

# **VOTE** *Agriculture and Forestry*

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## Overview

### Departmental Appropriations

Departmental appropriations sought for Vote Agriculture and Forestry in 2006/07 total \$35.632 million. This is intended to be spent as follows:

- \$24.808 million (69% of departmental appropriations in this Vote) on purchasing policy advice with respect to the agricultural, forestry and horticultural sectors.
- \$2.556 million (7% of departmental appropriations in this Vote) for setting of animal welfare standards and investigations and prosecutions of breaches of the Animal Welfare Act 1999.
- \$2.756 million (8% of departmental appropriations in this Vote) for administering the legislative provisions relating to the management of indigenous forests and the utilisation of indigenous products.
- \$3.452 million (10% of departmental appropriations in this Vote) for management of Crown forestry assets, the East Coast Forestry Project and the Sustainable Farming Fund.
- \$2 million (6% of departmental appropriations in this Vote) for administrative services and property rental to maximise the utilisation of assets and personnel employed by MAF.
- \$60,000 (less than 1% of departmental appropriations in this Vote) for residual change management costs relating to the former Ministry of Agriculture and Fisheries.

### Non-Departmental Appropriations

Non-departmental appropriations sought for Vote Agriculture and Forestry in 2006/07 total \$88.091 million. This is intended to be spent as follows:

- \$69.717 million on purchasing forest management and wood production services from sector contractors for Crown forests established on both Crown-Owned and leased Māori land.
- \$9.644 million on sustainable farming fund grants.
- \$5.644 million on East Coast forestry grants.
- \$3.066 million on other non-departmental expenses, including subscriptions to international organisations, possible adverse climatic events, community irrigation schemes and organic initiatives.
- \$20,000 for forestry encouragement loan advances.

## **Crown Revenue and Capital Receipts**

The Ministry expects to collect \$91.398 million of Crown revenue and capital receipts in 2006/07, made up as follows:

- \$89.258 million from the sale of forest produce from Crown forests on Crown-Owned and leased Māori land.
- \$2.140 million from the repayment of forestry encouragement loans.

Further information and explanations of the appropriations appear in Part B1 and C of this Vote. Further information on Crown Revenue and Capital Receipts appear in Part F.

## Terms and Definitions Used

FAO	Food and Agriculture Organisation of the United Nations
MAF	Ministry of Agriculture and Forestry
NAEAC	National Animal Ethics Advisory Committee
NAWAC	National Animal Welfare Advisory Committee
SILNA	South Island Landless Natives Act 1906

## Footnotes

Note 1	Expenses to be incurred pursuant to section 21 of the Public Finance Act 1989.
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## Minister Portfolio Table

2	Minister of Agriculture
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# *Agriculture and Forestry*

VOTE MINISTER: Minister of Agriculture

ADMINISTERING DEPARTMENT: Ministry of Agriculture and Forestry

The Minister of Agriculture is the Responsible Minister for the Ministry of Agriculture and Forestry

## Part A - Statement of Objectives and Trends

### Part A1 - Objectives for Vote

#### *Related Government Outcomes*

The appropriations in Vote Agriculture and Forestry will make a significant contribution towards achieving the government's priority of economic transformation.

#### **Economic transformation**

Our agriculture, horticulture, and forestry sectors are key drivers of the performance of the New Zealand economy. There is enormous potential for them to innovate and grow on the back of great science, top management, efficient processing and superior marketing.

The private sector drives our primary sectors but cannot act alone on matters of market access and trade liberalisation or establishing and maintaining a macro-economic and regulatory environment that supports international competitiveness. MAF is intimately engaged in both of those roles and is therefore in a position to directly influence the growth and innovation performance of the sectors in economic transformation.

Prosperous agriculture and forestry supports strong rural communities, strong Māori economic development, skills development, enhanced research capability, improved consumer choice and better environmental outcomes.

MAF has a key role to play for Māori, both in facilitating development of farming and forestry operations, and through protection of indigenous and productive biodiversity through our biosecurity and resource management work.

#### **Sustainability and environmental integrity**

New Zealand's primary production sectors are all based on the use of physical resources: land, water, climate, plants and animals. Sustainable profitability requires the nurturing of the long-term productive capability of those resources and the physical environment as a whole. Ongoing viability of the sectors is dependent on protecting the physical resources upon which they are based from the ravages of pests, weeds and diseases - both in order to sustain volumes of production and access to markets.

Discerning consumers are increasingly concerned, when making their purchasing choices, about the environmental sustainability, animal husbandry and welfare implications of the products they buy. MAF recognises the need to strike a balance between meeting society's pursuit of prosperity and economic growth on the one hand, and satisfying environmental and social considerations on the other.

## *Output Appropriations*

To achieve these objectives, the appropriations are intended to fund a range of activities, including:

- Providing a range of policy advice to enable the agriculture, forestry and horticulture sectors to maximise their contribution to New Zealand's sustainable development.
- MAF's contribution to addressing climate change, the sustainable water programme of action and sustainable land management.
- Setting of animal welfare standards and investigations and prosecutions of breaches of the Animal Welfare Act 1999.
- Administering the indigenous forestry provisions of the Forests Act 1949.
- Management of Crown forests on both Crown-Owned and leased Māori land.
- Management of the Sustainable Farming Fund, which supports community led projects aimed at improving financial and environmental performance of the land-based sectors.
- Management of the East Coast Forestry Project which provides funding assistance for erosion-prone land within the Gisborne District.

## **Part A2 - Trends in Vote**

The departmental and Crown flows in Vote Agriculture and Forestry are detailed in the trends table.

### **Output expenses**

Output expenses decreased in 2002/03 due to the establishment of Vote Food Safety. Increases in 2003/04 and 2004/05 were mainly related to increased harvesting operations in Crown forests. Increases in 2005/06 and outyears are mainly due to the transfer of animal welfare appropriations from Vote Biosecurity.

### **Other expenses**

Other expenses increased steadily between 2001/02 and 2003/04 due to the introduction of Sustainable Farming Fund grants. The large increase between 2003/04 and 2004/05 was due to government support to the agricultural sector following floods in the lower North Island and Bay of Plenty. Funding decreased in 2005/06 due to one-off flood relief expenditure in 2004/05. Funding decreases further in 2006/07 due to reduced funding for sustainable farming fund grants.

### **Crown revenue and capital receipts**

The level of Crown revenue varies depending on one-off asset sales and forest harvesting activity. In 2003/04 \$17.5 million was received for the sale of part of Te Manawa-O-Tuhoe forest.

## New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2005/06	2006/07	2007/08	2008/09	2009/10
Agriculture and Forestry Policy Advice	Departmental Output Expense - Agriculture and Forestry Policy Advice	-	600	600	600	600
Organic Sector Advisory Programme	Departmental Output Expense - Agriculture and Forestry Policy Advice	-	50	50	50	-
	Other Expenses to be Incurred by the Crown - Organic Initiatives	-	500	750	750	-
Water Programme of Action	Departmental Output Expense - Agriculture and Forestry	-	300	-	-	-
Bay of Plenty Flood Agricultural Recovery Programme	Other Expenses to be Incurred by the Crown - Bay of Plenty Flood 2004	2,667	-	-	-	-
Lower North Island Flood Agriculture Recovery Programme	Other Expenses to be Incurred by the Crown - Lower North Island Flood 2004	6,000	-	-	-	-
<b>Total Initiatives</b>		<b>8,667</b>	<b>1,450</b>	<b>1,400</b>	<b>1,400</b>	<b>600</b>

## Part B - Statement of Appropriations

### Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
<b>Appropriations</b>														
Output Expenses	118,741	73,756	76,507	86,998	96,818	92,362	33,572	2,000	69,717	-	105,289	105,715	102,425	98,393
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	9,588	13,788	16,872	50,707	35,397	24,790	60	-	18,354	-	18,414	17,598	17,598	16,848
Capital Expenditure	-	-	62	-	20	-	N/A	N/A	20	-	20	20	20	20
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>128,329</b>	<b>87,544</b>	<b>93,441</b>	<b>137,705</b>	<b>132,235</b>	<b>117,152</b>	<b>33,632</b>	<b>2,000</b>	<b>88,091</b>	<b>-</b>	<b>123,723</b>	<b>123,333</b>	<b>120,043</b>	<b>115,261</b>
<b>Crown Revenue and Receipts</b>														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	75,438	82,466	78,449	81,594	83,297	84,124	N/A	N/A	N/A	N/A	89,258	96,387	92,714	88,593
Capital Receipts	6,428	4,362	22,505	9,399	2,122	2,100	N/A	N/A	N/A	N/A	2,140	1,920	2,000	1,850
<b>Total Crown Revenue and Receipts</b>	<b>81,866</b>	<b>86,828</b>	<b>100,954</b>	<b>90,993</b>	<b>85,419</b>	<b>86,224</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>91,398</b>	<b>98,307</b>	<b>94,714</b>	<b>90,443</b>



## Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Administration of Indigenous Forestry Provisions (M2)	1,926	-	1,812	-	2,756	-	- Administration of the indigenous forestry provisions of the Forests Act 1949, with the purpose of promoting the sustainable forest management of indigenous forest land.  Reason for Change: The increase in 2006/07 is due to the transfer of unspent SILNA and climate change funding from 2005/06.
Agriculture and Forestry Policy Advice (M2)	22,270	-	19,365	-	24,808	-	- Policy advice and decision support to the Government with respect to the agricultural, forestry and horticultural sectors.  Reason for Change: The increase in 2006/07 mainly relates to expense transfers from 2005/06. These include funding for generic forestry market development, timber products design and development of a New Zealand carbon accounting scheme.
Animal Welfare (M2)	2,587	-	2,587	-	2,556	-	- Setting of animal welfare standards and investigations and prosecutions of breaches of the Animal Welfare Act 1999.
Contract, Grant and Asset Management (M2)	4,164	-	3,904	-	3,452	-	- Management of the Crown's ownership interest in forests established on Crown-Owned and leased Māori land. Management of the Sustainable Farming Fund, East Coast Forestry Project and flood relief programmes.  Reason for Change: The decrease in 2006/07 is due to reduced expenditure on administration of flood relief programmes.
<b>Total Departmental Output Expenses (General)</b>	<b>30,947</b>	<b>-</b>	<b>27,668</b>	<b>-</b>	<b>33,572</b>	<b>-</b>	
<b>Departmental Output Expenses (Restricted by Revenue)</b>							
Contestable Services (M2)	-	2,000	-	1,500	-	2,000	Supply of administrative services and the leasing of surplus property (see Note 1).
<b>Total Departmental Output Expenses (Restricted by Revenue)</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>2,000</b>	

	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
<b>Non-Departmental Output Expenses</b>							
Management of Crown Forestry Assets (M2)	63,871	-	63,194	-	69,717	-	- Payments for forest and asset management of Crown forests established on both Crown-Owned and leased Māori land and 13 leases of Crown-Owned land to other parties for forestry purposes. Revenue from the sale of forest produce is recorded in Part F under Crown Forestry Assets.  Reason for Change: The increase in 2006/07 reflects latest forest management plans and harvesting strategies.
<b>Total Non-Departmental Output Expenses</b>	63,871	-	63,194	-	69,717	-	
<b>Other Expenses to be incurred by the Department</b>							
Restructuring Expenses (M2)	60	-	30	-	60	-	- Provides for residual change management costs relating to the former Ministry of Agriculture and Fisheries.
<b>Total Other Expenses to be incurred by the Department</b>	60	-	30	-	60	-	
<b>Other Expenses to be Incurred by the Crown</b>							
Adverse Climatic Events (M2)	356	-	-	-	356	-	- Support to the agriculture and horticulture industries in the aftermath of adverse climatic events.
Bay of Plenty Flood 2004 (M2)	3,102	-	3,102	-	-	-	- Support to the agricultural sector following the 2004 Bay of Plenty floods.  Reason for Change: No appropriation is required in 2006/07.
Community Irrigation Schemes (M2)	17	-	15	-	17	-	- Operating and maintaining Crown irrigation schemes.
East Coast Afforestation Grants (M2)	5,333	-	3,500	-	5,644	-	- Grants to approved private forest growers under the Forestry (East Coast) Grants Regulations 1992.
Lower North Island Flood 2004 (M2)	6,000	-	6,000	-	-	-	- Support to the agricultural sector following the 2004 lower North Island floods.  Reason for Change: No appropriation is required in 2006/07.
Organic Initiatives (M2)	-	-	-	-	500	-	- Delivery of an organic sector advisory programme.
SILNA Goodwill Payments (M2)	425	-	243	-	-	-	- Goodwill payments to owners of SILNA forests entering into a voluntary moratorium on unsustainable cutting of indigenous forest on their land.  Reason for Change: No appropriation is required in 2006/07.
Subscriptions to International Organisations (M2)	2,193	-	1,900	-	2,193	-	- Membership of various international organisations in particular the Food and Agriculture Organisation of the United Nations (FAO).

	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Sustainable Farming Fund (M2)	17,911	-	10,000	-	9,644	-	- Contestable fund for community driven programmes aimed at improving economic and environmental performance of land-based productive sectors.  Reason for Change: The reduction in 2006/07 is due to unspent funds carried forward in previous years not now being required.
<b>Total Other Expenses to be Incurred by the Crown</b>	<b>35,337</b>	<b>-</b>	<b>24,760</b>	<b>-</b>	<b>18,354</b>	<b>-</b>	
<b>Capital Expenditure</b>							
Forestry Encouragement Loans (M2)	20	-	-	-	20	-	- Advances to private landowners and local authorities that hold approved forestry encouragement loans under the Forestry Encouragement Loan Regulations 1967. Revenue from the repayment of loans is recorded in Part F.
<b>Total Capital Expenditure</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>-</b>	
<b>Total Appropriations</b>	<b>130,235</b>	<b>2,000</b>	<b>115,652</b>	<b>1,500</b>	<b>121,723</b>	<b>2,000</b>	

## Part C - Explanation of Appropriations for Output Expenses

### Part C1 - Departmental Output Expenses

#### *Administration of Indigenous Forestry Provisions*

This output expense involves the administration of Part IIIA of the Forests Act 1949 which relates to the management of privately owned indigenous forest. Principally this involves the administration of sustainable forest management plans and permits, controls on sawmills processing indigenous logs and the export of indigenous forest produce, and breaches of Part IIIA of the Forests Act.

Outputs in this output expense are as follows:

- approval of draft sustainable forest management plan and permit applications, registration of sawmills to enable the milling of indigenous timber, and issue of milling statements for timber to be harvested and milled under other milling provisions within the Act
- audit for compliance: approved sustainable forest management plans and permits, sawmills registered to mill indigenous timber, and indigenous forest produce intended for export.

#### *Agriculture and Forestry Policy Advice*

This output expense encompasses analysis and decision support that underpins policy advice to Minister(s) and the government in relation to the agricultural, horticultural, food and forestry sectors. It includes analysis and advice on legislation, institutional arrangements, and on policy and operational initiatives in relation to the sectors, rural communities and other stakeholders. The focus is on sustaining and enhancing the economic contribution of these sectors to New Zealand, and on the economic, environmental and cultural sustainability of the sectors, of their land, water and genetic resources, and of the communities that depend on them.

Outputs include:

- policy advice - sustainable resource base
- policy advice - sanitary and phytosanitary assurances
- policy advice - business environment domestic
- policy advice - business environment international
- ministerial services.

#### *Animal Welfare*

This output expense covers the development, promulgation and maintenance of science-based standards for animal welfare including ethical conduct in animal-based research, ensuring the effective discharge of statutory responsibilities under the Animal Welfare Act 1999, and the provision of secretariat support to two independent ministerial advisory committees, National Animal Ethics Advisory Committee (NAEAC) and National Animal Welfare Advisory Committee (NAWAC).

### *Contract, Grant and Asset Management*

This output expense covers the management of certain Crown planted forestry assets, and the Crown's participation in contracts and agreements with others in forestry and agriculture, including arrangements encompassed by legislation and regulations for which the Crown retains an ownership interest or ongoing obligation.

Outputs include:

- management of Crown forestry assets
- management of forestry (East Coast) grant regulations
- management of irrigation and government approved grants for agricultural schemes.

### *Contestable Services*

This output expense covers the subleasing of surplus accommodation owned or leased by the Ministry and the cost recovery of associated shared or in-house services.

## **Part C2 - Non-Departmental Output Expenses**

### *Management of Crown Forestry Assets*

This output expense covers payments and revenue for forest and asset management of 37,538 hectares of Crown forests established on both Crown-Owned and leased Māori land and 13 leases of Crown-Owned land to other parties for forestry purposes. Payments made include:

- pruning and thinning
- fertilising
- protection from fire and disease
- the harvesting of forest produce and replanting of harvested areas
- technical support
- land rates
- stumpage payments.

Revenue is earned from:

- sale of logs and standing forest
- rent
- dividends.

#### **Quantity**

- Management of 25 forests (37,538 net stocked hectares).
- Management of 13 forestry leases where the Crown owns the land.
- Management of contracts to complete 6,500 hectares of silvicultural tending.
- Management of contracts to produce 1,196,500 cubic metres of logs.

- Legal and technical support services relating to the Ministry's role as vendor agency for the Office of Treaty Settlements in respect of any Crown forests on Crown land managed by the Ministry that are used for Treaty of Waitangi claim settlement purposes.

**Quality**

- Management, silvicultural and timber production work programmes, as required by lease agreements and management plans, are completed under contracts which clearly prescribe work methods, acceptable standards and costs.
- All completed work is audited using accepted sampling procedures and a quality management system.
- Forests are independently audited on a three-yearly cycle to review management performance.
- All lease rents are paid on time and any reviews of rent or stumpage share are carried out promptly.

**Cost**

	\$
Fixed cost (per net stocked hectare)	40
Average stumpage price (per cubic metre) for logs	29
Management fee (per net hectare exclusive of harvesting and re-investment)	20

	2005/06 \$000	2006/07 \$000
Total output class expenses	63,871	69,717
Total output class revenues	83,173	89,258

## Part E - Explanation of Capital Flows

### Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Ministry of Agriculture and Forestry	Estimated Actual 2005/06 \$000	Projected 2006/07 \$000	Explanation of Projected Movements in 2006/07
Opening Balance	15,512	25,513	
Capital Injections	10,626	2,970	Development of an electronic document management system and software to manage emergency incursion responses.
Capital Withdrawals	(625)	(595)	Part repayment of capital injection received for MAF Head Office accommodation project.
Surplus to be Retained (Deficit Incurred)	-	(60)	
Other Movements	-	90	This is a non cash movement to cover the forecast output deficits.
Closing Balance	25,513	27,918	

### Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
Crown Entities:			
Agriculture and Marketing Research Development Trust	30 June	61,500	62,000
Animal Control Products Ltd	30 June	4,600	4,800

## Part F - Crown Revenue and Receipts

### Part F1 - Current and Capital Revenue and Capital Receipts

	2005/06		2006/07	Description of 2006/07 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
<b>Non-Tax Revenue</b>				
Crown Forestry Assets	83,173	84,000	89,258	Revenue from the sale of forest produce from Crown forests.  Reason for Change: The increase in 2006/07 is due to additional harvesting activity.
Levy Charged Under the Dairy Industry Restructuring Act	124	124	-	Levy to fund the Commerce Commission's dispute resolution and regulatory enforcement functions under the Dairy Industry Restructuring Act 2001.
<b>Total Non-Tax Revenue</b>	<b>83,297</b>	<b>84,124</b>	<b>89,258</b>	
<b>Capital Receipts</b>				
Forestry Encouragement Loans	2,122	2,100	2,140	Repayment of forestry encouragement loans.
<b>Total Capital Receipts</b>	<b>2,122</b>	<b>2,100</b>	<b>2,140</b>	
<b>Total Crown Revenue and Receipts</b>	<b>85,419</b>	<b>86,224</b>	<b>91,398</b>	