



Briefing for Incoming Ministers

20 December 2016

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Director-General's foreword

The primary sector shapes New Zealand's export economy, and the long-term outlook is bright. Global demand for food, fibre and forestry is predicted to rise rapidly over the next ten to fifteen years, and New Zealand's primary industries are well poised to capitalise on this trend.

Real success for our industries though, won't come from just riding the increasingly volatile commodity cycles driven by global demand and supply. Instead, we must use the strong global outlook to forge sustained, rapid and diversified growth that has a significant impact on the economic security of New Zealand, at a national and regional level; on jobs, on the environment and ultimately on social outcomes.

MPI is focused on real success – our purpose is Growing and Protecting New Zealand. Our scope spans the full spectrum of primary production in New Zealand from the paddock or ocean to the plate, and encompasses the core regulatory systems that underpin New Zealand's reputation as a producer of food, beverages, wood, fibre and an increasingly wide range of other primary products. These systems are protected and supported by effective biosecurity and food safety, and a high standard of animal welfare.

Our goal is to double the value of primary sector exports between 2012 and 2025. To get there, we are deepening relationships with the primary sector to drive a focus on three core issues:

- Understanding consumers better and aligning market access, insight and advice to enable industry to rapidly innovate and adapt products that earn a premium across a diverse range of markets;
- Improving productivity, traceability and sustainability across the primary sector to maximise value and social licence from the way New Zealand produces its food, fibre and forestry;
- Adjusting and simplifying New Zealand's regulatory systems to enable value, and ease of business, whilst protecting New Zealand's international reputation for food safety, sustainable use, animal welfare and biosecurity.

The sector itself has taken up the challenge – more than 100 of the major primary sector executives are now meeting regularly to discuss these and other issues. MPI is actively encouraging this cross-industry debate, and implementing initiatives for government that arise from it. At the same time, we are also preparing MPI's own business for the future.

Over the past three years, MPI has strengthened its underlying regulatory systems, in particular biosecurity, food safety, primary production and trade. We have also laid down some of the essential infrastructure needed for future growth. This includes improving off-shore and on-shore market access capability, building investment partnerships with industry, supporting a regional economic development delivery model, and building irrigation infrastructure.

Importantly, we have also lifted MPI's organisational and operational capability through a focus on leadership development, recruitment and retention, career pathways, structure and governance.

Following a recent Performance Improvement Framework (PIF) Review which endorsed much of the progress MPI has made, we are now working with the sector and our partners across government on the next wave of our work programme. We are turning our minds to comprehensive reform of the fisheries system, and specific interventions to support primary sector exporters to capture the full value possible from the provenance of New Zealand's products. These and other initiatives are detailed in our four year plan, ^{s 9(2)(f)(iv)}

Successful implementation of this work programme will require strong leadership, common purpose and governance across the primary sector.

We look forward to working closely with Ministers on these and other issues, on the opportunities of the future, on the Government's priorities, and on the matters discussed in this briefing.



Martyn Dunne
Director-General

The primary sector at a glance

New Zealand's primary sector forms the backbone of the national economy, with almost 90 percent of produce being exported.

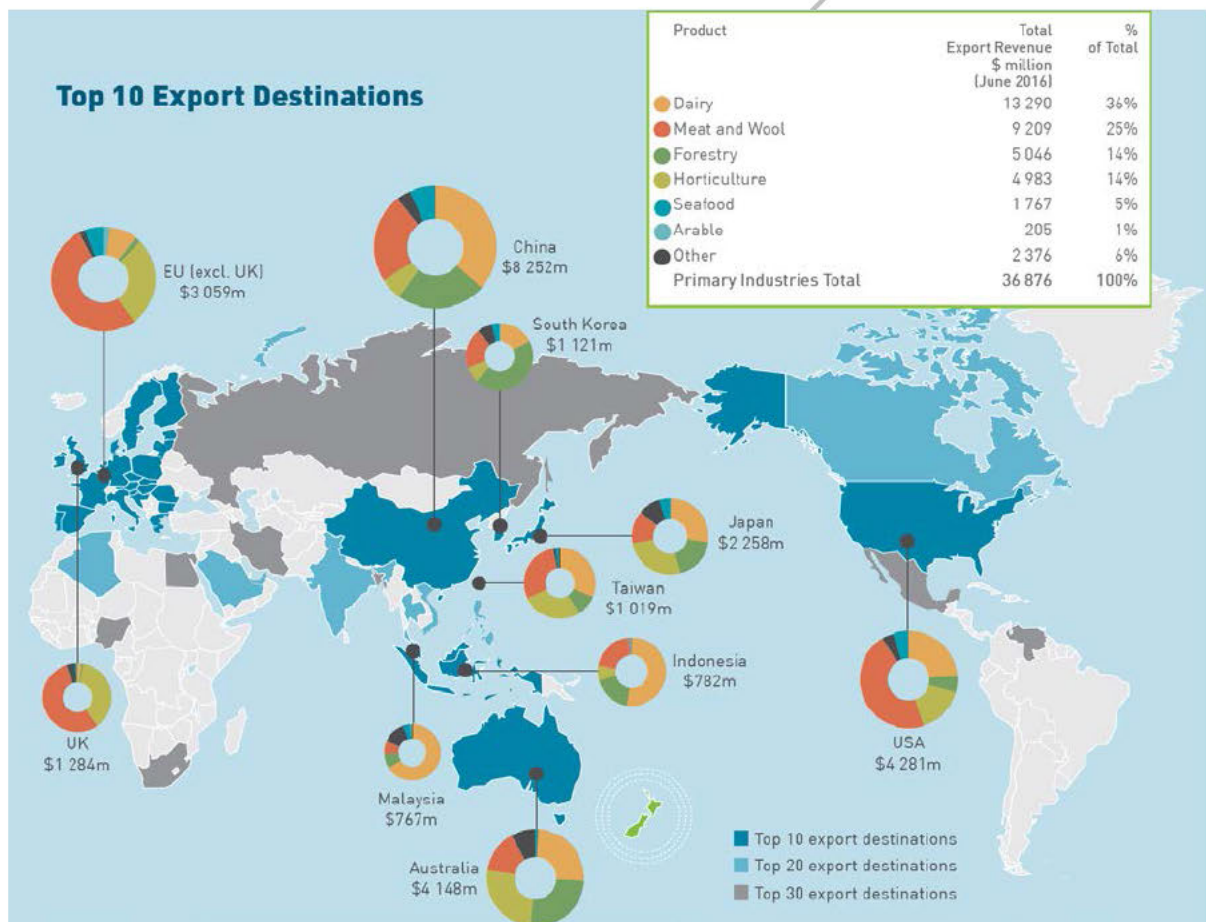
For the year ending June 2016, the primary sector accounted for approximately 78.4 percent of New Zealand's merchandise exports, and the contribution of the sector to New Zealand's Gross Domestic Product was \$23.3b (10.3%).

The sector provides approximately 350,000 jobs in regions all over the country, 16 percent of New Zealand's total employment.

The value of New Zealand's primary industry exports continues to grow with \$35.8 billion in goods being exported at the end of June 2016 (all figures in 2012 inflation-adjusted dollars).

While New Zealand is a relatively small food producer by international standards, it is a significant player in several key sectors, notably dairy and horticulture.

Top markets (NZ\$ millions, year ended June 2016)



More detail is available in [Appendix 4](#) at the back of this document.

About MPI

The Ministry for Primary Industries (MPI) employs over 2,400 people and conducts a range of operational, readiness, response, policy, regulatory, diplomatic and industry development activities to support New Zealand's primary sector.

MPI provides a single gateway to New Zealand's government for both the primary industries and overseas regulators of primary products. It oversees the major regulatory systems that underpin the things that matter to consumers and markets when buying food, fibre and beverage products.

MPI's scope allows for a broad view of issues and opportunities across the full value chain of primary production. This ranges from the paddock, orchard, forest or ocean, through to the processing, packaging, and transportation system, all the way to the market, and ultimately the consumer. MPI's size enables staff to be deployed across regulatory systems, such as fisheries, animal welfare and food safety, meaning biosecurity responses and regulation breaches can be acted on quickly. In addition to operational work, MPI provides independent policy advice on all these matters.

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

MPI's core business

MPI's core business is directed through four major systems.



Primary production

MPI plays a key role in New Zealand's primary production systems. Work is focused on lifting primary sector productivity, supporting innovation and boosting regional economic development. MPI directly regulates sustainable fisheries, forestry and animal welfare, and also has a role in setting the national frameworks for sustainable agriculture, in partnership with the Ministry for the Environment (MfE) and local government.



Biosecurity

Leadership of the biosecurity system is focused on protecting New Zealand from the harmful effects of pests and diseases. This includes setting requirements for imports, checking goods, craft and people are compliant at the border, delivery and monitoring of surveillance and readiness programmes and supporting regional councils, primary industry groups and other departments managing and monitoring established pests.



Food safety

MPI's role in the food safety system includes setting the regulatory requirements for New Zealand's domestic food safety system and food exports. Staff audit and monitor the system, administer and provide verification to support assurances to export markets, enforce food safety requirements, and ensure imported food is safe for consumers.



Trade

Working with the Ministry of Foreign Affairs and Trade (MFAT), MPI negotiates access to overseas markets for New Zealand's primary products. Gaining unimpeded access to international markets is an important part of supporting growth within the primary industries. MPI also contributes to the development and implementation of bilateral free trade agreements (FTAs) and the establishment of international standards. Many businesses depend on MPI's facilitation, certification and verification activities to get their goods into international markets.

Other areas of our business

Crown Forestry

MPI's Crown Forestry business unit manages a significant amount of Crown-owned, commercial forest, most of which is on Māori-owned land. Crown Forestry works to manage these assets to their best commercial advantage, while at the same time working to remove the Crown from the business of commercial forestry – which it generally does through lease surrender to lessors and sales of forests.



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

Crown Irrigation Investments Limited

Crown Irrigation Investments Limited (CIIL)

is a Crown-owned company that was established to co-invest in off-farm irrigation schemes which are expected to be commercially viable in the long term, and to exit those investments once this is achieved.



CIIIL has a mandate to invest in irrigation schemes that are expected to contribute economic benefits to New Zealand. It does this by supporting schemes when they are construction ready – both through direct investment and collaborating with those schemes to identify funding approaches and sources of capital. CIIIL focuses on schemes that have an initial shortfall in irrigator uptake, and so are difficult to fully fund from private sector investment.

CIIIL is accountable for its performance to the Minister for Primary Industries and the Minister of Finance. MPI supports the Minister for Primary Industries and the Minister of Finance in this by monitoring the overall performance of the company towards the intended outcomes. CIIIL provides MPI with quarterly and annual updates of financial results and progress of performance measures, and keeps MPI informed of any cases of potential public interest or sensitivity that may arise.

New Zealand Walking Access Commission



The New Zealand Walking Access Commission is a small Crown entity responsible for leading and supporting the negotiation, establishment, maintenance and improvement of walking access over public and private land. It was created by the Walking Access Act 2008 after extensive public consultation. The overall vision of the Commission is “...to enhance free, certain, enduring and practical walking access to the outdoors, and to strengthen our access to culture and heritage.”

The Commission is accountable for its performance to the Minister for Primary Industries. MPI supports the Minister for Primary Industries in this by monitoring the performance of the Commission. The Commission provides MPI with quarterly and annual updates of financial results and progress of performance measures, and keeps MPI informed of any cases of potential public interest or sensitivity that may arise.

MPI's strategy and outcomes

MPI's purpose is Growing and Protecting New Zealand. MPI has four long-term outcomes it is working to achieve:

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

These four long-term outcomes are supported by six medium-term outcomes and are measured by a number of key indicators. For more information on MPI's strategic outcomes and objectives, see the [Strategic Intentions 2015-2020](#). For more information on progress against the key indicators, see the [Annual Report 2015/16](#).

Framework for change: seven priorities

MPI uses seven priorities to drive change across the organisation and its underlying regulatory systems. These are:

- smart regulation;
- operational excellence;
- international access;
- provenance and traceability;
- precision production and investment;
- enduring relationships;
- integrated information, insight and knowledge.

Delivering on the Government's priorities

MPI has a significant role in delivering the Government's Business Growth Agenda (BGA) and Better Public Services (BPS) priorities.

BGA – Building a more productive and competitive economy

The success of the primary sector is vital for New Zealand's economic and social prosperity. If the ratio of exports to Gross Domestic Product (GDP) is going to grow at the rate the BGA aspires to achieve, then the value of primary sector exports must effectively double by 2025 (from a 2012 base).

MPI has adopted the goal of helping the primary sector to double the value of its exports by 2025. There are seven organisational priorities to drive change



across the core regulatory systems, and a growth programme that informs these priorities. The BGA contributions include:

- Building Export Markets – through significant investment in improved market access, protecting New Zealand’s border from biological risk, providing verification to support assurances to export markets, international policy settings and the negotiation of free trade agreements.
- Building Natural Resources – through extensive science, regulatory and policy work to improve sector productivity and increase sustainable resource use.
- Building Innovation – through the Primary Growth Partnership (PGP) and other investment funds, which directly invest in primary sector science and innovation alongside industry and government partners.

Delivering Better Public Services

As part of the wider Better Public Services programme, Result 9 aims to create a more innovative, responsive

and efficient public sector in the way that it works with business. Result 9 is a particular focus for MPI, who as a major regulator has requirements and processes that impact on thousands of businesses. There is a strong link between the rate of business growth, and how easy it is for businesses to export and import whilst managing risk.



**Better for
Business**

Our Strategy 2030 – Growing and Protecting New Zealand

MPI is focused on the success of the primary industries for the benefit of all New Zealanders. MPI is striving to help the primary sector double the value of its exports by enabling industries to grow, and strengthen their environmental performance. To achieve this, MPI must play a pivotal role in New Zealand’s system of trade, as part of its work on biosecurity, food safety and primary production.



Strategic issues and opportunities

At a high level, New Zealand's primary producers face a bright future. By the year 2025, many forecasts predict global food demand will increase significantly, driven by a rising global population and the emerging middle classes of Asia. Demand for wood and fibre is also expected to increase.

To fully capitalise on these global trends and deliver sustained growth that boosts overall social outcomes, MPI believes New Zealand must focus on adding more value to its exports by:

- Understanding consumers better and aligning market access, insight and advice to enable industry to rapidly innovate and adapt products that earn a premium across a diverse range of markets;
- Improving productivity, traceability and sustainability across the primary sector to maximise value and social licence from the way New Zealand produces its food, fibre and forestry;
- Adjusting and simplifying New Zealand's regulatory systems to enable value, and ease of business, whilst protecting New Zealand's international reputation for food safety, sustainable use, animal welfare and biosecurity.

MPI thinks about progress and improvement from the perspective of:

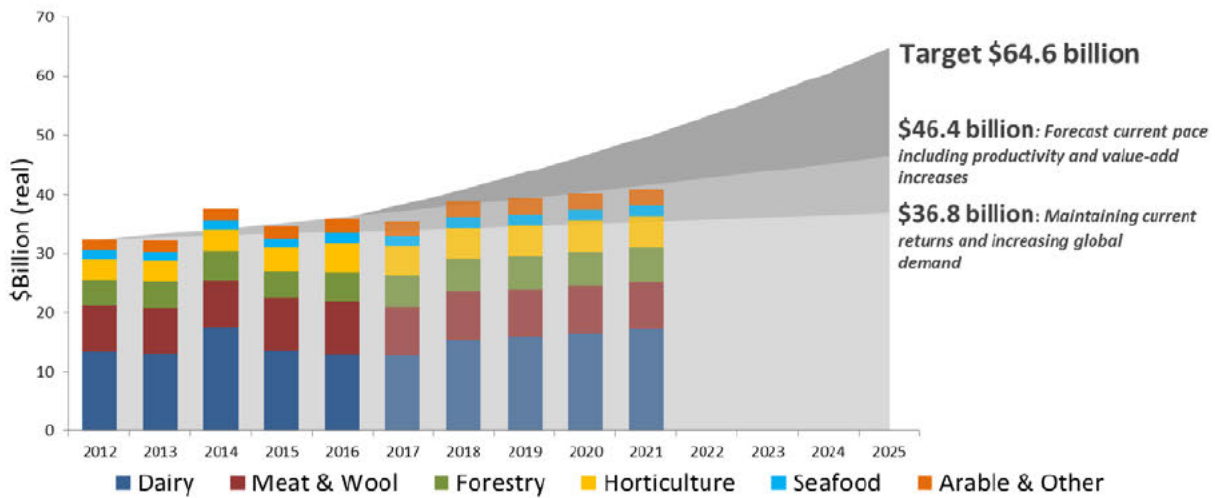
- **New Zealand's primary sector performance:** How well is the primary sector performing and what is the sector facing in future?
- **Our four systems:** How well are MPI's regulatory systems performing, what are the forces acting on them and how can they enable primary sector performance?
- **Our organisation:** How well is MPI performing for its stakeholders, customers and staff, and what capabilities do we need to support our core systems and the primary sector.

New Zealand's primary sector performance

Progress against doubling primary sector export value by 2025

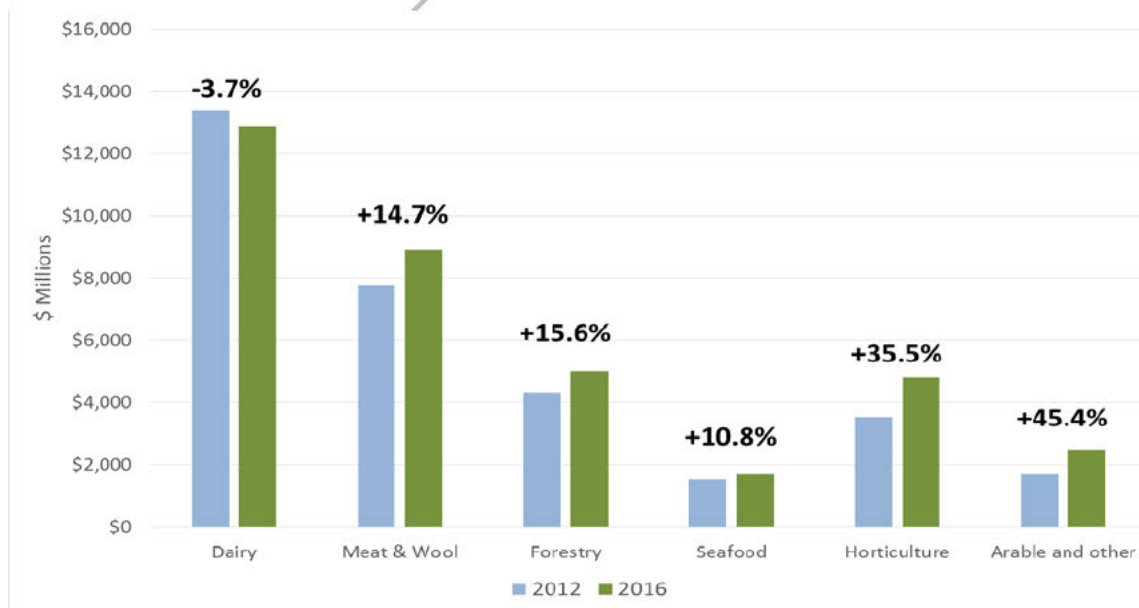
Each year, MPI undertakes a forecast (Situation Outlook for the Primary Industries) to understand how the primary sector is performing. This is used to assess relative progress towards the goal of doubling the value of primary sector exports by 2025, and MPI's role in contributing to the objectives of the Government's Business Growth Agenda. Yearly progress is heavily influenced by global and domestic events impacting prices and production; the underlying trend over time is the key indicator.

Progress against the doubling the value of primary sector exports graph (2012-16 actual, 2017-21 forecast both in 2012 dollars)



Progress against the goal is captured in the graphs above and below. Over the past four years, horticulture, arable and ‘other’ industries have led the way and are on track to more than double the value of their exports by 2025 in real terms. The growth of these sectors is very positive, as a more diversified export portfolio can help create resilience to adversity in any one sector. Meat and wool, forestry, and seafood exports have also increased over this time, but there will need to be greater contributions from the larger industries, such as dairy, meat and wool, if the primary sector is to reach the 2025 target. In essence, more needs to be done – the sector as a whole needs to achieve an average of 6.8 percent growth per year from 2016 onwards. (All years in the graphs are from 1 July to 30 June).

Growth in primary sector exports by sector 2012-16 (in 2012 dollars)



Over the next few years, New Zealand's primary sector export earnings are forecast to increase by an average of 5.4 percent per year, reaching \$47.9 billion by the year ended June 2021. This forecast is underpinned by strong increases in both prices and production across most primary sectors, particularly dairy, forestry, and horticulture.

Positive sentiment across the primary industries is reflected in significant investment in expanding future production capacity, informed by increasing urbanisation and rising incomes in emerging economies, and increasing protein consumption.

Fast growing populations in Africa and the Middle East provide a clue as to where future demand is going to come from. New Zealand is well positioned to cater to the world's fast growing Muslim population, with a trusted halal certification system and a reputation for quality products.

Trends and pressures affecting primary sector performance

International economic climate

While the longer-term forecasts are positive, the primary industries face some headwinds, which will need to be overcome to sustain forecast growth and accelerate growth further. The current environment of low and slowing global economic growth, combined with low interest rates and little monetary policy wriggle room for many economies has created economic uncertainty in many areas of the world. This economic uncertainty has manifested itself in protectionist sentiment in some cases. This sentiment is of concern for New Zealand as it is a small, export-focused nation that relies on open trade to remain competitive.

Other trends

At the same time, there are a range of other domestic and international trends the sector must grapple with. These include:

- e-commerce and its impact on the primary sector and MPI's regulatory systems;
- challenges to social licence based on perceptions of environmental and animal welfare performance;
- rising consumer demands for transparency, traceability and provenance, informed by social media;
- rapidly shifting market dynamics and direct-to-consumer premiums;
- increasing market demands for MPI assurances and verification;
- increasing pressure on, and competition for, natural resources;
- regional economic and social disparities that affect the potential to lift productivity and profitability of the primary industries; and
- increasing regulatory requirements to access markets.


Key elements of MPI's growth programme

To support the Government's objectives and those of the primary industries, MPI actively supports and stimulates change in the sector. This is done through a range of regulatory and non-regulatory interventions and services that are designed to both grow and protect the sector. Over the past twelve months, MPI has been shifting its emphasis on to developing


the next wave of interventions to close the remaining gap between forecast sector performance and the export goal. The objective is to maintain a fast growing, sustainable, and highly productive trade in commodities, while accelerating the growth of premium processed food and fibre, nutraceuticals, agricultural science, technology and services exports.

The following are key elements of the programme.


s 9(2)(f)(ii)




s 9(2)(f)(ii)




s 9(2)(f)(ii)




s 9(2)(f)(ii)




s 9(2)(f)(ii)



s 9(2)(f)(ii)

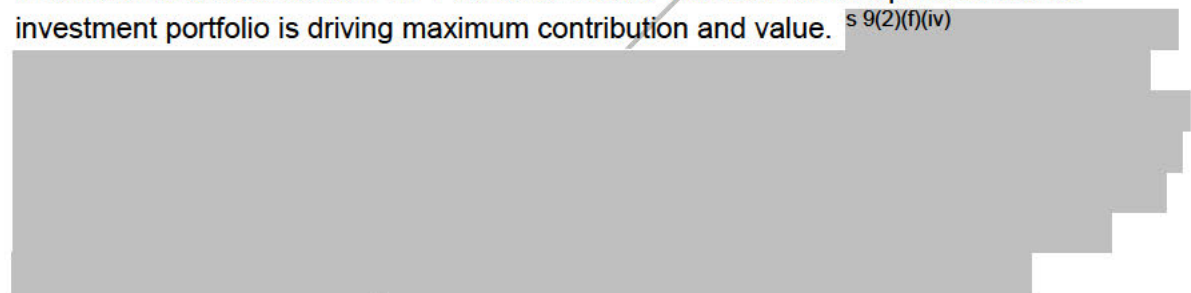


s 9(2)(f)(ii)



Investment platform

One of MPI's biggest non-regulatory areas is the money it invests in science, research, innovation and acceleration. MPI works to ensure that each dollar spent across its investment portfolio is driving maximum contribution and value. s 9(2)(f)(iv)



Primary Growth Partnership (PGP): The PGP is a government-industry initiative that invests in significant innovation programmes to boost the economic growth and sustainability of New Zealand's primary sector. The PGP focuses on increasing productivity through innovation across the value chain; from producer to consumer, including education and skills development, research, product development, commercialisation, and extension. At present, 20 PGP programmes are underway, with two programmes completed. To date, the amount of funding committed under the PGP totals \$727.9 million, with industry committing \$382.3 million and government committing another \$345.6 million; to be paid to programmes as progress is made. Programmes are multi-year projects.

Sustainable Farming Fund (SFF): The SFF was established in 2000 to assist farmer, grower and forester-led groups in their own applied research and extension projects. It supports industry in developing innovative solutions to problems or opportunities to improve both primary sector productivity and sustainable resource use, often using the power of regional

communities to address both local and national issues. It is one of MPI's non-regulatory tools to support industry innovation and adaptation, alongside other funding schemes.

Irrigation Acceleration Fund: The Irrigation Acceleration Fund (IAF) is designed to support the investigation and development of water harvesting, storage and distribution infrastructure. The projects supported by the fund span development stages from strategic water management studies, through to scoping, pre-feasibility and feasibility investigations. Crown Irrigation Investments Limited (CIIL) now manages grant funding to support the development of regional scale irrigation schemes in the early stages, while MPI continues to manage grant funding for community irrigation schemes and strategic water management studies.

Regional Economic Development

MPI's regional growth work contributes to the government's Regional Growth Programme (RGP). The RGP is a cross government programme, led jointly by MBIE and MPI, focusing on identifying and responding to economic opportunities and challenges in particular regions. MPI's contribution to this revolves around intensifying primary sector support.

The approach to the RGP is staged, with the first part being the development of independent regional growth studies. Once the growth studies are completed, progress to stage two entails the development and implementation of action plans, which are intended to leverage identified opportunities in each region. The action plans are designed to bring together all parties (government agencies, industry, iwi, councils and other stakeholders) to achieve the mutually agreed outcomes. This is a bespoke approach with regions progressing with their own objectives and at their own pace.

Māori Agribusiness Programme

MPI's support for Māori agribusiness is delivered through several channels, with the most prominent being its Māori Agribusiness: Pathway to Increased Productivity (MAPIP) Programme. MAPIP recognises that growing the Māori economy also boosts New Zealand's economy. To achieve this growth, MAPIP provides a partnership framework between MPI and Māori land owners and trustees to lift the productivity of their primary sector assets. MPI also partners strategically with other government agencies and industry to ensure a combined approach, where appropriate.

E-commerce

E-commerce is a trend with a significant impact for the primary sector and MPI's regulatory systems. Consumers are adjusting their purchasing habits to different e-commerce models. The biggest opportunities and challenges are likely to come from countries where new e-commerce platforms are integrating the value chain to overcome infrastructural challenges. MPI is taking a step back to think about the impact of e-commerce, and how best to support companies to maximise the opportunities provided by the changed consumer environment.

Primary sector skills and capability

As the primary sector continues to grow there is a need for more people overall, and in particular, those with specialist skills for new roles that are likely to be created through

adoption of new technology and farming systems. It is estimated that an additional 50,000 more workers will be required by 2025 and over half of these workers will require a tertiary or level 4 qualification.

MPI continues to work with the Primary Industry Capability Alliance to develop skills programmes that focus on the future needs of the primary industries. MPI is also working with Callaghan Innovation and the Institution of Professional Engineers New Zealand to help industry build links with schools to promote careers and address skills shortages in New Zealand’s technology, engineering and science-based industries.

MPI’s four systems

The future growth of the primary sector depends on MPI’s core regulatory systems. Together these systems create the value proposition that the primary sector trades upon, and support the market access our products enjoy. As the sector grows, so does demand on these systems and risk within them.

MPI administers four major regulatory systems that provide the building blocks for primary sector growth, and shape MPI itself. MPI uses internal and external governance boards to oversee the systems and monitor their performance.

A summary of each system is provided below.



Biosecurity

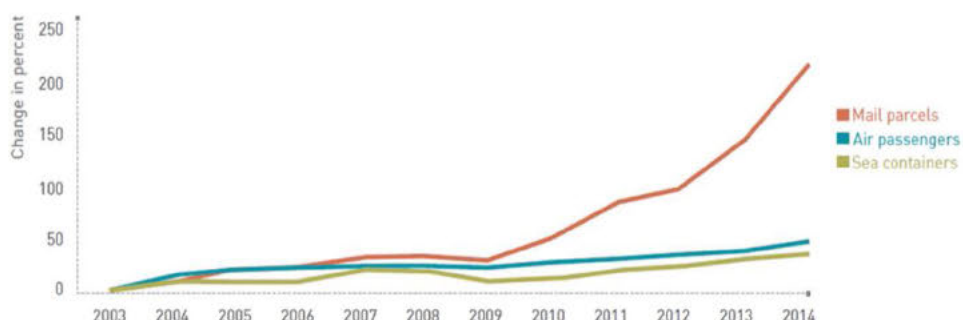
Biosecurity protects New Zealand’s resource base and market access. MPI must manage the impacts of economic growth on biosecurity. With more passengers, people and craft entering New Zealand than ever before, biosecurity risk is increasing. E-commerce and patterns of trade mean products are imported through new channels carrying new risks. The graph below illustrates the scale of the challenge.

249% increase in mail parcels between 2003-2015

Visitor arrivals record 3.4 million in the September 2016 year.

Cruise industry had 26% increase in passengers during 2015/16 summer.

PERCENTAGE CHANGE IN TRAVEL 2003-2014



MPI manages the biosecurity system through seven layers, which cover the following:

	Layer of the system	Outcomes
 International	International Plant and Animal Health Standards Developing international standards and rules under the World Trade Organization Sanitary and Phytosanitary Agreements.	Science and risk-based standards lead to an easier environment to trade in while protecting our biosecurity.
	Trade Agreements and Bilateral Arrangements Negotiation, agreements and processes for future biosecurity cooperation and trade.	Biosecurity requirements for New Zealand businesses are reasonable and create commercial certainty when trading overseas.
	Risk Assessment and Import Health Standards Identification of risk and specification of requirements for people and goods coming into the country, including assessment of applications to import organisms new to New Zealand.	The majority of biosecurity risks are managed offshore so that compliant passengers and cargo arrive at our border. Biosecurity risks that arrive onshore are managed effectively.
 Border	Border Intervention Educating and auditing to encourage compliance. Inspecting to verify compliance and taking action to manage non-compliance.	Trade and travel are facilitated for people and goods complying with New Zealand regulation. The accidental or illegal import of pests is prevented from creating biosecurity risk.
 Within New Zealand	Surveillance General and targeted programmes to detect harmful pests and diseases.	Harmful pests and diseases are detected promptly. New Zealand's pest freedom status is known. The spread of established pests into new areas, or changes in a pest's risk profile, are detected promptly.
	Readiness and Response Regular testing of the biosecurity system's capability to respond. Responding to detected harmful pests and diseases.	The biosecurity system is ready to respond to new organism incursions. Harm from detected new pests and diseases is minimised.
	Long-term Pest and Disease Management National scale management – eradication, containment or management of a pest across New Zealand. Regional management – primarily led by regional councils through regional pest management plans and pathway plans. Local scale management – to protect values in places. Pests within a site are managed to the extent necessary to protect the place's values.	Harm caused by established pests and diseases is reduced or contained, through exclusion, eradication, progressive containment, or sustained control at the most appropriate scale (national, regional or local).

Progress to date

Over the past two years, MPI has strengthened many parts of the biosecurity system and introduced a Border Clearance Levy to allow border biosecurity activities to expand with increased demand. Investments have also been made in new x-ray technology and additional detector dog teams. This has been accompanied by efforts to increase off-shore audits, enhance preparedness and improve intelligence, planning and co-ordination capabilities. MPI has also stepped up the implementation of Government-Industry Agreements for managing readiness and response in biosecurity.

MPI works with other agencies to enhance the delivery of border services. Along with Customs and MBIE, MPI is engaged with the delivery of the Joint Border Management System (JBMS). It is expected that the Trade Single Window element of JBMS will lead to efficiencies for industry, through faster clearance of goods, the ability to provide MPI with

advance information, and an increase in the range of service providers importers are able to use when importing goods into New Zealand.

Next steps

Biosecurity 2025 Direction Statement

To maintain New Zealand's world-class biosecurity system, MPI has developed the Biosecurity 2025 Direction Statement to inform the future development of the system. Proposals for the direction statement were created in consultation with biosecurity stakeholders, Māori and focus groups, and the draft was consulted with the wider public. The statement provides guidance to all participants in the biosecurity system, and includes:

- a mission statement for biosecurity;
- guiding principles for the way we work;
- strategic directions to drive improvement;
- targets for 2025; and
- initial actions – as a starting point for implementation.

The Biosecurity 2025 direction statement was launched in November 2016 and updates the 2003 Biosecurity Strategy for New Zealand – Tiakina Aotearoa Protect New Zealand.

Import Health Standards

Import health standards (IHS) are required for importation into New Zealand of any biosecurity risk goods. IHS are science and risk-based tools that set the requirements for the importation of risk goods across different trade pathways. They specify requirements that must be met by producers, processors, packers, exporters, overseas governments providing assurances to New Zealand, and New Zealand importers.

s 9(2)(d)

National biocontainment laboratory

MPI has worked with local and international design experts to plan the new National Biocontainment Laboratory, so it meets international best practice for handling organisms that cause disease in animals and humans (pathogens). The new laboratory will have a floor area of more than 3,400 square metres and will have some of the most sophisticated systems and safety features in the world. The lab is designed to be as flexible and adaptable as possible – so spaces can be used for different diagnostic tests. This flexibility will also allow the introduction of new technologies as they become available.

Construction is now under way at MPI's Wallaceville site in Upper Hutt and once complete, the new laboratory will improve MPI's ability to respond to emergency biosecurity incidents.

s 9(2)(f)(ii)

Key legislation

- Airports (Cost Recovery for Processing of International Travellers) Act 2014
- Biosecurity Act 1993
- National Animal Identification and Tracing Act 2012



Food safety

The food safety system extends from “farm to fork”. It encompasses all food and beverages for human consumption, pet foods, animal feed, and agricultural compounds and veterinary medicines. The system allows both New Zealand and international consumers to buy and consume New Zealand-sourced products with confidence. MPI, as the regulator of the food safety system, undertakes many activities to ensure the food safety system operates smoothly including providing policy advice, engaging in international activities, issuing official assurances and certification to importing countries for our exported products and setting New Zealand standards for safe and suitable food. The strength of the food safety system is pivotal to New Zealand’s reputation as a trusted trading partner.

The system is grappling with increasing complexity in foods and supply chains, rapidly shifting frontiers of science, and rising consumer expectations, which are interconnected through social media. MPI has begun reframing how it thinks about the system, and has been developing the concept of food protection.

Food protection covers the four intersecting areas of:

- food defence – protecting against harm to public health caused by intentional action motivated by ideology – for example, deliberate threats to contaminate food products;
- food fraud – protecting against economic loss caused by intentional action motivated by economic gain; fraudulent activities include counterfeiting, dilution or substitution, mislabelling, or unapproved enhancements;
- food safety – protecting against harm to public health caused by unintentional action and is achieved by managing and mitigating risks and hazards in the food system; and
- food quality – protecting against economic loss caused by unintentional action, such as through spoilage or deterioration.

Progress to date

Over the past two years, MPI has significantly strengthened the food safety system through a combination of operational and legislative enhancements. The implementation of the Food Act, is a highly visible example. The Food Act 2014 Act replaces the Food Act 1981 and came fully into force this year. MPI has supported implementation of the Food Act 2014 with a comprehensive communications programme aimed at ensuring that everyone in the food sector is able to understand and meet the new requirements.

The Food Safety Science and Research Centre was launched in 2016 at Massey University, as a partnership between government, industry organisations and research institutions. It is a virtual centre that will work to combine existing food safety science and research to make the best use of New Zealand and international resources. The centre will also interact with the international science community and related international research platforms. The research to be conducted aims to protect New Zealanders from food safety-related health threats, such as salmonella, campylobacter and other foodborne diseases.

To enhance the trade in food between New Zealand and Australia, the Food Treaty was implemented in 1996, with this year being the 20th anniversary of the treaty signing. The treaty simplified two-way trade, with exporters now viewing each other's markets as extensions of their domestic markets. In 2015, two-way trade of food and beverage between the two countries totalled NZ\$4.27 billion. The maintenance of consistent trans-Tasman standards assists the trade of food between New Zealand and Australia, and ensures appropriate implementation by businesses.

Next steps

The Food Safety Law Reform Bill

The Food Safety Law Reform Bill was introduced into Parliament in 2016 and is part of an omnibus bill to make improvements to the three main Acts governing the food safety system (the Food Act 2014, Animal Products Act 1999 and Wine Act 2003). The aim is to improve the alignment, operation and design of the Acts so as to better protect human health, and maintain and strengthen New Zealand's reputation as a supplier of safe and suitable food both domestically and internationally.

Key legislation

- Agricultural Compounds and Veterinary Medicines Act 1997
- Animal Products Act 1999
- Food Act 2014
- Wine Act 2003



Trade

MPI aims to maximise export opportunities by improving market access for New Zealand goods. New Zealand's export primary industries are served by a large and widening network of bilateral, multilateral and regional trading relationships. As New Zealand makes progress with trade negotiations, a wider variety of products are being exported to an increasing variety of diverse markets. With diversity comes complexity, new supply chains and a wider range of regulatory issues. Global dynamics, such as Brexit and new trade arrangements such as the Trans Pacific Partnership and the Korea-New Zealand FTA, also continue to have an impact on New Zealand's trade system.

Progress to date

Over the past two years, MPI has put significant investment into expanding its offshore presence to broaden and deepen relationships in key markets. Building a presence in Asia continues to be a focus with staff based in China and Tokyo. MPI has refreshed its market access strategies to ensure the work programme is prioritised to achieve the maximum benefits to New Zealand exports now and in the future.

Next steps

Work continues on increasing MPI's understanding of policy and regulatory developments in fast-growing and emerging markets, alongside activities to maintain and enhance market access for New Zealand primary products and food. As a next step, MPI intends to focus on non-tariff barriers to primary sector products. It is also adjusting its footprint to manage the impact of Brexit, ^{s 9(2)(f)(ii)}

. Staff are expected to be in place in new positions in New Delhi and Mexico in 2017.



Primary production

MPI plays a key role in New Zealand's primary production systems. MPI directly regulates animal welfare, fisheries and forestry. It also works to lift sector productivity, innovation and skills capability, whilst boosting regional economic development.

Progress to date

Animal welfare: New Zealanders have high expectations that animals under human care are well looked after, with New Zealand's reputation for high levels of animal welfare helping to secure market access internationally. Much of the New Zealand economy depends on animals, and MPI plays a large role in regulating and monitoring how things work in practice. Animal welfare policy and law in New Zealand is established and implemented with the aim of:

- supporting society's expectations for the welfare and humane treatment of animals
- addressing animal welfare risks; and

- promoting improved welfare outcomes.

Over the past five years there has been a sustained increase in the profile of animal welfare issues in social and other media. This has manifested recently in active media campaigns run by Save Animals From Exploitation (SAFE) targeting the dairy industry (in particular the treatment of bobby calves) and the use of colony cages for layer hens. ^{s 9(2)(g)(i)}

The volume of demand-driven work generated presents ongoing challenges in terms of managing resources and responding to stakeholder expectations. MPI is managing these challenges through effective internal governance and ongoing engagement with system partners. ^{s 9(2)(g)(i)}

In recent years, MPI has introduced new legislation for animal welfare, lifted investment in the system, and completed a series of operational changes which further reprioritised compliance resources towards the system. Continued implementation of a new operating model will be an ongoing project for several years.

Key legislation

- Animal Welfare Act 1999

Fisheries: MPI regulates and actively manages New Zealand's fisheries. The Quota Management System (QMS) relies on robust science to set sustainable catch limits for almost all significant commercial species in New Zealand's territorial sea and Exclusive Economic Zone (EEZ). Alongside the QMS, the Fisheries Act 1996 also provides for the recognition of Māori fishing rights (commercial and customary) and the management of recreational fishing interests. New Zealand fishers are also active outside the EEZ supported by MPI's activities in regional fisheries management organisations and work with Pacific Island countries. MPI has initiated the Future of our Fisheries programme, a piece of work which is intended to modernise and future-proof New Zealand's fisheries system.

Aquaculture: MPI has both a growth and regulatory role in New Zealand aquaculture. MPI is the lead agency supporting the aquaculture industry's aspirations to grow sales to \$1 billion by 2025. The Aquaculture Unit within MPI actively partners with industry to implement this strategy. ^{s 9(2)(f)(ii)}

Four targeted collaborative projects are underway with councils, iwi and communities to enable growth in Marlborough, Southland, Hauraki and Opotiki.

Key legislation

- Driftnet Prohibition Act 1991
- Fisheries Act 1983
- Fisheries Act 1996

- Fisheries (Quota Operations Validation) Act 1997
- Kaikōura (Te Tai o Marokura) Marine Management Act 2014
- Māori Commercial Aquaculture Claims Settlement Act 2004
- Māori Fisheries Act 2004
- Treaty of Waitangi (Fisheries Claims) Settlement Act 1992

Forestry: MPI works with the forestry sector to promote and protect New Zealand's forest resources. As the principal government advisor on forestry, MPI undertakes the following: regulation and development of forestry policy, management of forestry programmes, promotion and protection of sustainable forestry and management of forestry grants.

MPI is committed to supporting the forestry sector to capitalise on opportunities, improve performance, and increase export growth. This includes partnering with industry and other stakeholders, and playing a leading role in Regional Economic Development programmes with a forestry focus. MPI is also working with the forest industry to encourage both export and domestic use of higher-value processed wood products, and works with MFAT to address non-tariff barriers to international trade. MPI has a strong focus on growing the size of New Zealand's plantation and permanent forest estate. New forest planting is not only important for ensuring ongoing wood supply for export and domestic use, but is also an erosion treatment and will play a major role in helping New Zealand achieve its climate change targets under the Paris Agreement on climate change.

Achievements over the past 12 months have included the re-establishment of the Afforestation Grants Scheme which assists with the establishment of new forests and the successful development of the National Environmental Standard for Plantation Forestry. The Standard for Plantation Forestry (NES-PF) has been a collaborative process between MPI, MfE and a stakeholder working group with the objective of increasing efficiency and certainty for forestry activities on a national basis, while maintaining environmental outcomes.

Key legislation

- Forestry Encouragement Act 1962
- Forestry Rights Registration Act 1983
- Forests Act 1949
- Forests (West Coast Accord) Act 2000

Dairy Industry Restructuring Act (DIRA): The DIRA contains statutory review provisions, requiring assessment of the state of competition in the dairy markets and options (if any) for a transition pathway to deregulation. A review of DIRA was triggered in 2015. If the DIRA is not amended, the key efficiency and contestability provisions will expire in the South Island by 31 May 2018. ^{s 9(2)(f)(ii)}

^{s 9(2)(f)(iv)}

Other sector management legislation: MPI administers several statutes that structure the primary production sector, establishing producer boards for some industries and providing for commodity levies that fund the activities of a significant number of industry-good organisations (e.g. Horticulture New Zealand, Dairy NZ, Beef and Lamb New Zealand). The Commodity Levies Act 1990 allows for commodity levies to be imposed at the request of industry organisations following industry-wide referenda. The New Zealand Horticulture Export Authority Act 1987 has been recently amended to provide more flexibility for growers and exporters of horticultural products to target their marketing strategies to meet the needs of specific markets.

Key legislation

- Agricultural and Pastoral Societies Act 1908
- Commodity Levies Act 1990
- Dairy Industry Restructuring Act 2001
- Kiwifruit Industry Restructuring Act 1999
- Meat Board Act 2004
- New Zealand Horticulture Export Authority Act 1987
- Pork Industry Board Act 1997
- Taratahi Agricultural Training Centre (Wairarapa) Act 1969
- Wool Industry Restructuring Act 1969

Cross-sector engagement

MPI partners with several other agencies in New Zealand's approach to climate change. During the year, work has covered negotiating, reviewing, operating, funding and informing New Zealand's climate change activities with a focus on forestry and agriculture.

Emissions Trading Scheme and climate change: A review of the Emissions Trading Scheme began in November 2015 to ensure New Zealand is well placed to meet future carbon reduction targets. MPI worked closely with MfE to determine the scope of the review and has continued to assess how best to adapt the scheme to meet new climate change reduction targets. MPI has maintained its focus on evaluating and operating the regulatory components of forestry participation within the scheme is a major part of the ongoing review.

Global Research Alliance (GRA) on Agricultural Greenhouse Gases: The GRA was established in 2009 and now has 47 country members. New Zealand committed to an increased investment of \$20 million in the GRA in 2015 for the period through until 2020. Significant progress has been made in the science agenda under the GRA, along with global initiatives around capacity building in developing countries.

Fresh water: In March 2016, MPI and MfE jointly released a consultation document describing the next steps for freshwater reform, including proposals for maintaining or improving water quality within a region.

The proposals aim to improve the management and use of fresh water, apply efficiency standards to water use, and exclude stock from water ways. They will affect regional councils, which must set limits on water quality and quantity, and will in turn affect farming practices. MPI is supporting councils and primary industries to implement the National Policy Statement through multiple programmes including the PGP and SFF. MPI also boosted funding for Overseer®, nutrient management software which assists farmers and their advisers to examine nutrient use and movements within a farm system to help optimise production and improve environmental outcomes.

Key legislation

Other legislation relating to this system is listed under the relevant section in [Appendix 2](#).

Our organisation

Since its inception in 2012, MPI has put considerable effort in to developing its underlying operational and organisational capability. Over time, structure, governance and resources have been aligned, and significant investments made in leadership and management capability. MPI relies on the quality of its people and retaining a diverse range of highly specialist scientific, technical and diplomatic skills, which are in short supply in the job market. With this in mind, considerable effort has been put in to recruitment, training and retention. Staff engagement has grown consistently over recent years, and career pathways have been laid down across the organisation. As a result, unplanned staff turnover is now below 8 percent.

Performance Improvement Framework (PIF) Review

In 2015/16, MPI underwent a PIF review which assessed the state of the organisation. It validated much of the strengthening MPI has undertaken as an important first step, and found MPI was well placed across many aspects of its performance for the future. The review challenged MPI to lift its focus on accelerating growth as a next step, and apply the same continuous improvement approach that has strengthened core regulatory systems to a new wave of thinking. It made recommendations across different aspects of MPI's performance. In response to these recommendations, MPI agreed to focus on the following four areas:

1. Adjust emphasis;
2. Lead within government, the primary industries and across communities;
3. Embed the internal conditions for outstanding performance;
4. Increase focus on MPI's customers.

For more information about MPI's PIF Review and the actions MPI intends to take in response to the review, see: <http://www.ssc.govt.nz/mpi-pif-review>

Making it easier to interact with MPI

MPI is working to meet the PIF recommendation to increase the focus on customers, and in doing so lift its performance against Better Public Services targets. The organisation is aiming to make it easier for users to comply with MPI's regulations and use MPI's services through the adoption of a user-centric design approach. By putting the customer at the heart of the design process MPI seeks to improve the experience of people using MPI's systems and ensure that users have easy access to the right information when they need it. A large programme of work is underway to make adjustments to MPI's web, phone, smartphone and advisory services.

Leading within government

Border sector

- The Border Sector Ministerial Group (Ministers of Customs and Immigration, and the Minister for Primary Industries) provides leadership and strategic direction for how the government manages New Zealand's borders. They are supported by the Border Sector Governance Group, comprising the Chief Executives of the New Zealand Customs Service, MBIE, MPI, DIA and the Ministry of Transport, which provides the mechanism for co-ordinated border management in New Zealand.
- Collaboration and looking for opportunities for continuous improvement are part of the way agencies deliver their core border services. Agencies' key priority is to complete current initiatives such as JBMS. The vision is also being delivered through SmartGate, sharing information, rationalising facilities at the ports and airports through initiatives such as shared service desks, shared facilities and bringing operational staff together in one place, coordinating cargo inspections and agency interactions with arriving commercial and private craft where possible, and co-warranting inspectors to undertake tasks on behalf of each other. Agencies are planning to examine opportunities to improve the timeliness and scope of pre-arrival passenger information.

Natural Resources Sector

- The Natural Resources Sector (NRS) is a grouping of the central government agencies responsible for the management and stewardship of New Zealand's natural resources. The focus of the NRS is to ensure that, across government agencies, a strategic, integrated and aligned approach is taken to natural resources development and management. The four-year focus is on system-wide issues of improving decision making and accessing better innovation and technology, and addressing specific resource issues affecting climate, land, water and marine.

MPI has recently completed the 2017/18 four year plan. A copy of the plan, information on MPI's financial situation and the initiatives lodged for Budget 2017 will be provided as a separate briefing.

Major Policy and Operational Issues

Primary Industries

Government-Industry Agreements

Under the Government-Industry Agreements (GIAs), industry organisations and MPI establish biosecurity partnerships. Partners will share decision-making, costs and responsibility to prepare for, and respond to, biosecurity incursions from 1 July 2017. A GIA gives industries a direct say in managing biosecurity risks. The GIA Deed was approved by Cabinet in December 2013. Industries can also work with MPI to develop an operational agreement pertaining to the specific readiness and response priorities of their industries.

s 9(2)(f)(ii)

s 9(2)(g)(ii)

PSA litigation

In November 2014, 42 kiwifruit growers and post-harvest owners filed a claim against MPI alleging it is liable for damages they suffered from the kiwifruit vine disease, Psa-V. The plaintiffs have not quantified their losses, but have publicly claimed it is in the vicinity of \$380 million, citing total industry losses of \$885 million. It appears there are now 178 claimants, but that is not certain due to several orchards being subject of claims by more than one entity. MPI is defending the claim. A 12 week hearing has been set-down for the High Court commencing in August 2017.

Biosecurity responses

MPI is currently managing 38 biosecurity responses. Most are small to medium scale and are managed within MPI's Operations Branch. Two current responses that are high profile are the two year programme to eradicate pea weevil from the Wairarapa, and the major programme to contain the spread and minimise the impact of the weed velvetleaf on cropping and pastoral systems.

NAIT review

The National Animal Identification and Tracing (NAIT) system is currently being reviewed. The NAIT scheme has been operating for three years and the implementation transition phase ended on 1 March 2016. MPI has confirmed its commitment to take forward any policy or regulatory recommendations arising from the NAIT review and its willingness to consider how the traceability of other animal species is dealt with within the wider biosecurity system. s 9(2)(f)(iv)

Fisheries

The Future of our Fisheries programme is underway and will modernise and future-proof New Zealand's fisheries system. A key deliverable of the programme is a review of the current fisheries management system, including the regulatory and legislative settings. Consultation on the programme is currently underway and advice will be provided to the Minister for Primary Industries in early 2017. Also being developed is an integrated electronic monitoring and reporting system (IEMRS) covering all commercial vessels. IEMRS will significantly improve the quality and quantity of information MPI receives about commercial fishing. It will provide a change in fisheries management and compliance, with fisheries managers being better able to respond to changes in abundance, ensuring New Zealand's fisheries remain sustainable. From a compliance perspective it will present a powerful deterrent to illegal activity and support future prosecutions.

Aquaculture

A key barrier to aquaculture growth is the restrictions of regional planning frameworks in certain regions. There is also growing uncertainty around the re-consenting of existing marine farms, particularly those within and adjacent to areas of scenic value. To address these issues, MPI is working with NRS agencies and an expert reference group of industry, council, Te Ohu Kaimoana and NGO representatives ^{s 9(2)(f)(iv)}

Salmon farm relocation

In January 2017, consultation is planned to begin with the public and iwi authorities on proposed regulations under sections 360A-C of the RMA to enable relocation of up to six salmon farms in the Marlborough Sounds. Relocation is proposed as a way to address environmental, social, cultural and economic objectives by moving salmon farms to more appropriate and sustainable sites. ^{s 9(2)(f)(iv), s 9(2)(g)(ii)}

Snapper

The north-east snapper fishery (SNA1) was reviewed in 2013 leading to changes in the recreational bag limit and an increase in the recreational size limit for snapper. A multi-stakeholder group was formed to develop a management plan for the snapper fishery by 1 October 2015. A new draft management plan for the Snapper 1 fishery was released in September 2016. The plan was devised by the SNA1 Strategy Group – comprising of customary, recreational and commercial fishers. The plan has a strong focus on improving fishing practices, minimising waste and gathering accurate information. Establishing the SNA1 Strategy Group was an important part of the Minister's announcements from 2013 around re-building the Snapper 1 stock for future generations.

Swamp kauri management

Swamp kauri is buried, preserved timber in areas that used to be swamps. Swamp kauri extraction occurs mostly in Northland and has been happening since the late 1980s. MPI regulates the milling and export of swamp kauri timber under the Forests Act 1949. The extraction of swamp kauri from the ground is regulated by the Northland Regional Council under the Resource Management Act 1991. There has been strong public interest in swamp kauri recently with concerns raised around the environmental impact of extraction, and the perception that large volumes of unprocessed raw logs and timber slabs are being exported in contravention to the Forests Act.

In 2014 the Northland Environment Protection Society requested that the Office of the Auditor General (OAG) investigate MPI's regulation of the swamp kauri industry. The OAG chose not to conduct a full investigation, finding no evidence that MPI was allowing the export of illegal timber products. The OAG did however make a number of recommendations, all of which are being implemented. The Society subsequently requested a judicial review of MPI's activities. The court decision is pending and MPI will implement any relevant findings from the judicial review, as required.

Food Safety

Food Act Implementation

The Food Act 2014 came in to force this year, updating the legal frameworks supporting domestic food safety. To support the Act implementation, a comprehensive communications programme was introduced to ensure everyone in the food sector is able to understand and meet the new requirements. This change affects approximately 45,000 food businesses. There is a three year transition period for businesses to meet requirements of the new Act which ends in February 2019. A total of 9,427 businesses were involved in a pilot scheme ahead of the transition period, but they will need to re-register before February 2019. A further 7,000 existing businesses are required to register by 30 June 2017.

Since 1 March 2016, MPI has received and responded to over 4,600 enquiries relating to the implementation of the new Act, with more than 3,000 people attending workshops on the Act. MPI has also supported the introduction of the Food Safety Law Reform Bill, which will improve the alignment, operation and design of the Food Act 2014, Animal Products Act 1999 and the Wine Act 2003.

Campylobacter in chickens

Campylobacter is the predominant cause of bacterial foodborne illness in New Zealand and continues to be the focus of a cross-MPI risk mitigation work programme. MPI has worked with the Ministry of Health (MoH) since 2000 to reduce the overall risk of campylobacteriosis in New Zealand.

In 2006, MPI implemented a *Campylobacter* Risk Management Strategy to actively reduce human foodborne illness cases, with a focus on contaminated broiler chicken meat (the then main source for human cases of foodborne campylobacteriosis). Part of this strategy included the mandatory testing of broiler chicken carcasses from all processing premises, and a *Campylobacter* performance standard that premises were required to comply with. The testing programme is known as [the National Microbiological Database \(NMD\) Programme](#).

This strategy has been very successful with more than a 50% reduction in foodborne campylobacteriosis cases from 2007 to 2012. This was achieved by implementing control measures in plants to eliminate high counts of *Campylobacter* on chicken carcasses. Over nearly two years from January 2013 there were 130 occasions on which poultry premises did not meet a process control performance standard amended in 2013.


In late 2015, key performance indicators (KPI) were established to measure MPI's performance in terms of the *Campylobacter* strategy outcomes. All processors were meeting the *Campylobacter* Performance Standard, but the prevalence of *Campylobacter* for three premises exceeded the defined KPI (>30% samples above the detection limit). MPI's target is for all premises to have a lesser prevalence by the end of 2017, and the trend is in that direction. Recent estimates have attributed an increase in human cases of campylobacteriosis to sources other than poultry – a national cross-government programme is being developed to identify these other sources.

Manuka honey


s 6(a)



MPI is leading work to provide a rigorous, independent and transparent definition of mānuka honey and to strengthen the systems that will ensure the traceability and authenticity of honey exports. s 9(2)(f)(iv)



s 9(2)(g)(ii)



Shared issues

Kaikoura earthquake recovery

MPI took part in the All of Government response initiated by the Ministry of Civil Defence and Emergency Management in response to the Kaikoura earthquake. MPI led on animal welfare, fisheries and determining rural impacts. Earthquake damage significantly affected dairy, beef, sheep, wine and fisheries in Kaikoura. MPI's focus is now on continued support to the primary sector, recovery, readiness and lessons learnt for the organisation.

MPI cost recovery programme

The Ministry has a substantial cost recovery programme. MPI has undertaken an overarching review its cost recovery principles and practices. This high-level review is intended to ensure MPI's cost recovery systems demonstrate best practice, and to improve consistency between systems where possible. There is keen stakeholder interest in this work programme. A draft framework has been publicly consulted and the ground work laid for a more sustainable and transparent model to be developed in the future.

Treaty of Waitangi

MPI is currently actively involved in approximately 26 Treaty of Waitangi settlement negotiations. Negotiations extend from direct discussions with iwi to supporting the passage of settlement legislation through parliament. MPI provides specialist technical support and knowledge on the primary sector during Treaty settlement negotiations. MPI operates under a Ministerial mandate which provides the authority for MPI officials to be involved in settlement negotiations in relation to its primary sector portfolio. The mandate is tailored to ensure that what is implemented can be achieved by MPI and that they align with MPI processes and statutory procedures.

The main role in Treaty settlements for MPI is to confirm that settlement offers are consistent with the Ministerial negotiation mandate and to approve negotiated MPI relationship agreements, co-governance and co-management arrangements, protocols, and fisheries mechanisms with those iwi that have settled their historical Treaty claims. These partnership mechanisms provide a platform for MPI and iwi groups to share information and discuss opportunities for joint work programmes and other initiatives.

The Fisheries Act 1996, Biosecurity Act 1993 and a number of Treaty of Waitangi settlement acts place specific requirements on decision makers to give consideration to iwi views and interests.

Pending Decisions or Actions

A number of key decisions are likely to be required of Ministers within the next three months. These are set out below by portfolio.

Primary Industries Portfolio

December 2016

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(ii), s 9(2)(f)(iv)			
Future of our Fisheries	Future of our Fisheries work programme, which includes the review of the fisheries management system and two regulatory change proposals: 1) Integrated Electronic Monitoring and Reporting System (IEMRS) and 2) Enabling Innovative Trawling Technologies (EITT).	Consultation concludes 23 December 2016	

January 2017

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			

February 2017

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			

March 2017

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			

Food Safety Portfolio

January 2017

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			


February 2017

Matter	Summary of issue	Decision/Action Sought	Portfolio
s 9(2)(f)(iv), s 9(2)(f)(ii)			

Legislative Bids

The legislative bid process is the process by which Bills are allocated priority for both House time and drafting resources for the coming year.

s 9(2)(f)(ii), s 9(2)(f)(iv)



Appendix 1: Vote and appropriations

MPI's work is financed through a single Vote: Vote Primary Industries and Food Safety.

Total Expenditure Appropriations for 2016/17 (full details of out-years provided below)

Appropriations (before any changes that are made in Budget 2017) over the four-year period are described in the table below.

Appropriation type	2017/18	2018/19	2019/20	2020/21
OBU 2016	(\$m)	(\$m)	(\$m)	(\$m)
Total Departmental Multi-Class Appropriations (MCAs)	465.9	466.0	466.8	466.8
Total Non-Departmental MCAs	74.6	74.3	74.3	74.3
Total Non-Departmental Output Expenses	92.8	99.1	95.0	95.0
Total Non-Departmental Benefits or Related Expenses	1.7	1.7	1.7	1.7
MPI – Capital Expenditure Permanent Legislative Authority	37.7	14.1	14.1	14.1
Total Non-Departmental Other Expenses	27.4	11.4	11.1	8.3
Total	700.0	666.5	662.9	660.1

The primary change between 2017/18 and out-years is timing changes in Non-Departmental multi-year appropriation expenses and reduction to capital expenditure as major building projects are completed (including the National Biocontainment Laboratory and the Modern Workplace Programme).

Appendix 2: Key Legislation

MPI administers more than 50 statutes and nearly 360 sets of regulations. The statutes administered by MPI include legislation under the following systems:

Biosecurity

Airports (Cost Recovery for Processing of International Travellers) Act 2014
Animal Control Products Limited Act 1991
Biosecurity Act 1993
National Animal Identification and Tracing Act 2012
Plants Act 1970

Food Safety

Agricultural Compounds and Veterinary Medicines Act 1997
Animal Products Act 1999
Food Act 2014
Wine Act 2003

Primary Production

Animal Welfare
Animal Welfare Act 1999

Fisheries

Driftnet Prohibition Act 1991
Fisheries Act 1983
Fisheries Act 1996
Fisheries (Quota Operations Validation) Act 1997
Kaikōura (Te Tai o Marokura) Marine Management Act 2014
Māori Commercial Aquaculture Claims Settlement Act 2004
Māori Fisheries Act 2004
Treaty of Waitangi (Fisheries Claims) Settlement Act 1992

Forestry

Forestry Encouragement Act 1962
Forestry Rights Registration Act 1983
Forests Act 1949
Forests (West Coast Accord) Act 2000

Other

Agricultural and Pastoral Societies Act 1908
Commodity Levies Act 1990
Dairy Industry Restructuring Act 2001
Hop Industry Restructuring Act 2003
Irrigation Schemes Act 1990
Kiwifruit Industry Restructuring Act 1999

Marine Farming Act 1971 (this Act is repealed except for some transitional provisions)
Meat Board Act 2004
Ministries of Agriculture and Forestry (Restructuring) Act 1995, 1997, 1998
New Zealand Horticulture Export Authority Act 1987
Pork Industry Board Act 1997
Primary Products Marketing Act 1953
Public Works Act 1981 (Part XIX)
Royal New Zealand Institute of Horticulture Act 1953
Taratahi Agricultural Training Centre (Wairarapa) Act 1969
Veterinarians Act 2005
Walking Access Act 2008
Wool Industry Restructuring Act 2003

In addition, MPI has responsibilities under other legislation that it does not administer, such as:

- Climate Change Response Act 2002 (forestry sector);
- Hazardous Substances and New Organisms Act 1996 (MPI is the enforcement agency for new organisms);
- Public Works Act 1981 (irrigation schemes).

Appendix 3: MPI Structure



Policy and Trade

Deborah Roche is the Deputy Director-General (DDG) Policy and Trade. The Policy and Trade branch provides sector-level strategic thinking, policy advice and analysis, and oversees government-to-government relationships to maximise export opportunities. The branch incorporates market access functions, and leads MPI's involvement in New Zealand's trade system and our offshore footprint. It has a strong focus on sustainable economic growth, resource management and engaging on key issues of interest to New Zealand's primary sector. The DDG is the chair of the Sustainable Economic Development and Trade Governance Board for MPI and Deputy Chair for the Food Safety and Fisheries Governance Boards.

Regulation and Assurance

Bryan Wilson is the Deputy Director-General Regulation and Assurance. The Regulation and Assurance branch supports primary producers and consumers by implementing the full range of MPI's legislative and regulatory frameworks. This is the branch in which the core of MPI's regulatory functions sits. It provides the requisite confidence, transparency and trust to domestic and overseas consumers, overseas regulators and the primary industries as to the credibility, integrity and strength of our regulatory settings and systems for biosecurity, food safety and primary production (including animal welfare and fisheries management). The

DDG is the chair of the Food Safety Governance Board and the Fisheries System Governance Board for MPI.

Operations

Roger Smith will take up the role of Chief Operations Officer in January 2017. The Operations branch has a critical role in preventing harmful organisms crossing New Zealand's borders. It manages border and compliance activities as well as preparing for, and responding to, any biosecurity incursions that may occur. The branch also manages MPI's centralised intelligence, planning and co-ordination group which was established to manage food, biosecurity and animal welfare responses consistently and effectively. The Chief Operations Officer is the Chair of the Biosecurity Governance Board for MPI.

Sector Partnerships and Programmes

Ben Dalton is the Deputy Director-General Sector Partnerships and Programmes. The Sector Partnerships and Programmes (SPP) branch delivers MPI's non-regulatory programmes and initiatives to promote sustainable economic growth, such as the Primary Growth Partnership, the Sustainable Farming Fund and the Māori Agribusiness programme. SPP has an important role in linking government with industry and provides a clear entry point for stakeholders seeking access to growth-related initiatives. Along with the Policy and Trade branch, SPP acts as a hub for MPI's economic development functions.

Corporate Services

John Ryan is the Deputy Director-General Corporate Services. The Corporate Services branch provides support services and maintains systems and work practices that enable MPI to deliver its core functions. The branch consists of a human resources function that looks after systems and work practices that attract, develop and retain MPI's employees, a business technology and information services function that enables technology and information needs, a finance, property and procurement function that takes care of our workspace, MPI's finances and reporting needs and a planning and transformation team that implements corporate initiatives. The DDG is the Chair of the Information Security and Infrastructure Governance Board for MPI.

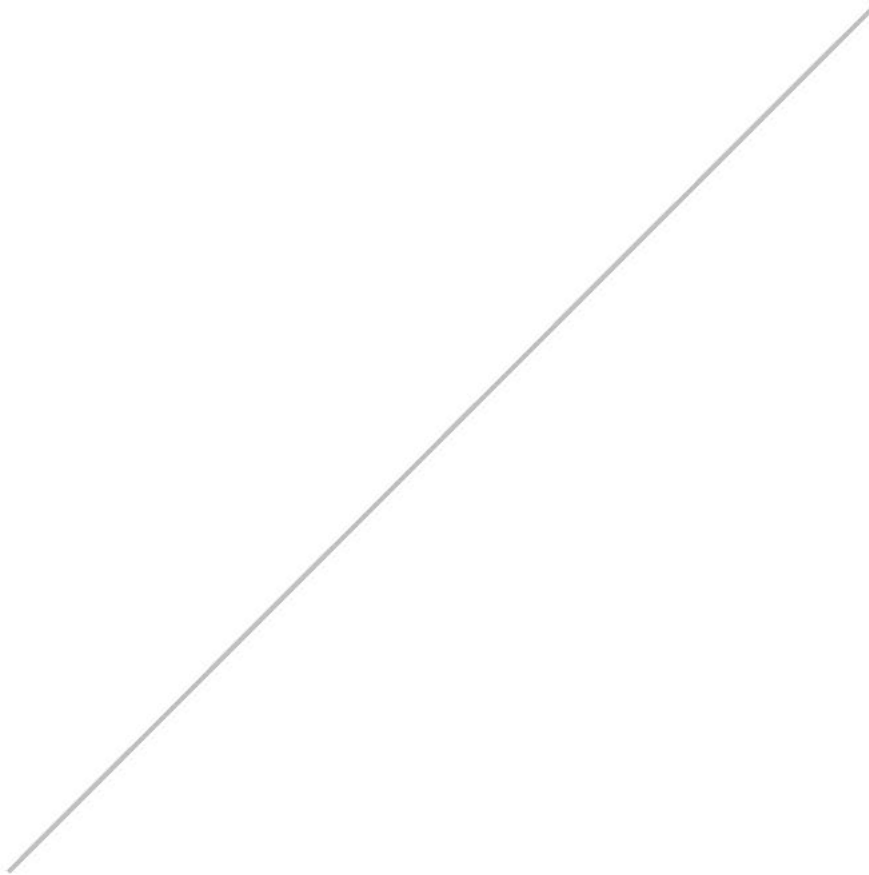
Office of the Director-General

Dan Bolger is the Deputy Director-General Office of the Director-General. The Office of the Director-General branch provides direction-setting and supporting services across the Ministry, and direct support to MPI's Director-General. The branch's advice and services span strategy, planning and performance, service design, project and portfolio management, legal services, communications and marketing, assurance, internal audit and governance functions, Ministerial processes, and Official Information Act requests. In addition, the branch has responsibility for the commercial Crown Forestry operation.

Departmental Science Advisor

Dr Ian Ferguson is the Departmental Science Advisor. He is well known in the science community both nationally and internationally and was the Chief Scientist of the Crown Research Institute Plant and Food Research (and formerly HortResearch) from 2003 to 2012. The Departmental Science Advisor position was created in 2012 and is intended to influence and provide science leadership and oversight. The position helps to ensure the

integrity of MPI's science and science advice and that MPI has appropriate research standards and quality assurance systems in place for science. The Departmental Science Advisor is the Chair of the Science Advisory Board for MPI.



Appendix 4: The Primary Sector

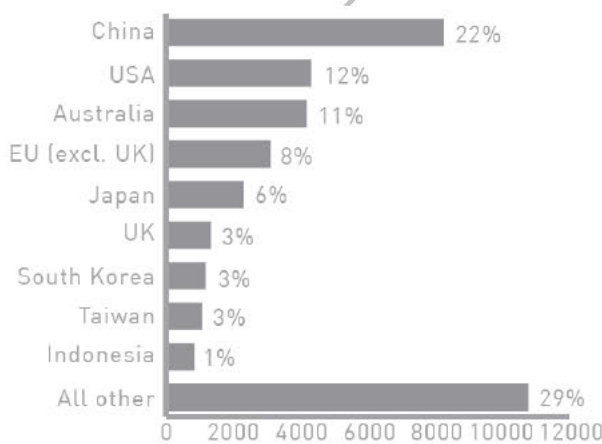
Export revenue from agriculture, fisheries and forestry reached nearly \$37 billion in 2016, and is projected to exceed \$47.8 billion by the year ending June 2021. This forecast is underpinned by strong increases in both prices and production across most primary sectors, particularly dairy, forestry, and horticulture.

While low dairy prices have impacted overall export revenue over the past two years, global prices have begun to recover in the past three months, and this trend is expected to continue into 2017. The main destinations for primary industry exports are China, the United States (US), Australia, and the European Union (EU).

Table 1: Primary industries export revenue, 2013-2021 (\$NZ million)¹

YEAR TO 30 JUNE	Actual				Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
DAIRY	13 139	17 791	14 050	13 289	13 690	17 030	18 300	19 450	20 650
MEAT & WOOL	7 794	8 162	9 001	9 201	8 210	8 520	8 710	8 880	9 130
FORESTRY	4 527	5 199	4 682	5 140	5 330	5 630	5 900	6 150	6 400
HORTICULTURE	3 540	3 780	4 165	4 982	5 190	5 460	5 810	6 020	6 340
SEAFOOD	1 546	1 500	1 562	1 766	1 790	1 890	2 020	2 120	2 190
ARABLE	225	228	177	205	180	205	215	230	245
OTHER	1 691	1 677	2 089	2 376	2 270	2 500	2 650	2 770	2 890
TOTAL	32 461	38 338	35 727	36 959	36 660	41 235	43 605	45 620	47 845
Y/Y % Change	+0.5%	+18.1%	-6.8%	+3.4%	-0.8%	+12.5%	+5.7%	+4.6%	+4.9%

Figure 1: Primary industries export revenue by destination, year ended June 2016 (\$NZ million)



¹ All data as at June 2016.

Dairy

Dairy export revenue is expected to increase slightly from \$13.3 billion in the year ended June 2016 to \$13.7 billion in the year ending June 2017. Rises in global dairy prices are expected to have more than offset a forecast fall in production, which is due to a wetter than usual spring.

Dairy export revenue is expected to rise further to \$17.0 billion for the year ended June 2018. We expect global dairy prices to stabilise at or near current levels, while production should also rebound to normal levels.

China remains our largest export market for dairy products, taking 22 percent of our dairy exports during the year ended June 2016. Most of this is in the form of whole milk powder, but Chinese consumers have started to demand more liquid milk in recent years. New Zealand's export mix to China reflects this changing demand. In the June 2014 year 83 percent of our dairy exports to China were milk powders (whole milk and skim milk). In the June 2016 year powder exports fell to 65 percent as exports of other dairy products such as liquid milk and ice cream have increased

Expansion of dairy farming is progressing in New Zealand and productivity gains per cow are expected to continue as genetics improve cow performance. This expansion will create challenges and risks particularly around environmental limits, especially with regard to water quality restrictions.

In order to be more resilient to commodity price fluctuations, manufacturers are increasingly focused on producing value added products to maximise profits as demand for New Zealand branded dairy products strengthens.

Table 2: Dairy export revenue, 2013-2021 (\$NZ million)

YEAR TO 30 JUNE	Actual				Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Whole milk powder	5 104	8 393	5 385	4 609	4 820	6 490	7 010	7 450	7 920
Butter, AMF, & cream	1 910	2 699	2 219	2 378	2 810	3 520	3 770	4 010	4 250
Skim Milk & Butter Milk Powder	1 832	2 285	1 762	1 347	1 510	1 930	2 080	2 210	2 340
Casein & protein products	1 674	1 925	2 129	1 834	1 570	1 800	1 930	2 050	2 180
Cheese	1 441	1 482	1 557	1 720	1 640	1 790	1 920	2 040	2 160
Infant formula	555	401	415	685	680	740	800	850	900
Other dairy products	623	607	582	716	660	750	800	850	900
Total exports	13 139	17 791	14 050	13 289	13 690	17 030	18 300	19 450	20 650
% Change	-1.8%	35.4%	-21.0%	-5.4%	+3.0%	+24.4%	+7.5%	+6.3%	+6.2%

Forestry

New Zealand's log exports are at record levels and are forecast to increase as trees planted in the early 1990s mature and contribute to an increasing harvest. High demand for logs and

international supply constraints have led to high log prices. Some forest owners have begun harvesting logs at younger ages to take advantage of market opportunities.

The domestic demand for sawn timber is very strong with demand from the Auckland and Christchurch housing markets. The export sawmilling industry is mixed, with some facing increased competition in key markets and increased competition for raw materials. The export market to the US is increasing and is now the largest market by value for export sawn timber.

Total forestry exports were \$5.1 billion in 2016, and are forecast to increase to around \$6.4 billion in 2021. China (38 percent), Australia (15 percent) and South Korea (10 percent) are the largest export markets for forestry products.

China alone receives 68 percent of our exported logs, 26 percent of exported sawn timber and 40 percent of exported pulp. Australia is our largest market for paper and paperboard (50 percent) and Japan for panels (48 percent).

Table 3: Forestry export revenue, 2013-2021 (\$NZ million)

TABLE 8: FORESTRY EXPORTS 2013-2021

YEAR TO 30 JUNE	Actual				Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Logs	1 855	2 541	2 059	2 224	2 480	2 560	2 700	2 820	2 950
Sawn Timber & Sleepers	880	885	779	892	930	1 030	1 080	1 130	1 170
Pulp	552	611	634	689	630	670	710	740	780
Paper & Paperboard	546	519	520	569	540	580	600	620	640
Panels	436	407	451	512	500	530	550	570	590
Chips	67	51	52	64	50	60	60	60	60
Other Forestry Products	190	185	186	190	190	200	200	210	220
Total exports	4 527	5 199	4 682	5 140	5 330	5 630	5 900	6 150	6 400
% Change	+4.6%	+14.9%	-9.9%	+9.8%	+3.7%	+5.6%	+4.8%	+4.2%	+4.1%

Meat and Wool

Meat and wool exports reached a record \$9.2 billion in the year ended June 2016. This was primarily driven by strong international prices for beef and an increase in production due to high levels of dairy cow culling. Export revenue is forecast to decrease 10.8 percent in 2017 as dairy cow slaughter numbers fall back and international meat prices fall.

Lamb and wool returns have been low over the past three years, and this is expected to continue over the short term. Beef + Lamb New Zealand forecast sheep and beef farm revenue to decrease for the third straight year, primarily due to falling sheep and wool revenue.

The top markets for meat and wool are China, the US, and the EU. China is the leading destination for mutton, wool, and co-products, but is also buying a larger proportion of New Zealand's lamb and beef exports. The US is our primary market for beef exports, and the EU is our primary destination for lamb and venison.

Table 4: Meat and wool export revenue, 2013-2021 (\$NZ million)

YEAR TO 30 JUNE	Actual				Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beef & Veal	2 143	2 199	2 980	3 095	2 590	2 600	2 630	2 650	2 710
Lamb	2 263	2 485	2 504	2 569	2 230	2 320	2 350	2 400	2 510
Mutton	395	488	418	419	370	360	370	380	390
Wool	654	724	809	761	670	710	730	740	760
Venison	171	187	174	182	160	190	190	200	200
Other meat	435	438	466	503	540	590	630	660	690
Hides & skins	608	624	570	510	500	500	520	530	540
Animal by products	511	484	573	595	610	640	670	680	700
Animal fats & oils	162	130	118	125	110	120	130	130	130
Animal products for feed	229	209	216	247	270	280	290	310	320
Carpets and other wool products	223	191	172	195	170	200	200	190	170
Total exports	7 794	8 162	9 001	9 201	8 210	8 520	8 710	8 880	9 130
% Change	+0.2%	+4.7%	+10.3%	+2.2%	-10.8%	+3.8%	+2.2%	+2.0%	+2.8%

Horticulture

Horticulture export earnings reached \$5.0 billion in 2016 and are forecast to reach \$6.3 billion in 2021. Key export products are wine (\$1.6 billion), kiwifruit (\$1.6 billion) and apples (\$0.7 billion). New Zealand's top horticulture export markets are the EU (24 percent), Australia (16 percent) and the US (14 percent). The EU is our top market for wine, kiwifruit and apples and Australia is the top market for vegetables and other fruit.

Exports of kiwifruit are up 80 percent over the past 2 years due to the recovery from Psa (present in over 76 percent of kiwifruit orchards) as the industry has acted to contain the impact by substituting the more resilient new Gold3 cultivar. Exports of kiwifruit are forecast to decline back from the record crop of 2016 but then increase on the back of high planting rates to reach export value of \$2.2 billion in 2021.

Wine exports are forecast to expand 7 percent in the year to June 2017, despite an anticipated loss of around 2 percent of the 2016 vintage due to the Kaikoura earthquake. Some Marlborough wineries will have difficulty replacing or repairing storage tanks damaged in the earthquake in time for the 2017 vintage. Marlborough is the source of 74 percent of New Zealand's wine production.

Through orchard expansion and consequently increased export volume, apple and pear exports are expected to increase from \$0.7 billion in 2016 to \$1.0 billion in 2021.

Table 5: Horticulture export revenue, 2013-2021 (\$NZ million)

YEAR TO 30 JUNE	Actual				Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Kiwifruit	934	931	1 182	1 673	1 600	1 750	1 900	2 010	2 160
Wine	1 204	1 323	1 408	1 558	1 670	1 750	1 800	1 850	1 900
Apples & Pears	484	547	571	701	770	830	900	970	1 010
Fresh & Processed Vegetables	600	606	588	612	620	640	640	660	670
Other Horticulture	318	373	416	438	530	500	570	520	600
Total exports	3 540	3 780	4 165	4 982	5 190	5 460	5 810	6 020	6 340
% Change	-0.4%	+6.8%	+10.2%	+19.6%	+4.2%	+5.2%	+6.4%	+3.6%	+5.3%

Seafood

New Zealand seafood exports are forecast to reach NZ\$1.8 billion in the year ending June 2017. About 78 percent of the total seafood export value comes from wild capture fisheries, which have limited volume growth potential due to sustainability constraints. The remainder of New Zealand's seafood exports are in aquaculture, which is not subject to these same constraints. More growth is forecast in aquaculture, particularly salmon.

China is now the destination for over 32 percent of New Zealand's seafood exports by revenue, exceeding \$500 million in the year ended June 2016. This is up from just 9 percent of seafood exports in 2007. Other leading destination markets include Australia, the US, and Japan.

Glossary

BGA	Business Growth Agenda
BPS	Better Public Services
CIIL	Crown Irrigation Investments Limited
DDG	Deputy Director-General
EEZ	Exclusive Economic Zone
EIU	Economic Intelligence Unit
ERAS	Exporter Regulatory Advisory Service
FTA	Free Trade Agreement
GIA	Government-Industry Agreement
IAF	Irrigation Acceleration Fund
IHS	Import Health Standard
JBMS	Joint Border Management System
MBIE	Ministry for Business, Innovation and Employment
MFAT	Ministry of Foreign Affairs and Trade
MPI	Ministry for Primary Industries
NRS	Natural Resources Sector
NTB	Non-tariff Barrier
NZTE	New Zealand Trade and Enterprise
PGP	Primary Growth Partnership
PICA	Primary Industry Capability Alliance
QMS	Quota Management System
RFMO	Regional Fisheries Management Organisation
RGP	Regional Growth Programme
RMA	Resource Management Act
SFF	Sustainable Farming Fund

SPS	Sanitary and Phytosanitary
TPP	Trans Pacific Partnership
WTO	World Trade Organization

