

NEW ZEALAND

Support to agriculture

Since its reforms of agricultural policies in the mid-1980s, production and trade distorting policies supporting the sector in New Zealand have virtually disappeared. For more than 25 years, the level of support to farmers has been the lowest among OECD countries. Almost all prices are aligned with world market prices due to open trade. Exceptions are due to New Zealand's sanitary import requirements: the absence of Import Health Standards for fresh poultry, table eggs and some bee products, a requirement for any risk product to be allowed for imports, means that these products cannot be imported, resulting in some market price support.

Prime instruments to support the sector include animal disease control, relief payments in the event of natural disasters, and the agricultural knowledge and information system. In recent years, three-quarters of all support was through these and other general services. New Zealand also provides support to large-scale off-farm investments in irrigation systems, and over the past decades has significantly increased its agricultural land under irrigation.

Main policy changes

New Zealand's recent policy changes focus on specific problems and thus comprise a set of detailed developments. These related to damage prevention, reparation and compensation, efforts to reduce and deal with biosecurity and food safety risks, improved environmental and animal welfare performance and resource management, and innovation for sustainable productivity growth.

In response to the November 2016 earthquake in the North of the South Island, the government provided relief funding to help with non-insurable assets such as tracks, on-farm bridges and water infrastructure. Research investments focused on nutrient management, GHG emissions, forage quality and productivity, and the improvement of Māori-owned land productivity.

An arrangement on developing an Agricultural Growth Partnership between New Zealand and China was signed in April 2016. The public-private partnership targets co-operation in education, training and research.

Assessment and recommendations

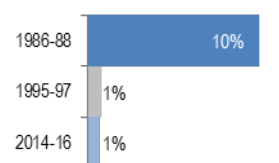
- New Zealand's low level of support, and in particular of potentially most distorting support, underlines the openness and focus of its agricultural sector towards foreign markets and trade.
- New Zealand's Import Health Standards (IHS) are a key tool to ensure the country's biosecurity vis-à-vis imported products. Required for all risk products to be importable, no IHS are in place for some livestock products including eggs, fresh chicken meat and honey. While these represent only a small share of New Zealand's agricultural output, the development of relevant IHS would allow consumers to benefit from additional variety and lower prices in these markets while ensuring the required biosecurity standards.

- Kiwifruit exports to markets other than Australia continue to be regulated by requiring authorisation by Kiwifruit New Zealand for third-country exports by groups other than Zespri. Planned changes in the Kiwifruit Export Regulations 1999 should be used to facilitate participation in Kiwifruit exports by all firms wishing to do so.
- New Zealand policies rightly focus on enhancing productivity in sustainable ways. Estimates suggest that total factor productivity growth has been comparatively low in the most recent decade for which data is available (2004-13), providing for additional justification for this policy focus. The positive development in the capitalisation of farms should form a good basis for future productivity growth.
- New Zealand's focus on lower GHG emissions, including from agricultural sources, is in line with its commitment in the context of the United Nations Framework Convention on Climate Change (UNFCCC). Linked to the importance of the dairy and cattle sectors, the country's agriculture is a key emitter of GHG emissions. In contrast to many other countries, New Zealand agricultural sectors, including meat and dairy processors, nitrogen fertiliser manufacturers and importers, and live animal exporters have reporting obligations. However, agricultural GHG emissions are neither constrained nor taxed.

Development of support to agriculture

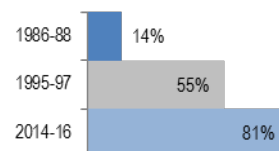
PSE as % of receipts (%PSE)

Producer support in New Zealand has been consistently the lowest in the OECD since the agricultural reforms in the mid-1980s, representing 0.75% of gross farm receipts in 2014-16; during 1986-88, the PSE stood at 10%.



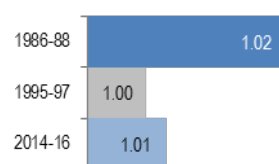
Potentially most distorting support as % of PSE

At 81% in 2014-16 compared to 14% in 1986-88, the majority of the (very low) support to producers is provided today as potentially most distorting support (based on output and variable input use without input constraints).



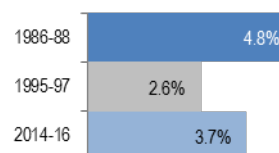
Ratio of producer price to border price (Producer Nominal Protection Coefficient)

Most domestic prices are aligned with international markets. Agricultural receipts were therefore almost identical to what they would have been at world prices in 2014-16. Due to sanitary import restrictions, poultry and eggs are exceptions.



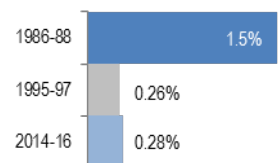
GSSE relative to agricultural value added

Expenditures for general services have increased from an equivalent of 2.6% of agricultural value added in 1995-97 to 3.7% in 2014-16. The agricultural knowledge and information system as well as the inspection and control services are prime areas of general service expenditures.

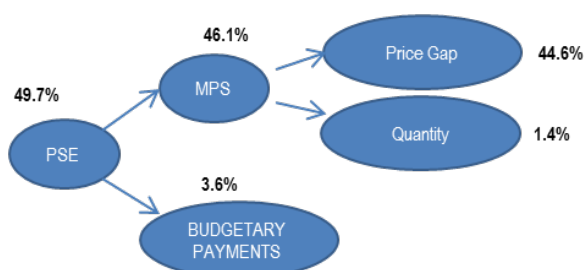


TSE as % of GDP

Total support to agriculture represented less than 0.3% of GDP in 2014-16, less than half the OECD average. Three-quarters of the total support are expenditures for general services.

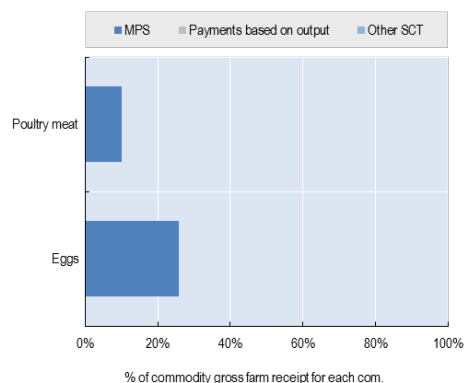


Decomposition of change in PSE, 2015 to 2016



The (low) level of support increased in 2016 following increased price gaps for poultry and eggs, for which there are sanitary import restrictions. Lower world market prices were the main contributors.

Transfer to specific commodities (SCT), 2014-16



Producer SCT by commodity was 26% of commodity gross farm receipts for eggs, 12% for poultry and zero for all other commodities in 2014-16.

Table 2.16. New Zealand: Estimates of support to agriculture

Million USD	1986-88	1995-97	2014-16	2014	2015	2016p
Total value of production (at farm gate)	4 067	6 463	16 536	18 235	14 854	16 519
<i>of which: share of MPS commodities (%)</i>	72.1	72.1	72.7	74.7	70.8	72.7
Total value of consumption (at farm gate)	985	1 557	2 767	3 046	2 649	2 607
Producer Support Estimate (PSE)	429	53	124	134	95	142
Support based on commodity output	60	29	100	109	74	118
Market Price Support ¹	58	29	100	109	74	118
Payments based on output	1	0	0	0	0	0
Payments based on input use	179	24	23	25	21	23
Based on variable input use	2	0	0	0	0	0
with input constraints	0	0	0	0	0	0
Based on fixed capital formation	154	0	0	0	0	0
with input constraints	0	0	0	0	0	0
Based on on-farm services	23	24	23	25	21	23
with input constraints	0	0	0	0	0	0
Payments based on current A/An/R/I, production required	26	0	1	0	0	2
Based on Receipts / Income	26	0	1	0	0	2
Based on Area planted / Animal numbers	0	0	0	0	0	0
with input constraints	0	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	165	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0	0
With variable payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
With fixed payment rates	0	0	0	0	0	0
with commodity exceptions	0	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0	0
Percentage PSE (%)	10.3	0.8	0.8	0.7	0.6	0.9
Producer NPC (coeff.)	1.02	1.00	1.01	1.01	1.01	1.01
Producer NAC (coeff.)	1.11	1.01	1.01	1.01	1.01	1.01
General Services Support Estimate (GSSE)	119	120	393	430	374	375
Agricultural knowledge and innovation system	60	78	194	213	183	185
inspection and control	31	29	133	138	127	134
Development and maintenance of infrastructure	27	13	66	78	64	56
Marketing and promotion	0	0	0	0	0	0
Cost of public stockholding	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Percentage GSSE (% of TSE)	20.8	69.4	76.0	76.2	79.7	72.5
Consumer Support Estimate (CSE)	-53	-24	-85	-94	-61	-101
Transfers to producers from consumers	-53	-24	-85	-94	-61	-101
Other transfers from consumers	0	0	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0	0
Excess feed cost	0	0	0	0	0	0
Percentage CSE (%)	-5.6	-1.6	-3.1	-3.1	-2.3	-3.9
Consumer NPC (coeff.)	1.06	1.02	1.03	1.03	1.02	1.04
Consumer NAC (coeff.)	1.06	1.02	1.03	1.03	1.02	1.04
Total Support Estimate (TSE)	548	173	517	564	469	518
Transfers from consumers	53	24	85	94	61	101
Transfers from taxpayers	495	149	431	470	408	416
Budget revenues	0	0	0	0	0	0
Percentage TSE (% of GDP)	1.5	0.3	0.3	0.3	0.3	0.3
GDP deflator (1986-88=100)	100	128	191	189	190	193
Exchange rate (national currency per USD)	1.71	1.50	1.36	1.21	1.43	1.44

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

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for New Zealand are: wheat, maize, oats, barley, milk, beef and veal, sheep meat, wool, pig meat, poultry and eggs.

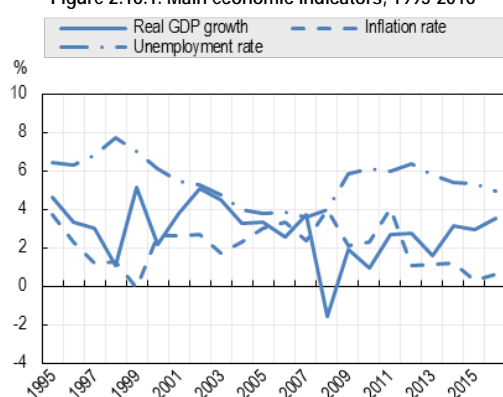
Source: OECD (2017), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). doi: dx.doi.org/10.1787/agr-pcse-data-en

StatLink  <http://dx.doi.org/10.1787/888933508887>

Contextual information

New Zealand is a small open economy with a relatively high dependency on international trade. Agriculture's importance in the total economy is higher than in most other countries covered in this report, accounting for more than 6% in both GDP and employment. New Zealand is a consistent and growing net exporter of agro-food products, and the sector accounts for almost two-thirds of the country's total exports, even though food exports fell by almost a fifth in 2015 largely due to lower dairy prices. With little arable land, grass-fed livestock products represent the backbone of the agricultural sector, making New Zealand the world's largest exporter of dairy products and sheep meat, although fruit and horticultural products also contribute significantly.

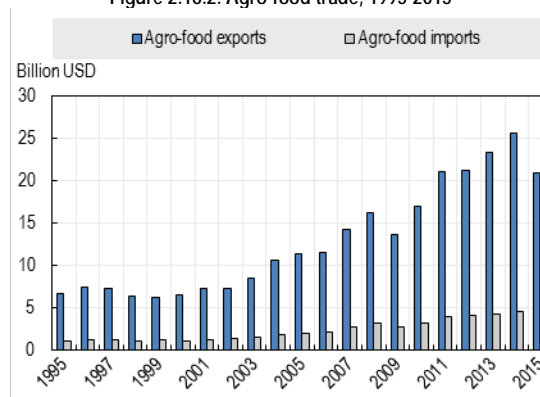
Figure 2.16.1. Main economic indicators, 1995-2016



Source: OECD Factbook statistics.

StatLink <http://dx.doi.org/10.1787/888933507120>

Figure 2.16.2. Agro-food trade, 1995-2015



Source: UN Comtrade Database.

StatLink <http://dx.doi.org/10.1787/888933507595>

Table 2.16.1. Contextual indicators

	New Zealand		International comparison	
	1995	2015*	1995	2015*
Economic context			Share in total of all countries¹	
GDP (billion USD in PPPs)	66	173	0.2%	0.2%
Population (million)	4	5	0.1%	0.1%
Land area (thousand km ²)	263	263	0.3%	0.3%
Agricultural area (AA) (thousand ha)	14 975	11 106	0.5%	0.4%
			All countries analysed¹	
Population density (inhabitants/km ²)	14	17	40	47
GDP per capita (USD in PPPs)	17 821	37 340	9 312	23 457
Trade as % of GDP	22	20	4.7	7.2
Agriculture in the economy			All countries analysed¹	
Agriculture in GDP (%)	7.0	6.1	3.2	2.9
Agriculture share in employment (%)	9.7	6.1	-	-
Agro-food exports (% of total exports)	50.8	63.8	7.9	6.9
Agro-food imports (% of total imports)	7.8	11.4	7.7	6.8
Characteristics of the agricultural sector			All countries analysed¹	
Crop in total agricultural production (%)	20	25	-	-
Livestock in total agricultural production (%)	80	75	-	-
Share of arable land in AA (%)	11	5	30	30

Notes: * or latest available year. 1. Relative to the total of all countries covered in this report. EU treated as one.

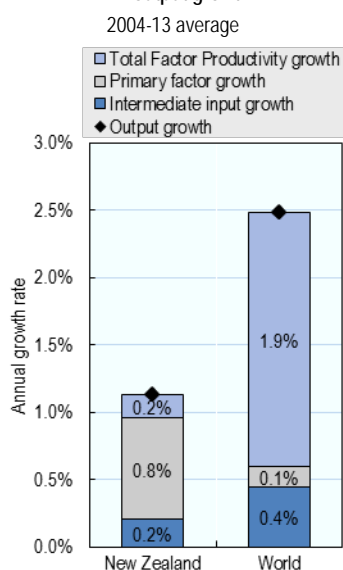
Sources: OECD statistical databases, UN Comtrade, World Development Indicators and national data, <http://dx.doi.org/10.1787/agr-pcse-data-en>.

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The important and growing agro-food exports are largely for final consumption – less than one-fifth of the exports comprise intermediary products. Products for final consumption are also predominant in the country's agro-food imports, although intermediary products here represent more than a third of the imports.

New Zealand's agricultural sector is the country's prime consumer of freshwater and the main source of GHG emissions. It has strongly expanded its irrigated land to better deal with climate related uncertainties. Nonetheless, it shows limited water stress overall. Its overall nitrogen and phosphorous surplus is well above the OECD average, linked to the high importance of the dairy and cattle sector in the country. Growth in total factor productivity (TFP) is estimated at just 0.2% p.a. on average over the 2004-13 period, the lowest value across countries covered in this report. As a consequence, agricultural output has grown at comparatively low rates during this decade.

Figure 2.16.3. Composition of agricultural output growth

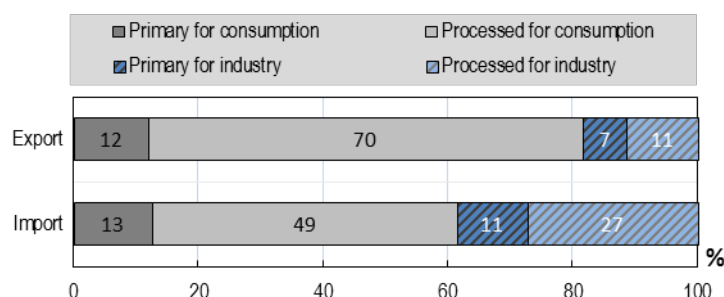


Primary factors comprise labour, land, livestock and machinery.

Source: USDA Economic Research Service Agricultural Productivity database. Available at: www.ers.usda.gov/data-products/international-agricultural-productivity/documentation-and-methods.aspx#excel.

StatLink <http://dx.doi.org/10.1787/888933508070>

Figure 2.16.4. Composition of agro-food trade, 2015



Source: UN Comtrade Database.

StatLink <http://dx.doi.org/10.1787/888933508545>

Table 2.16.2. Productivity and environmental indicators

	New Zealand		International comparison	
	1991-2000	2004-13	1991-2000	2004-13
TFP annual growth rate(%)	1.77%	0.17%	World 1.58%	1.89%
			OECD average	
Environmental indicators	1995	2015*	1995	2015*
Nitrogen balance, kg/ha	34	61	33	30
Phosphorus balance, kg/ha	11	8	1.8	1.9
Agriculture share of total energy use (%)	3.5	4.6	1.8	1.9
Agriculture share of GHG emissions (%)	52	49	8.7	8.7
Share of irrigated land in AA (%)	3.7	6.3	-	-
Share of agriculture in water abstractions (%)	..	62	45	42
Water stress indicator	0.6	1.1	10	10

Notes: * or latest available year. EU treated as one.

Sources: USDA Economic Research Service. OECD statistical databases, UN Comtrade, World Development Indicators and national data, <http://dx.doi.org/10.1787/agr-pcse-data-en>.

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Description of policy developments

Main policy instruments

New Zealand largely limits its agricultural support to expenditures on general services, such as agricultural research and bio-security controls for pests and diseases. A significant share of the costs of regulatory and operational functions, including for border control, is charged to beneficiaries or those who create risks.

Practically all of New Zealand's agricultural production and trade is free from economic regulations. Since the phasing out of restrictions for dairy exports to specific tariff quota markets by the end of 2010, such export rights are now allocated to dairy companies on the proportion of milk-solids collected. **Export regulations** continue to exist for kiwifruit: the New Zealand company Zespri has the default though not sole right to export kiwifruit to all markets other than Australia. Other traders can export kiwifruit to markets other than Australia in collaboration with Zespri, subject to approval by Kiwifruit New Zealand, the relevant regulatory body. Kiwifruit exporters to Australia are required to hold an export licence under the New Zealand Horticulture Export Authority Act 1987 which provides for multiple exporters to that market.

The **Dairy Industry Restructuring Act 2001 (DIRA)** was established to promote the efficient operation of the New Zealand dairy industry. In particular it aims at ensuring that farmers can freely enter and exit the Fonterra Co-operative, and that other processors can obtain raw milk necessary for them to compete in dairy markets.

Import Health Standards (IHS) are documents issued under the **Biosecurity Act 1993**. They state the requirements that must be met before risk goods can be imported into New Zealand. Only risk goods for which an IHS is in place can be imported, provided all the IHS measures have been met. For some imported products (representing a small share of New Zealand's agricultural output: table eggs, uncooked chicken meat and honey) there is currently no IHS in place, and therefore the goods cannot be imported. This leads to some market price support for the mentioned products.

"**Industry good**" activities¹ (such as research and development, forming and developing marketing strategies, and providing technical advice) previously undertaken by statutory marketing boards are now managed through producer levy-funded industry organisations 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. With a very limited number of exceptions, levy funds may not be spent on commercial or trading activities. The levying organisations must seek a new mandate to collect levies every six years through a referendum of levy payers.

OVERSEER is a nutrient management tool used for setting and managing nutrients within environmental limits. It helps farmers and growers improve their productivity, reduce nutrient leaching into waterways, and reduce greenhouse gas emissions. In April 2016 OVERSEER Limited was established to deliver the OVERSEER tool. The tool is jointly owned by the Ministry for Primary Industries, AgResearch Limited, and the Fertiliser Association of New Zealand.

Since 2000 the **Sustainable Farming Fund (SFF)** has invested in community-driven projects that deliver economic, environmental and social benefits to New Zealand's land-based primary industries and aquaculture sector. Approximately 90 SFF projects are underway at any one time.

The **Primary Growth Partnership (PGP)** programme was introduced in 2009 and is administered by the Ministry for Primary Industries. The PGP is a government-industry partnership initiative that invests in significant programmes of research and innovation to boost agricultural productivity, economic growth and the sustainability of New Zealand's primary, forestry and food sectors. Investments cover the whole of the value chain, including education and skills development, research and development, product development, commercialisation, commercial development, and technology transfer. PGP programmes are up to seven years duration. Industry co-investors must invest a minimum of 60% of the total investment (50% for programmes approved in or before December 2015), with a minimum amount of NZD 500 000 to co-invest over the lifetime of a programme; the balance is invested by the Crown. By the end of 2016, the total PGP funding commitment from government and industry to the portfolio of 22 programmes was

around NZD 759 million (USD 528 million),² of which the government's commitment was NZD 358 million (USD 249 million). NZD 214 million (USD 149 million) of this commitment have already been paid out.

Most of the Government's funds to support community scale and large (regional) scale investments for the development of water storage, distribution and off-farm irrigation infrastructure are channelled through the Ministry for Primary Industry's **Irrigation Acceleration Fund (IAF)** and the Ministry of Finance's and Ministry for Primary Industry's **Crown Irrigation Investments Limited (CIIL)**, respectively. The IAF continues to support community scaled irrigation infrastructure development and strategic water management studies and trials.

In addition to managing the government's investment into scheme construction, since July 2016 CIIL also manages development grant funding for regional irrigation schemes. A total of NZD 120 million (USD 84 million) has been allocated to CIIL for investment. A first investment worth NZD 6.5 million (USD 4.5 million) made in Central Plains Water Stage 1 in 2014 was repaid to the Government in December 2016. CIIL has recently committed to a second investment, in Central Plains Water Stage 2, for NZD 65 million (USD 45 million). Negotiations for investments in four further schemes are in progress. Crown funded projects are expected to result in some 249 000 hectares of new irrigated areas, of which around 87 000 hectares are commissioned or currently being constructed. CIIL projects are co-funded by private investors whose investments have to represent no less than 50% of the total funding.

The two parties continue to work closely together to provide an overall Crown funded irrigation portfolio. So far, 22 projects throughout New Zealand have received development grant funding from IAF and CIIL. Since July 2016, CIIL has provided NZD 5.9 million (USD 4.1 million) in grant funding, whereas the IAF has provided over NZD 28 million (USD 19 million) since its inception in 2012. To be eligible for funding, the projects need to promote efficient use of water, environmental management, and demonstrate a commitment to good industry practice. Schemes receive development grant funding to the stage where they are commercially robust and demonstrate a high level of community support.

The **New Zealand Emissions Trading Scheme (NZ ETS)**, New Zealand's primary policy response to climate change, imposes reporting obligations on agriculture, including meat processors, dairy processors, nitrogen fertiliser manufacturers and importers, and live animal exporters, although some exemptions apply. The NZ ETS also imposes an emissions cost on the transport fuels, electricity production, synthetic gases, waste and industrial processes sectors. The New Zealand Government also continues to research and develop mitigation technologies to reduce agricultural greenhouse gas emissions. It does so through the **New Zealand Agricultural Greenhouse Gas Research Centre**, in collaboration with the agricultural sector through the **Pastoral Greenhouse Gas Research Consortium**, and in coordination with the 47 member countries of the **Global Research Alliance on Agricultural Greenhouse Gases** of which New Zealand currently hosts the Secretariat. The Global Research Alliance was established in 2009, and its member countries collaborate on the research, development and extension of technologies and practices that can deliver more climate-resilient food systems without growing greenhouse gas emissions. In December 2015 New Zealand committed an additional NZD 20 million (USD 14 million), over four years, to the Global Research Alliance on top of its initial NZD 45 million (USD 31 million) contribution.

Domestic policy developments in 2016-17

As a result of a significant earthquake affecting the Hurunui, Kaikoura, and Marlborough districts in November 2016, the New Zealand Government made relief funding available to help with non-insurable assets such as tracks, on-farm bridges and water infrastructure. Grants provided by the **Earthquake Relief Fund** will be a contribution towards repairs, covering a maximum of 50% of costs, capped at NZD 50 000 (USD 34 800). Another NZD 1.1 million (USD 0.77 million) was earmarked to cover the partial costs of regional recovery coordinators and volunteers and skilled workers to reinstate essential farm infrastructure. **Rural Assistance Payments (RAPs)** are available to farmers in real hardship. RAPs cover essential living costs for those farmers whose income is severely impacted by a medium-scale (or greater) adverse event and they have no other means of supporting the family. The New Zealand Government has also

committed NZD 125 000 (USD 87 000) to the Hurunui Mayoral fund for future drought resilience work.

To focus efforts across all of New Zealand's biosecurity activities, a **strategic direction statement** was launched in late 2016. The direction statement aims to create further resilience in New Zealand's biosecurity system through increased awareness and empowerment by involving every New Zealander, improved availability of tools and science by investing in research on biosecurity, wider utilisation and sharing of information by way of a publicly accessible data network and automated alerts, effective leadership and governance, and ensuring future needs of skills and assets. Government agencies also continue to drive efficiencies at the border through improved targeting and facilitation of low-risk travellers and traders while concentrating efforts on high risk areas.

The New Zealand government continues to engage with industry and stakeholders to build biosecurity readiness and response capability. **Government Industry Agreements on Biosecurity Readiness and Response (GIAs)** establish an integrated approach to preparing for and effectively responding to biosecurity risks, through partnerships between the government and primary industry sector groups. Signatories share decision making, costs and responsibility in preparing for and responding to biosecurity incursions. In 2016, New Zealand Avocados, New Zealand Citrus Growers Incorporates, Tomatoes New Zealand, Vegetables New Zealand, and Potatoes New Zealand all signed GIAs, bringing to 13 the number of industry groups that have joined with the Ministry for Primary Industries under GIA. Participation in GIA is voluntary, and further industry sector groups are considering whether or not to join GIA.

The New Zealand kiwifruit industry is overcoming the challenges of the bacterial kiwifruit vine disease "**Psa-V**". A group of kiwifruit growers, and a post-harvest operator, are suing the Crown for what they allege is negligence resulting in Psa-V entering into the country. The Ministry for Primary Industries does not accept the allegations and is defending the litigation. A statement of defence was filed in the High Court in March 2015, and the hearing is expected to start in August 2017.

The **Food Act 2014** came into force on 1 March 2016. It aligns the domestic food system with the risk-based approach of other New Zealand food statutes that have more of an export focus. A central feature of the Act is a sliding scale where businesses that are higher risk, from a food safety point of view, operate under more stringent food safety requirements and checks than lower-risk food businesses. New Zealand's food system aligns with international trends in food regulation that have shifted to using a risk-based approach that focuses on the outcome of providing safe and suitable food, rather than using prescriptive regulation.

The **Farm Systems Change** programme is a series of case studies on top performing dairy farms to help other farmers drive their economic and environmental performance. Government has allocated NZD 800 000 (USD 557 000) towards the programme which is focused on understanding the drivers of farm performance and sharing that knowledge with others. The first set of case studies were released at the 2016 DairyNZ Environment Leaders Forum and more case studies will be released in 2017.

Reforms of the **Resource Management Act 1991 (RMA)** progress in their second phase. The RMA sets out how New Zealand's environment and natural resources are to be managed. An additional NZD 20.4 million (USD 14.2 million) was made available to support implementation of the reforms, for example the development of planning templates to enable a more standardised and simplified approach to resource management. Other areas of progress range from fresh water management to plantation forestry. Regarding marine protection, implementation of the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 continues with the improvement of regulations relative to the release of pollutants into the ocean environment and the development of a new Marine Protected Areas Act.

Changes to the **Animal Welfare Act 1999**, in May 2015, gave the Ministry for Primary Industries the ability to make regulations under the Animal Welfare Act. An initial set of regulations were released in July 2016, with further regulations being released as they are developed. The regulations are designed to make animal welfare obligations more transparent and to improve compliance and enforcement capability.

The **Afforestation Grant Scheme** is a NZD 19.5 million (USD 13.6 million) programme to establish 15 000 hectares of new forest plantations between 2015 and 2020. Successful funding applications in the second year cover 4 818 hectares to be planted throughout New Zealand, and farmers and land owners will receive support payments worth NZD 6.2 million (USD 4.3 million) through this scheme. New planting will begin in winter 2017, aiming at increased erosion control, improved water quality, reduced environmental impacts following flooding, and reduced GHG emissions.

Pastoral Genomics is a New Zealand consortium for forage improvement through biotechnology. It is funded by the Ministry of Business, Innovation and Employment (MBIE), DairyNZ, Beef+Lamb New Zealand, Grasslands Innovation, NZ Agriseeds, DEEResearch, AgResearch, and Dairy Australia. The consortium aims to provide pastoral farmers with better forage cultivars that will increase productivity, profitability and environmental sustainability of New Zealand's pastoral farming systems, and to raise the value of the sector's exports. The New Zealand Government is investing NZD 7.3 million (USD 5.1 million) between 2015 and 2020 through the MBIE partnerships scheme; this funding will be matched by industry funding. The partnership intends to use non-regulated biotechnologies to help progress breeding and commercialisation of high-performing forages for grazing livestock, in order to improve the nutritional content of forage cultivars and to make the forage sectors more resilient to drought and disease.

Forthcoming changes

In 2016, following a review of the regulatory regime, the Government announced its intention to make some changes to the **Kiwifruit Export Regulations 1999**. These changes will be reflected in future reporting.

A review of the **Dairy Industry Restructuring Act 2001 (DIRA)** was triggered in 2015, along with a default expiry of the efficiency and contestability provisions in the South Island in mid-2018 if the DIRA is not amended before then. A report by the Commerce Commission, requested by the Minister for Primary Industries, found that competition in the New Zealand dairy industry is not yet sufficient to warrant deregulation at this point. Instead, the New Zealand Government has agreed to a number of changes to the DIRA regulatory regime and an Amendment Bill will be considered by the Primary Production Select Committee in early 2017. These changes include preventing the efficiency and contestability provisions of the DIRA from expiring in the South Island in mid-2018 and requiring ongoing regular reviews of the state of competition in the New Zealand dairy industry, enabling ongoing monitoring of dairy markets, giving Fonterra the right to reject applications from farmers on land formerly not used for dairy farming to become shareholders as of 2018/19, and limiting the terms and conditions on which Fonterra is required to provide regulated raw milk to other processors. The next review will commence by the 2020/21 season.

The New Zealand Government has identified a need to attract around 50 000 more people to the primary sector by 2025³ and is investing in initiatives to develop the skills and systems required to boost productivity. **'Future skills'** initiatives are currently focused on school-level teaching and learning interventions for the primary industries, including the development of curriculum materials in Animal Welfare, Biosecurity and Food Safety. National high school competitions, 'Ambassadors in Schools', and industry 'Champions' are among the other programmes aiming to promote and raise awareness of primary industries careers.

Within the overall goal of doubling New Zealand's export value, the Ministry for Primary Industries' **Māori Agribusiness: Pathway to Increased Productivity (MAPIP)** programme is focused on Māori primary sector assets under collective ownership. The MAPIP framework supports Māori primary sector asset owners who are committed to sustainably increasing the productivity of their primary sector assets, including land, agriculture, horticulture, forestry, and seafood. The Te Ture Whenua Māori Reform Bill complements the MAPIP programme by strengthening the retention of Māori land. Under the new Bill no one can sell collectively-owned Māori freehold land, land reserved as whenua tāpui, or Māori customary land. The Bill is expected to be enacted by April 2017 and come into effect by October 2018.

The Government is working on wide-ranging improvements to how fresh water is managed with the aim of ensuring water resources can meet the needs of aquatic ecosystems and resource users. Public consultation on proposals to exclude dairy and beef cattle, deer and pigs from

waterways closed in April 2016. Work has continued since then to develop workable regulations for stock exclusion that will achieve sustainable improvements in water quality. Work is proceeding on refining the **National Policy Statement for Freshwater Management (NPS-FM)** so that fresh water management reflects input from communities and indigenous peoples of New Zealand. This work has been assisted by recommendations from the Land and Water Forum. The forum is now preparing a commentary on regional implementation of the NPS-FM. Their commentary will include their observations on regulatory and non-regulatory initiatives taken by councils and industry and how well they believe the water management framework is working.

Trade policy developments in 2016-17

New Zealand currently has nine **Free Trade Agreements (FTAs)** in force, which account for approximately 50% of the value of total exports. There are an additional three agreements that are concluded but not yet in force – the Trans-Pacific Partnership (TPP), the New Zealand-Gulf Cooperation Council FTA (involving Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), and the Anti-Counterfeiting Trade Agreement (ACTA) (also signed by ten other WTO member countries). The recent withdrawal from TPP of the United States has cast uncertainty over the future of this agreement. After the ratification of the TPP by New Zealand in May 2017, however, the country is actively exploring options for implementation of the agreement without the United States.

In April 2016, an arrangement on developing an **Agricultural Growth Partnership (AGP)** was signed between New Zealand and China. The AGP is a public-private partnership aimed at developing and delivering agricultural co-operation programmes focused on education, training and research in the primary sector.

New Zealand continues negotiations in the **Regional Comprehensive Economic Partnership (RCEP)**. Negotiations for a **New Zealand-European Union FTA** are expected to begin in the first half of 2017.

Notes

1. Activities “beneficial to the industry, but whose benefits cannot be captured by those who fund or provide the activity”, or “long-term investments in the industry made with the expectation of accelerating delivery of better technology and products for the industry” (NZIER, 2007).
2. All values in this policy description use the 2016 exchange rate for monetary conversion.
3. www.beehive.govt.nz/release/primary-industries-champions-unveiled.

References

NZIER (2007), Productivity, Profitability and Industry Good Activities, Report to Dairy Insight, February, available at <http://nzier.org.nz/publication/productivity-profitability-and-industry-good-activities>.



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