepted without amendments	95%	100%	100%	Achieved
The Minister rates the quality of ministerial services as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	3.75	5	Not Achieved Feedback from the Minister for the six months to December 2011 was 3; feedback to 30 June 2012 was 4.5 – annual average 3.75. The Minister has indicated he is now very satisfied with service delivery.

OUTPUT CLASS – SUPPORT SERVICES AND INFRASTRUCTURE TO OTHER AGENCIES REVENUE DEPARTMENT APPROPRIATION (RDA)

SCOPE OF APPROPRIATION

This appropriation is limited to the provision of support services to other agencies, including financial, personnel and information technology services and subleasing of surplus accommodation.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	600	608	485	1 326
Revenue from Crown	–	–	–	–
Revenue from Other	600	608	485	1 326
Surplus/(Deficit)	–	–	–	–

FINANCIAL COMMENT

The Ministry earned $485 000 from the subleasing of surplus accommodation to other public sector agencies during 2011/12. This is an RDA in that the Ministry is limited to incur expenditure up to the amount of revenue earned.

Vote Biosecurity

The objective of Vote Biosecurity is to protect the primary sectors and natural environment from the threat of new pests and diseases, and to reduce the damage caused by harmful organisms that have already become established in New Zealand. It also contributes to increased trade and market access for New Zealand exports. The output expenses within Vote Biosecurity contribute to MPI achieving the following intermediate outcomes:

- Enhanced trade through principled application of international obligations.
- A more informed public increasingly involved in our regulatory activities.
- Prevention and reduction of harm to economic activity from pests and diseases.
- Prevention and reduction of harm to the natural environment from pests and diseases.
- Prevention and reduction of harm to human health from pests and diseases.
- Prevention and reduction of harm to resources of economic and cultural value to Māori from pests and diseases.

OUTPUT CLASS – BIOSECURITY POLICY ADVICE

SCOPE OF APPROPRIATION

The scope of this appropriation is limited to policy advice and analysis on biosecurity, and ministerial servicing.

DESCRIPTION OF ACTIVITIES

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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	10 341	9 295	8 331	9 964
Revenue from Crown	10 073	9 181	8 728	10 476
Revenue from Other	268	114	113	124
Surplus/(Deficit)	–	–	510	636

FINANCIAL COMMENT

This annual output expense appropriation was provided at a cost of $8.331 million, which is $0.964 million (12 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $0.453 million of the unspent appropriation to 2012/13 to contribute $63 000 towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries and $0.390 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme. The remaining $0.511 million under spend represents cost savings. These cost savings, offset by $1000 lower than expected third party income, resulted in a $0.510 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: DEVELOPMENT AND PROVISION OF BIOSECURITY-RELATED POLICY ADVICE				
The Minister rates the quality of policy advice as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	4.5	4	Achieved
NZIER's mean rating of MPI policy advice on a scale of 1 to 10	7	7.4	7.0	Achieved
OUTPUT: PROVISION OF MINISTERIAL SERVICES				
The Minister rates the quality of ministerial services as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	3.75	5	Not Achieved Feedback from the Minister for the six months to December 2011 was 3; feedback to 30 June 2012 was 4.5 – annual average of 3.75. The Minister has indicated he is now very satisfied with service delivery.
Percentage of ministerial correspondence accepted without amendments	95%	85%	77%	Not Achieved The change in distribution of responsibility for ministerial correspondence has identified an opportunity for an improved quality assurance process, which is currently being addressed.
Percentage of parliamentary questions completed within specified timeframes	95%	90%	91%	Not Achieved One batch of seven biosecurity questions was provided on the date, but after the cut-off time (7pm).
Percentage of ministerial correspondence completed within 20 working days	100%	91%	81%	Not Achieved The redistribution of ministerial writing after the merger impacted on the timeliness. This is being addressed with training.
Percentage of OIA requests actioned within 20 working days	100%	72%	82%	Not Achieved Training and process enhancements have raised the percentage of all OIA requests actioned within timeframes from an average of 70% for the first 10 months to 86% for the past two months.

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 development and maintenance

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

REVENUE AND OUTPUT EXPENSES

Border biosecurity monitoring and clearance

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	73 698	71 079	65 578	64 978
Revenue from Crown	45 861	47 822	44 997	40 316
Revenue from Other	27 837	23 170	21 711	22 199
Surplus/(Deficit)	–	(87)	1 130	(2 463)

Border biosecurity systems development and maintenance

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	13 995	15 724	15 494	15 677
Revenue from Crown	10 542	8 941	8 687	10 385
Revenue from Other	3 453	6 438	7 075	7 695
Surplus/(Deficit)	–	(345)	268	2 403

DESCRIPTION OF ACTIVITIES

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

FINANCIAL COMMENT

This annual MCOA was provided at a cost of $81.072 million, which is $5.731 million (7 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $3.079 million of the unspent appropriation funded from revenue Crown to 2012/13 to contribute $758 000 towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries, $0.129 million for international travel commitments and $2.192 million for development of the JBMS in conjunction with the New Zealand Customs Service. There are activities under the Border Biosecurity Monitoring and Clearance output class that are operated on a full cost recovery basis from third parties. Two memorandum accounts – the Biosecurity Clearance Fees Account and the Phytosanitary Exports Account – 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. During 2011/12, an operating surplus of $1.130 million was made jointly under these memorandum accounts.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: BIOSECURITY ENFORCEMENT				
Percentage of complaints received that are correctly evaluated and categorised within the provided timeframe	90%	0%	New Measure	Not Achieved All complaints are received and managed (categorised and prioritised) through one person. However, there is currently no system in place to report and capture this information. This will be amended for 2012/13.
Percentage of lower threshold criminal behaviour investigations completed according to the requisite investigation process within six months and either closed or forwarded for prosecution	75%	0%	New Measure	Not Achieved No system has yet been put in place to report and capture this information. This will be amended for 2012/13. The IT system Actionstep will be used to capture this information.
Percentage of higher threshold criminal behaviour investigations completed according to the requisite investigation process within 18 months and either closed or forwarded for prosecution	75%	0%	New Measure	Not Achieved No system has yet been put in place to report and capture this information. This will be amended for 2012/13. The IT system Actionstep will be used to capture this information.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Percentage of prosecutions dismissed for not disclosing a prima facie case	0%	0%	New Measure	Achieved (12 prosecutions under the Biosecurity Act 1993 in 2011/12)
Percentage of cases lodged with the court that incurred adverse judicial comment	0–5%	0%	1%	Achieved (12 prosecutions under the Biosecurity Act 1993 in 2011/12)
OUTPUT: BORDER BIOSECURITY MONITORING AND CLEARANCE				
Number of incursions of notifiable organisms through pathways that can be managed	0	7 (All eradicated)	0	Not Achieved The incursions relate to seven separate cases of *Paratrechina longicornis* (crazy ant). Of these, four were contained and eradicated within the boundaries of the port. The remaining three cases were found outside of the port – Napier and Canterbury (two) – and they were also successfully contained and eradicated.
Percentage of import consignments inspected by MPI where biosecurity risks are identified and mitigated	10 000–12 000 of 49 000–52 000 inspected import consignments	10 520 of 49 945 were inspected and mitigated	New Measure	Achieved There were 10 520 of 49 945 consignments inspected for biosecurity risk and treated, re-shipped or destroyed. It is important to note that MPI does not inspect all consignments that are lodged for Biosecurity clearance (i.e. some are cleared on the submission of documentation or are sent for treatment automatically as per the relevant import standard).
Percentage of passengers that comply with biosecurity	98.5–100%	95.3% of 4.8 million passengers	98.58%	Not Achieved Analysis of recent survey results is under way and will be followed by a set of recommendations that address the variance against target and will be incorporated into the Border Clearance work plan. Note – performance standard includes crew processed; 2011/12 actual captures arriving passengers only.
Percentage rating satisfaction with overall service as 4 or better on a scale where 1 represents poor performance and 5 represents excellent performance: Vessels and Goods Clearance	70–75%	86%	82%	Achieved The stakeholder satisfaction survey was issued to approximately 5700 importers/facility operators. Of those responses received, 86% of respondents rated overall service received from MPI as 4 or higher (on a scale of 1–5 where 1 represents very dissatisfied and 5 represents very satisfied).
Percentage of mail and courier companies satisfied with level of service provided by MPI	75–85%	100%	100%	Achieved Representatives for the two international mail companies (NZ Post and DX Mail) were surveyed and asked to rate overall service received from MPI. One hundred percent of respondents rated overall service received from MPI as 4 or higher (on a scale of 1–5 where 1 represents very dissatisfied and 5 represents very satisfied).

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Number of complaints upheld where MPI did not follow proper procedure	20–25	5	New Measure	Achieved Five complaints out of 16 received were deemed to be cases where MPI did not follow correct procedure. Upheld complaints included accidental damage to packages caused when opening them or holding the goods when they should have been released. Sixteen complaints were received out of 36 million mail items arriving in this period.
Percentage of scheduled facility assessments against required standard completed	90–100%	67%	75%	Not Achieved The ability to meet scheduled facility audits has been impacted by resource availability over the 2011/12 financial year (with over 5000 facilities and 18 inspectors). Factors included long term sick leave of several inspectors, impacts from the Canterbury earthquakes and the use of biosecurity inspectors for incursion responses. Nonetheless, results are improved on 2010/11. Following the merger of the Ministry of Fisheries and New Zealand Food Safety Authority, the facilities team is now included in Verification Services branch. Work is under way to investigate the possibility of verification services staff undertaking facility audits, which would result in additional resources being available to complete facility audits.
Number of facility inspections resulting in a "pass"	70–80%	95.50%	97%	Achieved The facility inspections pass rate is based on a scaled level of performance calculated in the Facility Management Performance System (FPMS) system. In 2011/12, approximately 4.5% of facilities audits resulted in a "fail" and are subject to increased auditing. The performance measure standard (70%) was estimated on information extracted from Quancargo database, but the purpose built FPMS system has proved to be more reliable.
Percentage rating satisfaction with overall service as 4 or better where 1 represents poor performance and 5 represents excellent performance: Facilities Approvals and Assurance	70–75%	86%	82%	Achieved The stakeholder satisfaction survey was issued to approximately 5700 importers/facility operators. Of those responses received, 86% of respondents rated overall service received from MPI as 4 or higher. Note – survey asks stakeholders to rate overall satisfaction with border clearance services on a scale of 1 to 5 (where 1 represents very dissatisfied and 5 represents very satisfied).
Percentage of passengers and crew processed at Auckland Airport in less than 25 minutes	85%	84.40%	New Measure	Not Achieved Measurement is taken from passengers entering the Customs/Immigration primary line portal through to exiting from the MPI secondary area into the meet and greet area.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: BORDER BIOSECURITY SYSTEMS DEVELOPMENT AND MAINTENANCE				
The number of incursions of notifiable pests that occurred because of an inaccurate or unclear standard	0	0	0	Achieved
Development of the Sanitary and Phytosanitary Standards Market Access Programme, as agreed with key meat, dairy, seafood and horticulture sector stakeholders	Achieved	Horticulture = Not Achieved	New Measure	Not Achieved The development of a market access programme for the horticulture sectors has been delayed due to the time and effort both MPI and industry have needed to devote to the Queensland fruit fly detection. However, the horticulture sector and MPI already have an agreed work plan that includes market access work and this is likely to become the foundation of the horticulture market access programme soon. (See also Vote Food Safety for other stakeholders.)
Animal Feeds Risk Management Programme is agreed with key poultry, pork and dairy sector stakeholders	Achieved	Not Achieved	New Measure	Not Achieved MPI has discussed its intentions to undertake work on animal feeds risk management in the forthcoming year with the Poultry Industry Association New Zealand, the New Zealand Feed Manufacturer's Association, New Zealand Pork and Fonterra. General support for the need for further work was recorded. A project plan for this work has not yet been completed. This is due to the initial work framing taking longer than expected. Until clear objectives, and especially outputs, are defined, it would be counterproductive to commence engagement with stakeholders.
Percentage of World Organisation for Animal Health (OIE), International Plant Protection Convention (IPPC) and Codex standards that are accepted by New Zealand	90%	OIE = 100% IPPC = 100%	New Measure	Achieved Codex covered under Vote Food.
Percentage of export certificates meeting importing country requirements	95–100%	Phytosanitary = 99.9% Animal = 99%	99.9%	Achieved

OUTPUT CLASS – DOMESTIC BIOSECURITY RISK MANAGEMENT MCOA

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 biosecurity surveillance activities.

DESCRIPTION OF ACTIVITIES

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

REVENUE AND OUTPUT EXPENSES

Biosecurity incursion response and long term pest management

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	10 075	12 441	13 447	14 991
Revenue from Crown	9 937	12 115	12 115	15 284
Revenue from Other	138	326	324	243
Surplus/(Deficit)	–	–	(1 008)	536

Domestic biosecurity surveillance

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	46 041	42 787	41 222	43 860
Revenue from Crown	42 895	39 028	38 405	41 246
Revenue from Other	3 146	3 759	3 677	2 425
Surplus/(Deficit)	–	–	860	(189)

FINANCIAL COMMENT

This annual MCOA was provided at a cost of $54.669 million, which is $0.559 million (1 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward the entire $0.623 million unspent revenue Crown funding under the Domestic Biosecurity Surveillance output class to 2012/13 to contribute $326 000 towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries and $0.297 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme. This MCOA had to absorb the unbudgeted cost of the fruit fly incursion response in Auckland towards the end of the financial year. This necessitated the reprioritisation of resources between the two output classes and resulted in the overall operating deficit of $0.148 million.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: BIOSECURITY INCURSION RESPONSE AND LONG-TERM PEST MANAGEMENT				
Percentage of response programmes with overall status "on track" to deliver agreed outcomes	85%	90%	95%	Achieved
Percentage of responses that have achieved their primary objective	80%	100%	50%	Achieved
All critical long-term management programme milestones are achieved	100%	80%	Kauri = 56% (5/9) Didymo = 83% (5/6)	Not Achieved Programmes are on track. The annual Technical Advisory Group was not held pre-June 30. This was postponed to the 2012/13 financial year when the programmes will be reviewed to determine fit with the MPI strategy and whether long-term goals are achievable.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Programme partners are satisfied with the programme, MPI's leadership of the programme and the relationships between partners (Kauri dieback)	75%	60%	50%	Not Achieved The Kauri dieback leadership team was surveyed (six people on behalf of the organisations they represent). In general, the partners are very satisfied with the programme, MPI's leadership of the programme and the relationships between the partners. Only one organisation indicated they were not satisfied and this related to a specific event and not the whole programme. However, owing to the small number of people surveyed, the one negative response skewed the results significantly. The programme is considered very successful and is meeting all its objectives.
OUTPUT: DOMESTIC BIOSECURITY SURVEILLANCE				
Percentage of Incursion Investigation Group decisions "Not to Open an Investigation" that are challenged and have the decision reversed	Less than 1%	0%	0%	Achieved
NZS/ISO/IEC 17025 accreditation maintained and all processing, testing and reporting is carried out in accordance with laboratory standard operating procedures	Accreditation maintained	Accreditation maintained	New Measure	Achieved
Key industry customers are satisfied with the process and timeframes for receiving a response from laboratory services	Overall satisfaction is 70% or greater	95%	80%	Achieved Ninety-five percent of Animal Health and Plant Health and Environmental Laboratories' customers were satisfied with the timeframes for response, and 89% were satisfied with the overall quality of service delivery.
Percentage of cases where the initial assessment of risk and decision to "Open an Investigation" is completed within 24 hours of receipt of notification	100%	81% (Plant and Environment) 80% (Animals and Marine)	Data not available	Not Achieved This result is down to timing of data entry into the Notification and Investigation Manager database where the details of notifications are retrospectively entered (e.g. after a weekend) and the system automatically calculates the time between notification time entered by the investigator and the auto-calculated start of the investigation data entry – this is then recorded as the time from notification to investigation initiation. This means that if entered on Monday (and organism was found on Saturday) then the measure is automatically missed.
Percentage of Animal Health Laboratory exotic disease investigation and response submissions that are closed within 20 working days of receiving samples	50%	81%	49%	Achieved There were 201 investigations that met the cut-off out of 250 submissions. The improvement against the performance standard reflects a more effective analysis of the reporting data.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Percentage of Plant Health Environment Laboratory testing reports that are issued within timeframes agreed in MPI's standard operating procedures	80%	81%	60%	Achieved It was not possible to automatically generate this data from the Laboratory Information Management System, therefore, the issue dates of testing reports from a 10% random sample of general surveillance and post-border samples were compared with the expected issue dates in the standard operating procedures.
Percentage of investigations that reach an investigation outcome decision within 30 working days. Cases taking longer than 30 days will generally relate to either priority decisions or to biological or diagnostic factors	95%	57% (Plant and Environment) 66% (Animals and Marine)	Data not available	Not Achieved Plant and Environment – 366 logged, 209 closed in 30 days Animals and Marine – 153 logged, 102 closed in 30 days. A service measure of 75% was recommended as a better stretch target. Based on current investigation processes, 95% is challenging. Factors accounting for variance include: 1) Investigation into emerging risks where timeframe for hazard identification and risk assessment was greater than 30 days; 2) Diagnostic results can take longer than the 30 days and can require overseas laboratory testing; 3) Compliance investigations often take longer than 30 days; 4) Competing priorities mean lower priority work is delayed; 5) Sampling can also be seasonal for emerging syndromes (i.e. have to wait a year to resample).
All surveillance programmes are based on best practice and/or meet relevant international standards or requirements (i.e. OIE, IPPC standards)	100%	100%	100%	Achieved

Vote

Fisheries

OUTPUT CLASS – DEVELOPMENT OF FISHERIES POLICY

SCOPE OF APPROPRIATION

The scope of this appropriation is limited to advice on the development of policies, standards and guidelines relating to the sustainable and efficient utilisation of New Zealand's fisheries, promotion of New Zealand's interests in an international context and the provision of ministerial servicing.

DESCRIPTION OF ACTIVITIES

The policy advice is provided to the Minister of Fisheries and Aquaculture on policy and issues relating to 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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	8 980	8 790	6 840	–
Revenue from Crown	8 900	8 749	8 010	–
Revenue from Other	80	41	46	–
Surplus/(Deficit)	–	–	1 216	–

FINANCIAL COMMENT

This appropriation was administered by the Ministry of Fisheries in the preceding financial year. This predominately revenue Crown funded output class was provided at a cost of $6.840 million, which is $1.950 million (29 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $0.739 million of the unspent appropriation to 2012/13 to contribute $0.143 million towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries and $0.596 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme. The remaining $1.211 million under spend represents cost savings. These cost savings, and $5000 higher than expected third party income, resulted in a $1.216 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: POLICY ADVICE PAPERS				
Improvement in the quality of policy advice papers demonstrated through independent assessment (current baseline 6.4/10)	Average independent rating of papers more than 6.4/10	7.4	7.4	Achieved
OUTPUT: MINISTERIAL CORRESPONDENCE				
Ministerials, parliamentary and select committee's questions are provided within required timeframes	100%	96%	New Measure	Not Achieved A number of responses to select committee questions on fisheries amendment notices were delivered late. Note: combination of fisheries and aquaculture ministerials, written parliamentary questions and select committee paper statistics.
Papers provided to the Minister are error free	At least 95%	98%	New Measure	Achieved Statistic provided is for briefing and ministerial redrafts for the aquaculture and fisheries portfolio.
OUTPUT: OFFICIAL INFORMATION ACT RESPONSE				
OIA responses provided within statutory timeframes	100%	83%	New Measure	Not Achieved Training and process enhancements have raised the percentage of OIA requests actioned within timelines from an average of 70% for the first 10 months to 86% for the past two months.
Complaints about OIA requests not accepted by the Ombudsman	100%	100%	New Measure	Achieved
OUTPUT: INTERNATIONAL STRATEGY				
Quarterly assessment of international engagement outcomes against set criteria to ensure they maintain or advance New Zealand's interest	At least 70% yes rating	100%	New Measure	Achieved
National Plan of Action for sharks is reviewed	By 30 June 2012	Not Achieved	New Measure	Not Achieved The revision began July 2012. Under the current timetable, completion will be in December 2012. Delay due to availability of resources and the fact that some research will not be available until September 2012.

OUTPUT CLASS – IMPLEMENTATION OF NEW ZEALAND FISHERIES POLICIES

SCOPE OF APPROPRIATION

This multi-class output is composed of three outputs that contribute to the management of the sustainable use of New Zealand's fisheries.

Aquaculture

This output class is limited to implementing, supporting and monitoring the aquaculture strategy.

Fisheries enforcement and monitoring

This output class is limited to informing, assisting, directing and enforcing adherence to New Zealand fisheries laws.

Operational advice on sustainability and management controls in fisheries

This output class is limited to operational advice to the Minister on sustainability and management controls for New Zealand's fisheries.

DESCRIPTION OF ACTIVITIES

These output classes contribute to the sustainable use of New Zealand fisheries.

REVENUE AND OUTPUT EXPENSES

Aquaculture

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	4 318	4 201	2 757	
Revenue from Crown	4 314	4 193	3 361	
Revenue from Other	4	8	7	
Surplus/(Deficit)	–	–	611	

Fisheries enforcement and monitoring

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	33 813	32 763	32 160	
Revenue from Crown	32 522	31 687	31 538	
Revenue from Other	1 291	1 076	622	
Surplus/(Deficit)	–	–	–	

Operational advice on sustainability and management controls in fisheries

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	61 550	53 650	47 837	
Revenue from Crown	59 354	51 227	47 535	
Revenue from Other	2 196	2 423	2 030	
Surplus/(Deficit)	–	–	1 728	

FINANCIAL COMMENT

This annual MCOA was provided at a cost of $82.754 million, which is $7.860 million (9 percent) less than the Supplementary Estimates. This appropriation was administered by the Ministry of Fisheries in the preceding financial year. This predominately revenue Crown funded MCOA was provided at a cost of $82.754 million, which is $7.860 million (9 percent) less than Supplementary Estimates. Approval has been obtained to carry forward $4.673 million of the unspent appropriation to 2012/13 to contribute $1.190 million towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries, $0.220 million to fund changes to systems and processes as part of the Ministry's merger and transformation programme, $0.600 million for managing aquaculture development, $1.860 million for fisheries research, 0.689 million for the environmental certification project, $72 000 to finalise the Waikato River settlement with iwi and $42 000 to progress the Ngāti Porou Deed of Agreement with the Crown under the old Foreshore and Seabed Act 2004 (subsequently replaced by the Marine and Coastal Area (Takutai Moana) Act 2011). The remaining $3.187 million under spend represents cost savings. These cost savings, offset by $0.848 million lower than expected third party income, resulted in a $2.339 million operating surplus for this MCOA.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: AQUACULTURE				
Aquaculture Strategy and Action Plan	Delivery and approval of an aquaculture strategy and action plan, and the first annual work plan, by 30 June 2012	Achieved	New Measure	Achieved The Aquaculture Strategy and Action Plan was approved by the Minister for Primary industries in April 2012. This includes cross-government annual work plans and performance measures for the next five years to 2015/16.
OUTPUT: FISHERIES ENFORCEMENT AND MONITORING				
Implement quarterly risk-based prioritisation of Field Operations Services	Prioritisation of Field Operations Services are reviewed quarterly	Achieved	New Measure	Achieved

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Perception survey on the probability of detection for non-commercial illegal activity	Improvement over 2010/11 baseline	Not Achieved	New Measure	Not Achieved The last survey was June 2011, it was not carried out again during 2011–12. It was put on hold while internal review undertaken of all external surveys.
Non-commercial compliance rates	Issued infringement notice numbers are stable or decreasing from a 2010 baseline	Achieved	Achieved	Achieved In 2011/12, Fishery Officers issued 1419 infringement notices from 37 321 recreational inspections (96% were compliant). This compares to the 1587 infringement notices issued in 2010/11 from 35 579 inspections.
Delivery of commercial vessel inspections	Number of vessel inspections delivered each year according to Annual Operating Plans with a +/–10% variance.	Achieved	New Measure	Achieved There were 1373 commercial vessel inspections completed of the 1500 planned.
Delivery of Licensed Fish Receiver inspections	Number of Licensed Fish Receiver inspections delivered each year according to Annual Operating Plans with a +/–10% variance.	340	New Measure	Not Achieved Regional risk assessments indicated a need for a higher level of inspections than had previously been set. There were 346 Licensed Fish Receiver inspections completed, with 200 planned.
Maintain or increase the percentage of commercial fishing returns that are: Furnished on time	At least 92%. (Baseline 92% for commercial fishing returns submitted on time 2010/11)	67%	New Measure	Not Achieved Under the current operational process, commercial fishers have no incentive to submit their landing returns exactly on time as there is a two-month time lag before compliance action is taken. This is under review. However, 97.8% of returns are submitted within one month of the due date.
Maintain or increase the percentage of commercial fishing returns that are: To the required standard	Baseline to be established 2011/12	83%	New Measure	Achieved Baseline has been established.
Delivery of observer days consistent with the Ministry's Fish Plans (and associated Annual Operating plans), and third party requirements	At least 90% of required days are delivered	69%	84%	Not Achieved Reasons for observer days not being delivered included: vacancies in Observer Services Unit; non-co-operation of inshore fishers; mitigation trials not arranged by the Department of Conservation; safety concerns of Korean FCVs; Industry undertook only 64% of planned South Pacific Regional Fisheries Management Organisation (SPRFMO) long line days and only requested 34% of planned Vessel Specific Conversion Factor days.
Cost efficiency of delivering observer days	To be within $450 per day for deepwater fisheries	$484	$605 per day for deepwater fisheries.	Not Achieved More observers located close to ports and more effective arrangements for transportation of required supporting gear where sufficient notice received.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Prosecutions – prima facie case established for all prosecutions taken by MPI	100%	100%	100%	Achieved There were 263 prosecutions under the Fisheries Act 1996 between 1 July 2011 and 30 June 2012.
Number of complaints upheld against Field Operations relating to undertaking their activities	Nil	Nil	Nil	Achieved No complaints were received.
The conduct of a prosecution results in an adverse finding against the Ministry	Nil	Nil	Nil	Achieved There were 263 prosecutions under the Fisheries Act 1996 between 1 July 2011 and 30 June 2012.
OUTPUT: OPERATIONAL ADVICE ON SUSTAINABILITY AND MANAGEMENT CONTROLS IN FISHERIES				
Fisheries Management Planning – Annual Operating Plans (AOP) specifying services to meet objectives are developed for the five national fisheries plans	AOP developed by 30 June 2012, then maintained annually	Achieved	New Measure	Achieved
Fisheries management planning – independent review of planning process of annual operating plans is undertaken to establish that the process provides for the effective and efficient allocation of resources	Review is completed by 30 June 2012 to provide an assessment of quality	Not Achieved	New Measure	Not Achieved Completion of review deferred 12 months due to the organisational merger.
Fisheries management advice	Independent review of Fisheries Management advice completed by 30 June 2012 (baseline to be set from this review)	Not Achieved	New Measure	Not Achieved Completion of review deferred 12 months due to the organisational merger.
Research projects commissioned	Completed research projects for which objectives are fully achieved exceeds 95%	100%	New Measure	Achieved
All research	All completed science research projects in the 2011/12 year are assessed by expert review and against the Ministry Research and Science Information Standard	Achieved	New Measure	Achieved All completed science research projects in the 2011/12 year were assessed by expert review in the Fishery Assessment Working Groups and against the Ministry Research and Science Information Standard. However, one element of the standard (the numerical rating of science information) has yet to be fully implemented.
Input and participation in managing fisheries – forum fisheries plans/iwi fisheries plans delivered	At least 40% of iwi have submitted an iwi or forum fisheries plan to the Ministry by 30 June 2012	47%	New Measure	Achieved Forty-seven percent coverage achieved. Four iwi forum fisheries plans have been developed and submitted to the Ministry: • Te Waka a Maui me Ona Toka (South Island); • CIFF@44° (Chatham Island); • Te Hiku (Top of the North); • Te Taihauauru (FMA 8).

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Obligations to iwi under individual settlements contained in protocols or other redress agreements are delivered	100% of obligations are met	95%	New Measure	Not Achieved Ninety-five percent delivery represents four out of 74 protocol requirements that were either not met or only partially met. Processes are still being developed and implemented in areas where a shortfall occurred, to ensure delivery of this work. Progress of this activity will be reported on in the next reporting period.
Mid-year and end of year science research plenary reports delivered	Reports delivered by December 2011 (mid-year) and June 2012 (end of year)	Achieved	New Measure	Achieved
Implement Seabird Policy to reduce the risk of fishing-related mortality of seabirds	Policy implemented by 30 June 2012	Not Achieved	New Measure	Not Achieved Development of the seabird national plan of action is currently under way with a revised implementation date of November 2012. By 30 June 2012, the national plan of action was in its second draft.

OUTPUT CLASS – SOUTH PACIFIC REGIONAL FISHERIES MANAGEMENT ORGANISATION INTERIM SECRETARIAT

SCOPE OF APPROPRIATION

This appropriation is limited to administrative support for the Interim Secretariat of the SPRFMO.

DESCRIPTION OF ACTIVITIES

The Interim Secretariat supports the establishment of a regional fisheries management organisation in the South Pacific Ocean. The SPRFMO closes a management gap in respect of the 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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	152	410	384	–
Revenue from Crown	152	166	166	–
Revenue from Other	–	244	218	–
Surplus/(Deficit)	–	–	–	–

FINANCIAL COMMENT

The Interim Secretariat of the SPRFMO appropriation was administered by the Ministry of Fisheries in the preceding financial year. The Ministry hosts the Interim Secretariat of SPRFMO. This output class was provided at a cost of $0.384 million, which is $26 000 (7 percent) less than the Supplementary Estimates.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
Oversight of New Zealand's financial contribution to the Interim Secretariat of the South Pacific Regional Fisheries Management Organisation (SPRFMO) Commission	Expenditure and contribution reviewed through: Quarterly review SPRFMO's Interim Secretariat financial report to the Commission's preparation conference	Achieved	Achieved	Achieved The convention governing the SPRFMO comes into force in August 2012. The first meeting of the Parties will be in January 2013 in New Zealand. At this meeting, the formal processes and procedures will be developed to establish a stand-alone body.

The objective of Vote Food Safety is to create an environment where food is both safe and suitable, but

Vote

Food Safety

also supports the necessary regulatory platform for improving New Zealand's economic prosperity. Increasing the success of New Zealand's export sector is a primary mechanism for growing the New Zealand economy. For domestic and export success, New Zealand's economic advantage is largely based on safe food backed up by reliable systems. The output expenses within Vote Food Safety contribute to MPI achieving the following intermediate outcomes:

- Improved safety and suitability of food.
- Healthier and safer food decisions made by informed consumers.
- Reduced overall compliance burden.
- Minimised impact of food safety related events and emergencies.
- Sustained and enhanced market access.
- Enhanced relationship with Australia in food and food-related matters.

OUTPUT CLASS – ASSURANCE

SCOPE OF APPROPRIATION

The scope of 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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	58 017	56 032	57 040	53 731
Revenue from Crown	3 853	3 799	3 799	3 858
Revenue from Other	56 816	54 291	53 006	51 556
Surplus/(Deficit)	2 652	2 058	(235)	1 683

FINANCIAL COMMENT

This predominately third party funded output class was provided at a cost of $57.040 million, which is $1.008 million (1.8 percent) more than the Supplementary Estimates. The $1.008 million unappropriated expenditure was due primarily to the write-off and impairment of costs incurred with respect to the Animal Products Electronic Certification (AP E-cert) application. AP E-cert is a 14-year-old application supporting government-to-government assurances for animal products exported to New Zealand. The application is currently being rebuilt to ensure it meets market access requirements for a number of countries. The existing application's useful life was reduced following the completion and deployment of phase 1 of the rebuild on 18 June 2012. The costs of operating this application are recovered from third parties through the operation of memorandum account Standards Setting for the Food Industry. 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.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: CERTIFICATION SERVICES				
Eligibility documents or export certificates, submitted by registered exporters, that are processed within 24 hours	94%	98%	96%	Achieved
OUTPUT: IMPORTS CLEARANCE				
Percentage of non-electronic permits processed within 48-hour clearance turnaround time (for electronic permits, the turnaround time shall be 24 hours)	99%	100%	100%	Achieved
Percentage of prescribed foods sampled within three days, once confirmation received	90%	100%	99.70%	Achieved
OUTPUT: ISSUE APPROVALS				
Percentage of correctly completed applications for routine administrative approvals that are processed within the appropriate legislative or internal policy timeframes. This is measured by the internal monthly self-assessment procedures, timeliness monitoring and dashboard reporting. A system for tracking applications was set up in the second quarter 2009/10 to improve timeliness of application approval	>99.5% for ACVM 95% for all others	ACVM = 90.1% Others = 81.6%	Not Achieved	Not Achieved Further investigation into the measuring system has shown that the assumptions used in setting the target were inaccurate, resulting in a target that cannot realistically be achieved. This will be reviewed in the 2012/13 financial year.
OUTPUT: VERIFICATION SERVICES				
Annual IANZ accreditation to AS/NZS ISO/IEC 17020 standard	Achieved	Achieved	Achieved	Achieved
Percentage of issues, identified at verification and internal audits, closed out within agreed timeframes	>90%	96%	85%	Achieved
New Zealand access to overseas markets maintained after overseas audits	100%	100%	New Measure	Achieved
Percentage of non-electronic permits processed within 48 hours	99%	100%	New Measure	Achieved
Percentage of electronic permits processed within 24 hours	99%	0%	New Measure	Not Achieved Permits are non-electronic. Electronic permits depend on JBMS developments.

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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	4 087	4 521	4 320	2 587
Revenue from Crown	3 382	4 389	4 367	3 079
Revenue from Other	705	132	193	583
Surplus/(Deficit)	–	–	240	1 075

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $4.320 million, which is $0.201 million (5 percent) less than Supplementary Estimates. Approval has been obtained to carry forward $22 000 of the unspent appropriation to 2012/13 to contribute towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries. The remaining $0.179 million under spend represents cost savings. These cost savings, and $61 000 higher than expected third party income, resulted in a $0.240 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: RESPOND TO ENQUIRIES				
Percentage of media enquiries that have been logged in media enquiries database where response to the enquiry has subsequently been recorded	99%	100%	New Measure	Achieved

OUTPUT CLASS – POLICY ADVICE

SCOPE OF APPROPRIATION

This appropriation is limited to analysis, policy, strategic and legal advice and decision-making support relating to domestic and international arrangements concerning food safety, food suitability, enforcement, inputs related to food production and ministerial services.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	6 646	4 846	3 817	5 825
Revenue from Crown	6 602	4 770	4 358	6 192
Revenue from Other	44	76	73	42
Surplus/(Deficit)	–	–	614	409

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $3.817 million, which is $1.029 million (27 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $0.412 million of the unspent appropriation to 2012/13 to contribute $27 000 towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries and $0.385 million for implementation of the Food Bill. The remaining $0.617 million under spend represents cost savings. These cost savings, partially offset by $3000 lower than expected third party income, resulted in a $0.614 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: MINISTERIAL SERVICES				
Percentage of parliamentary questions completed within specified timeframes	95%	98%	New Measure	Achieved
Percentage of correspondence completed within 20 working days	100%	97%	New Measure	Not Achieved The redistribution of ministerial writing after the merger impacted on the timeliness. This is being addressed with training.
Percentage of ministerial correspondence accepted without amendments	95%	98%	New Measure	Achieved
The Minister rates the quality of ministerial services as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	3	New Measure	Not Achieved The Minister provided feedback for the six months to 30 June 2012 only.
Percentage of OIA requests answered within 20 working days of receipt	100%	70%	90%	Not Achieved Training and process enhancements have raised the percentage of all OIA requests actioned within timelines from an average of 70% for the first 10 months to 86% for the past two months.
NZIER's mean rating of MPI policy advice on a scale of 1 to 10	7	7.4	7.0	Achieved

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: POLICY AND LEGAL ADVICE TO SUPPORT CHANGES TO THE REGULATORY FRAMEWORK				
The Minister rates the quality of policy advice provided as 4 or better on a scale of 1 to 5 via discussion with MPI officials every six months	4	4	4.5	Achieved
NZIER external reviews of Regulatory Impact Analysis, rated on a scale of 1 to 10	7	0	Not done	Achieved In 2012, Treasury commissioned Castalia to undertake an independent evaluation of a selection of RISs across government agencies. The reference to a "rating" relates to a previous measure developed for the New Zealand Food Safety Authority, prior to the formation of MPI. The Regulatory Impact Analysis quality assurance process is now co-ordinated by a team established in Treasury for this purpose, including through the commissioning of an external review by an independent consultancy (Castalia). Consequently, the external reviewer and the review "rating" differ from in the measure. A review by NZIER was not undertaken in 2011/12.

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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	2 331	5 102	4 872	1 865
Revenue from Crown	2 302	5 047	5 018	2 222
Revenue from Other	29	55	58	28
Surplus/(Deficit)	–	–	204	385

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $4.872 million, which is $0.230 million (5 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $29 000 of the unspent appropriation to 2012/13 to contribute towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries. The remaining $0.201 million under spend represents cost savings. These cost savings, and $3000 higher than expected third party income, resulted in a $0.204 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: MANAGE EMERGENCIES AND EVENTS				
At least 75% of lower threshold criminal behaviour investigations are completed according to the requisite investigation process within six months and either closed or forwarded for prosecution	75%	100%	New Measure	Achieved No food safety investigations categorised as "lower threshold" in 2011/12.

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
At least 75% of higher threshold criminal behaviour investigations are completed according to the requisite investigation process within 18 months and either closed or forwarded for prosecution	75%	100%	New Measure	Achieved
Less than 5% of cases lodged with the courts incur adverse judicial comment	Less than 5%	0%	New Measure	Achieved There were no prosecutions under the Food Act 1981 between 1 July 2011 and 30 June 2012. It should be noted that the Food Act is also administered by local authorities, which can take prosecutions and/or enforcement action.
Percentage of prosecutions dismissed for not disclosing a prima facie case	0%	0%	New Measure	Achieved There were no prosecutions under the Food Act 1981 between 1 July 2011 and 30 June 2012. It should be noted that the Food Act is also administered by local authorities, which can take prosecutions and/or enforcement action.

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.

REVENUE AND OUTPUT EXPENSES

PERFORMANCE INDICATORS	MAINS	SUPPLEMENTARY	2011/12 ACTUAL	2010/11 ACTUAL
Total Appropriation	22 078	19 993	17 541	19 438
Revenue from Crown	16 218	12 167	11 841	15 233
Revenue from Other	6 733	6 159	5 877	6 027
Surplus/(Deficit)	873	(1 667)	177	1 822

FINANCIAL COMMENT

This predominately revenue Crown funded output class was provided at a cost of $17.541 million, which is $2.452 million (12 percent) less than the Supplementary Estimates. Approval has been obtained to carry forward $0.326 million of the unspent appropriation for revenue of Crown funded activities to 2012/13 to contribute $0.200 million towards one-off costs associated with the merger of the Ministry of Agriculture and Forestry and Ministry of Fisheries, $26 000 for implementation of FTAs and $0.100 million for random testing of imported food. There are activities under this output class that are operated 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. Cost savings, offset by lower than expected third party income, resulted in a $0.177 million operating surplus for this output class.

PERFORMANCE INFORMATION

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
OUTPUT: SCIENCE-BASED STANDARDS AND NON-REGULATORY TOOLS TO SUPPORT AND DRIVE INDUSTRY COMPLIANCE.				
Percentage of the milestones met of the Meat Inspection Reform Programme as agreed with the Meat Industry Strategic Directions Group	80%	100%	New Measure	Achieved

PERFORMANCE INDICATORS	PERFORMANCE STANDARD	2011/12 ACTUAL	2010/11 ACTUAL	COMMENTS
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%	0%	New Measure	Not Achieved The market access programmes for the industry sectors were signed off or will be signed on: • Meat programme was signed off on 16 July; • Dairy programme was signed off on 25 July; • Seafood programme will be signed off on 13 September 2012 at the next Seafood Standards Council meeting.
A regulatory framework and scientific substantiation system is developed for health claims to be made for value-added foods and food products	Achieved	Not Achieved	New Measure	Not Achieved The Strategic Work Plan for Food for Health was agreed 21 December 2011. Achieving this performance measure depends on joint Australia–New Zealand acceptance of a new Food Standards Australia New Zealand (FSANZ) standard. Major progress by June 2012 with drafting of joint FSANZ health claims standard; to be accepted November 2012.
Percentage of export certificates meeting importing country technical requirements as specified by the overseas competent authority	95%	Animal Products/ Dairy = 99.9% Wine = 100%	New Measure	Achieved
Percentage of OIE, IPPC and Codex Standards that are accepted by New Zealand	90%	Codex = 100%	New Measure	Achieved OIE and IPPC covered under Vote Biosecurity.
Implementation plans developed for all agreed joint trans-Tasman food standards	Achieved	Not Achieved	New Measure	Not Achieved This measure was included in the estimates in error. The work on these plans was not intended to commence before July 2012.

FINANCIAL STATEMENTS

Statement of

Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Director-General of the Ministry for Primary Industries, for the preparation of 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 2012 and its operations for the year ended on that date.

Wayne McNee
Director-General

28 September 2012

Tony Murray
Chief Financial Officer

28 September 2012

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 2012

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

We have audited:

- the financial statements of the Ministry on pages 68 to 98, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, 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 Ministry that comprises the statement of service performance on pages 30 to 62 and the report about outcomes on pages 04 to 28; and
- the schedules of non-departmental activities of the Ministry on pages 99 to 115 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2012, the schedule of expenditure, 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 Ministry on pages 68 to 98:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Ministry's:
    - financial position as at 30 June 2012;
    - financial performance and cash flows for the year ended on that date;
    - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2012.
- the non-financial performance information of the Ministry on pages 30 to 62 and 4 to 28:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Ministry's service performance and outcomes for the year ended 30 June 2012, 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 Ministry on pages 99 to 115:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2012 managed by the Ministry 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 Ministry on behalf of the Crown.

Our audit was completed on 28 September 2012. 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 misstatement.

Material misstatements 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 misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the 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 misstatement 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 Ministry'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 Ministry's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Director-General;
- the appropriateness of the reported non-financial performance information within the Ministry'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 Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
  - fairly reflect its service performance and outcomes; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect those activities managed by the Ministry 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 misstatement, whether due to fraud or error.

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 Ministry.

Grant Taylor

Ernst & Young

On behalf of the Auditor-General

Wellington, New Zealand

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

This audit report relates to the financial statements, statement of service performance and schedules of non-departmental activities of the Ministry for the year ended 30 June 2012 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 28 September 2012 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 2012

The following significant movements in actual results between the 2011/12 and 2010/11 years, and actual results against the 2011/12 Supplementary Estimates budget, are explained below.

ACTUAL 2011 $000		ACTUAL 2012 $000	SUPP ESTIMATES 2012 $000
297 127	**Income (in total)**	**391 798**	**396 894**
203 918	Revenue Crown	294 690	296 496
92 911	Revenue Other	96 641	100 105
289 608	Expenditure (in total)	377 556	396 601
153 639	Personnel costs	185 448	193 734
7 519	**Operating surplus**	**14 242**	**293**
(461)	**Working capital**	**5 365**	**8 019**
45 682	**Non-current Assets**	**65 059**	**64 253**
	Current Liabilities		
530	Finance Leases	468	530
15 987	Employee entitlements	21 031	18 100
	Non-Current Liabilities		
406	Finance Leases	18	406
7 391	Employee entitlements	9 156	12 600
37 424	Equity	59 736	58 266

SIGNIFICANT MOVEMENTS BETWEEN 2010/11 AND 2011/12

The most significant variance from the Ministry's (MPI) departmental actual results from 2011 to 2012 is due to the integration of the Ministry of Fisheries (MFish) operations under Vote Fisheries and net assets (note 17) upon its amalgamation with the Ministry of Agriculture and Forestry from 1 July 2011. During 2011, operating income and expenditure under Vote Fisheries are $93.533 million and $89.978 million respectively; contributing $3.555 million to the overall operating surplus in the Statement of Comprehensive Income.

SIGNIFICANT VARIANCES BETWEEN 2011/12 ACTUAL RESULTS AND SUPPLEMENTARY ESTIMATES

Departmental outputs were provided at a cost of $377.556 million, which is $19.045 million less than forecast in the Supplementary Estimates. Approval has been obtained to carry forward $14.066 million of operating funding to 2012/13 to cover the cost of ongoing work or commitments in relation to a number of initiatives, notably: $6.777 million for the Ministry's transformation programme; $2.192 million for the development of the JBMS and $1.860 million for fisheries research.

The increase in Equity by $1.470 million is due to the change in accounting treatment for services subject to memorandum accounts (refer note 23) and the impact of 30 June 2012 property revaluation.

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

Statement of

Comprehensive Income

For the year ended 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES 2012 $000	SUPP ESTIMATES 2012 $000
	Income				
203 918	Revenue Crown		294 690	320 836	296 496
92 911	Revenue other	2	96 641	104 290	100 105
298	Gains	3	467	–	293
297 127	**Total income**		**391 798**	**425 126**	**396 894**
	Expenditure				
153 639	Personnel costs	4	185 448	205 149	193 734
10 777	Depreciation and amortisation expense	10, 11	11 394	16 675	11 212
2 594	Capital charge	5	4 092	4 657	4 037
117	Finance lease interest		132	185	100
950	Restructuring costs		6 806	3 680	5 000
121 531	Other operating expenses	6	169 684	186 255	182 518
289 608	**Total expenditure**		**377 556**	**416 601**	**396 601**
7 519	Net surplus/(deficit)		14 242	8 525	293
	Other comprehensive income				
–	Gain on property revaluations	17	678	–	–
7 519	**Total Comprehensive Income**		**14 920**	**8 525**	**293**

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 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES 2012 $000	SUPP ESTIMATES 2012 $000
	Assets				
	Current assets				
20 917	Cash and cash equivalents		31 379	30 385	18 047
24 517	Debtors and other receivables	7	38 843	41 404	38 000
922	Prepayments		890	2 865	2 000
4 587	Inventory	8	4 531	4 600	4 200
–	Non-current assets held for sale	9	110	–	–
50 943	**Total current assets**		**75 753**	**79 254**	**62 247**
	Non-current assets				
30 634	Property, plant and equipment	10	38 761	43 851	38 702
15 048	Intangible assets	11	26 298	32 441	25 551
45 682	**Total non-current assets**		**65 059**	**76 292**	**64 253**
96 625	**Total assets**		**140 812**	**155 546**	**126 500**
	Liabilities				
	Current liabilities				
25 985	Creditors and other payables	12	31 678	46 537	34 700
7 436	Repayment of surplus	13	13 450	8 525	293
1 466	Provisions	14	3 761	3 101	605
15 987	Employee entitlements	15	21 031	17 678	18 100
530	Finance leases	16	468	469	530
51 404	**Total current liabilities**		**70 388**	**76 310**	**54 228**
	Non-current liabilities				
–	Provisions	14	1 514	1 074	1 000
7 391	Employee entitlements	15	9 156	11 372	12 600
406	Finance leases	16	18	101	406
7 797	**Total non-current liabilities**		**10 688**	**12 547**	**14 006**
59 201	**Total liabilities**		**81 076**	**88 857**	**68 234**
37 424	**Net assets**		59 736	66 689	58 266
	Equity				
37 221	Crown capital and retained earnings		62 339	66 486	58 063
–	Memorandum accounts (net position)		(3 484)	–	–
203	Property revaluation reserve		881	203	203
37 424	**Total Equity**	17	**59 736**	**66 689**	**58 266**

The accompanying notes form part of these financial statements.

Statement of

Changes in Equity

For the year ended 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES 2012 $000	SUPP ESTIMATES 2012 $000
31 705	Balance at 1 July		37 424	37 341	37 424
6 231	Capital contributions		21 437	29 943	21 437
(595)	Repayment of capital		(595)	(595)	(595)
7 519	Surplus/(deficit) for the year		14 242	8 525	293
–	Gain on property revaluations		678	–	–
(7 436)	Repayment of surplus to the Crown	13	(13 450)	(8 525)	(293)
37 424	Balance at 30 June	17	59 736	66 689	58 266

The accompanying notes form part of these financial statements.

Statement of

Cash Flows

For the year ended 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES 2012 $000	SUPP ESTIMATES 2012 $000
	Cash flows from operating activities				
199 425	Receipts from Crown		302 648	321 336	307 075
93 490	Receipts from revenue other		96 455	104 290	98 875
(154 095)	Payments to employees		(194 076)	(197 354)	(191 334)
(122 556)	Payments to suppliers		(175 029)	(197 647)	(196 588)
(2 594)	Payments for capital charge		(4 092)	(4 657)	(4 037)
(459)	Goods and services tax (net)		1 250	–	1 196
13 211	Net cash from operating activities	18	27 156	25 968	15 187
	Cash flows from investing activities				
317	Receipts from sale of property, plant and equipment		2 176	–	492
(7 752)	Purchase of property, plant and equipment		(5 475)	(10 725)	(5 308)
(7 613)	Purchase of intangible assets		(12 976)	(17 350)	(13 000)
(15 048)	Net cash from investing activities		(16 275)	(28 075)	(17 816)
	Cash flows from financing activities				
19 803	Capital injections from the Crown		8 395	18 367	8 395
(11 861)	Repayment of surplus to the Crown		(7 441)	(7 900)	(7 441)
(595)	Repayment of capital to the Crown		(595)	(595)	(595)
(1 794)	Payments of finance leases		(778)	(485)	(600)
5 553	Net cash from financing activities		(419)	9 387	(241)
3 716	**Net increase (decrease) in cash**		**10 462**	**7 280**	**(2 870)**
17 201	Cash at the beginning of the year		20 917	23 105	20 917
20 917	**Cash at the end of the year**		**31 379**	**30 385**	**18 047**

The goods and services tax (GST) (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department (IRD). The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes, to be consistent with the presentation basis of the other primary financial statements.

During the period, the Ministry acquired property, plant and equipment totalling $238 000 (2011: $930 000) by means of finance leases.

The accompanying notes form part of these financial statements.

Statement of

Commitments

As at 30 June 2012

CAPITAL COMMITMENTS

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and computer software that have not been recognised as a liability at balance date.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Ministry leases property, plant 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 17 years.

ACTUAL 2011 $000		ACTUAL 2012 $000
	Non-cancellable operating lease commitments	
6 526	Not later than one year	25 827
21 088	Later than one year and not later than five years	45 460
8 146	Later than five years	5 425
35 760	**Total non-cancellable operating lease commitments**	**76 712**
	Other non-cancellable operating commitments	
4 284	Not later than one year	–
1 636	Later than one year and not later than five years	–
5 920	**Total other non-cancellable lease commitments**	**–**
41 680	**Total commitments**	**76 712**

The Ministry had no capital commitments at 30 June 2012 (2011: Nil).

The total minimum future sublease payments expected to be received under non-cancellable subleases at the balance date is $2 956 000 (2011: $2 399 000).

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.

There is no longer any requirement in generally accepted accounting practice (GAAP) or the Public Finance Act 1989 to disclose other non-cancellable operating commitments.

The accompanying notes form part of these financial statements.

Statement of

Contingent Liabilities and Contingent Assets

As at 30 June 2012

UNQUANTIFIABLE CONTINGENT LIABILITIES

KIWIFRUIT VINE DISEASE PSA-V

In July 2012, 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. There has been commentary in the media that 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.

The Ministry has no quantifiable departmental contingent liabilities (2011: Nil) and contingent assets (2011: Nil) as at 30 June 2012.

Statement of Departmental

Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2012

	EXPENDITURE AFTER REMEASUREMENTS 2012 $000	APPROPRIATION VOTED 2012 $000	UNAPPROPRIATED EXPENDITURE 2012 $000
Vote Food Safety			
Appropriations for output expenses			
Assurance	57 040	56 032	1 008

This unappropriated expenditure was due primarily to the write-off and impairment of costs incurred with respect to the AP E-cert application. AP E-cert is a 14-year-old application supporting government-to-government assurances for animal products exported to New Zealand. The application is currently being rebuilt to ensure it meets market access requirements for a number of countries. The existing application's useful life was reduced at year end following the completion and deployment of phase 1 of the rebuild on 18 June 2012.

These operating costs are recovered from third parties through the operation of memorandum account Standards Setting for the Food Industry.

It was not clear that the appropriation would be exceeded until late June 2012, too late for an appropriation to be included in the 2011/12 Supplementary Estimates or for prior approval to be sought to incur the expenses.

The Minister of Finance has subsequently approved the unappropriated expenditure under section 26B of the Public Finance Act 1989.

No unappropriated expenditure was incurred in the year ended 30 June 2011.

The accompanying notes form part of these financial statements.

Statement of Departmental

Expenses and Capital Expenditure against Appropriations

For the year ended 30 June 2012

EXPENDITURE AFTER REMEASUREMENTS 2011 $000		EXPENDITURE BEFORE REMEASUREMENTS 2012 $000	REMEASUREMENTS 2012 $000	EXPENDITURE AFTER REMEASUREMENTS 2012 $000	APPROPRIATION VOTED 2012* $000
	Vote Agriculture and Forestry				
	Appropriations for output expenses				
1 491	Administration and management of crown forestry assets	1 789	–	1 789	2 025
6 262	Administration of grants and programmes	6 538	–	6 538	10 125
4 171	Animal welfare education and enforcement	4 576	–	4 576	5 555
10 993	Implementation of the emissions trading scheme and indigenous forestry	13 048	–	13 048	14 915
32 377	Policy advice MCOA	29 480	–	29 330	34 040
21 545	*Agriculture and forestry policy advice*	*21 903*	*(150)*	*21 753*	*24 784*
823	*Animal welfare policy advice*	*1 476*	–	*1 476*	*1 798*
10 009	*Climate change policy advice*	*6 101*	–	*6 101*	*7 458*
1 326	Support services and infrastructure to other agencies RDA	485	–	485	608
56 620	**Total Vote Agriculture and Forestry**	**55 916**	**(150)**	**55 766**	**67 268**
	Vote Biosecurity				
	Appropriations for output expenses				
9 967	Biosecurity policy advice	8 331	–	8 331	9 295
80 679	Border biosecurity risk management (MCOA)	81 072	–	81 072	86 803
64 998	*Border biosecurity monitoring and clearance*	*65 578*	–	*65 578*	*71 079*
15 681	*Border biosecurity systems development and maintenance*	*15 494*	–	*15 494*	*15 724*
58 868	Domestic biosecurity risk management (MCOA)	54 669	–	54 669	55 228
14 995	*Biosecurity incursion response and long term pest management*	*13 447*	–	*13 447*	*12 441*
43 873	*Domestic biosecurity surveillance*	*41 222*	–	*41 222*	*42 787*
149 514	**Total Vote Biosecurity**	**144 072**	**–**	**144 072**	**151 326**
	Vote Fisheries				
	Appropriations for output expenses				
–	Development of fisheries policy	6 840	–	6 840	8 790
–	Implementation of New Zealand fisheries policies MCOA	82 754	–	82 754	90 614
–	*Aquaculture*	*2 757*	–	*2 757*	*4 201*
–	*Fisheries enforcement and monitoring*	*32 160*	–	*32 160*	*32 763*
–	*Operational advice on sustainability and management controls in fisheries*	*47 837*	–	*47 837*	*53 650*
–	Interim Secretariat South Pacific Regional Fisheries Management Organisation	384	–	384	410
–	**Total Vote Fisheries**	**89 978**	**–**	**89 978**	**99 814**
	Vote Food Safety				
	Appropriations for output expenses				
53 748	Assurance	57 040	–	57 040	56 032
2 588	Information	4 320	–	4 320	4 521
5 827	Policy advice	3 817	–	3 817	4 846
1 866	Response	4 872	–	4 872	5 102
19 445	Standards	17 541	–	17 541	19 993
83 474	**Total Vote Food Safety**	**87 590**	**–**	**87 590**	**90 494**
289 608	**Total All Votes**	**377 556**	**(150)**	**377 406**	**408 902**
	Permanent legislative authority				
16 784	Capital expenditure	19 971	–	19 971	**18 808**

* This includes adjustments made in the Supplementary Estimates.
The accompanying notes form part of these financial statements.

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

The Ministry earned $485 000 (2011: $1 326 000) 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.

Statement of

Trust Monies

For the year ended 30 June 2012

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 Pork Industry Board.

ACTUAL 2011 $000		ACTUAL 2012 $000
–	Balance at 1 July	8
59 402	Contributions	57 644
(59 398)	Distributions	(57 647)
4	Revenue	–
–	Expenditure	–
8	**Balance at 30 June**	**5**

FOREST TRUST ACCOUNT

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

ACTUAL 2011 $000		ACTUAL 2012 $000
1	Balance at 1 July	1
–	Contributions	–
–	Distributions	–
–	Revenue	–
–	Expenditure	–
1	**Balance at 30 June**	**1**

The accompanying notes form part of these financial statements.

Notes to the

Financial Statements

NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

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.

Vote Fisheries was administered by the Ministry of Fisheries until 30 June 2011 and has now been incorporated in the Ministry's financial statements. Prior year comparisons exclude Vote Fisheries.

In addition, the Ministry has reported on Crown activities and trust monies that 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 2012. The financial statements were authorised for issue by the Director-General of the Ministry on 28 September 2012.

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 have been no changes in accounting policies during the financial year.

The Ministry has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Ministry has decided to present this analysis in note 17.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments to the Ministry is that certain information about property valuations is no longer required to be disclosed. This is reflected in note 9.
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures – The amendment reduces the disclosure requirements relating to credit risk. This is reflected in note 7.

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

- NZ IFRS 9 Financial Instruments 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.

Due 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.

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 follow:

- 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 $5 000 are capitalised.

Additions

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

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

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to 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 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) (2.5–12.5 percent)	8 to 40 years
Office furniture and equipment (8–33 percent)	3 to 12 years
Motor vehicles	5 years (20 percent)
Vessels	4 to 25 years (4–25 percent)

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 building 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 to 7 years (14–33 percent)
Developed computer software	5 to 10 years (10–20 percent)

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 taxpayers' funds (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 so 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; and
- 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 close 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 that 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 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 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 2012, 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 actual time incurred. Other indirect costs are assigned to outputs based on assessed usage, staff numbers, direct expenditure and estimated allocation of time.

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Ministry has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 the Ministry's accounting policies for the period ended 30 June 2012.

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 the leasing of computer hardware from Alleasing New Zealand Ltd are finance leases.

Amalgamation of Ministry of Fisheries

The initial cost of property, plant and equipment assets as well as intangible assets, transferred from the Ministry of Fisheries, is the net book value of those assets at the time of the amalgamation of the Ministry's functions with the Ministry of Agriculture and Forestry. This is deemed to equate to the fair value of those assets to the Ministry.

NOTE 2: REVENUE OTHER

ACTUAL 2011 $000		ACTUAL 2012 $000
82 954	Statutory fees and levies	85 427
3 531	State Sector Retirement Savings Scheme and KiwiSaver recovery	4 295
1 321	Rental income from sub-leased accommodation	539
5 105	Other goods and services	6 380
92 911	**Total revenue other**	**96 641**

NOTE 3: GAINS

ACTUAL 2011 $000		ACTUAL 2012 $000
215	Net gain on disposal of property, plant and equipment	466
83	Net gain on foreign exchange contracts	1
298	**Total gains**	**467**

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 $450 000 (2011: $215 000).

NOTE 4: PERSONNEL COSTS

ACTUAL 2011 $000		ACTUAL 2012 $000
136 886	Salaries and wages	166 592
4 349	Employer superannuation contributions to defined contribution plans	5 066
8 622	Increase/(decrease) in employee entitlements	6 809
3 782	Other personnel costs	6 981
153 639	**Total personnel costs**	**185 448**

Employer superannuation contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, 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 2012 was 8 percent (2011: 7.5 percent).

NOTE 6: OTHER OPERATING EXPENSES

ACTUAL 2011 $000		ACTUAL 2012 $000
253	Fees to auditor for financial statement audit	398
9 247	Operating lease payments	12 677
1 117	Advertising and publicity	1 156
–	Fisheries and marine-related research contracts	21 260
7 171	Other research contracts	11 246
63 848	Other contracts for services	57 226
10 034	Travel	10 915
3 862	Property costs	5 290
5 974	Information technology	7 509
93	Inventory consumed (note 8)	56
2 106	Inventory written-off	–
91	Debt impairment (note 7)	(2)
–	Property, plant and equipment written-off	1 408
202	Intangible assets written-off	313
–	Intangible assets impairment	283
–	Loss on property revaluations	281
3 626	Consultancy	22 743
13 907	Other operating expenses	16 925
121 531	**Total other operating expenses**	**169 684**

NOTE 7: DEBTORS AND OTHER RECEIVABLES

ACTUAL 2011 $000		ACTUAL 2012 $000
	Current debtors and other receivables	
5 825	Debtors	4 902
(58)	Less provision for impairment	(140)
5 767	Net debtors	4 762
13 517	Crown debtor	27 621
5 233	Accrued revenue	6 460
24 517	**Total debtors and other receivables**	**38 843**

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

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

			2011			2012
	GROSS $000	IMPAIRMENT $000	NET $000	GROSS $000	IMPAIRMENT $000	NET $000
Current	5 015	–	5 015	3 286	–	3 286
Greater than 30 days	437	–	437	624	–	624
Greater than 60 days	141	–	141	725	–	725
Greater than 90 days	232	(58)	174	267	(140)	127
Total	**5 825**	**(58)**	**5 767**	**4 902**	**(140)**	**4 762**

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 2011 $000		ACTUAL 2012 $000
10	Individual impairment	16
48	Collective impairment	124
58	**Total provision for impairment**	**140**

Those specific debtors that are insolvent are fully provided for. The Ministry has identified no debtors that are insolvent as at 30 June 2012 (2011: 11, totalling $10 000).

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

ACTUAL 2011 $000		ACTUAL 2012 $000
10	Balance at 1 July	58
91	Additional provisions made (note 6)	(2)
–	Transfer from MFish	124
–	Unused amounts reversed during the year	–
(43)	Receivables written off during the year	(40)
58	**Balance at 30 June**	**140**

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

NOTE 8: INVENTORY

ACTUAL 2011 $000		ACTUAL 2012 $000
	Inventory held for distribution	
4 394	Foot-and-mouth vaccine	4 394
193	Security items for the transport of goods overseas	137
4 587	**Total inventory**	**4 531**

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 (2011: $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 Kurahaupo historical Treaty of Waitangi settlement. The Crown's standard valuation process for properties sold as part of Treaty settlements is for the parties to agree valuation instructions and an independent valuer, who then values the property. After following this process, the registered valuer A.C. 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. Kurahaupo have agreed with this valuation.

ACTUAL 2011 $000		ACTUAL 2012 $000
	Non-current assets held for sale include	
–	Buildings	25
–	Land	85
–	**Total non-current assets held for sale**	**110**

The accumulated property revaluation reserve recognised in equity for the Omaka storehouse property at 30 June 2012 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 2010	1 523	12 939	10 622	23 027	4 788	52 899
Additions through purchase	–	251	2 766	5 001	927	8 945
Additions through merger with NZFSA	–	–	386	49	1 539	1 974
Disposals	–	–	(2 721)	(50)	(612)	(3 383)
Reclassification	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
Balance at 30 June 2011	**1 523**	**13 190**	**11 053**	**28 027**	**6 642**	**60 435**
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 MFish	147	3 053	4 316	4 862	5 950	18 328
Disposals	–	–	(3 734)	(14 867)	(1 377)	(19 978)
Reclassification	–	–	–	–	–	–
Held for sale	(85)	(25)	–	–	–	(110)
Revaluation	609	(3 417)	–	–	–	(2 808)
Balance at 30 June 2012	**2 194**	**12 988**	**12 964**	**20 030**	**13 376**	**61 552**
Accumulated depreciation and impairment losses						
Balance at 1 July 2010	–	1 453	5 599	16 636	2 510	26 198
Depreciation expense	–	505	1 439	4 059	881	6 884
Eliminate on disposal	–	–	(2 721)	(50)	(510)	(3 281)
Reclassification	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
Balance 30 June 2011	**–**	**1 958**	**4 317**	**20 645**	**2 881**	**29 801**
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 MFish	–	618	2 378	3 378	1 955	8 329
Eliminate on disposal	–	–	(2 397)	(14 787)	(1 111)	(18 295)
Reclassification	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Revaluation	–	(3 205)	–	–	–	(3 205)
Balance 30 June 2012	**–**	**–**	**5 916**	**12 104**	**4 771**	**22 791**
Carrying Amounts						
At 1 July 2010	1 523	11 486	5 023	6 391	2 278	26 701
At 30 June and 1 July 2011	1 523	11 232	6 736	7 382	3 761	30 634
At 30 June 2012	2 194	12 988	7 048	7 926	8 605	38 761

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. This revaluation resulted in a revaluation gain for land and residential buildings of $609 000 and $69 000 respectively, and a revaluation loss of $281 000 for non-residential buildings.

Artwork was valued to fair value $116 500 as at 30 June 2010 by Dunbar Sloane Limited.

WORK IN PROGRESS

The total amount of property, plant and equipment in the course of construction is $3 602 000 (2011: $1 185 000).

FINANCE LEASES

The net carrying amount of computer equipment held under finance leases is $437 000 (2011: $898 000).

NOTE 11: INTANGIBLE ASSETS

	ACQUIRED SOFTWARE $000	INTERNALLY GENERATED SOFTWARE $000	TOTAL $000
Cost			
Balance at 1 July 2010	6 644	13 272	19 916
Additions	36	7 803	7 839
Additions through merger with NZFSA	16	3 988	4 004
Disposals	–	–	–
Reclassification	–	–	–
Balance at 30 June 2011	**6 696**	**25 063**	**31 759**
Balance at 1 July 2011	6 696	25 063	31 759
Additions through purchase	903	13 589	14 492
Additions through merger with MFish	5 159	8 176	13 335
Disposals	–	(422)	(422)
Reclassification	14	(14)	–
Balance at 30 June 2012	**12 772**	**46 392**	**59 164**
Accumulated amortisation and impairment losses			
Balance at 1 July 2010	5 095	7 521	12 616
Amortisation expense	872	3 021	3 893
Disposals	–	–	–
Impairment losses	202	–	202
Reclassification	–	–	–
Balance at 30 June 2011	**6 169**	**10 542**	**16 711**
Balance at 1 July 2011	6 169	10 542	16 711
Additions through merger with MFish	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 30 June 2012	**11 774**	**21 092**	**32 866**
Carrying amounts			
At 1 July 2010	1 549	5 751	7 300
At 30 June and 1 July 2011	527	14 521	15 048
At 30 June 2012	998	25 300	26 298

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 $12 590 000 (2011: $3 814 000).

Details of material intangible assets are as follows.

ACTUAL 2011			ACTUAL 2012	
CARRYING AMOUNT $000	REMAINING AMORTISATION PERIOD		CARRYING AMOUNT $000	REMAINING AMORTISATION PERIOD
2 628	4.76 years	Farm property information database (FarmsOnLine)	2 067	3.75 years
1 980	3.989 years	Animal Products Electronic Certification (AP E-cert) application	3 438	9.97 years
–	–	Electronic phytosanitary certification (ePhyto) generation system	719	4.09 years
3 597	4.92 years	Climate change information system	3 347	4.84 years

The AP E-Cert application is a 14-year-old application supporting government-to-government assurances for animal products exported from New Zealand. The application is being rebuilt to ensure it meets market access requirements for a number of countries. Phase 1 of the rebuild was completed in June and entire rebuild is expected to be completed by 31 December 2013. Consequently, the useful life of the legacy system was reduced to 12 months. This resulted in an impairment loss of $282 979.05.

NOTE 12: CREDITORS AND OTHER PAYABLES

ACTUAL 2011 $000		ACTUAL 2012 $000
155	Accounts payable	1 083
6 869	Income in advance	6 370
18 312	Accrued expenses	23 671
649	GST payable to IRD	554
25 985	**Total creditors and other payables**	**31 678**

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 2011 $000		ACTUAL 2012 $000
7 519	Net surplus from statement of comprehensive income	14 242
(83)	Adjust for unrealised losses/(gains) on forward foreign exchange contracts recognised in the surplus/(deficit)	(1)
–	Adjust for property revaluation losses/(gains) recognised in the surplus/(deficit)	281
–	Adjust for (surpluses)/deficits for services subject to memorandum accounts	(1 072)
7 436	**Total return of operating surplus**	**13 450**

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

NOTE 14: PROVISIONS

ACTUAL 2011 $000		ACTUAL 2012 $000
451	Restructuring	1 291
543	Compensation under the Biosecurity Act 1993	624
107	ACC Partnership Programme	6
–	Onerous Lease	2 610
365	Other Provisions	744
1 466	**Total provisions**	**5 275**

NOTE 14A: PROVISION FOR RESTRUCTURING

ACTUAL 2011 $000		ACTUAL 2012 $000
175	Opening balance 1 July	451
–	Transferred from MFish	425
950	Additional provisions made	1 364
(619)	Amounts used	(501)
(55)	Unused amounts reversed	(448)
451	**Closing balance**	**1 291**

The restructuring provision as at 30 June 2012 is in respect to the amalgamation of the Ministry of Fisheries and Ministry of Agriculture and Forestry from 1 July 2011. The provision represents the MPI's best estimate of the cost of the restructuring and provides for equalisation allowances for 17 employees and severance payments for a further 13 employees. 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 104 employees.

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

ACTUAL 2011 $000		ACTUAL 2012 $000
473	Opening balance	543
450	Additional provisions made during the year	232
(380)	Charged against provision for the year	(151)
543	**Closing balance**	**624**

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 2013.

NOTE 14C: PROVISION FOR ACC PARTNERSHIP PROGRAMME

ACTUAL 2011 $000		ACTUAL 2012 $000
20	Opening balance	107
125	Additional provisions made	6
–	Charged against provision for the year	–
(38)	Unused amounts reversed during year	(107)
107	**Closing balance**	**6**

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 workplace injuries to ensure employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas, and implementing mitigating actions; and
- identifying workplace hazards and implementation of 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 $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 2011 $000		ACTUAL 2012 $000
–	Opening balance	–
–	Transferred from MFish	769
–	Additional provisions made during the year	1 841
–	**Closing balance**	**2 610**
–	Current portion	1 096
–	Non-current portion	1 514
–	**Total Liability**	**2 610**

The onerous contract provision is in respect to the former Ministry of Fisheries head office building vacated upon amalgamation with the Ministry of Agriculture and Forestry. The provision has been determined as the present value of the unavoidable costs, net of the expected sub-leasing income under the lease contract. The provision is based on the course of action that minimises the present value of the unavoidable costs, net of economic benefits. The current lease expires on 30 June 2015. The discount rates used in the present value calculation are one year: 2.43 percent; two year: 2.47 percent; and three year: 6.00 percent.

Prior to establishing this provision, the leasehold improvements in the property lease were written-off at a cost of $1.304 million.

NOTE 15: EMPLOYEE ENTITLEMENTS

ACTUAL 2011 $000		ACTUAL 2012 $000
	Current employee entitlements are represented by:	
3 141	Salaries and wages	4 264
10 106	Annual leave	13 388
509	Sick leave	618
990	Long service leave	1 235
1 241	Retiring leave	1 526
15 987	**Total current portion**	**21 031**
	Non-current employee entitlements are represented by:	
1 548	Long service leave	1 993
5 843	Retiring leave	7 163
7 391	**Total non-current portion**	**9 156**
23 378	**Total employee entitlements**	**30 187**

The measurement of retirement and long-service leave depends on several 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 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: one year 2.43 percent; two year 2.47 percent; and three year plus 6 percent (2011: 2.84 percent, 3.81 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 Treasury.

If the discount rate were to differ by 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $628 000 lower. If the discount rate were to differ by 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $707 000 higher.

If the salary inflation factor were to differ by 1 percent higher from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $660 000 higher. If the salary inflation factor were to differ by 1 percent lower from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $597 000 lower.

NOTE 16: FINANCE LEASES

ACTUAL 2011 $000		ACTUAL 2012 $000
	Minimum lease payments payable:	
581	Not later than one year	486
423	Later than one year and not later than five years	19
1 004	**Total minimum lease payments**	**505**
(68)	Future finance charges	(19)
936	Present value of minimum lease payments	486
	Present value of minimum lease payments payable:	
530	Not later than one year (current)	468
406	Later than one year and not later than five years (non-current)	18
936	**Total present value of minimum lease payments**	**486**

DESCRIPTION OF LEASING ARRANGEMENTS

The Ministry has entered into finance leases for computer hardware. The net carrying amount of the leased items is $485 000 (2011: $898 000).

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 2011 $000		ACTUAL 2012 $000
	Crown capital and retained earnings	
31 502	Balance at 1 July	37 221
	Capital injections from the Crown for:	
–	– Amalgamation of MFish from 1 July 2011	13 335
–	– Development of NAIT application	6 220
30	– Design and development of the JBMS with New Zealand Customs Service	1 652
–	– Development of electronic wine certification capability	230
3 141	– Amalgamation of NZFSA from 1 July 2010	–
3 060	– Development of FarmsOnLine farm property information database	–
	Repayment of capital to the Crown for:	
(595)	– Part repayment of a 2004/05 capital injection for MAF Head Office accommodation	(595)
–	Transfer to recognise memorandum account opening deficit	4 556
7 519	Net surplus/(deficit)	14 242
–	Transfer of memorandum accounts net (surplus)/ deficit	(1 072)
–	Transfers to/from revaluation reserves on disposal of property	–
(7 436)	Return of operating surplus to the Crown	(13 450)
37 221	**Balance at 30 June**	**62 339**
	Memorandum accounts	
–	Balance at 1 July	–
–	Transfer to recognise memorandum account opening deficit	(4 556)
–	Net memorandum account surpluses/(deficits)	1 072
–	**Balance at 30 June**	**(3 484)**
	Revaluation reserve – Land	
100	Balance at 1 July	100
–	Revaluation gains	609
100	**Balance at 30 June**	**709**
	Revaluation reserve – Residential Buildings	
–	Balance at 1 July	–
–	Revaluation gains	69
–	**Balance at 30 June**	**69**
	Revaluation reserve – Artworks	
103	Balance at 1 July	103
–	Revaluation gains	–
103	Balance at 30 June	103
37 424	**Total Equity**	**59 736**

ASSETS AND LIABILITIES TRANSFERRED FROM MINISTRY OF FISHERIES ON 1 JULY 2011

	$000
Cash and cash equivalents	293
Debtors and other receivables	22 806
Prepayments	2 766
Tax Receivable	1 345
Property, plant and equipment	7 060
Intangible assets	2 587
Work in progress	2 939
Total assets	**39 796**
Liabilities	
Creditors and other payables	17 836
Repayment of surplus	5
Deferred revenue	292
Provisions	1 411
Employee entitlements	6 917
Total liabilities	**26 461**
Net Assets	**13 335**

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

ACTUAL 2011 $000		ACTUAL 2012 $000
7 519	Net surplus/(deficit)	14 242
	Add/(less) non-cash items	
10 979	Depreciation, impairment and amortisation expense	11 677
(83)	Net foreign exchange gain	(1)
10 896	**Total non-cash items**	**11 676**
	Add/(less) items classified as investing or financing activities	
(215)	Net (gain)/loss on disposal of property, plant and equipment	(466)
117	Finance lease interest expense	132
–	Revaluation expense	281
(98)	**Total investing or financing activities**	**(53)**
	Add/(less) movements in working capital items	
(744)	(Increase)/decrease in inventories	56
(1 348)	(Increase)/decrease in debtors and other receivables	8 559
533	(Increase)/decrease in prepayments	2 798
(4 252)	Increase/(decrease) in creditors and other payables	(12 412)
528	Increase/(decrease) in employee entitlements	(108)
177	Increase/(decrease) in provisions	2 398
(5 106)	**Total net movement in working capital items**	**1 291**
13 211	**Net cash from operating activities**	**27 156**

NOTE 19: RELATED PARTIES

All related party transactions have been entered into on an arm's 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 $294.690 million (2011: $203.918 million) to provide services to the public for the year ended 30 June 2012.

The Ministry paid a capital charge to the Crown on its Equity of $4.092 million (2011: $2.594 million) for the year ended 30 June 2012.

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 2011/12 the Ministry paid the IRD and ACC $77.886 million and $0.760 million respectively (2011: $63.769 million and $0.852 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 2012 totalled $34.40 million (2011: $29.28 million). These purchases included the purchase of specialist services and research capability from AgResearch, the National Institute of Water and Atmospheric Research Ltd (NIWA) and AsureQuality, air travel from Air New Zealand, legal services from the 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 2011 $000		ACTUAL 2012 $000
2 013	Salaries and other short-term employee benefits	2 592
58	Other long-term benefits	50
306	Post-employment benefits	138
–	Termination benefits	–
2 377	**Total key management personnel compensation**	**2 780**

Key management personnel of the Ministry comprise the Minister for Primary Industries, the Director-General and eight Deputy Director-Generals. The 2011 comparatives (for Ministry of Agriculture and Forestry) included the Director-General, six Deputy Director-Generals and the General Manager Crown Forestry.

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 $22 000 (2011: $Nil) 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 United States 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, due 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 forwards 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
2011			
Creditors and other payables (note 12)	25 985	–	–
Finance leases (note 16)	318	212	406
2012			
Creditors and other payables (note 12)	31 678	–	–
Finance leases (note 16)	284	184	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 2011 $000		ACTUAL 2012 $000
	Loans and receivables	
20 917	Cash and cash equivalents	31 379
24 517	Debtors and other receivables (note 7)	38 843
45 434	**Total loans and receivables**	**70 222**
	Financial liabilities measured at amortised cost	
25 985	Creditors and other payables (note 12)	31 678

NOTE 22: CAPITAL MANAGEMENT

The Ministry's capital is its Equity, which comprises 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-run perspective to fee setting and cost recovery.

Previously, memorandum accounts were "notional" accounts included for transparency around outputs that are fully cost recovered from third parties through the fees charged for services. Effective 1 July 2011, all government department memorandum accounts were required to change from being "notional" accounts requiring note disclosure to being "real" accounts requiring separate recognition within the financial statements.

These transactions are included as part of the Ministry's operating income and expenses in the surplus/deficit, however, effective 1 July 2011, these transactions will be 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 from cash from the Ministry's statement of financial position or by seeking approval for a capital injection from the Crown. Capital injections will be repaid to the Crown by way of cash payments throughout the memorandum account cycle.

ACTUAL 2011 $000		ACTUAL 2012 $000
(2 722)	Border biosecurity clearance fees account	(1 772)
1 199	Phytosanitary exports account	1 379
(5 462)	Verification of the food regulatory programme	(4 105)
728	Approvals, accreditations and registrations	423
1 701	Standards setting for the food industry	591
(4 556)	**Total memorandum account balances**	**(3 484)**

NOTE 23A: BORDER BIOSECURITY CLEARANCE FEES ACCOUNT

ACTUAL 2011 $000		ACTUAL 2012 $000
-	Opening balance 1 July	(2 722)
23 640	Revenue	24 483
(21 791)	Expenses	(23 533)
(4 571)	Transfers and adjustments	–
(2 722)	**Closing balance**	**(1 772)**

NOTE 23B: PHYTOSANITARY EXPORTS ACCOUNT

ACTUAL 2011 $000		ACTUAL 2012 $000
1 270	Opening balance 1 July	1 199
1 685	Revenue	2 435
(1 756)	Expenses	(2 255)
1 199	**Closing balance**	**1 379**

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

NOTE 23C: VERIFICATION OF THE FOOD REGULATORY PROGRAMME

ACTUAL 2011 $000		ACTUAL 2012 $000
(7 639)	Opening balance 1 July	(5 462)
36 506	Revenue	36 803
(34 329)	Expenses	(35 446)
(5 462)	**Closing balance**	**(4 105)**

NOTE 23D: APPROVALS, ACCREDITATIONS AND REGISTRATIONS

ACTUAL 2011 $000		ACTUAL 2012 $000
1 002	Opening balance 1 July	728
3 292	Revenue	3 197
(3 566)	Expenses	(3 502)
728	**Closing balance**	**423**

NOTE 23E: STANDARDS SETTING FOR THE FOOD INDUSTRY

ACTUAL 2011 $000		ACTUAL 2012 $000
3 142	Opening balance 1 July	1 701
16 481	Revenue	16 365
(17 922)	Expenses	(17 475)
1 701	**Closing balance**	**591**

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 $26.146 million (9 percent) less than the Budget day estimate due to the following:

- $8.508 million decrease for net effect of expense transfers from 2010/11 to 2011/12 and from 2011/12 to 2012/13, notably the carry forward of $6.183 million funding for the development of the JBMS;
- $2 million baseline reduction for overhead savings from the amalgamation of the New Zealand Food Safety Authority and Ministry for Agriculture and Forestry from 1 July 2010, achieved through consolidating head offices, reducing duplication in operating costs and disestablishing 18 positions;
- additional $203 000 funding from Vote Foreign Affairs and Trade to meet overseas travel costs for negotiation of free trade agreements (FTA's) and closer economic partnership agreements (CEP's);
- return of $6.341 million savings to Crown to reflect a reduction in observer and research costs following consultation with the fishing industry on the services to be cost recovered (Crown Revenue) in 2011/12;
- additional $1 million per annum over five years from 2011/12 to resource proposal development and fund administration for the Irrigation Acceleration Fund initiative approved in Budget 2011;
- carry forward of $10.50 million underspends in 2011/12 to fund changes to systems and processes as part of the Ministry's transformation programme in 2012/13.

Revenue from third parties

Revenue other was $7.649 million (8 percent) less than Budget day estimate due 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 Biosecurity output class Border Biosecurity Risk Management MCOA.

Expenditure

Expenditure was $39.045 million (10 percent) less than Budget Day estimate due to the following:

- expense transfers to 2012/13 of $8.508 million funded from revenue Crown; notably for the development of the JBMS;
- savings of $6.341 million in observer and research costs following consultation with the fishing industry on the services to be cost recovered (Crown Revenue) in 2011/12;
- lower level of activity than forecast in the provision of outputs to third parties on a cost recovery basis resulting in an operating surplus of $1.072 million; $2.453 million lower than forecast;
- savings in personnel and operating costs as a result of the implementation of the new organisation design through the merger of the Ministry of Agriculture and Forestry, New Zealand Food Safety Authority and Ministry of Fisheries, of which $10.5 million is being carried forward to 2012/13 to fund changes to systems and processes as part of the Ministry's merger and transformation programme.

STATEMENT OF FINANCIAL POSITION

Capital expenditure is $13.167 million (19 percent) less than forecast largely due to delays in the design and development of software applications, notably NAIT, JBMS with New Zealand Customs Service, system to transfer x-ray images of trans-Tasman checked-in baggage, and electronic wine certification for which capital contributions of $8.506 million have been transferred to 2012/13.

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 $268.443 million of expenditure, $161.716 million of revenue, $18.909 million of capital receipts, $275.650 million of assets and $58.946 million of liabilities on behalf of the Crown for the year ending 30 June 2012. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output Performance sections of this report.

Vote Fisheries was administered by the Ministry of Fisheries until 30 June 2011 and has now been incorporated in these non-departmental statements and schedules. Prior year comparisons exclude Vote Fisheries.

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 2012.

Schedule of

Non-Departmental Expenditure and Capital Expenditure against Appropriations

For the year ended 30 June 2012

EXPENDITURE AFTER REMEASUREMENTS 2011 $000		EXPENDITURE BEFORE REMEASUREMENTS 2012 $000	REMEASUREMENTS 2012 $(000)	EXPENDITURE AFTER REMEASUREMENTS 2012 $000	APPROPRIATION VOTED 2012 $000
	Vote Agriculture and Forestry				
	Appropriations for output expenses				
8 596	Climate Change Research	7 993	–	7 993	9 200
95 656	Management of Crown Forestry Assets	121 223	(25 912)	95 311	94 803
1 789	Support for Walking Access	1 789	–	1 789	1 789
106 041	**Total appropriations for output expenses**	**131 005**	**(25 912)**	**105 093**	**105 792**
	Appropriations for other expenses				
840	Adverse Climatic Events	227	–	227	526
5 502	Afforestation Grants Scheme	5 257	–	5 257	6 208
1 249	Community Irrigation Fund and Schemes	1 900	–	1 900	2 000
2 743	East Coast Afforestation Grants	4 066	–	4 066	5 349
1 956	Global Research Alliance on Agricultural Greenhouse Gases	1 678	–	1 678	4 025
3 263	Hill Country Erosion Fund	2 056	–	2 056	2 200
18 317	Primary Growth Partnership	37 161	–	37 161	38 532
1 825	Subscriptions to International Organisations	1 759	–	1 759	1 856
5 936	Sustainable Farming Fund	8 104	–	8 104	10 450
–	Water Storage and Irrigation Investment Proposals	1 775	–	1 775	2 500
41 631	**Total appropriations for other expenses**	**63 983**	**–**	**63 983**	**73 646**
	Appropriations for benefits and other unrequited expenses				
600	Rural Veterinarians Bonding Scheme	736	–	736	1 030
	Appropriations for capital expenditure				
284	Crown Forestry Assets	–	–	–	–
500	Walking Access Commission	–	–	–	–
784	**Total appropriations for capital expenditure**	**–**	**–**	**–**	**–**
149 056	**Total Vote Agriculture and Forestry**	**195 724**	**(25 912)**	**169 812**	**180 468**
	Vote Biosecurity				
	Appropriations for output expenses				
29 153	Control of Tb vectors	30 762	–	30 762	30 762
	Appropriations for other expenses				
11 228	Response to Kiwifruit disease *Pseudomonas syringae* pv. *actinidiae*	5 667	–	5 667	9 772
256	Subscriptions to International Organisations	330	–	330	330
11 484	**Total appropriations for other expenses**	**5 997**	**–**	**5 997**	**10 102**
40 637	**Total Vote Biosecurity**	**36 759**	**–**	**36 759**	**40 864**
	Vote Fisheries				
	Appropriations for other expenses				
–	Contributions to International Organisations	388	–	388	400
–	Provision for Write Downs	3 450	–	3 450	711
–	Quota Shares (Annual Catch Entitlement) Administration Costs	5	–	5	24
–	Settlements	–	–	–	10 848
–	**Total Vote Fisheries**	**3 843**	**–**	**3 843**	**11 983**
	Vote Food Safety				
	Appropriations for other expenses				
1 986	Joint Food Standards Setting Treaty	2 086	–	2 086	2 100
1 986	**Total Vote Food Safety**	**2 086**	**–**	**2 086**	**2 100**
191 679	**Total All Votes**	**238 412**	**(25 912)**	**212 500**	**235 415**

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 2012.

Statement of

Non-Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2012

	EXPENDITURE AFTER REMEASUREMENTS 2012 $000	APPROPRIATION VOTED 2012 $000	UNAPPROPRIATED EXPENDITURE 2012 $000
Vote Agriculture and Forestry			
Appropriations for output expenses			
Management of Crown Forestry Assets	95 311	94 803	508
Vote Fisheries			
Appropriations for other expenses			
Provision for Write Downs	3 450	711	2 739
Total unappropriated expenditure			**3 247**

No unappropriated expenditure was incurred in the year ended 30 June 2011.

CROWN FORESTRY OPERATIONS

In mid-April 2012, there was a significant storm event that impacted several forests within the Central North Island – blowing down substantial areas of mature or almost mature trees. Included amongst the forests most impacted was Wairakei Forest, which is administered by Land Information New Zealand (LINZ).

The Ministry worked with LINZ, as it was better placed in terms of an existing management contract, to undertake salvage operations, which needed to be promptly completed to minimise wind-thrown trees suffering fungal damage, which would significantly reduce their value.

The salvage costs incurred ($0.763 million) have resulted in unappropriated expenditure of $0.508 million (0.5 percent). The salvage costs were more than exceeded by revenue from the sale of logs ($1.111 million) resulting in a net gain of $0.348 million, which would not have been realised had the salvage operation not been undertaken.

It was not clear that the appropriation would be exceeded until late June 2012, too late for an appropriation to be included in the 2011/12 Supplementary Estimates or for prior approval to be sought to incur the expenses.

The Minister of Finance has subsequently approved the unappropriated expenditure under section 26B of the Public Finance Act 1989.

WRITE DOWN OF DEBT INCURRED FOR "DEEMED VALUES" IN THE FISHING INDUSTRY

The Ministry's policy is that any Crown debt that is over three months old should be provided for as doubtful.

Due to an administrative oversight through the Supplementary Estimates process, the provision for write downs appropriation was not reforecast in line with the forecast increase in Deemed Value Crown revenue of $3.865 million. This issue was addressed in June, and Cabinet agreed that up to $3.5 million of expenses in excess of the existing appropriation ($0.711 million) be included in the Appropriation (2011/12 Financial Review) Bill; and, in the interim, this expenditure be met under Imprest Supply.

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 2012.

Schedule of

Non-Departmental Income

For the year ended 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES PROJECTION 2012 $000	SUPP ESTIMATES PROJECTION 2012 $000
	Income				
128 048	Sale of forest produce		115 043	128 010	115 646
1 984	Fines, penalties and levies	2	36 426	35 871	32 080
–	Sale of Crown-owned quota and Annual Catch Entitlement (ACE)		1 012	100	973
–	Deemed value for over-fishing		6 672	2 500	6 365
1 004	Forestry encouragement loan interest	3	836	2 100	842
–	Gain on remeasurement of forestry encouragement loans	3	695	–	–
498	Emissions Trading Scheme fees		681	200	500
–	Doubtful debts recovered		155	–	155
55	Forestry land rental		151	–	–
–	Interest income		45	30	50
12 298	Gain on revaluation of forests measured at fair value	5	–	–	25
34	Global Research Alliance funding from other countries		–	–	–
26	Gain sale of property, plant and equipment		–	–	–
143 947	**Total non-departmental income**		**161 716**	**168 811**	**156 636**

Schedule of Non-Departmental

Capital Receipts

For the year ended 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES PROJECTION 2012 $000	SUPP ESTIMATES PROJECTION 2012 $000
	Capital receipts				
4 255	Forestry encouragement loan repayments	3	1 675	1 900	1 553
1 985	Sale of non-current assets held for sale, forestry assets and property, plant and equipment		17 234	–	14 997
6 240	**Total non-departmental capital receipts**		**18 909**	**1 900**	**16 550**

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 2012.

Schedule of

Non-Departmental Expenditure

For the year ended 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES PROJECTION 2012 $000	SUPP ESTIMATES PROJECTION 2012 $000
	Expenditure				
51 064	Grants		68 299	120 379	79 637
126 610	Operating		126 335	141 708	137 706
600	Benefits		736	1 430	1 030
10 552	Research and development		9 671	15 340	13 225
1 789	New Zealand Walking Access Commission funding	8	1 789	1 789	1 789
278	Depreciation and impairment of property, plant and equipment		270	273	270
–	Impairment of receivables		3 482	–	–
–	Loss on revaluation of forests measured at fair value*	5	24 974	–	–
730	Loss on impairment of forests measured at cost	5	938	–	–
2	Loss on revaluation of property, plant and equipment	7	1 758	–	1 758
–	Loss on non-current asset held for sale	4	160	–	–
872	Loss on remeasurement of forestry encouragement loans	3	–	–	–
24 955	GST input expenses		30 031	41 313	32 728
217 452	**Total non-departmental expenditure**		**268 443**	**322 232**	**268 143**

* includes offsetting $64 000 gain on forests held for sale at 30 June 2011

Schedule of

Non-Departmental Assets

As at 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES PROJECTION 2012 $000	SUPP ESTIMATES PROJECTION 2012 $000
	Current assets				
24 762	Cash and cash equivalents		7 743	4 128	11 733
13 442	Debtors and other receivables	6	26 829	19 663	28 220
1 408	Prepayments		1 853	2 692	2 247
12 370	Non-current assets held for sale	4	958	–	1 456
1 850	Forestry encouragement loans	3	2 198	2 000	2 316
53 832	**Total current assets**		**39 581**	**28 483**	**45 972**
	Non-current assets				
7 058	Forestry encouragement loans	3	6 566	10 384	5 881
235 230	Forestry assets	5	207 394	234 838	235 230
25 295	Property, plant and equipment	7	20 959	25 361	19 209
	Crown equity investment in Crown entities				
1 150	– New Zealand Walking Access Commission	8	1 150	1 150	1 150
268 733	**Total non-current assets**		**236 069**	**271 733**	**261 470**
322 565	**Total non-departmental assets**		**275 650**	**300 216**	**307 442**

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2012.

Schedule of

Non-Departmental Liabilities

As at 30 June 2012

ACTUAL 2011 $000		NOTES	ACTUAL 2012 $000	MAIN ESTIMATES PROJECTION 2012 $000	SUPP ESTIMATES PROJECTION 2012 $000
	Current liabilities				
31 099	Creditors and other payables	9	37 725	19 034	24 592
–	Over and under recovered costs from fishing industry	10	9 776	7 922	13 993
759	Provisions	11	5 636	–	979
	Non-Current liabilities				
4 947	Provisions	11	5 809	13 897	13 941
36 805	**Total non-departmental liabilities**		**58 946**	**40 853**	**53 505**

Schedule of Non-Departmental

Contingent Liabilities and Contingent Assets

As at 30 June 2012

UNQUANTIFIED CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

The Ministry, on behalf of the Crown, has an unquantifiable contingent liability with respect to Central Otago irrigation schemes (2011: $9.5 million).

CONTINGENT ASSETS

The Ministry on behalf of the Crown has no contingent assets (2011: nil)

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2012.

Schedule of

Non-departmental Commitments

As at 30 June 2012

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 2011 $000		ACTUAL 2012 $000
	Operating commitments	
	Non-cancellable operating lease commitments	
64 854	Not later than one year	76 533
232 700	Later than one year and not later than five years	191 410
432 628	Later than five years	380 575
730 182	**Total non-cancellable operating lease commitments**	**648 518**
	Other non-cancellable commitments:	
50 533	Not later than one year	–
124 168	Later than one year and not later than five years	–
32 414	Later than five years	–
207 115	**Total other non-cancellable lease commitments**	**–**
937 297	**Total non-departmental operating commitments**	**648 518**

There is no longer any requirement in generally accepted accounting practice (GAAP) or the Public Finance Act 1989 to disclose other non-cancellable operating commitments.

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 2012.

Statement of

Trust Monies

For the year ended 30 June 2012

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 2011 $000		ACTUAL 2012 $000
1 213	Balance at 1 July	1 115
3 197	Contributions	3 165
(3 332)	Distributions	(2 541)
37	Revenue	32
–	Expenditure	–
1 115	**Balance at 30 June**	**1 771**

FORFEIT PROPERTY TRUST ACCOUNT

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

ACTUAL 2011 $000		ACTUAL 2012 $000
1 112	Balance at 1 July	84
798	Contributions	1 198
(1 789)	Distributions	(518)
20	Revenue	13
(57)	Expenditure	(3)
84	**Balance at 30 June**	**774**

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 2012.

Notes to the Non-Departmental

Financial Statements

For the year ended 30 June 2012

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 have been 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 is 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, for example, 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 of Fisheries during the period 1 July 2011 to 30 June 2012 is primarily recovered from the commercial fishing sector over the period 1 October 2011 to 30 September 2012. 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, it 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 held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the schedule of non-departmental expenses.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of land, buildings, roads, bridges, fencing, motor vehicles, plant and equipment. Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than $5 000. The value of an individual asset that is less than $5 000 and is part of a group of similar assets is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Crown and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the schedule of non-departmental income or expenses.

When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Crown and the cost of the item can be measured reliably.

Depreciation

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

Buildings	5 to 45 years (2.2–20 percent)
Roads	20 to 25 years (4–5 percent)
Bridges and fencing	5 to 25 years (4–20 percent)
Motor vehicles	5 to 10 years (10–20 percent)
Plant and equipment	3 to 5 years (20–33 percent)

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

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 that 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 2011 $000		ACTUAL 2012 $000
–	Cost recovery levies from fishing industry – fisheries services	32 582
–	Cost recovery levies from fishing industry – conservation services	1 868
1 545	Biosecurity Act 1993 fines	1 109
–	Forfeitures for fisheries offences	613
439	Dairy industry levy	–
	Fisheries Act 1996 infringement notices	254
1 984	**Total fines, penalties and levies income**	**36 426**

NOTE 3: FORESTRY ENCOURAGEMENT LOANS

ACTUAL 2011 $000		ACTUAL 2012 $000
13 031	Balance at 1 July	8 908
1 004	Interest	836
(4 255)	Repayments	(1 675)
(872)	Unwind and present value adjustments	695
8 908	**Balance at 30 June**	**8 764**
1 850	Current	2 198
7 058	Non-current	6 566
8 908	**Balance at 30 June**	**8 764**

Loans were 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 percent 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 $12 634 000 (2011: $13 473 000) as at 30 June 2012; comprising nine loans (2011: 10) held by four local authorities (2011: four).

The Crown holds no collateral over forestry encouragement loans, including those loans that are overdue or impaired. As at 30 June 2012, all forestry encouragement loans have been assessed for impairment and appropriate provisions applied.

NOTE 4: NON-CURRENT ASSETS HELD FOR SALE

Pureora forest land is subject to a Treaty of Waitangi settlement (Rereahu) for which the Deed of Settlement has been signed (in effect a binding sale and purchase agreement) but the enabling legislation has not been passed (expected to be 1 September 2012). The agreed transfer value is $958 000 (2011: $1 118 000). The reduction in value is due to a protective covenant which "the Crown" wanted registered on the land title prior to settlement. The reduction was based on an assessment by a registered valuer.

NOTE 5: FORESTRY ASSETS

ACTUAL 2011 $000		ACTUAL 2012 $000
	Forest measured at fair value	
234 280	Opening balance 1 July	230 789
52 296	Changes in fair value	12 549
(39 998)	Decreases due to harvesting	(37 587)
(4 791)	Decreases due to disposals	(1 860)
(10 998)	Decreases due to reclassification as held for sale	–
230 789	Balance at 30 June	203 891
	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
(2 040)	Opening accumulated impairment 1 July	(2 770)
(730)	Impairment	(938)
(2 770)	Closing accumulated impairment 30 June	(3 708)
4 441	Balance at 30 June	3 503
235 230	**Total forestry assets**	**207 394**

The Ministry manages the Crown's interest in forests established on both Crown owned and leased Māori land. At 30 June 2012, the net stocked area of trees was 47 130 hectares (2011: 57 719 hectares).

During the year ended 30 June 2012:

- 9 213 hectares (2011: 9 209 hectares) of silvicultural tending were completed;
- 1 597 708 cubic metres of logs (2011: 1 334 010 cubic metres) were produced from harvesting operations;
- No forests were purchased (2011: nil); and
- 4 469 hectares of stocked forest area was sold (2011: 192 and 791 hectares transferred to LINZ to administer).

Forests measured at fair value

The valuations at 30 June 2011 and 30 June 2012 were carried out by Allan Bell and Associates, registered forestry consultants. The following valuation assumptions (unchanged from June 2011) 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; and
- log prices are based on a start point of current prices (March quarter 2012) 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 5 300 hectares of special purpose species (SPS) forest from Timberlands West Coast Limited (TWC). The SPS forest consists of a forestry 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 principal species in the SPS forest. 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 the Ministry expects these prices to remain relatively flat in the short to medium term. The Ministry's marketing strategy is based on a spread of domestic and export sales, and a spread of customers within both these markets. During periods of over supply, the Ministry revises its harvesting strategy in respect of those forests where there are not ongoing domestic supply contracts.

NOTE 6: DEBTORS AND OTHER RECEIVABLES

ACTUAL 2011 $000		ACTUAL 2012 $000
13 503	Debtors and other receivables	35 710
(61)	Less provision for impairment	(8 881)
13 442	**Total current debtors and other receivables**	**26 829**

The carrying value receivables approximate their fair value.

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

	2011			2012		
	GROSS $000	IMPAIRMENT $000	NET $000	GROSS $000	IMPAIRMENT $000	NET $000
Not past due	13 121	–	13 121	24 711	–	24 711
Greater than 30 days	320	–	320	662	–	662
Greater than 60 days	1	–	1	337	–	337
Greater than 90 days	61	(61)	–	10 000	(8 881)	1 119
Total	**13 503**	**(61)**	**13 442**	**35 710**	**(8 881)**	**26 829**

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

At 30 June 2012, the Ministry has identified 67 debtors that are insolvent (2011: nil).

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

ACTUAL 2011 $000		ACTUAL 2012 $000
61	Balance at 1 July	61
–	Additional provisions made	8 820
–	Unused amounts reversed	–
–	Receivables written off	–
61	**Balance at 30 June**	**8 881**

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 2010	23 470	256	5 820	437	29 983
Additions	–	–	284	–	284
Revaluations	(30)	–	–	–	(30)
Disposals	(270)	–	(112)	–	(382)
Transfer to held for sale	(223)	–	(58)	–	(281)
Balance 30 June 2011	**22 947**	**256**	**5 934**	**437**	**29 574**
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)
Balance 30 June 2012	**19 125**	**256**	**5 650**	**437**	**25 468**
Accumulated depreciation and impairment losses					
Balance at 1 July 2010	–	21	3 804	290	4 115
Depreciation expense	–	11	252	15	278
Reversal of accumulated depreciation on revaluation	–	–	(26)	–	(26)
Eliminate on disposal	–	–	(88)	–	(88)
Balance 30 June 2011	**–**	**32**	**3 942**	**305**	**4 279**
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	–	–	–	–	–
Balance 30 June 2012	**–**	**2**	**4 186**	**321**	**4 509**
Carrying Amounts					
At 1 July 2010	23 470	235	2 016	147	25 868
At 30 June and 1 July 2011	22 947	224	1 992	132	25 295
At 30 June 2012	19 125	254	1 464	116	20 959

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 2011 $000		ACTUAL 2012 $000
494	Creditors	–
10 817	Accrued expenses	9 167
18 590	Grants payable	28 558
1 198	GST payable	–
31 099	**Total creditors and other payables**	**37 725**

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 of Fisheries and Aquaculture 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 2012 to be applied against future cost recovery levy orders. The 30 June 2011 liability transferred from the Ministry of Fisheries was $14.005 million.

NOTE 11: PROVISIONS

ACTUAL 2011 $000		ACTUAL 2012 $000
	Current	
759	Rural Veterinarians Bonding Scheme	968
–	Commercial aquaculture claims settlement	4 668
759	**Total current provisions**	**5 636**
	Non-current provisions	
401	Rural Veterinarians Bonding Scheme	301
4 546	Onerous contracts	4 271
–	Commercial aquaculture claims settlement	1 237
4 947	**Total non-current provisions**	**5 809**
5 706	**Total provisions**	**11 445**

NOTE 11A: RURAL VETERINARIANS BONDING SCHEME

ACTUAL 2011 $000		ACTUAL 2012 $000
560	Opening balance	1 160
600	Additional provisions made	774
–	Amounts used	(627)
–	Unused amounts reversed	(38)
1 160	**Closing balance**	**1 269**

The Rural Veterinarians Bonding Scheme provides payments to veterinary professionals agreeing to work in understaffed rural areas. Payments are for a maximum of $11 000 per annum for five years and are made after the third, fourth and fifth year. The scheme commenced on 1 January 2009, and this provision represents the Ministry's liability at balance date for the 75 veterinarians currently in the scheme.

NOTE 11B: ONEROUS CONTRACTS

ACTUAL 2011 $000		ACTUAL 2012 $000
4 463	Opening balance	4 546
–	Additional provisions made	–
83	Increase/(decrease) for passage in time and change in discount rate	(275)
4 546	Closing balance	4 271

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 2011 $000		ACTUAL 2012 $000
–	Opening balance – Transfer from MFish	8 943
–	Additional provisions made	–
–	Amounts used	(3 038)
–	Closing balance	5 905

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

The Act establishes the Crown's obligation to provide iwi with the equivalent of 20 percent of the aquaculture space created between 21 September 1992 and 31 December 2004 ("pre-commencement space") plus an additional obligation to provide 20 percent of all new space created. If the pre-commencement settlement cannot be achieved through a transfer of "space" then it must be resolved through a financial transfer to iwi.

During 2011/12, the Crown paid $3.038 million of this settlement to the South Islands and the Hawke's Bay iwi of the Crown's pre-commencement aquaculture space obligations.

On behalf of the Crown, MPI engaged Alexander Hayward Ltd to provide a valuation of the pre-commencement space obligations as at 30 June 2010. These valuations were used as a basis for the settlement provision as at 30 June 2012 with adjustments made in-house based on the history of actual settlement payments since.

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.

MANAGEMENT OF CROWN FORESTRY ASSETS

The fall in value of Forestry assets by $27 million and drop in income from the sale of forest produce ($13 million) is due to the fall in log prices, the sale of two forestry rights (Waipoua and Oponae) and progressive surrender of the largest forests – Lake Taupo and Rotoaira.

Increased expenses from unplanned salvage operations at Rotoaira and Wairakei forest following a severe wind event meant that actual expenses were slightly ahead of the supplementary estimates.

The annual revaluation of Crown forests measured at market value resulted in a revaluation loss of $25.912 million (2011 $12.298 million gain). The Crown accounting policy is to not budget for annual revaluation movements.

Capital receipts of $17.234 million through the rationalisation of interests in land and production forestry assets on West Coast ($3.800 million); sale of Manutahi forest land, improvements and tree crop ($0.377 million) to the Office of Treaty Settlements as part of a Treaty of Waitangi settlement; sale of Waipoua forestry right to owner of underlying freehold land ($6.515 million); sale of Oponae forestry right to owner of underlying freehold land ($4.682 million) and sale of Tokararangi forestry right covering the current crop to a commercial forestry company ($1.860 million).

GRANTS

Expenditure under the Primary Growth Partnership scheme is $46 million lower than forecast due to the carry forward $16 million funding to the 2012/13 financial year to cover contractual commitments against approved business plans, and return of $30 million uncommitted funding to the Crown.

APPENDICES

Terms and Definitions

Afforestation Grant Scheme (AGS)
AGS encourages the planting of Kyoto compliant forests as a way of absorbing greenhouse gases. Administration of the scheme includes the promotion of the scheme, processing of public funding pool applications by MPI and the management of AGS funds paid to grantees in both the public and regional council funding pools.

Agricultural Compounds and Veterinary Medicines (ACVM)
Use and/or misuse of agricultural compounds and veterinary medicines can cause serious problems in areas ranging from human health to international trade, so these products are subject to regulatory controls on their importation, manufacture, sale and use.

Annual Catch Entitlement (ACE)
An entitlement to harvest a quantity of fish, aquatic life, seaweed or other stock, taken in accordance with a fishing permit and any conditions and limitations imposed by, or under, the Fisheries Act 1996.

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.

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 that derive value from the use of fisheries resources or have a strong interest in the sustainable use of fisheries resources, including commercial and recreational fishers, and environmental interests.

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)
FTAs 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.

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.

International Accreditation New Zealand (IANZ)
IANZ is the national authority for the accreditation of testing and calibration laboratories, inspection bodies and radiology services.

NZS/ISO/IEC 17025
This international standard is the primary criteria for IANZ accreditation of testing and calibration laboratories.

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.

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 will invest in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary, forestry and food sectors.

QMS
Quota Management System – the term applied to New Zealand's fishery management system that works by allocating rights 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.

RFMO
Regional fisheries management organisation is the term used to describe multi-lateral organisations with responsibility for co-ordinating the management of highly migratory fish stocks (fish that travel through several national management boundaries) and fish stocks that straddle national fisheries management boundaries.

TAC
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.

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

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

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

Standard
A performance level required to be achieved by fishers or fisheries managers.

WCPFC
Western and Central Pacific Fisheries Commission.

Legislation

Administered by MPI as at 30 June 2012

MPI administers about 50 statutes and over 150 sets of regulations.

Significant resources were deployed in ensuring the National Animal Identification and Tracing Bill was passed on 20 February 2012. The Act implements a national animal identification and traceability scheme and is one of the biggest initiatives for the primary sector in 2012.

A considerable amount of work has been done on updating the Dairy Industry Restructuring Act 2001 regime to reflect the changing structure of the dairy industry, the need for greater transparency in milk pricing, and to ensure that the regime continues to support growth and innovation in the sector.

A statutory review of the New Zealand ETS was completed in 2011. The ETS Review Panel made 61 recommendations (16 were forestry related and four agriculture related) largely focused on improving the operations of the ETS and slowing the transition to full obligations under the scheme. Key recommendations of the panel were recently subject to public consultation and will result in a number of amendments to the Climate Change Response Act 2002. In addition, numerous amendments to the Act aimed at improving the operational effectiveness of the ETS will also be made. These amendments are intended to come into force in 2013.

The Ministry is developing New Zealand's first national animal welfare strategy to help clarify core animal welfare values and build a shared understanding of how animal welfare systems need to improve or change over time. As part of this work, the Animal Welfare Act 1999 is being reviewed to provide greater clarity and enforceability.

As a result of work on proposals to amend the Biosecurity Act 1993 and the border control and pest management areas, the Biosecurity Law Reform Bill has been introduced to Parliament and is awaiting its third reading stage.

The Food Bill, which will introduce substantial reforms to the regulatory regime for the safety and suitability of food, has been reported back from the Primary Production Select Committee and the report is being considered.

Work continued on the Airports (Cost Recovery for Processing of International Travellers) Bill, to enable recovery of costs of providing traveller processing services at international airports.

PUBLIC ACTS

- Agricultural and Pastoral Societies Act 1908
- Agricultural Compounds and Veterinary Medicines Act 1997
- Animal Control Products Limited Act 1991
- Animal Identification Act 1993
- Animal Products Act 1999
- Animal Welfare Act 1999
- Antarctic Marine Living Resources Act 1981
- Apple and Pear Industry Restructuring Act Repeal Act 2001
- 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 1983
- Fisheries Act 1996
- Fishing Industry Board Act 1963
- Fishing Industry Board Repeal Act 2001
- 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
- Franklin-Manukau Pests Destruction Act 1971
- 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
- Māori Commercial Aquaculture Claims Settlement Act 2004
- Māori Fisheries Act 2004
- Marine Farming Act 1971 (transitional provisions only)
- Meat Board Act 2004
- Ministry of Agriculture and Fisheries (Restructuring) Act 1995
- Ministries of Agriculture and Forestry (Restructuring) Act 1997
- Ministry of Agriculture and Forestry (Restructuring) Act 1998
- New Zealand Horticulture Export Authority Act 1987

- Phosphate Commission of New Zealand Dissolution Act 1989
- Plants Act 1970
- Pork Industry Board Act 1997
- Potato Industry Act Repeal Act 1988
- Poultry Board Act Repeal Act 1989
- 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 2011 – 30 June 2012

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

- Ministry of Agriculture and Forestry Annual Report 2010/11
- Ministry of Fisheries Annual Report 2010/11
- MPI Statement of Intent 2012/15
- Situation and Outlook for Primary Industries (SOPI) 2012

AGRICULTURE

FARM MONITORING REPORT 2011

Horticulture monitoring

- Canterbury arable cropping
- Kiwifruit
- Viticulture
- Pipfruit
- Apiculture
- Horticulture and Arable Overview 2011

Pastoral monitoring

- National sheep and beef
- National dairy model
- Southland/South Otago Hill Country sheep and beef
- Northland sheep and beef
- Waikato/Bay of Plenty Intensive sheep and beef
- South Island deer
- North Island deer
- Southland dairy
- Waikato/Bay of Plenty dairy
- Canterbury dairy
- Lower North Island dairy
- Taranaki dairy
- West Coast South Island dairy
- Central North Island Hill Country sheep and beef
- South Island High Country sheep and beef
- Hawke's Bay/Wairarapa sheep and beef
- Otago Dry Hill sheep and beef
- Western Lower North Island Intensive sheep and beef
- Canterbury/Marlborough Hill Country sheep and beef
- Canterbury/Marlborough breeding and finishing sheep and beef
- Gisborne Hill Country sheep and beef
- Northland Dairy
- Farm Monitoring Overview 2011

- Sustainable Farming Fund: Funding from the grassroots up
- Technical Manual on Respiration Chamber Designs

FACT SHEETS

- Volcanic Eruption! Impacts and hazard mitigation for New Zealand's primary production industries
- Weathering the Storm
- Coping with Stress on the Farm?
- Irrigation Acceleration Fund
- Sustainable Farming Fund: Grass roots action
- Sustainable agrichemicals for minor crops
- Low-impact farms in action
- Assessing diverse pasture

ANIMAL WELFARE

- The Veterinarians Animal Welfare Toolkit
- Welfare Pulse Issue 8
- Welfare Pulse Issue 9
- A guide to the welfare of calves during transport
- NAEAC Annual Report
- NAWAC Annual Report
- Leg hold traps leaflet
- The Farmer Representatives Animal Welfare Toolkit

CODES OF WELFARE

- Transport within New Zealand Animal Welfare (Transport within New Zealand) Code of Welfare 2011
- Goats Animal Welfare (Goats) Code of Welfare 2012
- The Welfare Status of Newborn Lambs

- Pain Relief During Painful Husbandry Procedures in Livestock

BIOSECURITY

- Biosecurity Magazine Issue 103
- Whole-of-government Biosecurity Response Guide

FACT SHEETS

- Sea Spurge a serious threat to New Zealand's beaches
- Have you seen signs of termites?
- Great white cabbage butterfly
- Psyllid – *Acizzia solanicola*
- Combating the Tomato-Potato psyllid
- Combating a pasture invader

FOOD SAFETY

- Food Safety in the Home
- Food Safety in Pregnancy
- Homekill
- Food Bill – the facts
- Food Bill – the facts for the meat industry

FORESTRY

- National Exotic Forest Description (NEFD) as at 1 April 2011
- Deforestation Survey 2011

EMISSIONS TRADING SCHEME

- A Guide to Look-up Tables for Forestry in the Emissions Trading Scheme
- Guide to the Field Measurement Approach for Forestry in the Emissions Trading Scheme
- A Guide to Tree Weed Exemptions

STATISTICAL RELEASES

- Forestry Production and Trade for the March 2011 quarter
- Forestry Production and Trade for the June 2011 quarter
- Forestry Production and Trade for the September 2011 quarter
- Forestry Production and Trade for the December 2011 quarter

FISHERIES

- Annual Review of Freshwater Fisheries 2010/11
- Annual Review of Inshore Finfish Fisheries 2010/11
- Aquatic Environment and Biodiversity Annual Review 2010/11: A summary of environmental interactions between fisheries and the aquatic environment
- Report of the Ministerial Inquiry into the Use and Operation of Foreign Charter Vessels

STATISTICAL RELEASES

- Fisheries and Aquaculture Production and Trade for the period ending December 2011

RECREATIONAL FISHING REGULATIONS

- Auckland Area Fish Regulations 1 May 2012
- Central Area Fish Regulations 1 May 2012
- Challenger Area Fish Regulations 1 May 2012
- Fiordland Area Fish Regulations 1 May 2012
- South East Fish Regulations 1 May 2012
- Southland Fish Regulations 1 May 2012

Grants Approved

1 July 2011 – 30 June 2012

MPI administers several grant programmes to help land managers and rural communities manage New Zealand's natural resources in a sustainable manner. The table on the next page provides information on the number of grants approved in the 2011/12 financial year.

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 assist primary producers, who can feel the effect of an adverse event acutely.

AFFORESTATION GRANT 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.

IRRIGATION ACCELERATION FUND

The primary focus of the Irrigation Acceleration Fund is to support the development of rural water infrastructure proposals to the investment-ready prospectus stage and provides $35 million over five years from 2011/12 to support the development. The fund also continues support for strategic water management studies and strategies and community irrigation schemes.

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 assist: promoters of community water storage and/or irrigation schemes to generate investor and/or community support; local government to undertake activities contributing to a strategic plan for water management and that consider 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

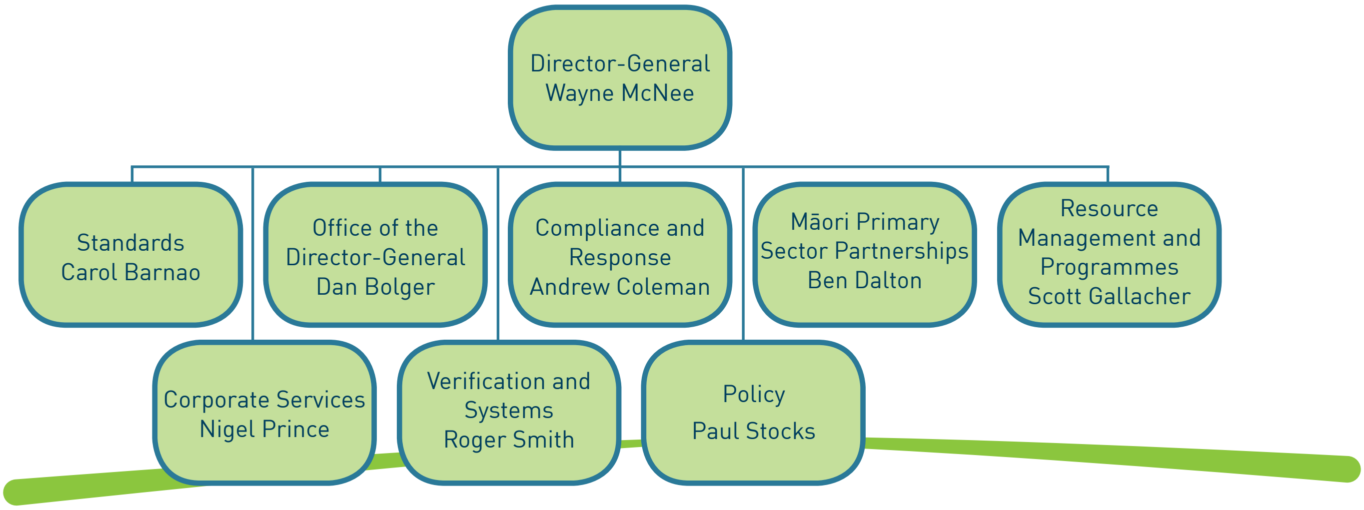
To deal with shortages of vets in rural areas, the Government has committed to a voluntary bonding scheme for vets. The scheme gives vets a taxable payment of $11 000 for every year they work in an eligible area, for up to five years.

MPI programme	Number of grants approved	Allocated amount approved (excl GST)
Adverse Climatic Events	2	$70 458
Afforestation Grant Scheme (Regional Council Pool)	29	$2 919 680 allocated from $2 929 880
Afforestation Grant Scheme (Public Tender Pool)	29	$3 263 532 allocated from $3 296 075
Irrigation Acceleration Fund	3	$1 783 520
Community Irrigation Fund	11	$1 292625
East Coast Forestry Project	17	$3 395 148
Primary Growth Partnership	3	$37 176 291
Sustainable Farming Fund	71	$9 480 000 over 3 years
Sustainable Land Management Hill Country Erosion Programme	Nil	Nil
Vet Bonding Scheme*	31	$1 705 000

* Each applicant is bonded for a minimum of three years and for a maximum of five years as long as he or she continues to meet the eligibility criteria under the vet bonding scheme. For each completed year of bond, the applicant receives $11 000. The bonding period commences 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



The Director-General, seven Deputy Director-Generals (DDGs) make up the Senior Leadership Team (SLT), ensuring that the organisation operates in an integrated way and delivers on government priorities and actions from MPI 2030.

Carol Barnao, the DDG of the Standards branch, is responsible for developing and reviewing import, export and domestic standards and systems for biosecurity, animal welfare and food safety. This includes science and risk assessment capability to support standards and innovation. The branch is also responsible for managing international standards setting and bilateral arrangements relating to animal welfare, biosecurity and food safety.

Dan Bolger, the DDG of the Office of the Director-General, manages the Ministry's organisational strategy and planning process, maintains the risk, evaluation and internal audit functions, delivers internal and external communications, provides project management capability and is responsible for governance and ministerial servicing. The branch also includes the stand-alone commercial operating functions of the Crown Forestry.

Andrew Coleman, the DDG of the Compliance and Response branch, is responsible for surveillance, investigation, diagnostic and enforcement functions in relation to pest incursions, animal welfare, food safety and fisheries. As part of the preparation for a response, the branch is also responsible for the Government–Industry Agreements programme.

Ben Dalton, the DDG of the Māori Primary Sector Partnerships branch is responsible for providing strategic and operational advice to support the organisation in staying abreast of Māori issues, and in working with Māori to maximise the benefits from their primary sector assets. The branch also monitors the performance of the Ministry in ensuring that its specific and general obligations to Māori are met.

Scott Gallacher, the DDG of the Resource Management and Programmes branch, administers and implements a range of policy programmes, funding programmes and research funds, as well as the delivery of a range of services to implement and deliver the ETS (and other legislative and regulatory frameworks) for forestry, fisheries management activities, aquaculture development and observer services in the marine environment.

Nigel Prince, the DDG of the Corporate Services branch, is responsible for providing a broad range of business functions to the whole of the Ministry including financial, information, human resources, legal and business support services.

Roger Smith, the DDG of the Verification and Systems branch, is responsible for the 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 branch is also responsible for intelligence gathering, risk and targeting strategies, planning, training and quality assurance.

Paul Stocks, the DDG of the Policy branch, is responsible for providing the regulatory processes and advice for the wide range of legislation administered by the new Ministry. It also provides forward-looking analysis, strategic science, policy development and advice on strategic issues relating to the primary sectors. The branch is also responsible for managing the Primary Growth Partnership and Irrigation Acceleration Fund/ Community Irrigation Fund.

OUR STRATEGY 2030
Growing and protecting New Zealand

Ministry for Primary Industries

WHY THIS STRATEGY?

This is a critical time for New Zealand. After decades of economic growth based on debt and consumption, the economy is seriously unbalanced.

A re-balancing of the economy towards more productive sources of growth is required. New Zealand must trade its way to greater growth and prosperity.

The primary sectors (from producers through to processors and exporters) are absolutely crucial to this, and strong environmental performance will be fundamental to their long-term success.

The new Ministry's role has to be focused on the success of the primary sectors for the benefit of all New Zealanders. We need to enable:

- innovation and growth;
- access for more New Zealand products into new offshore markets;
- increased sustainable resource use;
- lower biological risk.

We will contribute to New Zealand's prosperity by delivering robust policy and better facilitating sustainable primary production and trade.

The new Ministry will be focused on enabling the primary sectors to be as successful as possible for the benefit of all New Zealanders.

OUR FOCUS

MAXIMISE EXPORT OPPORTUNITIES AND IMPROVE SECTOR PRODUCTIVITY

- Grow the value of New Zealand's primary products.
- Ensure the primary sectors can access the world's fastest growing and highest value markets.
- Focus on the primary sectors with the greatest potential for sustainable growth.

WE WILL ACHIEVE THIS BY:

- Partnering with the primary sectors to identify and seize opportunities for improved productivity and market returns.
- Removing unnecessary barriers to trade and increasing our use of international standards to enhance value.
- Encouraging and co-investing in industry innovation and adoption.

INCREASE SUSTAINABLE RESOURCE USE, AND PROTECT FROM BIOLOGICAL RISK

- Foster the sustainable use of New Zealand's natural resources by the primary sectors.
- Enable the reduction of biological risks to New Zealand's natural resources.
- Protect and enhance the integrity and reputation of New Zealand's primary products, including food.

WE WILL ACHIEVE THIS BY:

- Identifying and managing risks to New Zealand's natural resources.
- Partnering innovative approaches to environmental challenges.
- Better understanding the challenges to sustainable use of New Zealand's natural resources.

OUR APPROACH

ENABLING

- Help people to identify and seize opportunities to add value, access markets and manage risks.
- Deepen understanding of the importance of the primary sectors to New Zealand's medium to long-term prosperity.

WE WILL ACHIEVE THIS BY:

- Producing information and analysis to support a whole-of-government focus on primary sector growth.
- Connecting the public and private sectors to facilitate action on high-value opportunities.
- Providing information and tools to enable the primary sectors to develop systems for the timely management of risks.
- Connecting the primary sectors with one another.

PARTNERING

- Support the primary sectors, including Māori, to maximise the benefits from the sustainable use of their primary sector assets.
- Deliver on our obligations to Māori.

WE WILL ACHIEVE THIS BY:

- Engaging with the primary sectors, including Māori, to increase economic returns from their primary sector assets.
- Working with the primary sectors to improve resilience and the timely management of risks.
- Understanding Māori values to protect and enhance the well-being and potential benefits from the use of New Zealand's natural resources.
- Providing the primary sectors with a gateway to the whole of government, partnering with the natural resources and economic agencies, and more broadly.

OUR ORGANISATION

FOCUS ON RELATIONSHIPS

WE WILL ACHIEVE THIS BY:

- Designing programmes and policy in partnership
- Enabling others to manage risks
- Setting joint priorities for sector growth
- Building long-term relationships with key primary sector players, including Māori, who can make a difference
- Having a view
- Leading courageous conversations

DEVELOP OUR PEOPLE

WE WILL ACHIEVE THIS BY:

- Rewarding top performers and investing in their success
- Attracting, retaining and developing top talent
- Taking greater responsibility for our performance
- Fostering our future leaders

MAKE INFORMED DECISIONS

WE WILL ACHIEVE THIS BY:

- Leveraging quality information as a core Ministry asset
- Making robust decisions with good evidence
- Delivering results based on quality information
- Being risk and intelligence led

BE INNOVATIVE

WE WILL ACHIEVE THIS BY:

- Creating new ideas and ways of working
- Being future-focused
- Learning from our mistakes
- Utilising knowledge and technology

OUR CULTURE

CONNECTED | FOCUSED ON RESULTS | DELIVERING ON OUR OBLIGATIONS TO MĀORI | LEAN AND AGILE | TAKING INFORMED RISKS

SUCCESS

WE WILL KNOW WE'VE SUCCEEDED WHEN WE HAVE CONTRIBUTED TO:

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

AND WHEN THE MINISTRY ACHIEVES:

- ↑ staff engagement
- ↑ stakeholder engagement and partnership
- ↑ proportion of risk managed by others
- ↑ understanding of our work
- ↑ value for money
- ↑ delivery on our obligations to Māori
- ↓ regulatory instruments
- ↓ costs

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