

Chapter 11

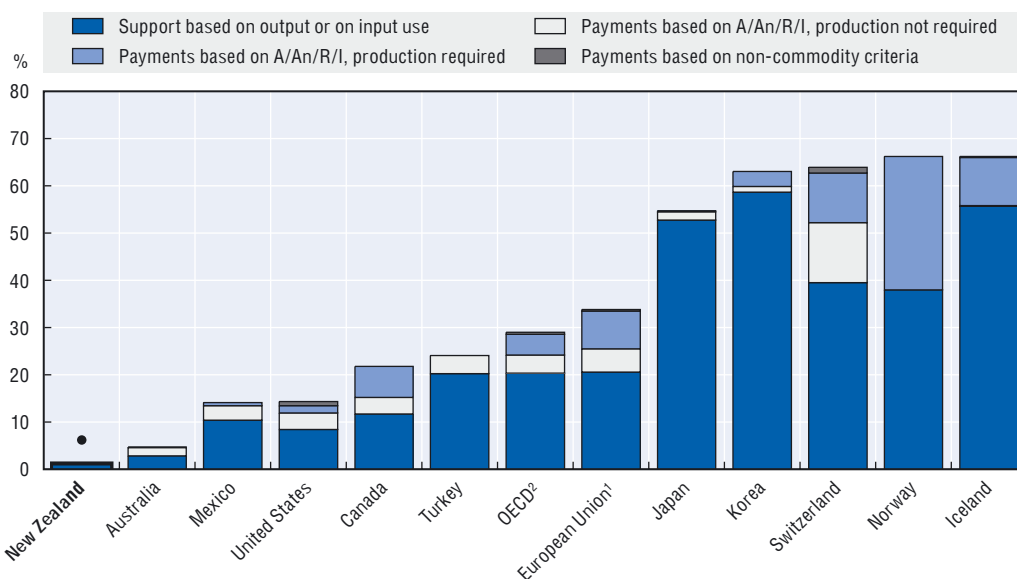
New Zealand

Evaluation of policy developments

- Significant progress has been made since 1986-88 in removing policies causing agricultural production and trade distortions. The level of producer support is the lowest across OECD members, domestic and border prices are aligned, and payments are only provided for pest control or relief against climate disasters.
- Reforms undertaken on the statutory producer organisation and marketing boards brought deregulation for all sectors except for kiwifruit, where statutory export rights have been granted to a designated exporter.
- Efforts for sustainable management of New Zealand's biological and natural resources continued to establish the national frameworks for land and water quality and allocation. A partnership between the dairy industry and both central and local governments has the potential to reduce water pollution. The sustainable farming fund and farm environment awards have made their contribution to the development of sustainable land and water management practices.
- Food safety and biosecurity have been the focus of considerable attention in recent years. The creation of *Biosecurity New Zealand* consolidated accountability for New Zealand's biosecurity system into a single authority to improve consistency in risk assessment and efforts to deal with unwanted pests and diseases.
- Efforts for environmentally sustainable development should continue. The government's efforts to develop additional market-based approaches to deal with both water quality and quantity issues should be encouraged.

Figure 11.1. New Zealand: Producer Support Estimate by country, 2004-06

Per cent of value of gross farm receipts



A (area planted), An (animal numbers), R (receipts) or I (income).

1. EU25. 2. The OECD total does not include the six non-OECD EU member states.

Source: OECD PSE/CSE database, 2007.

Summary of policy developments

Recent policy initiatives in New Zealand relate to sustainable development, biosecurity controls, and water management. Progress was made over 2005-06 toward establishing a national framework for sustainable development. A package of actions in the sustainable water programme and dairying and clean streams accord which were established in 2003 is now under way. The sustainable farming fund has provided financial grants for the efficient use of water and land during the last seven years. The development of policies on climate change and the review of response policy on natural disasters were undertaken. In the area of biosecurity, development of a science strategy is under way and the government made efforts to improve early detection, effective eradication, and contingency planning.

- Support to producers (%PSE) was 1% in 2004-06, down from 10% in 1986-88 and has been the lowest in the OECD since the agricultural reforms in the mid-1980s.
- The share of payments based on input use decreased from 48% of the PSE in 1986-88 to 37% in 2004-06. Payments based on current factors accounted for 10% of the PSE in 2004-06.
- Producer SCT by commodity was 32% for eggs, 9% for poultry and zero for all the other commodities.
- The cost to consumers, as measured by the %CSE, was 2% in 2004-06 (7% in 1986-88).
- Support for general services provided to agriculture as a share of total support increased between 1986-88 and 2004-06, from 21% to 60%. This support consists mainly of basic research, the control of pests and diseases, and flood control.
- Total support to agriculture as a share of GDP is the lowest among the OECD countries at 0.3%, which is less than a quarter of the share in 1986-88.

Figure 11.2. New Zealand: PSE level and composition by support categories, 1986-2006

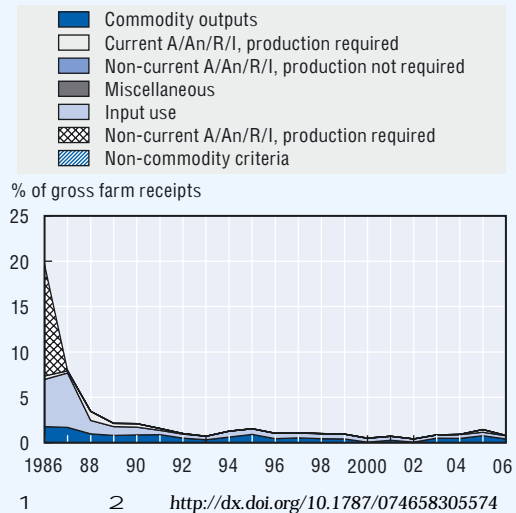


Figure 11.3. New Zealand: Producer SCT by commodity, 2004-06

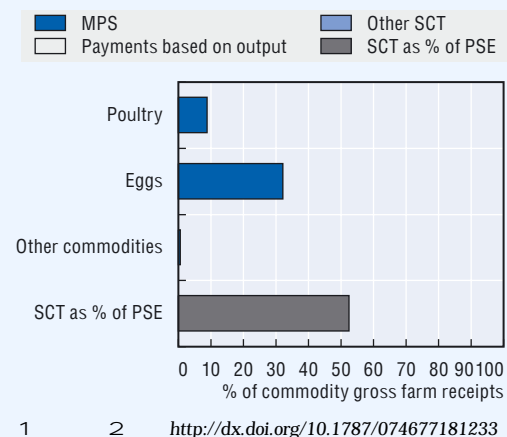


Table 11.1. New Zealand: Estimates of support to agriculture
NZD million

	1986-88	2004-06	2004	2005	2006p
Total value of production (at farm gate)	6 860	15 368	14 661	14 796	16 649
<i>Of which share of MPS commodities (%)</i>	<i>72</i>	<i>74</i>	<i>74</i>	<i>74</i>	<i>74</i>
Total value of consumption (at farm gate)	1 671	3 104	3 020	2 989	3 301
Producer Support Estimate (PSE)	782	162	137	214	136
Support based on commodity output	111	85	71	115	69
<i>Market Price Support</i>	108	85	71	115	69
<i>Payments based on output</i>	3	0	0	0	0
Payments based on input use	314	58	60	55	58
<i>Variable input use</i>	3	0	0	0	0
<i>Fixed capital formation</i>	271	0	0	0	0
<i>On-farm services</i>	40	58	60	55	58
Payments based on current A/An/R/I ¹ production required	42	19	6	43	8
<i>Of a single commodity</i>	0	0	0	0	0
<i>Of a group of commodities</i>	0	0	0	0	0
<i>Of all commodities</i>	42	19	6	43	8
Payments based on non-current A/An/R/I ¹ production required	315	0	0	0	0
Payments based on non-current A/An/R/I ¹ production not required	0	0	0	0	0
<i>Variable rates</i>	0	0	0	0	0
<i>Fixed rates</i>	0	0	0	0	0
Payments based on non-commodity criteria:	0	0	0	0	0
<i>Long-term resource retirement</i>	0	0	0	0	0
<i>Specific non-commodity output</i>	0	0	0	0	0
<i>Other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	10	1	1	1	1
Producer NPC	1.02	1.01	1.00	1.01	1.00
Producer NAC	1.12	1.01	1.01	1.01	1.01
General Services Support Estimate (GSSE)	203	239	220	233	265
Research and development	102	90	96	86	87
Agricultural schools	0	21	18	21	23
Inspection services	54	75	75	71	79
Infrastructure	47	53	29	55	75
Marketing and promotion	0	0	0	0	0
Public stockholding	0	0	0	0	0
Miscellaneous	0	0	1	0	0
GSSE as a share of TSE (%)	20.6	59.6	61.7	52.2	66.1
Consumer Support Estimate (CSE)	-109	-74	-65	-107	-51
Transfers to producers from consumers	-105	-74	-65	-107	-51
Other transfers from consumers	-4	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	0	0	0	0
Percentage CSE	-7	-2	-2	-4	-2
Consumer NPC	1.07	1.02	1.02	1.04	1.02
Consumer NAC	1.07	1.02	1.02	1.04	1.02
Total Support Estimate (TSE)	985	401	357	447	400
Transfers from consumers	109	74	65	107	51
Transfers from taxpayers	881	327	291	340	349
Budget revenues	-4	0	0	0	0
Percentage TSE (expressed as share of GDP)	1.73	0.26	0.24	0.29	0.25
GDP deflator 1986-88 = 100	100	156	152	156	159

p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

1. A (area planted), An (animal numbers), R (receipts) or I (income).

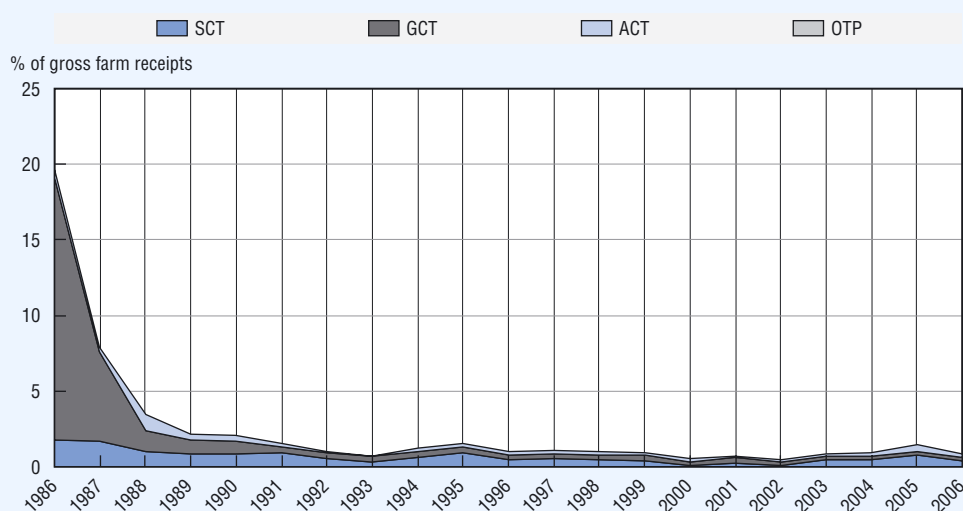
MPS commodities for New Zealand are: wheat, maize, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs. Market price support is net of producer levies and excess feed costs.

Source: OECD, PSE/CSE database, 2007.

Box 11.1. New Zealand: Commodity-Specificity of Support

In New Zealand, Single Commodity Transfers (SCT) in 2004-06 made up 52% of the PSE, an increase from 19% in 1986-88. Group Commodity Transfers (GCT), where producers have the option to produce any one of a specified group of commodities as part of programme eligibility, made up 22% of the PSE in 2004-06, compared to 68% in 1986-88. Transfers provided under the headings All Commodity Transfers (ACT) and Other Transfers to Producers (OTP) place no restriction on commodities that farmers choose to produce or do not require any commodity production at all.¹ Together these made up 26% of the PSE in 2004-06, up from 13% in 1986-88. These changes have to be viewed against an overall reduction in the %PSE from 10% in 1986-88 to 1% by 2004-06.

Figure 11.4. New Zealand: PSE level and commodity specificity, 1986-2006



Source: OECD PSE/CSE database, 2007.

1 2 <http://dx.doi.org/10.1787/074687074154>

1. The definition of the categories SCT, GCT, ACT and OTP are provided in the Chapter I.3 of this report including an annex with the list of groups used in specific countries in the period 1986-2006.

Description of policy developments

Main policy instruments

Support to agriculture in New Zealand is provided mainly through expenditures on general services such as agricultural research and biosecurity controls for pests and diseases. A large portion of the costs of regulatory and operational functions, including border control, are in fact charged to the appropriate beneficiaries. In the event of large-scale emergencies of national significance that are beyond the response capacity of private insurance, local farmer organisations and territorial local authorities, payments to farmers are granted to replace losses resulting from adverse climatic events and natural disasters. The only commodities for which market price support is provided in New Zealand are eggs and poultry due to border measures imposed to prevent the entry of pests and diseases.

Historically, marketing of most agricultural production was largely under the control of statutory producer and marketing boards. Reforms undertaken over the 1990s mean that today almost all sectors are deregulated. In two cases, statutory export rights have been granted to designated exporters. Exports of dairy products are regulated where importing countries have country-specific tariff quotas for New Zealand products. The New Zealand Dairy Board, a wholly owned subsidiary of Fonterra, holds exclusive access to these markets for fixed periods. This legislation is currently under review. Legislation provides for Zespri to be the main exporter of kiwifruit. Those who wish to export this fruit must obtain a permit from the New Zealand Kiwifruit Board to market collaboratively with Zespri. The exception is exports of kiwifruit to Australia which are governed by the New Zealand Horticulture Export Authority Act 1987. This legislation, which has the objective of developing effective export marketing of horticultural products, provides the means for collaborative marketing amongst growers and exporters who choose to work under this legislative framework.

To fund activities such as market research, development, quality assurance, and plant and animal health protection, two industry organisations have statutory powers to collect levies from producers. These producer organisations are Deer Industry New Zealand and the Pork Industry Board. The trend in New Zealand is for sector-specific legislation to be replaced with a harmonised approach under the Commodity Levies Act 1990. Under this legislation, levies can only be imposed if they are supported by producers, and producers themselves decide how levies are spent. The levying organisations must seek a new mandate to collect levies every six years through a referendum of levy payers.

The two principal policy measures that address agri-environmental issues are the Resource Management Act 1991 (RMA) and the Sustainable Farming Fund (SFF). The objective of the RMA is to promote the sustainable management of natural and physical resources, including soil, water, air, biodiversity and the coastal environment. Most responsibilities under the RMA are assigned to regional and district councils. Examples of relevant activities include soil conservation cost-share programmes, flood control and drainage works, and pest plant and animal control programmes. The SFF supports community-driven projects aimed at improving the productive and environmental performance of the land-based sectors.

Domestic policy

Progress was made over 2005-06 towards establishing a sustainable development framework and improving understanding of the needs for and the impediments to implementing economically profitable sustainable development in this area. The next step will be the development of national frameworks for land and water quality and allocation.

The **Pastoral Greenhouse Gas Research Consortium** (PGGRC) continues to develop technologies and systems for improving the economic and environmental performance of agriculture. Globally, 14% of greenhouse gas emissions come from agriculture. In comparison, 49% of New Zealand's greenhouse gas emissions come from the agricultural sector. The Consortium, a combined industry and government initiative established in 2002, seeks to discover innovative ways to reduce methane and nitrous oxide production from sheep, cattle and deer. A full review of its governance and science, involving independent experts, was completed in 2006. As part of the continuing development of climate change policy for the agriculture and forestry sectors a discussion document on sustainable land management and climate change was released by the government in late 2006; a wide range of options are presented to reduce greenhouse gas emissions from agriculture, to encourage afforestation, and to manage deforestation. Public consultation was undertaken in early 2007.

The **Sustainable Water Programme of Action**, established in 2003, aims to address the issues of maintaining water quality and the increasing demand for water, including for irrigation. This inter-departmental effort is co-led by the Ministry of Agriculture and Forestry (MAF) and the Ministry for the Environment. After a public consultation process in 2005, a package of actions, including both regulatory and voluntary approaches to water quality and management, is now under way. Through the Programme of Action, the government is seeking to raise public awareness of water management issues and to develop innovative responses to water allocation issues. In addition, the government has been developing and disseminating best practice for riparian management and improved targeting of fertilisers and agrichemicals use through the SFF.

The **Dairying and Clean Streams Accord** was agreed between Fonterra Co-operative Group, the Minister for the Environment, the Minister of Agriculture, and regional councils in May 2003. The parties to the Accord agreed to work together to achieve clean water, including streams, rivers, lakes, groundwater and wetlands, in dairying areas. Five targets were set for farmers to implement. Among these, stock exclusion and stream-crossing targets set for 2007 were attained in 2006. Since 2004, a yearly report provides a stocktaking of progress in implementing this Accord (www.maf.govt.nz or www.mfe.govt.nz)

The discussion on **Nitrogen Restrictions in the Lake Taupo Catchment** is under progress. Lake Taupo is building up increasing levels of nitrates which come from waterways in its catchment. Environment Waikato has proposed capping nitrogen levels in the lake and reducing by 20% manageable discharges in the lake's catchment by 2020. For the initial allocation of nitrogen discharge, MAF proposed in September 2005 that a variation of grandparenting (allocation based on current or historical levels) be adopted in its submission to Environment Waikato. No final decision has yet been taken on the initial allocation method.

The **Sustainable Farming Fund (SFF)** has provided financial grants to 460 producer-led projects during its seven years of operation. It provides money for projects that enable access to information, technology, or tools that bring together communities to address

problems as well as to improve their economic base. The focus of the Fund is on short-term projects (1-3 years) and examples of projects funded include investigations into the efficient use of water and identifying options for improved land use. All results stemming from these projects must be shared with the community, including farmers.

The New Zealand **Farm Environment Awards Trust** is a charitable organization which aims to promote sustainable environmental management of land and other resources on farms. The Farm Environment Awards were established in 1993 as a joint initiative between the Waikato Conservation Board and Environment Waikato (the Regional Council). In 2007, the Awards were enlarged to incorporate eight regions. The key objective of the Awards is to encourage sustainable land management and to illustrate to farmers that profitability can be balanced with environmental concerns. Through feedback and profiling winners, the Awards encourage other farmers to be more proactive in their resource management by providing role models for sustainable land management.

New Zealand experienced severe damage from flooding and storms in 2004. To develop a new process for recovering from severe climatic events or natural disasters that are beyond the ability of individual communities to cope with, a review of New Zealand's adverse events response policy is in progress, with consultation with stakeholders undertaken late in 2006. The aim of the review of the **On-farm Adverse Events Recovery Framework** is to promote a shared understanding of the roles and responsibilities of central government, local government, and the primary production sector in preparing for, and recovering from, adverse events.

Recent expansion of New Zealand's orchards and vineyards requires increasing numbers of seasonal labourers. A **seasonal labour strategy for horticulture and viticulture** was launched by MAF, Department of Labour, Ministry of Social Development and the industry in 2005. It seeks to ensure that the sector has access to skilled people in an area that has faced labour shortages in recent years, with a view to lifting productivity within the sector on a sustainable basis.

The government is developing a suite of **agricultural performance indicators** spanning the economic, environmental, and social domains. The final set will include core indicators linking the national, regional, and territorial authority levels with quantitative information. The Ministry of Agriculture and Forestry participated along with livestock industry representatives in an **Animal Identification Working Party** to consider the development of a national animal identification and traceability framework. A new code of welfare for deer was developed in 2005 under the *Animal Welfare Act 1999*.

In the area of **biosecurity**, development of a science strategy is under way, reflecting the importance that New Zealand places on ensuring that sanitary and phytosanitary measures are based on scientific evidence. The cost of Operation Waiheke, a response to a hoax letter claiming foot and mouth disease (FMD) had been released on Waiheke Island in May 2005, was NZD 2 million. The Reserve Bank estimated the impact of a real case of FMD on the New Zealand economy at NZD 10 billion over two years. The government has undertaken a programme of work that focuses on better determining issues that are unique to Mori interests in the field of biosecurity response and management since 2004. This includes, for example, identifying potential pests of a number of native plants and assessing the impacts of these identified pests on Mori cultural values, identifying marine species of significance to Mori and determining the values that Mori attribute to waterways.

Trade policy

Accomplishing more liberal rules-based trade through the WTO Doha Round negotiation is the top agricultural trade policy priority. New Zealand has already finalised four **Free Trade Agreements** (FTA): the 1983 Australia-New Zealand Closer Economic Relations Trade Agreement; the 2001 Agreement between New Zealand and Singapore on a Closer Economic Partnership; the 2005 Thailand-New Zealand Closer Economic Partnership Agreement; and the 2005 Trans-Pacific (involving New Zealand, Singapore, Brunei and Chile) Strategic Economic Partnership Agreement. Currently, New Zealand is negotiating three FTAs: New Zealand-China, New Zealand-Malaysia, and ASEAN-Australia/New Zealand, and soon to begin negotiation with the Gulf Co-operation Council (GCC) (Saudi Arabia, UAE, Oman, Qatar, Bahrain, and Kuwait).

The World Animal Health Organisation (OIE) officially recognised New Zealand as bovine spongiform encephalopathy (BSE) free in early 2006. There has never been a case of BSE in New Zealand.