



---

---

**Ministry of Agriculture and Forestry:  
Review of Expenditure in  
Vote Agriculture and Forestry and  
Vote Biosecurity**

---

---

**Prepared for the Minister of Agriculture,  
Biosecurity and Forestry by the Ministry of  
Agriculture and Forestry**

**03 February 2009**

Final: 3 February 2009

# Ministry of Agriculture and Forestry: Review of Expenditure in Vote Agriculture and Forestry and Vote Biosecurity

## *Table of Contents*

Executive Summary .....	3
Introduction and Background .....	4
MAF's Approach.....	4
Future Directions and Priorities .....	5
Major Work Programmes and Fit with Government Priorities.....	6
Immediate Savings and Areas to Fund through Reprioritisations.....	7
Areas for Review .....	9
Bids for Consideration in Budget 2009 .....	11
Cost Pressures.....	12
Crown Entity Expenditure – Walking Access Commission .....	14
Conclusions.....	14
Appendix A: MAF Context .....	15
Appendix B: Major Work Programmes and Fit with Government Priorities .....	19
Appendix C: Value For Money Review Table.....	23
Appendix D: Bids for Consideration in Budget 2009 – Templates.....	26

## ***Executive Summary***

1. MAF has undertaken a comprehensive expenditure review as directed by Cabinet<sup>1</sup>. We have sought to:
  - Identify meaningful immediate savings, reflecting New Zealand's critical economic and fiscal position.
  - Identify the highest priority review areas that will enable MAF to achieve outcomes with fewer resources over the long term.
2. We have not identified any areas of activity inconsistent with the Government's priorities, other than New Zealand Fast Forward (\$700m capital in 2008/09).
3. We do believe, though, that there are significant opportunities to deliver more efficiently and effectively over time. We have identified reviews, either planned or underway, to capture these benefits.
4. In line with the Government's election undertakings, MAF has made savings to absorb the cost of the new rural veterinarians support programme by reprioritising existing funding of \$0.8m in 2009/10 and up to \$1.84m in outyears from Votes Agriculture and Forestry and Biosecurity. Financial approvals for the new rural veterinarians support programme will be handled through a Cabinet paper.
5. In addition to this, savings from programme reductions of \$3.6m in the 2009/10 year, reducing to \$1.7m in outyears as the cost of the rural vet initiative increases, have been realised. We will also be making a saving of \$3.6m in the 2008/09 year.
6. Total savings from input cost reductions are \$1.0m for 2009/10 and \$0.7m in future years.
7. While there will be impacts on MAF's outputs as a result of the reductions in programmes and input cost savings, we believe those impacts are manageable.
8. We are also proposing to fund the ongoing production of core agricultural statistics and an increase in animal welfare capability (for 2009/10 only) through internal reprioritisation from identified savings.
9. Overall the projected gross savings to the Crown of \$5.4m for 2009/10 represents 1.35% of MAF's current departmental and non departmental operating budget for 2008/09. Net savings for 2009/10 are \$3.2m after identified reprioritisation and new programmes.
10. The further reviews identified in this report have the potential to generate savings considerably in excess of that. There are also initiatives underway in Vote Biosecurity that are expected to enhance productivity and/or reduce costs, but which will take some time (in some cases, years) to bring to fruition. We will continue to pursue these where the necessary capital funding (if required) is available.

---

<sup>1</sup> CBC Min (08) 32/6 – Improving Value for Money in the State Sector

11. MAF is submitting four bids for consideration in Budget 2009 – Timberlands West Coast, Primary Growth Partnership, Free Trade Agreements (led by MFAT) and *[deleted – confidentiality of advice]*.
12. MAF is experiencing a sharp downturn in cost recovered, memorandum account biosecurity cargo activity and now regional airport activity. *[information deleted in order to enable to Crown to carry out commercial activities without disadvantage or prejudice]*
13. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
14. MAF has had to reprioritise to meet the cost of an increase in incursion responses over and above what is budgeted. This re-prioritisation is in the order of \$950,000 this financial year.

### ***Introduction and Background***

15. This report sets out the results of a review of expenditure in Vote Agriculture and Forestry and Vote Biosecurity undertaken by the Ministry of Agriculture and Forestry.
16. This review was requested in a letter from the Minister of Finance to the Minister of Agriculture, Biosecurity and Forestry dated 17 December 2008. Additional guidance was set out in CBC (08) 563 and CBC Min (08) 32/6.
17. CBC on 17 December 2008 agreed that the Government's objective for the State Sector is that, by the end of this parliamentary term, agencies will be viewed as delivering services wanted by the public in a different manner and more cost-effectively, so that more, and better quality, services are being delivered with no increase in expenditure.

### ***MAF's Approach***

18. Ministers wish to embed a culture of continuous performance improvement, and a focus on efficiency, effectiveness and innovation. They are seeking a fundamental transformation in the way government departments do their business. In this context, MAF's Strategic Leadership Team has sought to:
  - a) Identify meaningful immediate savings, reflecting New Zealand's critical economic and fiscal position and the expectation that Ministers have of Chief Executives; and

- b) Remain focused on the sort of organisation we will need to be to deliver for New Zealand, and identify the highest priority review areas that will enable MAF to achieve outcomes with fewer resources over the long term.

19. Information on MAF's context including financial details is attached as Appendix A.

### ***Future Directions and Priorities***

20. In thinking about the nature of the decisions required to manage budget pressures in the future, we should have a keen eye on how we think MAF will evolve into the future. In that respect, the key themes for MAF's strategic directions, and consequently for its evolving functions and shape, are as follows:

- Collaborative efforts: MAF sits at the nexus of a number of streams of government activity and increasingly, we are working jointly with other agencies to generate more effective solutions to complex policy and implementation issues.
- Sustainability: the need to be able to build environmental sustainability into our primary production models in order to support long term economic/financial viability is fundamental. Sustainability in this context includes water allocation, infrastructure and quality; soil conservation; land use choices; and climate change.
- Product Safety, Integrity and Traceability: global demand for New Zealand's agriculture, horticulture, forestry and related products is highly dependent on our reputation as a responsible exporter, where the safety and integrity (including traceability) of our food products is at the forefront of our production systems.
- Trade: internationally the sectors face a number of longer-term trade issues. There is considerable potential for improved market access and prices for New Zealand's agricultural and forestry products from the development of multilateral and (to a lesser extent) bilateral Free Trade Agreements.
- Animal Welfare: New Zealand has a reputation for being at the forefront of international thinking on policy and delivery relating to the welfare of production animals [*information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials*]. We expect that animal welfare will become increasingly important to New Zealand's customers (and New Zealanders), and will require increased resourcing into the future.
- Border/Biosecurity<sup>2</sup>: we need to find new and innovative means of maintaining the requisite standards of delivery at the border with fewer resources. That will probably come about partly through increased collaboration with our border partners (with contributions to their increased efficiency also), through innovative thinking and new processes in our processing of goods and

---

<sup>2</sup> Biosecurity is the exclusion, eradication or effective management of risks posed by pests and diseases to the economy, environment, and human health

passengers, and through enhanced understanding of the nature of risks faced and where to best concentrate our effort to manage those risks. There is a significant programme of work underway to address these issues.

- Sector Performance: our major primary industries are the core driver of the New Zealand economy, and they face significant structural, performance and governance challenges. Our sense is that intensive and high quality effort from central government in each of these sectors is a matter of very real strategic importance, and that work should be emerging from MAF. We will wish to retain existing capacity, and if possible, enhance capability in this field.
- *[information deleted in order to enable to Crown to carry out commercial activities without disadvantage or prejudice]*

21. This overall direction is reinforced in the Minister's response to the Prime Minister's request<sup>3</sup> on how the Government will deliver commitments in agriculture, biosecurity and forestry. In this context the Minister acknowledges the need to:

- Keep domestic cost barriers as low as possible for the primary sector
- Recognise agriculture's absolute importance to New Zealand
- Maintain and build upon our sector's world-class status
- Create conditions for ongoing innovation in agricultural and forestry techniques
- Establish the highest standards of biosecurity incursion response, protection and detection possible.

### ***Major Work Programmes and Fit with Government Priorities***

22. The Government has stated that its 'driving goal is to grow the New Zealand economy', with a particular focus on productivity and wage growth.

23. MAF is heavily focussed on supporting and encouraging the productivity and economic performance of New Zealand's largest and most important industries. The agriculture, food and forestry industries are the core of our economy, major determinants of our employment and social wellbeing and key drivers of our land, water and biological resource use.

24. MAF also provides leadership across the biosecurity system. Biosecurity protects our indigenous biodiversity, our productive sectors and our people's health from import risks. It also supports directly our export industries.

25. Further comment on the alignment of MAF's work programmes with the Government's priorities is provided in Appendix B.

---

<sup>3</sup> *Delivering Our Priorities*, Prime Minister's letter dated 22 December 2008

## ***Immediate Savings and Areas to Fund through Reprioritisations***

26. The attached table (Appendix C) sets out the immediate savings and reprioritisation proposals identified by Vote, with financial impacts for each year. It is grouped into:
- Savings from reductions in programme spending
  - Savings through input cost reductions
  - Spending on the rural vet bonding scheme which is a new programme
  - New spending that could be funded through reprioritisation.

### *Savings from Reductions in Programmes*

27. The Vote Agriculture and Forestry savings relate to programmes within the areas of the climate change plan of action (including carbon markets and sustainable buildings), the East Coast Forestry project and operational research and are in the order of \$2.9m to \$3.9m per year. Funding in most of these areas has increased significantly in recent years. We intend to undertake in-depth reviews across most of these areas, which may very well identify further savings.
28. The Vote Biosecurity programme savings of \$560,000 per year relate to the check, clean and dry (Didymo) programme, marine programmes and operational research.
29. While we consider that those programmes targeted for savings are consistent with the Government's priorities, we have identified some opportunities to reduce programmes while limiting impact on overall outcomes.

### *Savings from Input Cost Reductions*

30. MAF will continue to review all areas of operational expenditure. A key focus here is the messaging that we are sending to the organisation as we reinforce the culture that the Government is seeking for the public sector.
31. We have already taken steps to manage annual leave balances, recruitment, and travel costs.
32. We will initially generate general operational savings across the organisation of between \$300,000 in 2009/10 and outyears.
33. We will also have some specific input cost savings in Vote Biosecurity in the areas of communications research and contractors and laboratory operations and two positions (one core and one contract) in the post border area being disestablished in the post border area, as well as some increased third party revenue from laboratory activities.
34. *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]*

35. The total savings identified from input cost reductions are \$1.0m for 2009/10 and an average of \$700,000 per year from 2010/11.

*Areas to Fund through Reprioritisation*

36. Two areas are proposed for reprioritisation funding:
- **Agricultural Statistics:** MAF pays Statistics New Zealand to collect agriculture production statistics, which are core underpinning data for New Zealand given the nature of our economy. Uses within MAF include meeting our Kyoto obligations for greenhouse gas reporting, development of evidence based policy advice and farm monitoring. They are also a key component of our ability to contribute to Treasury's economic and fiscal forecasting. Reprioritisation into this programme is required to ensure the ongoing production of these statistics.
  - **Animal Welfare Capacity:** the internal reprioritisation of staff and costs spread across compliance and enforcement, policy, standards and communications functions to support animal welfare outcomes. We are looking to reprioritise \$600,000 for 2009/10, which includes a component of support for the SPCA. We are also reviewing overall animal welfare compliance in New Zealand including the responsibility of industry in this area. We intend to advise the Minister of Agriculture of the outcome (including funding implications for future years) of this work by July.
37. In addition to these two areas of reprioritisation MAF will fund up to \$1.84m per year to fund the voluntary bonding scheme for veterinarians prepared to work in rural areas where recruitment has been difficult (manifesto commitment). Graduates who have completed the requirements for the scheme will receive incentive payments at the completion of three years and then for each of the two years following. The final implementation and scheme design details are being worked through by MAF and will be provided for consideration by the appropriate Cabinet Committee by 18 February 2009. This process will include seeking Cabinet's financial approval. Implementation of this scheme will commence in 2008 with the scheme reaching ongoing annual costs of \$1.84m (estimated) by 2012/13.



## *Overall Outcome*

38. Overall the projected gross savings to the Crown of \$5.4m for 2009/10 represents 1.35% of MAF's current departmental and non departmental operating budget for 2008/09. Net savings for 2009/10 are \$3.2m after identified reprioritisation.
39. While there will be impacts on MAF's outputs, we believe that these are manageable.
40. It should also be noted that the Organic Sector Advisory programme funding ceases in 2008/09. MAF received \$2.1m commencing in 2006/07 for this three year programme to support the development of New Zealand's organic sector. This funding was administered through the Sustainable Farming Fund in conjunction with Organics Aotearoa New Zealand, providing information and support to farmers and growers considering converting to organic production systems.

## ***Areas for Review***

41. MAF has identified a number of areas that we will be reviewing further. There is potential for savings to arise from these reviews well in excess of those identified to date.
42. The planned reviews include:
  - Passenger Clearance: consideration of simplified border clearance procedures for arriving international passengers, in conjunction with Customs, to reduce any duplication and improve efficiency and effectiveness of MAF specific processes. The total cost of MAF's passenger clearance activities is \$34.2m annually. This review will be completed by July 2009.
  - Tb Strategy: reduction in the current level of expenditure on vector control. This would likely mean that Tb remained present in New Zealand for a longer time, but not to a level that would create any trade risk. Around \$75-80m is spent each year. This is funded by industry (54%), the Crown (38%) and regional councils (8%). The strategy is reviewed every five years and work towards the next review, which commences in September 2009, is well underway.
  - Forestry related programmes and schemes: this includes the East Coast Forestry Project, Afforestation Grants Scheme, Permanent Forest Sinks Initiative and Sustainable Land Management – Hill Country Erosion Fund. The review will identify areas where there are potential operational efficiencies, funding crossovers and funding stream gaps. This review is scheduled for 2011 once the three new schemes are all operational and have been in place for two years. The final shape of the Emissions Trading Scheme will also be known by then.

- Sustainable Farming Fund: ensure we are still funding high quality projects which are making a difference to the sectors. This review is scheduled for January to March 2012. The Sustainable Farming Fund was last substantially reviewed in 2004. In 2007/08 MAF (in consultation with Treasury) commissioned work to review potential evaluation methodologies. As a result of this work MAF is introducing ongoing project level evaluation including the development of performance/outcome indicators at project level.
  - Timberlands West Coast: a Cabinet directed review aimed at identifying future options for the ongoing management and ownership of the Crown's exotic forest estate on the West Coast. This could include options to cease some activities and replanting investments. A report is scheduled for mid-2009.
  - IM Costs and Services: review MAF information management costs and services including an examination of the asset life cycle and funding for acquisition and identification of options for reducing the whole-of-life costs of IT fixed assets. This review is currently underway and is scheduled for completion 30 June 2009.
43. There are also a number of innovation initiatives underway within Vote Biosecurity. These initiatives are designed to ensure greater overall effectiveness, efficiency and adaptability of the biosecurity system and to increasingly involve others in its operation. They include:
- Redesign of the whole operation of the border to ensure that import requirements – while not lowering overall protection levels – are more performance based.
  - Rollout of a single adaptable system for responding to new pest and disease finds that will leverage off the staff and resources that can be provided by industry and regional councils, consistent with government objectives.
44. These initiatives are expected to enhance productivity and/or reduce costs, but will take some time to bring to fruition, and in some cases, require capital investments.

## ***Bids for Consideration in Budget 2009***

45. MAF will be submitting the following bids, in order of priority, for Budget 2009:
- Timberlands West Coast: this is essentially a technical change involving the transfer of operating costs and related operating losses associated with the management of Crown-owned forest assets which were previously managed by the SOE Timberlands West Coast Ltd, and funded through a series of capital injections into the SOE to meet operating losses.
  - Primary Growth Partnership: a bid for a multi-year appropriation to support pastoral, food and forestry sector innovation, through partnership with industry. This bid is being developed jointly with MoRST.
  - Free Trade Agreements (FTAs): this bid is being led by MFAT and will provide the capacity and resources to meet Sanitary and Phytosanitary commitments within the FTAs.
  - *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
46. The funding being sought through these Budget bids is outlined in Table 1 and completed bid templates for Timberlands West Coast and the Primary Growth Partnership attached as Appendix D.
47. Templates for the other two bids – Free Trade Agreements and the Joint Border Management System – will be provided by the respective lead agencies.

**Table 1: MAF – Budget 2009 Bids**

<i>Item</i>	<i>Vote</i>	<i>(Non) Doc</i>	<i>2008/09 \$(000)</i>	<i>2009/10 \$(000)</i>	<i>2010/11 \$(000)</i>	<i>2011/12 \$(000)</i>	<i>2012/13 \$(000)</i>	<i>Outyears \$(000)</i>	<i>Comment</i>
Timberlands West Coast	A&F	Non doc	0	7,000	7,000	7,000	7,000	7,000	Purchase net operating deficit
Primary growth partnership (Incl FIDA)*	A&F	Doc	0	70,000	70,000	70,000	70,000	70,000	Multi-year appropriation
FTA	A&F	Doc	0	600	572	592	600	600***	Bids submitted by MFAT
FTA	Bio	Doc	0	900	891	897	746	746***	Bids submitted by MFAT
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>									
<b>Bids</b>			<b>0</b>	<b>79,923</b>	<b>82,920</b>	<b>83,384</b>	<b>84,321</b>	<b>84,030</b>	
<b>CAPITAL</b>									
Timberlands West Coast	A&F	Non doc		300					Bridge
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>									
Fast Forward**		Non doc	(700,000)						Return of Fast Forward Capital

\* To be sought as a multi-year appropriation of \$350 million over 5 years

\*\* Fast Forward will make a surplus as a result of the investment in the fund – the value of which is yet to be confirmed

\*\*\* Funding reduces in 2014/15

\*\*\*\* *[deleted – confidentiality of advice]*

## **Cost Pressures**

48. MAF budgets continue to be squeezed by those cost pressures common to most government departments.
49. Forty percent of MAF's departmental expenditure is personnel costs. To manage these costs within future funding envelopes it will be important that there is a consistent restraint message being conveyed across the public sector.

50. Implementation of the SSC agreed common leave provisions would further increase costs as some frontline staff (particularly for border clearance activities) must be replaced when they are on leave. We await further advice on what obligations we may have in this respect.
51. Examples of other recent cost pressures include:
- *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice].*
  - Travel costs: continue to increase, particularly overseas travel and the cost of operating motor vehicles.
  - IT costs: improvements in MAF's IT infrastructure, such as security, access management and other core projects that have resulted in increases in depreciation and other operating costs.
  - Whole-of-government initiatives: such as implementation of the Identity Verification Service (\$593,000 for 2009/10), Gateway reviews of projects, and Partnership for Quality.
52. MAF is also currently managing a sharp decline in cost recovered income in the biosecurity import cargo function. *[information deleted in order to enable the Crown to carry out commercial activities without disadvantage of prejudice]*
53. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
54. MAF continually and actively reprioritises baseline funding for biosecurity incursion responses which do not require additional funding approved by the Minister and Cabinet. The responses which require additional funding are those where substantially longer periods of management activity are required or where there are many smaller responses within a financial year and MAF is unable to reprioritise baseline funding for the additional activity. To date for 2008/09 MAF has approximately \$950,000 of additional expenditure relating to unbudgeted responses which will be funded from the reprioritisation of baseline funding.
55. An emerging potential tax liability will further erode baseline funding.

## ***Crown Entity Expenditure – Walking Access Commission***

56. Departments are expected to give consideration to the Crown Entities they are responsible for.
57. MAF has one Crown Entity – the Walking Access Commission. As it has only recently been established, and there is no reason to think that its activities are inconsistent with the Government's priorities, it is proposed that no further work be undertaken at his time.

## ***Conclusions***

58. MAF is able to offer savings as a result of the expenditure review.
59. In addition we are intending to fund three new areas of spending through internal reprioritisation.
60. MAF is proposing four bids for inclusion in Budget 2009.
61. In the longer-term, we believe that significant efficiencies can be realised through work on those areas identified for further review and a number of innovation initiatives. It is in these areas that material and enduring gains can be realised for the future.



M A Sherwin  
Director-General

## ***Appendix A: MAF Context***

MAF is a medium-sized core government Ministry. It has undergone a great deal of change over the past couple of decades, with staff numbers ranging from a peak in the 1980s at around 6,200 to a trough in the late 1990s of 1,000. Over the course of that period, it has spawned the bulk of our current CRIs, a couple of substantial SOEs, some privatised commercial activity and two new government departments, as well as absorbing one pre-existing department and two weak/failing SOEs.

Through that period of substantial and persistent reform, MAF's shape and the relative balance of its functions has changed. However, it remains a Ministry with very broad reach and interests, with an equally (and increasingly) broad range of stakeholders. Its range of activities encompasses the full spectrum of agency roles, with substantial policy analysis and advice capability, extensive regulatory and enforcement functions, significant service delivery/operational functions (including shared services with NZFSA) and a commercial forestry operation of some scale.

Of particular note has been the growth of biosecurity activities, which now account for around 80% of MAF employee numbers. The 2003 Biosecurity Strategy called for an increase in total biosecurity effort and also assigned to MAF overall leadership of the national biosecurity function. MAF has subsequently absorbed activities and personnel previously contributing to the biosecurity effort from within Miniseries of Fisheries and Health and the Department of Conservation. Also adding to the biosecurity task has been added responsibilities in pest management and increased activity in other areas identified in the Biosecurity Strategy.

While MAF's traditional agriculture and forestry activities are now relatively small in terms of the proportion of assigned personnel, those activities are a major channel of MAF's impact and influence. New activities in recent years have arisen in relation to the climate change agenda, as well as increased effort in water and sustainable land use. Trade negotiations and facilitation have also been a source of increased effort.

MAF's organisational capability has been the focus of a good deal of attention over recent years. In the wake of the major organisational reforms of the late 1990s (in particular, the Ministry of Agriculture/Ministry of Forestry merger and expectations about the creation of new SOE's and review of border arrangements, corporate capability was substantially run down, rendering the Ministry highly vulnerable. It had become highly silo'ed, with limited central capability in key areas such as Finance, HR, IM, audit and risk management, and strategic capability. On the back of a capability bid in 2004/05, new funding was obtained to facilitate an upgrading of capability in each of those areas. That investment, coupled with extensive changes in key personnel, has generally yielded very good and obvious results. However, gaps inevitably remain, especially in areas such as internal audit/compliance/internal controls, management information, security of documents and premises, web and related IT systems.

Overall, as noted in our Briefing for Incoming Ministers, MAF is essentially "sound and fit for purpose" in its capability at this point. It is a very busy Ministry, with heavy demands on all core capabilities and functions. While gaps and weaknesses remain, none of these is currently unmanageable within existing resources.

## Revenue and Expenditure

MAF administers two votes – Vote Agriculture and Forestry and Vote Biosecurity. MAF's revenue and expenditure has increased significantly over the past decade (Table 2) in line with its change in functions. Table 3 (Vote Agriculture and Forestry) and Table 4 (Vote Biosecurity) provide further revenue and expenditure details.

**Table 2: Total MAF 2006/07 to 2010/11\***

All Figures GST Exclusive

	2006/07	2007/08	2008/09	2009/10	2010/11
	\$000	\$000	\$000	\$000	\$000
<b>DEPARTMENTAL</b>					
Crown Funding	122,278	162,673	189,668	176,595	178,690
Specific disease responses	31,783	18,403	10,704	4,882	1,974
Other specific time limited appropriations	3,783	1,892	448	179	
Total Crown Funding	<b>157,844</b>	<b>182,968</b>	<b>200,820</b>	<b>181,656</b>	<b>180,664</b>
Revenue Other	36,096	47,398	48,621	51,294	52,375
Total departmental operating expenses	<b>193,940</b>	<b>230,366</b>	<b>249,441</b>	<b>232,950</b>	<b>233,039</b>
Departmental Other Expenses	60	0	0	0	0
Departmental Capital Injections	2,970	7,216	7,809	4,180	0
<b>Total Departmental Funding</b>	<b>196,970</b>	<b>237,582</b>	<b>257,250</b>	<b>237,130</b>	<b>233,039</b>
<b>NON-DEPARTMENTAL EXPENDITURE</b>	117,142	121,362	153,632	139,558	133,481
<b>Total MAF</b>	<b>314,112</b>	<b>358,944</b>	<b>410,882</b>	<b>376,688</b>	<b>366,520</b>
<b>NON-DEPARTMENTAL RECEIPTS</b>	<b>86,524</b>	<b>112,472</b>	<b>105,251</b>	<b>102,781</b>	<b>94,037</b>

\* This table does not incorporate savings identified in this report

MAF receives Crown funding for 80% of its departmental activities and collects 20% of its revenue from fee payers and other government departments, notably the NZFSA for shared services. Fees from third parties are predominately for biosecurity cargo clearance activities, including the clearance of used vehicle imports. Revenue is expected to be about \$4 million lower than forecast as a result of the current economic conditions and changes in the emissions standards for imported vehicles.

Significant capital investment has been made in MAF over the last five years to fund core infrastructure assets and assets associated with Climate Change and a range of smaller biosecurity initiatives.

## Structure and Staffing

MAF comprises six groups – MAF Biosecurity NZ; MAF Policy; Crown Forestry; Maori Strategy Unit, Infrastructure Capability and Compliance; and Strategy and Performance. MAF's current staff establishment is 1,455. The core unplanned turnover<sup>4</sup> rate is 12.3%.

<sup>4</sup> Source: Human Resource Capability Survey of Public Service Departments, as at 30 June 2008



**Table 3: Votes Agriculture and Forestry Appropriations 1999/2000 to 2008/09**

All Figures GST Exclusive

	Total Appropriation (GST exclusive)									
	1999/2000	2000/2001	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>DEPARTMENTAL</b>										
Crown Funding	18,020	19,194	19,699	19,458	22,175	27,639	30,569	35,491	62,431	80,734
Revenue Other	5,229	2,275	2,120	1,378	1,163	2,093	2,378	2,648	10,518	10,143
<b>Total Departmental Operating Funding</b>	<b>23,249</b>	<b>21,469</b>	<b>21,819</b>	<b>20,836</b>	<b>23,338</b>	<b>29,732</b>	<b>32,947</b>	<b>38,139</b>	<b>72,949</b>	<b>90,877</b>
Departmental Other Expenses	476	60	1,572	1,334	60	60	60	60	0	0
Departmental Capital Injections	0	1,358	1,901	1,463	0	12,750	10,626	2,970	7,216	7,809
<b>Total Departmental Funding</b>	<b>23,725</b>	<b>22,887</b>	<b>25,292</b>	<b>23,633</b>	<b>23,398</b>	<b>42,542</b>	<b>43,633</b>	<b>41,169</b>	<b>80,165</b>	<b>98,686</b>
<b>NON-DEPARTMENTAL EXPENDITURE</b>	51,855	56,273	76,937	77,239	86,659	116,228	99,228	86,686	90,454	122,833
<b>TOTAL VOTE AGRICULTURE &amp; FORESTRY</b>	<b>75,580</b>	<b>79,160</b>	<b>102,229</b>	<b>100,872</b>	<b>110,057</b>	<b>158,770</b>	<b>142,861</b>	<b>127,855</b>	<b>170,619</b>	<b>221,519</b>
<b>NON-DEPARTMENTAL RECEIPTS</b>	<b>54,321</b>	<b>65,855</b>	<b>76,455</b>	<b>88,315</b>	<b>78,430</b>	<b>82,351</b>	<b>83,297</b>	<b>86,524</b>	<b>112,472</b>	<b>105,251</b>

**Table 4: Votes Biosecurity Appropriations 1999/2000 to 2008/09**

All Figures GST Exclusive

	<b>Total Appropriation (GST exclusive)</b>									
	<b>1999/2000</b>	<b>2000/2001</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>DEPARTMENTAL</b>										
<u><b>Crown Funding</b></u>										
Baseline funding	45,066	49,820	54,925	57,572	64,022	78,909	81,430	86,787	100,242	108,934
Specific disease responses	5,065	8,158	14,194	59,566	47,101	17,113	21,972	31,783	18,403	9,987
Other specific time limited appropriations	1,978	4,615	5,791	4,577	5,841	6,251	8,530	3,783	1,892	448
<b>Total Crown Funding</b>	<b>52,109</b>	<b>62,593</b>	<b>74,910</b>	<b>121,715</b>	<b>116,964</b>	<b>102,273</b>	<b>111,932</b>	<b>122,353</b>	<b>120,537</b>	<b>119,369</b>
<u><b>Revenue Other</b></u>	15,903	17,497	18,572	21,586	30,873	31,730	27,953	33,448	36,880	38,478
<b>Total Departmental Funding</b>	<b>68,012</b>	<b>80,090</b>	<b>93,482</b>	<b>143,301</b>	<b>147,837</b>	<b>134,002</b>	<b>139,885</b>	<b>155,801</b>	<b>157,417</b>	<b>157,847</b>
<b>NON-DEPARTMENTAL</b>	17,804	22,800	30,724	30,288	30,186	30,152	34,222	30,456	30,908	30,799
<b>TOTAL VOTE BIOSECURITY</b>	<b>85,816</b>	<b>102,890</b>	<b>124,206</b>	<b>173,589</b>	<b>178,023</b>	<b>164,154</b>	<b>174,107</b>	<b>186,257</b>	<b>188,325</b>	<b>188,646</b>

## **Appendix B: Major Work Programmes and Fit with Government Priorities**

### *Vote Agriculture and Forestry*

The Government has stated that its 'driving goal is to grow the New Zealand economy', with a particular focus on productivity and wage growth. MAF is heavily focussed on supporting and encouraging the productivity and economic performance of New Zealand's largest and most important industries.

MAF has direct economic development roles, such as leading government/industry partnerships or working with industries to study and better understand their economic performance. MAF has also indirect roles such as working with other agencies to enhance the business environment for agricultural and forestry, and inform wider government policy of sectoral needs.

MAF regulates more than \$100m in annual 'industry good' levies, which are used for science and innovation, skills development, marketing and market access. MAF has a number of statutory roles which balance the need to encourage the development of internationally-competitive industry and value chains with the protection of domestic markets from anti-competitive behaviour.

MAF is the pre-eminent source of statistics and forecasts of industry performance and output and fosters a valuable two-way flow of information that informs government, industry and investor decision-making. MAF's regional offices provide an invaluable source of information collection and an interface with the coal face of our primary industries.

MAF's Sustainable Farming Fund provides \$10.5m annually in grants to support applied research and technology transfer to improve the performance of farming and forestry in New Zealand.

On behalf of the government MAF also administers the adverse events framework, which coordinates responses to major natural disasters such as droughts and floods that impact on agricultural production. Ensuring speedy recovery of agricultural production is critical to minimising economic damage and detrimental impacts on rural communities.

The Government has signalled that it wants to oversee 'a step-up in infrastructure investment' and MAF is already engaged in transport, freight and telecommunications work, providing other departments with an informed view of the needs of rural communities and their industries. MAF is also deeply engaged in water policy and administers the Community Irrigation Fund, which supports the development of water infrastructure that improves the productivity and resilience of agricultural production.

The Government has indicated that it wants to achieve a 'balance between meeting our environmental responsibilities and taking up our economic opportunities'. In step with this MAF has a major focus on the sustainable development of New Zealand's natural resource base.

MAF works in partnership with industry to improve environmental performance through vehicles such as the Primary Sector Water Partnership and the Clean Streams Accord. Similar partnerships are conducted with local government through MAF's Hill Country Erosion Fund and the Afforestation Grants Scheme.

On climate change MAF is the leading source of advice to government on climate change impacts on land use and policy responses to the challenge of emissions from New Zealand's largest emitters in agriculture and forestry. In partnership with industry, MAF leads the Sustainable Land Management and Climate Change Plan of Action, which is a world leading programme of research and technology transfer for reducing agricultural emissions and increasing sector resilience to climate change.

The Government has stated that it is seeking 'appropriate recognition of New Zealand's unique agricultural-emissions-profile' in future climate change negotiations and MAF is leading negotiations in this area.

The Government has announced a desire for 'increased public investment in research and development to reduce greenhouse gas emissions from livestock'. MAF works closely with the Pastoral Greenhouse Gas Consortium to oversee public and industry investments in greenhouse gas emissions and is well positioned to assist the Government in making further investments.

The Government has initiated 'a two-step reform of the Resource Management Act', which MAF is participating in. MAF possesses considerable expertise on the RMA and its impacts on natural resource use in New Zealand and is working closely with other agencies on this reform project.

The Government has signalled 'an ongoing commitment to trade liberalization and the pursuit of bilateral, regional and world-wide free trade agreements'. Consistent with this MAF plays a major role in supporting MFAT in trade negotiations, and has unique expertise in the trade of agricultural and forestry goods of great strategic importance to New Zealand. This expertise also ensures MAF has a significant role in New Zealand's participation in multilateral environmental agreements such as Convention on Biological Diversity and the Kyoto Protocol.

### *Vote Biosecurity*

MAF has three distinct areas of activity within this Vote, namely global relations; pathways and borders; and domestic biosecurity, as follows:

- *Global*: gathering and exchanging information about emerging risks around the world, negotiating international treaties and multi-lateral agreements, and facilitating trade access.
- *Pathways and borders*: managing risk prior to and at the border, including export trade inspection, and official assurances.
- *Within New Zealand*: managing animal welfare and the risks and impacts of pests and diseases that have already established in New Zealand.

### Global:

MAF works closely with MFAT and NZFSA to negotiate favourable market access conditions for New Zealand exports. MAF and NZFSA then provide assurances to trading partners that our export products meet their health and safety standards.

MAF is working in partnership with industry to develop a National Animal Identification and Traceability system (NAIT) and a rural property register to provide timely and quality information on the location and movement history of New Zealand's cattle and deer herds. This will provide export markets with greater assurances about the source of New Zealand animal based food products and New Zealand's claims of disease-freedom.

The National Party manifesto makes no specific mention of the NAIT project, although the Minister has verbally signalled his interest in and support for this work, subject to assurances of value-for-money.

### Biosecurity at the border:

The aim is to prevent harmful organisms from crossing New Zealand's borders and establishing, while ensuring trade and tourism are maintained. We need to target resources to the highest risks, push risk offshore where we can, minimise costs to importers, and work in collaboration with our partner agencies, Maori and other stakeholders.

The core work in this area includes undertaking risk assessments and developing import health standards for all imported risk goods, inspecting the increasingly growing volume of goods and passengers (and where necessary treating risk goods) to ensure appropriate risk management.

In addition to this core work, the following is also underway:

- Border systems programme: reviewing processes for developing import health standards and implementing these. The current import health standard development process is overly complex, and MAF currently has capacity to progress only 10-15 % of the requests it receives annually. Opportunities will be explored for giving industry a greater role in co-managing the biosecurity risks associated with goods they import.
- Collaborative work with other border agencies: improving co-operation between the government's border agencies. One of the key projects is working with Customs to replace both agencies computerised border clearance systems with a single computer system.
- Passenger clearance review: whether increased use of technology can improve the efficiency and effectiveness of passenger clearance, and working with Customs, whether the ensuing level of risk management is appropriate.

These projects align well with the intentions that the government has signalled for the border space, i.e. for:

- Border agencies to work more cooperatively
- Rigorous enforcement of border requirements
- Increased use of technology
- All risk goods to be thoroughly inspected.

### Biosecurity within New Zealand:

Biosecurity activities post border aim to detect newly established pests and diseases, and reduce their impact through cost effective management. Core work covers surveillance and investigation activities for a vast range of pests, responding to new discoveries, and managing established pests and diseases.

Post border biosecurity is a joint effort involving MAF, DOC, MoH, MFish, MfE, regional councils, industry, community groups and the public.

The focus is on incremental improvement, ensuring that participants collaborate, have clear roles and responsibilities and a shared understanding of priorities. There are a number of projects underway to support these outcomes.

These post-border strategic projects align well with the intentions that the Government has signalled for the post-border space, i.e. for:

- More effective surveillance and rapid responses to new pests
- Greater clarity of roles and more effective collaboration between affected parties
- Crown agencies to meet their obligations as a responsible landowner.

### Animal Welfare

MAF also has an animal welfare function that supports the expectations of New Zealand society for the welfare and humane treatment of animals. Strong animal welfare standards are increasingly important to market success and product positioning of our animal and animal product exports.

The core animal welfare work involves developing and implementing science-based standards, advising the Minister on the policies, legislation and organisational arrangements needed to ensure efficient and effective outcomes for animal welfare, and investigating and prosecuting breaches of the Animal Welfare Act.

***Appendix C: Value For Money Review Table***

<b>MAF - baseline reductions</b>													
<b>Programmes of work</b>													
<i>Item</i>	<i>Vote</i>	<i>Doc or non doc</i>	<i>2008/09 \$(000)</i>	<i>2009/10 \$(000)</i>	<i>2010/11 \$(000)</i>	<i>2011/12 \$(000)</i>	<i>2012/13 \$(000)</i>	<i>2013/14 \$(000)</i>	<i>2014/15 \$(000)</i>	<i>2015/16 \$(000)</i>	<i>Outyears \$(000)</i>	<i>Impact</i>	<i>Comments</i>
Climate Change Policy - Adaptation	A&F	Doc	0	130	250	250	250	250	250	250	250	Funding profile changed - programme reduced. Approximately a 50% reduction.	
Climate Change Policy - Technology Transfer	A&F	Doc	0	500	500	0	0	0	0	500	500	Programme reduction as result reprioritisation of baseline funding assumptions. From a total programme of about \$2.5 M per year	Note, however, that programme commitments will increase from 2011/12 to 2014/15 due to irrigation.
Sustainable Land Management	A&F	Doc	0	100	100	100	100	100	100	100	100	50% reduction of funds for capability, leadership, targeting and monitoring funds. No change to payments to Councils.	
Sustainable Farming Fund	A&F	Non doc	0	444	444	444	444	444	444	444	444	Reduces the community-led projects but would still retain \$8.0 million per annum	
Climate Change Policy - Sustainable Farming Fund	A&F	Doc	0	500	500	500	500	500	500	500	500	Reduces the community-led projects but would still retain \$1.5 million per annum	
Operational Research	A&F	Doc	0	164	164	164	164	164	164	164	164	Funding for specialist expertise research projects where the capability does not exist in MAF Policy will reduce by 25% to \$0.500m per annum	
Sustainable Business - Carbon Markets	A&F	Doc	0	200	100	200	200	200	200	200	200	Carbon Markets project funding cut by about 50%	
Sustainable Business - Sustainable Buildings	A&F	Doc	600	600	600	0	0	0	0	0	0	Reduces the demonstration buildings from two to one.	
East Coast Forestry Project	A&F	Non doc	3,000	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278	Reduces the fund to \$4.5m per annum in 2009/10 and outyears until 30 June 2020 when funding ceases	Based on historical data and new programmes
Check, Clean & Dry Programme (Didymo)	Bio	Doc	0	260	260	260	260	260	260	260	260	A 20% reduction in communications and other outputs.	May be stakeholder sensitivities
Marine Funding	Bio	Doc	0	150	150	150	150	150	150	150	150	Reduction in research programme. Research to focus on biofouling and ballast water.	
Operational Research	Bio	Doc	0	150	150	150	150	150	150	150	150	Represents 10% of the total biosecurity operational research budget which will now be reduced to \$1.35 m	
<b>Reduction in programme spend</b>			<b>3,600</b>	<b>4,476</b>	<b>4,496</b>	<b>3,496</b>	<b>3,496</b>	<b>3,496</b>	<b>3,496</b>	<b>3,996</b>	<b>3,996</b>		



<b>Input cost reductions</b>															
Communications Research and contractors	Bio	Doc	0	140	140	140	140	140	140	140	140	140	140	Reprioritisation of work in-house. 2 large surveys (staff & stakeholders) using in-house web based software and analysis and reprioritisation of other comms work eg the Biosecurity Comms strategy	Have the capability in-house & will obtain capacity via reprioritisation
Investigation & Diagnostic Centre operational costs	Bio	Doc	0	50	50	50	50	50	50	50	50	50	50	Laboratory costs to be cut	
Remuneration increase reduction	MAF	Doc	0	300	0	0	0	0	0	0	0	0	0	Significant - staff & PSA expectations. Remuneration bid received	
Input cost management	MAF	Doc	0	300	300	300	300	300	300	300	300	300	300	Ongoing review of operational expenditure, e.g. travel	
Post Border	Bio	Doc	0	210	210	210	210	210	210	210	210	210	210	Two positions (one core and one contract) in the post-border area being disestablished.	
<b>Reduction in input costs</b>			<b>0</b>	<b>1000</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>		
<b>Total baseline savings</b>			<b>3,600</b>	<b>5,476</b>	<b>5,196</b>	<b>4,196</b>	<b>4,196</b>	<b>4,196</b>	<b>4,196</b>	<b>4,196</b>	<b>4,696</b>	<b>4,696</b>	<b>4,696</b>		
<b>New programmes or reprioritisation</b>															
Rural Vet Bonding Scheme	A&F	Doc	0	805	1,150	1,495	1,840	1,725	1,725	1,725	1,725	1,725	1,725	30 vets per year accepted for scheme, at 11.5k per year per vet	Govt policy to be funded from MAF's baselines. Cabinet papers to be considered in February.
Agriculture statistics	A&F	Doc	0	900	900	900	900	900	900	900	900	900	900	To continue collection of core statistical data for sector analysis and policy advice	Stats NZ are unable to continue current requirements within baseline funding - MAF considers this high priority and has reprioritised instead of a NIB.
Animal Welfare capacity	A&F	Doc	0	600										To provide enhanced animal welfare outcomes	The current animal welfare capacity is not meeting the demands or expectations of stakeholders within current baseline funding - MAF considers this high priority and has reprioritised instead of a NIB
<b>Offsetting new spending or reprioritisation</b>			<b>0</b>	<b>2,305</b>	<b>2,050</b>	<b>2,395</b>	<b>2,740</b>	<b>2,625</b>	<b>2,625</b>	<b>2,625</b>	<b>2,625</b>	<b>2,625</b>	<b>2,625</b>		
<b>Total reduction in baselines</b>			<b>3,600</b>	<b>3,171</b>	<b>3,146</b>	<b>1,801</b>	<b>1,456</b>	<b>1,571</b>	<b>1,571</b>	<b>2,071</b>	<b>2,071</b>	<b>2,071</b>	<b>2,071</b>		
<b>Increase in revenue</b>															
Investigation & Diagnostic Centre operational	Bio	Doc	0	50	50	50	50	50	50	50	50	50	50	Improved cost recovery for export testing services	Able to raise testing prices for export testing (not covered by Cost Regs/Levies). Work currently underway
<b>Net benefit to Crown</b>			<b>3,600</b>	<b>3,221</b>	<b>3,196</b>	<b>1,851</b>	<b>1,506</b>	<b>1,621</b>	<b>1,621</b>	<b>2,121</b>	<b>2,121</b>	<b>2,121</b>	<b>2,121</b>		

***Appendix D: Bids for Consideration in Budget 2009 – Templates***