

VOTE *Agriculture and Forestry*

Agriculture and Forestry

Overview

Departmental and non-departmental appropriations sought for Vote Agriculture and Forestry in 2001/2002 total \$156.237 million (GST inclusive). This is intended to be spent as follows:

- \$75.016 million (48% of the Vote) on purchasing services from the Ministry of Agriculture and Forestry (MAF) to support the agriculture, horticulture, forestry and food industries.
- \$63.798 million (41% of the Vote) on purchasing forest management and wood production services from sector contractors for Crown forests established on both Crown-Owned and leased Māori land.
- \$8.762 million (6% of the Vote) on Sustainable Resource Development.
- \$5.600 million (4% of the Vote) on East Coast Forestry Grants.
- \$2.836 million (1% of the Vote) on other expenses, including subscriptions to international organisations, possible adverse climatic events, community irrigation schemes, and residual change management costs relating to the businesses of the former Ministry of Agriculture and Fisheries.
- \$0.200 million (<1% of the Vote) capital contribution for establishing new detector dog teams.
- \$0.025 million (<1% of the Vote) relating to forestry encouragement loans.

Departmental appropriations totalling \$75.016 million are funded by \$25.682 million (34%) of Revenue Crown and \$49.334 million (66%) of Revenue Other.

The Ministry expects to collect \$91.430 million of Crown revenue and capital receipts in 2001/2002, most of which is from the sale of forest produce from Crown forests on Crown-Owned and leased Māori land.

Details of appropriations spending appear in Parts B1, C and E of this Vote Details of Crown revenue appear in Part F.

Terms and Definitions Used

ANZFA	Australia New Zealand Food Authority
CER	Closer Economic Relations
MAF	Ministry of Agriculture and Forestry
MAFFAA	Ministry of Agriculture and Forestry Food Assurance Authority
MOH	Ministry of Health
SOE	State-Owned Enterprise
SPS	Sanitary/Phytosanitary
WTO	World Trade Organisation

Footnote

Note 1	For this output the Minister of Finance has approved the incurring of costs up to the estimated level of trading revenue earned from third parties. This approval is given in terms of section 10 of the Public Finance Act 1989.
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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 Agriculture and Forestry

MAF exists to create opportunity for, and manage risk to, New Zealand and the food, fibre, forestry and associated industries.

Related Government Goals

MAF's roles are:

- To provide policy advice on the trading environment, sustainable resource use, rural affairs and the regulation of product safety, biosecurity and related matters.
- To administer the regulation of product safety, biosecurity and related matters.
- To provide services where government needs to be the provider.

The Government in February 2000 published a set of key goals to guide the public sector. While MAF will make a contribution to a number of these goals, the outcome of our work will primarily contribute to the two government goals quoted below:

- *Grow an Inclusive, Innovative Economy for the Benefit of all:* Develop an economy that adapts to change, provides opportunities and increases employment, and while reducing inequality, increases incomes for all New Zealanders.
- *Protect and Enhance the Environment:* Treasure and nurture our environment with protection for eco-systems so that New Zealand maintains a clean, green environment and rebuilds our reputation as a world leader in environmental issues.

Output Classes

Outputs purchased from the Ministry of Agriculture and Forestry (MAF) will contribute to the Government's key goals in varying degrees. Specifically priorities and work plans are incorporated in the Performance Agreement between the Minister and the Director-General and will subsequently be reflected in his agreements with his staff. This dual thrust will ensure a strong focus on the Government's goals.

MAF has categorised its work into a number of areas, with ongoing work programmes designed to achieve long term goals over a ten year period. Each of the areas is listed below, with the major initiatives planned for 2001/02.

Business Environment

This year will see MAF continue to devote substantial resources to the domestic and international business environment.

There will be two main areas of domestic involvement. MAF will continue to evaluate and provide advice to Government on proposals to change the regulatory regimes applying to the export marketing of dairy products, apples, pears, wool and wood. MAF will also participate in the development of a wood processing strategy recognising the potential benefits to New Zealand arising from significant growth in wood volumes.

Internationally, MAF's main involvement will be to contribute to the advancement of New Zealand's interests in respect of agricultural, horticultural and forestry exports in the context of the World Trade Organisation (WTO) round, and to participate in the resolution of current international trade disputes (US lamb and Canadian dairy).

Sustainable Resource Base

MAF's work in developing New Zealand's sustainable resource base will focus on climate change, water resource issues and sustainable forest management and continued development of the Sustainable Farming Fund.

The Sustainable Farming Fund will provide support for community driven projects that are aimed at improving financial and environmental performance of the land based sectors. Priority areas for the continued development of the Fund are to put in place effective communication of project progress and results along with effective monitoring and review processes.

MAF's climate change work will contribute to the development of a domestic policy regime for the implementation of New Zealand's commitments in respect of the reduction of greenhouse gasses (particularly forestry sinks and agricultural greenhouse gasses) and advise on implications for the sectors.

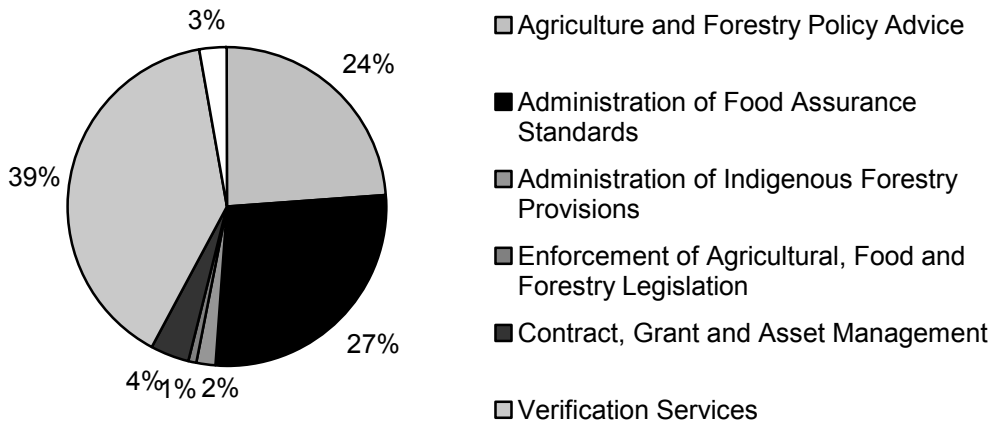
We will participate in a review of the efficacy of the regulatory regime governing the allocation and management of water resources and contribute to the mitigation of the adverse effects of the sectors on water quality.

In the Forestry sector, MAF will have an involvement in promoting legislative change freeing up unnecessary restrictions on the use of indigenous forest produce from sustainably managed forests, developing a new national standard and guidelines for sustainable management of indigenous forests. We will also work to increase the area of sustainable land management as part of the East Coast Forestry Project through implementation of erosion treatment options and more easily understood and accessible target land identification approved by Government in 2001. At the same time the Gisborne District Council will be meeting to introduce measures to fully address severe erosion issues.

Vote Structure

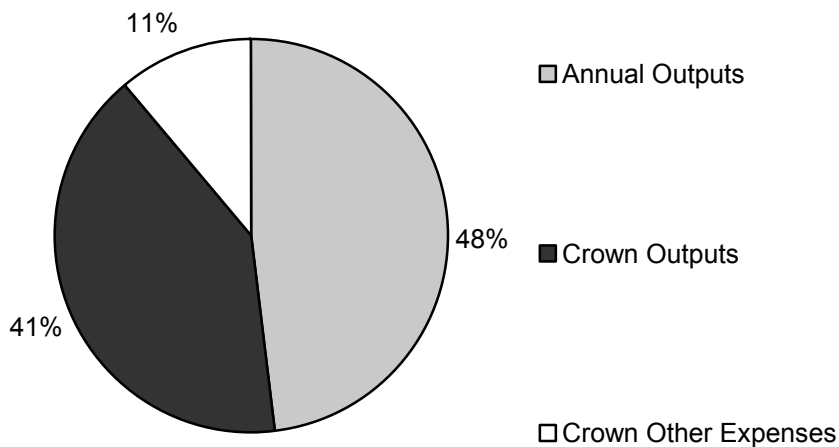
The chart below displays the structure of the Ministry of Agriculture and Forestry in terms of the proportion of each output class to the total appropriation of \$75.016 million for departmental output classes.

Figure 1 - Departmental output classes in percentage terms for 2001/2002



Source: Ministry of Agriculture and Forestry

Figure 2 - Vote Agriculture and Forestry appropriation types in percentage terms for 2001/2002



NOTE: Appropriation types Other Expenses, Capital Contribution and Crown Capital Contributions to other Organisations are not shown as the cumulative total is less than 1 percent.

Source: Ministry of Agriculture and Forestry

Part A2 - Trends in Vote Agriculture and Forestry

The allocation flows for Vote Agriculture and Forestry are detailed in the trends table.

Classes of outputs to be supplied

Classes of outputs supplied for 1997/98 were for a four month period only following the establishment of the new Ministry of Agriculture and Forestry on 1 March 1998.

The increase in outputs for 1998/99 reflects a full 12 months of operation of the new Ministry, partially offset by the transfer of MAF Quality Management's functions to State-Owned Enterprises (SOE's) on 1 November 1998.

The reduction in 1999/00 is the result of services being contracted directly between meat companies and the SOE Asure New Zealand Limited from 1 October 1999.

The further reduction in 2000/2001 is the full year effect of services being contracted directly between meat companies and the SOE Asure New Zealand Ltd.

The cost of outputs increases in 2001/02 due to some of Crown Forestry Management Ltd's functions transferring to MAF from 1 July 2001.

Other expenses

1998/99 expenditure included a \$14.146 million loss on the sale of Te Awahohonu Forest.

1999/00 other expenses included a one-off expense of \$37.513 million for the loss on transfer of Lake Taupo Forest.

In 2000/01 and 2001/02, other expenses mainly provided for East Coast Afforestation Grants, Sustainable Resource Development Grants and Subscriptions to International Organisations.

Crown Revenue and Receipts

The increase in Crown revenue and receipts in 1998/99 was due to the sale of Te Awahohonu forest for \$46 million.

In 2001/02 revenue increases are due to MAF taking over some of the functions of Crown Forestry Management Ltd.

Strategic Issues

The work programme for the Minister of Agriculture, the Minister for Rural Affairs and the Minister of Forestry will cover the following strategic issues.

Rural Affairs

MAF has a responsibility to ensure that the perspectives of rural New Zealanders are considered when Government is devising or reviewing policies which are likely to have significant impacts on them.

Sanitary and Phytosanitary Frameworks

This year MAF will develop policies for ensuring efficient regulatory mechanisms are in place to provide credible assurances to consumers as to the safety of wine and dairy products.

Internationally we will work with bilateral trading partners and multilateral fora to minimise technical barriers to trade. This will be done by ensuring scientific and technical knowledge is used to set outcome based standards that are cost effective and based on assessment of risks.

MAF will also consider and provide advice to Government on the recommendations of the Royal Commission of Inquiry into Genetic Modification as they relate to the sectors.

Food Safety Standards

Work will concentrate this year on implementation of the risk management framework including further development of the concepts of "food safety outcomes" and an "appropriate level of protection".

There will be an emphasis on consultation and risk communication, including working with the Ministries of Health and Consumer Affairs to identify and develop an approach which provides consumers with greater participation and involvement in food safety decision making.

Treaty of Waitangi

MAF has a responsibility to provide advice to Government on opportunities to increase the participation of Māori in, and their returns from their involvement in, the sectors.

Specific areas of work this year, particularly in relation to the forestry sector, will be facilitating disposal of the Crown's forestry interest and assisting with the Treaty of Waitangi process as required by the Office of Treaty Settlements.

Developing Capability and Linkages

MAF intends, in the coming year, to foster a consultative approach to its work particularly through communication with stakeholder groups and consultative forums. MAF also recognises the importance of a "whole of government" approach and will continue its work to integrate systems with other departments and Ministries. Examples of this are work with the Ministry of Health in developing the food risk management framework, and work MAF is undertaking with other government border agencies (mostly Customs and Immigration) and stakeholder groups to enhance the effectiveness and efficiency of its systems in response to last year's border agency review recommendations.

MAF is also working to enhance its overall capability and a major element of this will be to undertake the development proposals identified in the Policy Capability Implementation Plan.

MAF Organisational Development

MAF will continue to develop its core systems in areas such as communications, its ability to improve its relationship with Māori, financial systems (management of risk), and human resources (remuneration and employee relations).

The food safety administration review, covering functions of MOH and MAF remains unresolved at the time of writing and this has the potential to have a major impact on MAF's functions and structures.

Trends in Vote Agriculture and Forestry - Summary of Appropriations and Crown Revenue

Types of Appropriation	2000/01						2001/02 Appropriations to be Used				Total \$000	
	1996/97	1997/98	1998/99	1999/2000	2000/01		By the Department Administering the Vote		For Non-Departmental Transactions			
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000		
Operating Flows												
Classes of Outputs to be Supplied	-	78,880	165,916	119,312	128,796	125,698	72,941	2,075	63,798	-	-	138,814
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Other Expenses	-	2,650	30,650	46,838	13,058	7,517	68	-	17,130	-	-	17,198
Capital Flows												
Capital Contributions	-	19,696	8,761	26	1,433	1,383	200	-	25	-	-	225
Purchase or Development of Capital Assets	-	-	30	-	-	-	N/A	N/A	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	-	101,226	205,357	166,176	143,287	134,598	73,209	2,075	80,953	-	-	156,237
Total Crown Revenue and Receipts	-	12,505	93,578	61,617	69,122	68,667	N/A	N/A	N/A	N/A	N/A	91,430

Part B - Statement of Appropriations

Part B1 - Details of 2001/02 Appropriations

Appropriations	2000/01			2001/02		Description of 2001/02 Appropriations	
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000		Other \$000
Departmental Output Classes (Mode B Gross)							
D1 Agriculture and Forestry Policy Advice	17,375	-	16,983	-	17,870	-	
D2 Administration of Food Assurance Standards	22,019	-	21,591	-	20,519	-	
D3 Administration of Indigenous Forestry Provisions	1,500	-	1,438	-	1,500	-	
D4 Enforcement of Agricultural, Food and Forestry Legislation	587	-	587	-	587	-	
D5 Contract, Grant and Asset Management	3,254	-	2,639	-	2,858	-	
D6 Verification Services	31,744	-	31,149	-	29,607	-	

Total Appropriations for Departmental Output Classes (Mode B Gross)	76,479	-	74,387	-	72,941	-
Departmental Output Classes (Mode B Net)						
D7 Contestable Services (see note 1)	-	2,075	-	2,111	-	2,075
Total Appropriations for Departmental Output Classes (Mode B Net)	-	2,075	-	2,111	-	2,075
Non-Departmental Output Classes						
O1 Management of Crown Forestry Assets	50,242	-	49,200	-	63,798	-
Total Appropriations for Non-Departmental Output Classes	50,242	-	49,200	-	63,798	-
Other Expenses to be incurred by the Department						
Restructuring Expenses	68	-	68	-	68	-
Total Appropriations for Other Expenses to be incurred by the Department	68	-	68	-	68	-
Other Expenses to be Incurred by the Crown						
Adverse Climatic Events	235	-	70	-	400	-
Community Irrigation Schemes	15	-	8	-	15	-
East Coast Afforestation Grants	3,000	-	3,000	-	5,600	-

Supply of administrative services and the leasing of property.

Payments for forest and asset management of Crown forests established on both Crown-Owned and leased Maori land. Payments made include: pruning and thinning; protection from fire and disease; the generation of forest produce and replanting of harvested areas.

Provides for residual change management costs relating to the businesses of the former Ministry of Agriculture and Fisheries (personal claims, legal costs and surplus space).

Providing support to the agriculture and horticulture industries in the aftermath of adverse climatic events.

Operating and maintaining the Beggs irrigation scheme.

Grants to approved private forest growers under the Forestry (East Coast) Grants Regulations 1992.

Part B1 - Details of 2001/02 Appropriations (continued)

	2000/01			2001/02		
	Vote		Estimated Actual	Vote		Description of 2001/02 Appropriations
	Annual \$000	Other \$000		Annual \$000	Other \$000	
Appropriations						
Other Expenses to be Incurred by the Crown – cont'd						
Organic Initiatives	335	-	330	250	-	Providing support for sector groups for the sustainable development and growth of the organic sector.
Subscriptions to International Organisations	1,928	-	1,928	2,103	-	Membership of various international organisations in particular the Food and Agriculture Organisation of the United Nations (FAO).
Sustainable Resource Development	5,625	-	1,200	8,762	-	Contestable fund for community driven programmes aimed at improving economic and environmental performance of land based sectors.
Water Studies	1,350	-	700	-	-	Contestable fund for water enhancement and irrigation proposals in conjunction with the Agriculture and Marketing Research Development Trust and local government.
Loss on Transfer or Disposal of Crown Lease Forests	63	-	63	-	-	Change in the valuation of the Crown's interest in Parengarenga 3G Forest following a variation to the lease agreement.
SILNA Goodwill Payments	400	-	150	-	-	Goodwill payments to owners of SILNA forests entering into a voluntary moratorium on unsustainable cutting of indigenous forest on their land.
Compensation	39	-	-	-	-	Providing compensation payments where mandatory or appropriate.
Total Appropriations for Other Expenses to be Incurred by the Crown	12,990	-	7,449	17,130	-	
Capital Contributions to the Department						
Capital Investment	1,358	-	1,358	200	-	Capital contribution to fund the purchase of additional x-ray machines and detector dog facilities.

Total Appropriations for Capital Contributions to the Department	1,358	-	1,358	-	200	-
Capital Contributions to Other Persons or Organisations						
Forestry Encouragement Loans	75	-	25	-	25	- Advances to private landowners and local authorities that hold approved forestry encouragement loans under the Forestry Encouragement Loan Regulations 1967 and amendments.
Total Appropriations for Capital Contributions to Other Persons or Organisations	75	-	25	-	25	-
Total Appropriations	141,212	2,075	132,487	2,111	154,162	2,075

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

For more detailed analysis of Departmental Output Classes, including financial and non-financial performance measures, please refer to the Ministry of Agriculture and Forestry's Departmental Forecast Report (DFR).

Output Class D1 - Agriculture and Forestry Policy Advice

Description

This class of outputs includes purchasing a range of policy advice and decision support for the Minister(s) and Government including analysis and advice on legislation, institutional arrangements, rural communities and the policy to be applied to developing and implementing strategies to enable the agriculture, forestry, horticulture and seafood sectors to maximise their contribution to New Zealand's sustainable environmental, economic and social development. Outputs in this class include:

Policy Advice: Sustainable Resource Base: resource use policies, interventions and practices to encourage the sustainability of the sectors.

Policy Advice: Sanitary and Phytosanitary Assurances: domestic and international SPS assurances.

Policy Advice: Business Environment Domestic: strategic, economic, competition, Māori and regulatory issues relevant to the performance of the sectors and rural communities.

Policy Advice: Business Environment International: international market access, trade and environment issues.

Ministerial Services: services to support the Minister(s) including replies to correspondence, Parliamentary Questions, Official Information Act and Ombudsman requests.

Effective implementation of policy decisions requires policy input to ensure implementation decisions are consistent with policy objectives. Similarly the development of good policy advice requires technical input to ensure advice is well informed and practicable. Agreed work programmes are required to ensure issues are dealt with in a timely manner by appropriately skilled people.

The outputs also incorporate purchasing any services that maximise the use of assets and personnel employed by the Ministry for the purposes of achieving the output class delivery.

Output Class D2 - Administration of Food Assurance Standards

Description

General

This output class covers the regulation of the primary processing and export of food through the development, promulgation and maintenance of standards designed to give effect to New Zealand law and policies covering food assurance arrangements. This enables Government's food assurance objectives to be met including the provision of official assurances for trade purposes.

Standards will be designed to give effect to government agreed risk management parameters that describe New Zealand's appropriate level of protection (ie, the "acceptable levels of risk/agreed safety levels" for consumers), and the desired outcome of New Zealand's food assurance programme.

The standards may incorporate other factors that contribute to ensuring product is "fit for purpose", including grade, truth in labeling, composition, wholesomeness and other consumer perception issues. Standards may cover related areas such as animal welfare and biosecurity where the functions are inseparable from "fitness for purpose" food assurance. In some instances Government assurances are required for matters such as volume and are covered by this output class.

The regulatory control of agricultural compounds and veterinary medicines to ensure risks associated with their importation, manufacture, sale and use and management is included.

Operational and Regulatory Policy

The development, promulgation and ongoing maintenance of standards requires the setting of operational and regulatory policies to support decision-making.

Effective policy advice requires technical input to ensure decisions are well informed and practicable. Similarly, the implementation of policy decisions through the standard setting process requires policy input to ensure decisions are consistent with Government's policy. Agreed work programmes are required to ensure issues are dealt with in a timely manner by appropriately skilled people.

Operational and regulatory policy also requires the provision of technical advice on food assurance, general reporting and support to the Minister on all aspects of the administration of food assurance legislation.

It covers the coordination of the inputs necessary in supporting other accountable policy/technical departments to meet their own outputs and those required to administer the joint standards setting arrangements through ANZFA.

Risk Framework

Regulatory oversight of food administration should be based on a scientific assessment of risks to human health. Establishment of a risk management framework will allow decisions to be taken that are proportionate to the health risks involved, allow innovation and flexibility in application of sanitary measures and allow due regard to be taken of costs and benefits. This output class covers the establishment of a risk assessment framework, including the development of an appropriate mechanism for determining an appropriate level of consumer protection.

International Environment

Setting food assurance standards requires involvement at an international level. Involvement in setting the international technical framework for, and the actual standards covering food assurance, is required to ensure New Zealand risk management parameters and policies are promoted into international standards and practices. International standards covering residue limits, composition and labeling, as well as food quality standards are all encompassed in the administration of food assurance.

Harmonisation and mutual recognition of standards with Australia under CER is included.

Standard Setting

Technically justifiable food assurance standards are set to meet required safety levels.

Standards are similarly set for agricultural compounds and veterinary medicines and animal feedstuffs.

Standards are also designed to cover surveillance/monitoring of animals and their products for undesirable contaminants such as agricultural compounds, veterinary medicines, environmental contaminants and for relevant pathogens/diseases/pests of concern to food assurance and in international trade.

As well as setting food assurance standards, there is involvement in technical and other operational standards for service providers to ensure delivery and the achievement of Government's "optimal regulatory model".

Standards must be agreed and set for exports. Negotiation with trading partners will be aimed at cost effective and efficient food assurance and at creating more favourable trading terms for New Zealand while protecting the integrity of Government assurances. This requires building and maintaining bilateral relationships with counterpart controlling authorities to ensure Government's objectives are met.

Approvals/Accreditations

Administration of food assurance standards includes recognising organisations, facilities, people, products and procedures which are required to give effect to primary standards. In the process external second parties (eg, International Accreditation New Zealand) and independent third parties (eg, accredited service providers) will be used. Examples of official recognition include:

Organisations: accreditation of service providers;

Facilities: registration of premises under the Dairy Industries Act;

People: empowering competent people to discharge functions;

Products: approving processes to produce products (meat, fish), registration of agricultural compounds and veterinary medicines and products themselves, eg, chemicals used in dairy factories, meat slaughter premises and in treating timber;

Procedures: recognising product safety and risk management plans.

Compliance

Audit of the programme to provide confidence that:

- food assurance standards are implemented as required,
- contract provisions are met, and
- food assurance can be substantiated by performance;

is critical.

This involves audits by core government personnel, independent of the service provider and industry and covers the application of appropriate sanctions in cases of non-performance.

Audit of compliance with agricultural compounds and veterinary medicines standards and food assurance standards is included.

Where third party service providers do not have the necessary powers to manage compliance with safety plans, government personnel will be involved in resolving the issues.

The output is funded by the Crown and through cost recovery from beneficiaries.

The outputs also incorporate purchasing any services that maximise the use of assets and personnel employed by the Ministry for the purposes of achieving the output class delivery.

Specific Responses

This output class does not provide for specific responses. Should the Government decide to activate an actual response to a food assurance emergency, the additional costs associated with generating the operational level of capability, deployment and sustaining the process will be appropriated under Vote Agriculture and Forestry. A specific output for the particular event will be created in this situation and appropriations sought on a case by case basis. This output class will cover the actual response to a food assurance emergency and the coordination of the response.

Output Class D3 - Administration of Indigenous Forestry Provisions

Description

This output class involves the administration of Part IIIA (the indigenous forestry provisions) of the Forests Act 1949:

- Administration of export controls, including inspection of indigenous forest produce exports, to ensure that they are either from forests managed in accordance with a sustainable forest management plan or permit, or meet other requirements as specified in the Forests Act 1949.
- Administration of indigenous forest sawmill controls to ensure that only sawmills registered with the Ministry process indigenous timber from approved sources.
- Administration of sustainable forest management plans and permits.

Outputs within the class are as follows:

- Approval of draft sustainable forest management plans and permit applications and registration of sawmills to enable the milling of indigenous timber.
- Issue of milling statements for timber to be harvested and milled under other milling provisions within the Forests Act 1949.
- Audit for compliance, approved sustainable forest management plans and permits, sawmills registered to mill indigenous timber, and indigenous forest produce intended for export.

The outputs also incorporate purchasing any services that maximise the use of assets and personnel employed by the Ministry for the purposes of achieving the output class delivery.

Output Class D4 - Enforcement of Agricultural, Food and Forestry Legislation

Description

This class of outputs relates to the purchase of services for enforcement of the law through investigations and subsequent prosecutions where illegal activity is evident. The scope includes the legal requirements of the Animal Remedies Act 1967 (until replaced by the Agricultural Compounds and Veterinary Medicines Act 1997), Dairy Industry Act 1952, Food Act, Forests Act 1949, Meat Act 1981 (until replaced by the Animal Products Act), Pesticides Act 1979 (until replaced by the Hazardous Substances and New Organisms Act), and the Plants Act 1970.

Outputs provide for the investigation of suspected illegal activity and prosecutions. The investigations are performed in accordance with agreed strategies and generally cover people/organisations in breach of the law, either wittingly or unwittingly. Prosecutions are demand driven and funded on a case by case basis.

Outputs also incorporate the sale of any services that maximise the utilisation of assets and personnel employed by the Ministry for the purposes of achieving the delivery of classes of outputs.

The outputs also incorporate purchasing any services that maximise the use of assets and personnel employed by the Ministry for the purposes of achieving the output class delivery.

Output Class D5 - Contract, Grant and Asset Management

Description

This class of output involves the purchase of services associated with the management of Government's participation in contracts and agreements with the private sector in forestry and agriculture. This includes arrangements encompassed by legislation and regulation established by previous Governments for which the Crown retains an ownership interest or ongoing obligation. The scope of the output class includes:

- Management of the Crown's ownership interest on forests established on leased Māori land.

- Management of the Crown's ownership interest in certain forests established on Crown-Owned land.
- Management of the Crown's ownership interest in certain forests established on Crown-Owned land and leased to second parties.
- Management of the Crown's ownership interest in Tarawera Forests Ltd.
- Management of the Crown's financial interests in loans made to encourage afforestation in accordance with the Forestry Encouragement Loans Regulations 1967.
- Management of the Crown's commitments under the Forestry (East Coast) Grant Regulations 1992 to establish and tend forests in the erosion-prone land within the Gisborne district.
- Irrigation and Government Approved Grants for Agricultural Schemes. This output includes management of government assistance programmes and a Sustainable Farming Fund.

Outputs also incorporate purchasing any services that maximise the use of assets and personnel employed by the Ministry for the purposes of achieving the output class delivery.

Output Class D6 - Verification Services

Description

This output covers the delivery of services associated with the delivery of SPS and related official assurances as required by MAF Food Assurance Authority (MAFFAA) technical and operational standards which include importing countries own biosecurity requirements. In particular the service includes:

- *Food Safety*: making judgements on Food safety matters;
- *Validation*: assessment of companies' documented systems to ensure they are capable of delivering the required regulatory outcomes;
- *Verification*: monitoring and controlling company programmes to ensure they achieve the required regulatory outcomes and display effective control and rectification of non-conformances; and
- *Certification Services*: completion of appropriate certification for companies involved in primary production, processing and/or marketing of meat, game and seafood products, and plants.

This output is user-pays on a cost recovery basis.

Outputs also incorporate the sale of any services that maximise the utilisation of assets and personnel employed by the Ministry for the purposes of achieving the delivery of classes of outputs.

The activity in this output class by sector is as follows:

- Export Meat Premises slaughtering and processing meat* for export markets.
- Local Meat Premises slaughtering and processing meat* for local markets.
- Seafood Premises and vessels processing fish and shellfish for the local and export markets.
- Cold Stores Premises storing meat, game and seafood products for export markets.
- Game Premises slaughtering and processing game for local and export markets.
- Plants Exporters of plants and plant products.
Packhouses supplying plants and plant products for export.
- Dairy Issue of MAF certificates for export of dairy products.

* Meat includes: sheep and lambs, beef, goats, bobby calves and horses

The outputs also incorporate purchasing any services that maximise the use of assets and personnel employed by the Ministry for the purposes of achieving the output class delivery.

Output Class D7 - Contestable Services

Description

This output covers the sale of administrative services and property rental to maximise the utilisation of assets and personnel employed in the Ministry.

Part C2 - Non-Departmental Output Classes

Output Class O1 – Management of Crown Forestry Assets

Description

This output class covers payments for forest and asset management of 46,787 hectares of Crown forests established on both Crown-Owned and leased Māori land, and for payments related to the Crown's ownership interest in 19 forestry leases and joint ventures with other parties. 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.

Quantity, quality and cost

Quantity

- Management of 28 forests (46,787 net stocked hectares).
- Management of 19 forestry leases and joint ventures where the Crown owns the land or has other legal interests in the forests.
- Manage contracts to complete 8,400 hectares of silvicultural tending.
- Manage contracts to produce 975,000 cubic metres of logs.
- Legal and negotiation services for one pending stumpage review.
- Legal and technical support services for negotiations relating to approaches from lessors of any forests who wish to purchase the Crown's interest.

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 two-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 gross hectare)	\$31
Average stumpage price (per cubic metre) for logs	\$48
Management fee (per gross hectare exclusive of harvesting and re-investment)	\$14

This output class will be provided within the appropriated sum of \$63.798 million (inclusive of GST). Estimated revenue from this activity is \$85.880 million (excluding GST). The 2000/01 final appropriated sum for this output class was \$50.242 million.

2001/02	Total output class to be provided within (GST inclusive)	\$63,798,000
2000/01	Total output class to be provided within (GST inclusive)	\$50,242,000
2001/02	Total output class revenue (GST exclusive)	\$85,880,000
2000/01	Total output class revenue (GST exclusive)	\$65,855,000

Part E - Explanation of Appropriations for Capital Flows

Net Worth of Entities Owned

The Minister of Agriculture is responsible for the Government's ownership interests in certain agencies and organisations. The estimated net worth (total assets less total liabilities) of these bodies is listed in the table below.

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2001 \$ million	Forecast Net Worth 2002 \$ million
Ministry of Agriculture and Forestry	30 June	3.153	3.293
Crown Entities:			
Agriculture and Marketing Research Development Trust	30 June	60.000	60.000
Animal Control Products Ltd	30 June	2.600	2.600

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	2000/01		2001/02	Description of 2001/02 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Current Revenue				
Non-Tax Revenue				
Crown Forestry Assets	65,855	65,000	85,880	Revenue from the sale of forest produce from Crown forests.
Total Non-Tax Revenue	65,855	65,000	85,880	
Total Current Revenue	65,855	65,000	85,880	
Capital Receipts				
Forestry Encouragement Loans	3,000	3,400	50	Repayment of forestry encouragement loans.
Irrigation Suspensory Loan Refunds	150	150	-	Refunds from the sale of property within a 10 year period of drawing down a suspensory loan.
Sale of Forestry Assets	117	117	5,500	Sale of surplus Crown Lease forest assets.
Total Capital Receipts	3,267	3,667	5,550	
Total Crown Revenue and Receipts	69,122	68,667	91,430	

Part G – Statement of Reconciliations

Part G1 – Changes in Appropriation Categories

The only change to appropriations in 2001/2002 has been the addition of output class Contestable Services. Some services from output class Discretionary Services in Vote Biosecurity – Agriculture and Forestry relate to this vote and have been transferred.