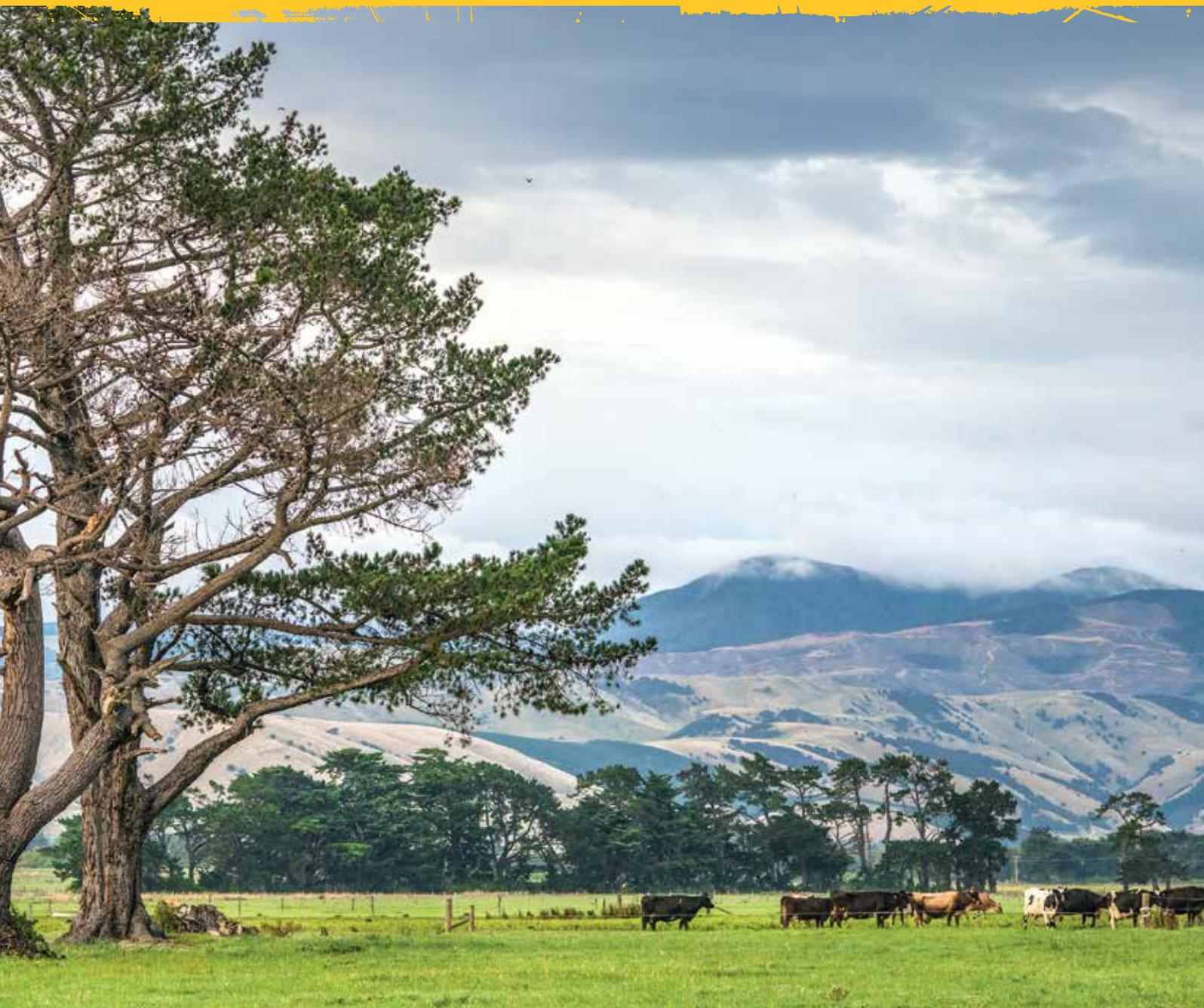




WORKING TOGETHER TO PROTECT OUR FUTURE FROM EXOTIC PESTS AND DISEASES.

The DairyNZ proposal to sign the Government Industry Agreement Deed (GIA) and to fund GIA response commitments using a new biosecurity levy on milksolids



WORKING TOGETHER TO PROTECT OUR FUTURE FROM EXOTIC PESTS AND DISEASES.

The results of our annual farmer surveys consistently tell us that protecting your farm business from the adverse impacts of animal and plant pests and diseases is one of your top priorities.

You've told us that having an effective biosecurity system is fundamental to the future success of New Zealand's dairy industry. It will also help protect the health of your stock and pastures, and the health and safety of your family, staff, and visitors.

We're seeking your support for a proposal to join other primary sector groups in signing the Government Industry Agreement for Biosecurity Readiness and Response Deed (the GIA). The purpose of the GIA is to build a strong partnership between primary industries and Government to deliver better biosecurity outcomes.

DairyNZ routinely provides advice to the Government on biosecurity readiness and response activities, including on the current *Mycoplasma bovis* (*M. bovis*) outbreak. However, it's the Government, through the Ministry for Primary Industries (MPI), that has the final say on response activities.

We're confident that DairyNZ becoming a GIA Signatory would provide dairy farmers with more influence and certainty. We would have more say in biosecurity decision-making and we could get even more value from the levy money we invest, on your behalf, in biosecurity readiness and response activities.

Working with other GIA signatories, we'll be able to influence biosecurity priorities and improve preparations for, and responses to, incursions of exotic pests and diseases. We'll also have up-front conversations with Government and other GIA Signatories about cost-shares.

While partnership approaches like the GIA create new opportunities, they also bring some additional responsibilities. We'd be signing up to minimum readiness and response commitments. Through Operational Agreements under the GIA, we'd also need to agree limits on the level of readiness and response activity costs that our sector is prepared to shoulder in the future.



WHAT HAPPENS IF WE DON'T BECOME A GIA SIGNATORY?

If we don't become a GIA Signatory, our ability to influence and participate in biosecurity readiness and response decisions that affect our sector will be relatively limited. We'd miss out on opportunities to be a partner in preparing for, and responding to, fundamental risks to the livestock sector. The Government could still use powers, under the Biosecurity Act 1993, to recover costs from our sector if it believes that we benefit from biosecurity readiness and response activities.

WHY IS THIS CONSULTATION NECESSARY?

Before we can sign the GIA, we must show the Minister for Primary Industries that we have strong dairy farmer support. It's your views that matter most. We encourage you to have your say and join us in working together to protect our future.

This brochure sets out the specific details of DairyNZ's proposal to sign the GIA Deed, and how we will:

- represent your views in GIA decision-making
- fund our GIA commitments, including a new biosecurity response levy
- consider and respond to the views you express during this consultation process.

**WITH YOUR
SUPPORT, WE AIM
TO MAKE OUR
APPLICATION TO
BECOME A GIA
SIGNATORY BY
THE END OF 2017.**



WHAT DO WE WANT YOU TO DO?

→ STEP 1

Please read this DairyNZ brochure and the Summary Document also included in this information pack.

→ STEP 2

It's important you understand the commitments that would be made on your behalf. You can also view and download a larger, more detailed Discussion Document at www.dairynz.co.nz/GIA.

Please get in touch if you have any questions or would like to discuss this proposal directly. You can reach us at:

☎ 0800 4 DairyNZ (0800 4 324 7969)

✉ email on info@dairynz.co.nz.

You can also visit www.dairynz.co.nz/GIA for more information on the GIA or find out how to register to take part in a phone conference with other farmers in your region to discuss the GIA collectively.

→ STEP 3

⋮ Please tell us what you think by filling in an online submission form at www.livestockgia.org.nz.

MORE INFORMATION

The larger Discussion Document (referred to above) and the Summary Document accompanying this brochure were jointly developed with Beef+LambNZ, Deer Industry New Zealand and Federated Farmers. The Discussion Document includes additional information on a draft Foot and Mouth Disease Operational Agreement (FMD-OA), minimum commitments under the FMD-OA, and how funding shares would be determined. You can find more information about the GIA proposal at www.dairynz.co.nz/GIA.

We'll be reviewing and considering your feedback during December. Subject to your support, we're aiming to submit our application to join the GIA to the Minister of Primary Industries before the end of 2017.

KEY DATES

31 October 2017 – Consultation opens

November 2017 – Regional GIA phone conferences

6 December 2017 – Consultation closes and submissions must be received by 12 noon

DAIRYNZ'S BIOSECURITY INTERESTS AND PRIORITIES

Biosecurity is a top priority for DairyNZ. The GIA is a great opportunity to increase the national focus on, and understanding of, our sector's biosecurity priorities.

DairyNZ is working to ensure that the dairy sector is targeting biosecurity programmes that maintain or enhance dairy farm profitability. To that end, we invest \$14 million in the TB plan and NAIT system. We have also developed a risk assessment process for evaluating key biosecurity risks to the dairy sector, and built a dedicated biosecurity team within DairyNZ to support biosecurity initiatives in the sector and with MPI.

In the 2016/17 financial year DairyNZ received \$67 million through the milksolids levy and Government co-funding. Of this, \$1.465 million was invested in biosecurity and product integrity activities including:

- building industry-wide biosecurity response capability and resources for incursion responses such as *Mycoplasma bovis* and Velvetleaf
- developing bio-controls for major exotic pasture pest species throughout New Zealand, and
- working with MPI and other livestock organisations to develop response plans for Foot and Mouth Disease. (FMD)

PROPOSALS

Proposal to become a GIA Signatory

DairyNZ considers the sector it represents (i.e. all New Zealand dairy farmers who produce milk from cows for supply to a dairy processor) to be a beneficiary of readiness and response activities for exotic pests and diseases which would directly impact upon the production and quality of cows milk.

For the reasons outlined in this information pack, we propose that DairyNZ signs the GIA.

Proposal for sector representation in GIA decision-making

The DairyNZ Board would be accountable for decisions made by DairyNZ within the GIA. The Board will appoint representatives to the GIA Deed Governance Group and the Livestock Sector Council (LSC). This could be the same, or different, person(s).

The Board will delegate to its representatives appropriate decision-making powers to enable them to act and make GIA commitments on behalf of the Board and the sector we represent. Representatives would use this authority in consultation with the Chair of the DairyNZ Board, the wider Board and others to make sure any decisions are consistent with our sector's interests and capabilities.

The DairyNZ Board would make decisions regarding our sector's entry into GIA Operational Agreements. Under normal circumstances, the Board's decisions would be based on consultation with farmers. When there is a response covered by an Operational Agreement that we are a party to, the Board will appoint a suitably qualified and skilled representative to act on the Response Governance Group. This representative would have all the delegations they need to make commitments on behalf of DairyNZ, subject to seeking Board input on certain matters and providing the Board regular progress reports.

It is possible that an incursion of a previously unknown or unexpected organism of significance to the livestock sector could occur. In this situation, we may need to rapidly agree an Operational Agreement to respond to that organism. In these situations, the DairyNZ representative on the LSC would be empowered to make appropriate commitments on DairyNZ's behalf. As mentioned, the Board would also appoint a representative to act on the Response Governance Group.

As part of this consultation we are providing information about a draft FMD Operational Agreement to help explain what the decision to join the GIA will mean in practice. Subject to your views, we intend to become a Party to that FMD Operational Agreement if we become a GIA Deed Signatory.

FUNDING PROPOSALS AND IMPLICATIONS OF GIA COMMITMENTS

Before we can sign the GIA, you need to know how we propose to fund any GIA commitments DairyNZ might choose to make, including through GIA Operational Agreements. Please review the Discussion Document online at www.dairynz.co.nz/GIA for more details on how cost-shares between the Government and industry sectors will be determined for GIA Operational Agreements.

Our proposal is to use our existing milksolids levy, under the Commodity Levies Act 1990, to fund our GIA minimum commitments and readiness activities. Legal restrictions prevent us from using the milksolids levy to fund biosecurity responses, which means we need to develop a new funding mechanism. If we become a GIA Signatory, we propose to fund response costs through a new levy under the Biosecurity Act 1993.

The proposed biosecurity response levy would initially be 'zero-rated' (i.e. no levy would be collected). We would only start collecting a levy if our sector, through DairyNZ, decided to commit to a significant incursion response. Actual costs would be limited by a pre-agreed maximum cap on DairyNZ's contribution for a particular response. The cap would make sure that DairyNZ investments in biosecurity responses is fair, appropriate, and broadly aligned with the benefits the response will deliver to our sector.

The proposed biosecurity response levy

Before the biosecurity response levy can be approved, we need to demonstrate that we've consulted you on the proposed scope of the levy, and our plans for managing the levy funds. Our proposals are that the new biosecurity response levy would:

- be paid to DairyNZ
- be spent on meeting our sector's pre-agreed contributions to biosecurity responses
- be paid, without exception, by all dairy farmers who produce milk solids at a flat rate per kilogram (kg) of milk solids processed
- be zero-rated until our sector, through DairyNZ, commits to a significant incursion response
- have a maximum levy rate (GST exclusive) of 0.27 cents per kg of milk solids
- be used to fund a maximum of \$4.95 million in any 12-month period for all cost-shared response activities. This represents DairyNZ's annual fiscal cap within GIA for any and all commitments funded by the proposed biosecurity response levy

- be set annually (where necessary) in consultation with the levy payers at a level appropriate to meet our GIA funding commitments – subject to the maximum rate referred to above
- be notified and/or varied by:
 - email or post to all dairy processors known to DairyNZ;
 - in a major rural publication;
 - in DairyNZ's official magazine; and
 - on DairyNZ's internet site
- be collected and paid in the same manner as levies under the Commodity Levies (Milksolids) Order 2014 (the Dairy CLO) – namely a dairy processor will pay the levy and recover it from dairy farmers
- be subject to a collection fee of not more than 0.5% of the levy payable (exclusive of GST) plus the GST payable on the fee, and the collection agent may deduct the amount of the fee from the levy before paying the levy to DairyNZ
- involve record keeping and information requirements based on those prescribed in clauses 17 to 21 of the Dairy CLO
- be subject to a robust dispute resolution process that aligns with the Arbitration Act 1996. We envisage dispute resolution procedures based on those in the Dairy CLO including the ability of any party to the dispute being able to ask the President of the Arbitrators and Mediators Institute of New Zealand Incorporated to appoint a person to resolve the dispute
- be subject to audit, and any person appointed as an auditor would be remunerated by DairyNZ at a rate determined by the Minister after consultation with DairyNZ.

Our proposed biosecurity response levy will allow us to collect a maximum amount of \$4.95 million per year. This figure is the worst-case scenario based on the calculated share of the response costs that the on-farm dairy sector would be expected to cover if there was a single, medium-scale FMD incursion.

To put this in context, the total response cost of a medium scale FMD outbreak is estimated at around \$132 million. MPI would pay the 20% of response costs as the exacerbators' share. A 90:10 government-industry cost share ratio would then apply to the remaining 80%. This means that the Government's share of the total responses costs would be 92% (\$121.44 million) and affected industries would cost-share the remaining 8% (\$10.56 million).

VISIT
www.dairynz.co.nz/GIA
 for more information on
 the GIA Proposal



Want to know more about how the proposed levy has been set?

A summary of the Biosecurity Act's requirements, and a copy of MPI's Technical Report assessing the economic impacts of an FMD outbreak are available at www.dairynz.co.nz/GIA