



MINISTRY OF AGRICULTURE AND FORESTRY

**PERCEPTIONS OF MAF'S
REGULATORY IMPACT ON THE
GRAIN AND SEED INDUSTRY**

OUTSIDE-IN REVIEW 2007/08



ACKNOWLEDGEMENTS

The Performance and Evaluation Team in the Strategy and Performance Group of MAF extends its appreciation to everyone who participated in the interviews and assisted with the research and preparation of this report.

FURTHER COPIES

This document is primarily intended for Ministry of Agriculture and Forestry (MAF) management and employees, and research participants from the grain and seed industry.

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The findings and conclusions of this review are based entirely on opinions and perceptions of MAF as expressed by interviewees. This information does not claim to be fact and has been gathered to facilitate understanding of how the grain and seed industry perceives MAF's performance. The information used in the report does not intend to be comprehensive or fully representative. It should be viewed as indicative only and not necessarily statistically accurate.

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FOREWORD

The Ministry of Agriculture and Forestry (MAF) is a regulator, as well as a provider of services to New Zealanders and policy advice to the Government. While there are potentially differing views about whether any regulation is warranted or fair, (which are policy choice questions), stakeholders' view on the implementation of regulation are a key indicator of a regulatory agency's performance.

In order for MAF to develop greater knowledge of its regulatory performance, it needs to understand the nature of stakeholders' perceptions of the implementation of its regulatory interventions, as well as general perceptions of the Ministry by its stakeholders.

This outside-in review seeks to generate this sort of information, that is, how MAF is perceived by a specific group of stakeholders – the grain and seed industry. In this sense it is about looking at ourselves through the eyes of a group of people we deal with, and, as our relationship with the grain and seed industry is mainly as a regulator, it's not always going to be complimentary.

This is because the relationship between the regulator and the regulated is inevitably an area of tension. Regulation aims to change the behaviour of individuals and/or to encourage a change in organisational activity or associated process. This may result in extra administrative responsibilities for regulated individuals and organisations or a range of specific (often compulsory) services may be provided by a regulator to individuals and organisations within an industry to ensure regulatory objectives are achieved.

In this study therefore we are mainly interested in the regulatory "service" provided by MAF to the grain and seed industry. While industry members are not "consumers of regulatory services" in a market sense, there is a service experience and we are interested in understanding how that experience is perceived. This is important if we are to maintain and adapt the service standards expected of us by Government, industry stakeholders and the New Zealand public.

While we may not agree with all the views received in this study, it is important to recognise they exist and understand how these perceptions may have come about. MAF is committed to ensuring our regulatory performance contributes positively to the sustainable development of our land-based industries. This means listening to those people we deal with for their view on our performance.



Paul Stocks
Deputy Director-General
Strategy and Performance Group

"... it is about looking at ourselves through the eyes of a group people we deal with..."

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Executive SUMMARY

1

»»» BACKGROUND

The Ministry of Agriculture and Forestry (MAF) conducts an annual outside-in review to gauge the perceptions of a subset of external stakeholders on MAF's performance.

The objective of this review is to gather and analyse opinions on the quality and impact of MAF-related compliance requirements on the grain and seed industry. This review analyses how MAF is experienced by service users in the grain and seed industry and provides a qualitative understanding of the quality and impact of MAF's regulatory activities on the industry.

A case study approach was taken for this review and a total of 18 interviews were conducted with grain and seed industry stakeholders. These interviews took place between February and April 2008.

»»» KEY FINDINGS

The review yielded a wealth of information on the perceptions of MAF's performance from grain and seed industry stakeholders. The key points are summarised below.

The overall findings indicated MAF is performing well as a regulator and that:

- › MAF's processes and systems to manage its compliance requirements are generally working well;
- › the industry understands the importance of biosecurity;
- › the industry reported no issues with MAF's management of the Commodity Levy Act;
- › MAF's compliance requirements are reported to have few negative impacts on business' economic growth and productivity, and MAF's biosecurity requirements return large positive impacts;
- › MAF's compliance requirements are not perceived to be duplicated or outdated;
- › the MAF biosecurity website is perceived to contain all the required information (although navigation is reportedly difficult sometimes);
- › interviewees understand MAF's role within government and believe MAF generally performs better than other regulators;
- › MAF is perceived to have a good relationship with the grain and seed industry;
- › MAF is perceived to be fair and consistent in its interactions with businesses.

“The findings of this review suggest that MAF’s regulatory framework for the grain and seed industry is sound and generally acceptable to the industry.”

The findings also indicated there are a number of areas of business performance that potentially require further consideration by MAF. These are:

- › clarify differences in roles between the Environmental Risk Management Authority (ERMA) and MAF in relation to the HSNO Act;
- › review the impacts of import requirements on businesses levels of innovation;
- › reassess countries on the Importing Countries Phytosanitary Requirements register;
- › reassess timeframes for import clearances;
- › examine interface between Customs and MAF to streamline certain requirements where possible;
- › consider interfacing processes conducted by both ERMA and MAF;
- › ensure consistency at a national level for import requirements;
- › review MAF website to improve accessibility of import requirements;
- › up-skill MAF inspectors’ expertise and knowledge on seed and grain and the wider arable industry;
- › enhance customer-centric culture and attitude among MAF staff;
- › enhance collaboration with the industry;
- › facilitate stakeholder relationships and improve MAF understanding of the industry;
- › promote and support MAF staff authority and decision making.

The review also shed light on a number of emerging grain and seed industry issues that may be worthy of future consideration by MAF. These issues are:

- › the industry experiencing rapid, unpredictable change;
- › biofuels seemingly posing a threat to New Zealand’s export seed industry;
- › the world becoming increasingly biosecurity conscious and import restrictions are getting tighter;
- › farmers now have more options for land use;
- › seed testers are a very skilled, yet ageing and part-time workforce.

»» OUTLOOK

The findings of this review suggest that MAF’s regulatory framework for the grain and seed industry is sound and generally acceptable to the industry.

While the regulatory framework is not “broken”, there are some regulatory implementation issues that may require further consideration by MAF.

Similarly, the impact of MAF’s regulatory requirements was also found to be generally acceptable to the industry, though there were some identified concerns with time taken to clear imports and the restricted access to genetically modified and hybridised seeds. MAF was also considered to be better than, or as good as, most other regulators in New Zealand, despite some

“This review provides a picture of MAF’s performance from one group of stakeholders: the grain and seed industry.”

concerns regarding organisational attitude, particularly “staff authoritarianism”. There was also a concern amongst interviewees about the level of knowledge and understanding of the grain and seed industry amongst MAF staff.

This review provides a picture of MAF’s performance from one group of stakeholders: the grain and seed industry. The general picture provided correlates with other stakeholder feedback MAF has received and the majority of the “issues for attention” have also been identified in earlier work. These studies found that the standard of service provided could be improved by focusing on service quality “fundamentals”.

Thus, improved regulatory implementation by MAF is about continually focusing on the basics of customer service delivery. Accordingly, communication, collaboration and customer-focus appear to be the key words for MAF to consider going forward.

Regulatory RELATIONSHIPS

2

Government regulation aims to change the behaviour of individuals and/or to encourage organisations to operate in a certain way. Regulations do this by creating extra administrative responsibilities or requiring the consumption of mainly compulsory services provided by a regulator. The regulatory framework for a productive sector or industry is likely to contain a mix of regulatory instruments seeking to achieve a range of regulatory objectives.

The recent Quality Regulation Review, conducted by the Ministry of Economic Development, concluded that a regulated industry is impacted on not only by the cost of regulation, but also the way in which it is implemented. The review highlighted that quality regulation is not determined at a specific point in time, but is an ongoing activity due to the changing relevance and effectiveness of regulations. It recommended that if a quality regulatory environment is to be maintained, government and business must be committed to a culture of constant awareness and continuous improvement of regulatory settings.

The findings from the Quality Regulation Review are summarised in Appendix 1.

Regulatory activity is a large part of MAF's role. MAF recognises that Government policy and regulation are influential tools in determining the performance of the agriculture, forestry and food and related industries. This is reflected in MAF's Intermediate Outcome 1.3: "A business environment for the agriculture, food and forestry sectors that supports innovation, enterprise and high performance". MAF also recognises that to achieve a number of its regulatory objectives increasingly relies on support from New Zealanders. This is because in most situations it is not effective to try and force people to change behaviour, stakeholders will have to help government by becoming co-producers of the desired regulatory outcomes. This is reflected in MAF's Intermediate Outcome 2.3: "New Zealanders are informed and involved participants in MAF's regulatory systems".

Given the above, MAF places importance on understanding the impacts of the regulations for which it is responsible. In relation to the grain and seed industry, MAF is seeking to understand the impacts of all its activities, but is particularly interested in industry stakeholder views on regulatory delivery or implementation.

Understanding how industry stakeholders view the regulations they impose is important for regulators. At one level, the perceived fairness of the regulation will have implications for the level of compliance and consequently the level of enforcement activity required, (that is, positive reception to new regulation is

"MAF recognises that Government policy and regulation are influential tools in determining the performance of the agriculture, forestry and food and related industries."

“Getting an outside-in view of a regulatory system is therefore about what stakeholders and service users think about how the regulatory system operates...”

more likely to result in high levels of “voluntary” compliance.) Notwithstanding philosophical or political views about whether any regulation is fair, (which is a policy choice question), stakeholders’ view on the quality of the service provided by regulators is an indicator of organisational performance. If a regulator provides an acceptable level of service – in that it meets or exceeds the service expectations of the regulated – then “customer satisfaction” can be said to have occurred.

This is mirrored by the interest of the individual or organisation being regulated in whether the best job is being done within the existing regulatory framework by the regulating agency. This is in part about service quality (that can be objectively measured) and in part a comparative exercise (that is, how does the service performance compare to the operation of a similar regulatory framework).

Getting an outside-in view of a regulatory system is therefore about what stakeholders and service users think about how the regulatory system operates (that is, how it impacts on them).

In this regard, it is acknowledged that the relationship between the regulator and the regulated is inevitably an area of tension as compliance requirements can impose direct costs and extra administrative burdens. The existence of these direct and indirect costs, are not in themselves a reason for MAF to be concerned. It is, however, important to ensure that these costs are as small as possible and that total compliance burden is reasonable compared to the expected regulatory benefit and the existing cost structures in the regulated industry.

This review seeks, therefore, to explore the regulatory relationship with MAF from the perspective of the regulated, in this case grain and seed industry stakeholders.

INTRODUCTION

»»» PROJECT CONTEXT

» PURPOSE OF OUTSIDE-IN REVIEWS

An outside-in review collects information on how MAF's activities impact on external stakeholders and how the agency is experienced by both users of its services, and the general public. Essentially, these reviews aim to uncover stakeholders' perceptions of MAF and report on what stakeholders and service users think of the organisation's performance.

The demand for more user-focused design and delivery of government services is pushing government agencies in many developed countries to be more responsive to changes in customer demand and to involve customers in service design and delivery. The State Services Commission (SSC) has indicated that developing a greater understanding of New Zealanders' experience of state services is critical to enhancing their accessibility, responsiveness and effectiveness. Outside-in reviews are consistent with this focus on understanding New Zealanders' experiences of state services.

» REVIEWING THE GRAIN AND SEED INDUSTRY

The grain and seed industry was selected for this review for a number of reasons.

First, it is an industry with great potential. New Zealand is a leader in producing for the world seed market and in the near future production is expected to increase steadily. Vegetable seed exports have been consistently visible in the growth export category in the arable industry for the past 10 years and now total \$38 million (for the year ended 31 March 2007)¹. Vegetable seed crops also provide very high export returns on a per-hectare basis.

The export seed industry is of particular interest to this review, but, due to crop rotation cycles and the impact that these have on growers' profits, it is difficult to examine seeds in isolation from grain production. For this reason, both grains and seeds were selected for the review, with a focus on the seed industry where practical.

A detailed profile of the grain and seed industry is included in Appendix 2.

Secondly, selecting the grain and seed industry for this review also offered the opportunity to identify challenges and barriers for this industry which may also be applicable to other primary sector industries in New Zealand. This is

“New Zealand is a leader in producing for the world seed market and in the near future production is expected to increase steadily.”

¹ *Situation and Outlook for New Zealand Agriculture and Forestry* – MAF August 2007 p45

“This review analyses how MAF is experienced by service users and provides a qualitative understanding of the impact of MAF’s regulatory activities on the industry.”

particularly the case with industries like the grain and seed industry that have high levels of innovation potential. For example, a considerable amount of research and development is currently going into developing ryegrasses containing novel endophytes.²

Finally, the grain and seed industry is also relatively small, well integrated under peak industry groups and geographically contained. This allowed the use of a case study approach and ensured reasonable coverage of different segments of the industry.

› INTERVIEWEES

Interviewees ranged from owner-operator growers to employees of large grain and seed companies with operations spanning all aspects of grain and seed production. Company interviews were conducted with a range of individuals in senior roles, including owners, and individuals in operational administration roles. All interviewed grain and seed company employees were involved with importing and exporting seed to various degrees.

All interviewees were male and their experience in the industry ranged from 15-40 years. The majority of interviewees had a lengthy history in New Zealand, though a few of the grain and seed companies were affiliated or owned by large international seed companies.

››› PROJECT OBJECTIVE

The objective of this outside-in review is to gather and analyse opinions on the quality of MAF-related compliance requirements and the impact of those requirements on the grain and seed industry. This review analyses how MAF is experienced by service users and provides a qualitative understanding of the impact of MAF’s regulatory activities on the industry.

› RESEARCH QUESTIONS

The broad research questions for this review are:

- › What is the form and scale of MAF-related compliance costs on the grain and seed industry, as viewed by stakeholders?
- › What are the impacts and relative significance of the way that MAF implements, interprets and enforces these regulations, as viewed by stakeholders?
- › What is the monetary value that MAF-related compliance costs take from the end product, as viewed by stakeholders?

² Endophytes are a naturally occurring fungus that lives within the plant and is only visible under a microscope. Endophytes affect animal health and performance and also protect plants from a range of insects and environmental conditions. Research and development seeks to utilise the beneficial elements of endophytes.

“...is acknowledged that these findings will provide MAF with a better understanding of how the Ministry, and the impacts of its regulations, are perceived by the industry.”

- › What is the perception of the grain and seed industry on MAF’s performance of its regulatory activities?
- › What is the perception of the grain and seed industry on the performance of MAF compared to other regulators?
- › What does the grain and seed industry consider are the barriers to increasing seed exports?
- › What does the grain and seed industry consider are the issues facing the export seed sector both currently and in the near future?

› PERCEPTIONS

The opinions gathered through this review may differ to those held by MAF, and may, in some cases, be incorrect. However, it is acknowledged that these findings will provide MAF with a better understanding of how the Ministry, and the impacts of its regulations, are perceived by the industry. In this regard, it is also recognised that these findings are an opportunity to examine how and why these perceptions have come about and to consider what, if any, response is required.

›› SCOPE

› DEFINITION OF THE GRAIN AND SEED INDUSTRY

For the purpose of this review, only those grain and seed crops subject to the Commodity Levy Act (Arable Crops) are included. These crops are wheat, barley, oats, maize, pulses, herbage seeds, vegetable seeds, brassicas seeds and borage seeds. Other arable crops such as process vegetables have been excluded.

› DEFINITION OF COMPLIANCE REQUIREMENTS

Compliance requirements include the processes businesses must undertake to comply with MAF administered requirements under legislation, for example, the Commodity Levy Act and Biosecurity Act.

For the purpose of this review, the scope of compliance requirements includes those associated with: commodity levy orders; becoming or maintaining status as a MAF approved independent verification agency, recognised organisation, facility operator or recognised treatment supplier; and importing into New Zealand.

A detailed list of MAF’s compliance requirements used in the interviews is provided in Appendix 3.

“This review followed a case study approach with interactive interviewing used to collect information for analysis.”

› DEFINITION OF COMPLIANCE COSTS

For the purpose of this review, the scope of compliance costs includes the costs associated with complying with those MAF administered requirements under legislation outlined in *Definition of compliance requirements* on the previous page.

› EXCLUSIONS FROM SCOPE

Excluded from the scope of this review are recommendations for regulatory amendments, specific proposals for business process changes at MAF and food safety-related issues.

››› APPROACH

› EXTENT OF ENGAGEMENT

This review spans the extent of the grain and seed industry’s interactions with MAF. The interactions are extensive, ranging across all aspects of grain and seed production and marketing including import (regulatory, border security, storage and post entry quarantine), production (certification, phytosanitary, post inspection product security, seed quality management, arable monitoring and statistics), and export (international plant protection, plant market access, OECD representation, international seed testing).

› METHOD

This review followed a case study approach with interactive interviewing used to collect information for analysis. Interactive interviewing was chosen as it diminishes the response burden on interviewees, and allows for a more in-depth discussion.

Most interviews were conducted at the interviewee’s workplace. Interviewees were selected from the New Zealand Grain and Seed Trade Association’s (NZGSTA) membership list, which the Association estimates covers 95 percent of the grain and seed industry, and from other known sources. Interviews were conducted by a MAF staff member and an external research contractor.

A total of 18 interviews were conducted. Four interviews were conducted in the North Island and 14 in the Canterbury region. Two interviews were conducted with grain and seed industry representative groups. North Island interviews took place in February 2008 and South Island interviews in April 2008.

› RELIANCE ON THIRD-PARTY INFORMATION

The analysis and conclusions of this review are based entirely on opinions and perceptions of MAF as expressed by interviewees. The information collected from interviewees has not been audited or verified in any way. Information included in the findings report has however been supplemented with commentary from MAF staff and from a workshop held with the NZGSTA in June 2008.

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FINDINGS

»» MAF'S ROLE

Grain and seed companies appeared to have a good understanding of MAF's role and the specific compliance requirements it administers.

However, it was found that some interviewees face difficulty in differentiating between compliance requirements administered by MAF and those administered by other government agencies. For example, some interviewees thought MAF was responsible for compliance requirements for the Clean Air Act (for example, for aerial spraying) and the Hazardous Substances and New Organisms (HSNO) Act (for example, approving appropriate chemicals to deal with newly introduced pest plants³). See *Impacts on levels of innovation* later in this Chapter, for further comment in relation to the HSNO Act.

Another demarcation issue for interviewees concerned the roles of Customs and MAF in post-inspection x-raying of containers for security requirements. This is further discussed in *Duplicated or outdated compliance requirements* later in this Chapter.

All interviewees understood the importance of MAF's role in protecting New Zealand from biosecurity risks. This was illustrated by the interviewees' knowledge of the difficulties New Zealand would face without biosecurity protection. This is further discussed in *Purpose of MAF's compliance requirements* on the next page.

None of the interviewees thought MAF was responsible for administering the Commodity Levy Act and believed this to be the domain of industry research organisations. The interviewees had no issues with the Commodity Levy Act requirements and understood that MAF simply processed the applications as required.

Some interviewees believed MAF should reintroduce an independent farm advisory service.

Some growers appeared to be wary of product and technique-testing results that are not from independent sources. Many commented on the lack of independent opinion available on products, such as different fertiliser brands. It was suggested that MAF could supply such independent assessments.

Some interviewees also felt the current system, where user pays for information, makes the uptake and implementation of new findings and research slower than ideal.

"All interviewees understood the importance of MAF's role in protecting New Zealand from biosecurity risks."

³ MAF is the enforcement agency for new organisms under the HSNO Act. MAF carries out enforcement in relation to the importation, containment and conditional release of new organisms using powers under both the HSNO and Biosecurity Acts. See <http://www.ermanz.govt.nz/resources/publications/pdfs/ER-QG-14-3.pdf> for more information.

One interviewee claimed that MAF's current approach is too science-based and the agency needs to "play a more patriotic role" in supporting economic development.

»»» PURPOSE OF MAF'S COMPLIANCE REQUIREMENTS

Interviewees were asked about their likely actions in the absence of MAF's biosecurity compliance requirements. Feedback received suggests most interviewees would not significantly alter their current actions as they understood the purpose and significance of having these compliance requirements and its benefits to the industry. A minority of interviewees admitted the absence of biosecurity compliance requirements would allow them to explore opportunities for importing certain hybridised and genetically modified (GM) seeds.

Most interviewees recognised the need and importance of the current export certification system that allows New Zealand's grain and seed to be imported into other countries. They generally agreed that such a system is critical to providing credible quality assurance.

There were some negative views on the existence of MAF's compliance requirements. These were mainly centred on the purpose of these requirements, the costs associated with complying with these requirements, and an opinion that GM is "too sensitive a subject in the current political environment and [was] causing difficulties with imports."

In this context, one interviewee stated that MAF-funded research agenda should be broader, including, for example, independent testing of products, and not just purely science-based.

»»» IMPACT OF MAF'S COMPLIANCE REQUIREMENTS

» DEGREE OF IMPACT OF MAF'S COMPLIANCE REQUIREMENTS

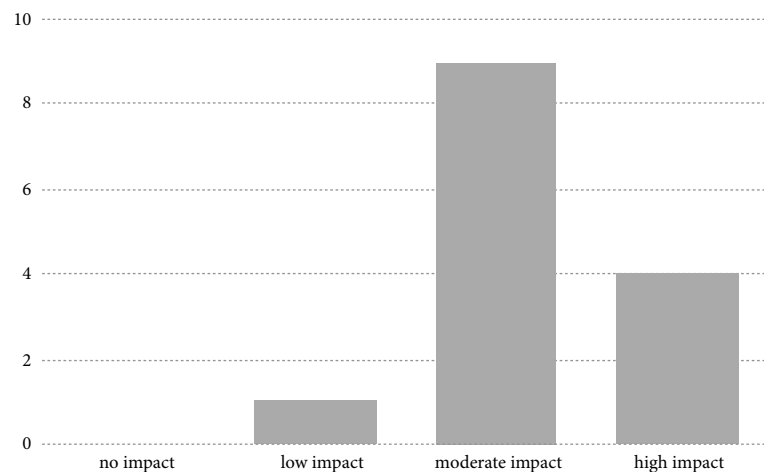
Around two-thirds of interviewees rated the impact of MAF's compliance requirements as moderate and about a third rated the impact as high. One interviewee noted that while compliance requirements costs are increasing, the industry seems less concerned about other operational costs, such as fuel and fertiliser prices, which are also increasing.

Another interviewee described the effect of compliance requirements as cumulative and that the impact of compliance requirements was more psychological than anything else.

"Around two-thirds of interviewees rated the impact of MAF's compliance requirements as moderate and about a third rated the impact as high."

“Interviewees were generally supportive of MAF’s compliance requirements and believed they had a positive impact on their businesses’ economic growth.”

FIGURE 4.1 HOW WOULD YOU RATE THE IMPACT OF MAF’S COMPLIANCE REQUIREMENTS ON YOUR GRAIN AND SEED PRODUCTION?



One interviewee stated the overall effect of compliance costs was it could create a mindset that it is a financial risk to employ staff, which could deter new entrants into the industry or existing businesses from expanding.

› IMPACTS ON ECONOMIC GROWTH

Interviewees were generally supportive of MAF’s compliance requirements and believed they had a positive impact on their businesses’ economic growth. This is consistent with the comments in *Purpose of Compliance Requirements* on the previous page about MAF’s import requirements being critical to the successful operation of the grain and seed industry.

› IMPACTS ON LEVELS OF INNOVATION

Some interviewees felt MAF’s compliance requirements limit their ability to import, and thus access, new genetic material for research. This was seen as having a negative impact on their businesses’ level of innovation.

One interviewee highlighted that exporting to a country not listed in MAF’s Importing Country’s Phytosanitary Requirements (ICPR) register, is prohibited until MAF negotiates an agreement. This was seen as hindering potential business growth. It was suggested that MAF prioritise new negotiations and revisit the need to expand the ICPR register.

Although the HSNO Act is not administered by MAF, three interviewees mentioned it as an influence in the impact of MAF’s compliance requirements. The interviewees claimed the HSNO Act stifles innovation. The confusion over

MAF's role in relation to the HSNO Act is further detailed in *MAF's Role* at the beginning of this Chapter.

› MOST EXPENSIVE OR TIME-CONSUMING COMPLIANCE REQUIREMENTS

Opinions on the most expensive compliance requirement varied considerably and most are discussed elsewhere in this report. However, the most negative compliance requirement raised by almost all interviewees was the time it takes to clear imports into New Zealand.

Many interviewees claimed that an influencing factor in import delays is the lack of skill and knowledge among MAF's biosecurity inspectors of the seed and grain business. They felt this knowledge gap results in seed being unnecessarily sent for testing and cleaning, causing the importing company additional expense and time delays. They described this as a real source of frustration, and is further discussed in *Are MAF staff competent?* later in this Chapter.

A few interviewees suggested that a contributing factor to expensive or time-consuming requirements may be that, as the rest of the world tightens their import requirements, MAF is also placing more stringent processes on inspectors and expects an increasing level of accountability. The default position then, it was claimed, is for inspectors to test everything. This is further discussed in *Are MAF staff competent?* later in this Chapter.

One interviewee suggested that, as compliance requirements are tightened, MAF needs to ensure adequate numbers of knowledgeable staff to process consignments accurately and in a timely manner.

Most interviewees import only small amounts of stock seed and it was found that they resent MAF's approach in treating all consignments the same, regardless of size. Many stated that getting individual phytosanitary certificates for extremely small amounts of seed is very expensive and suggested that differences in scale need to be taken into account by MAF. This is further discussed in *Estimated cost of MAF compliance requirements* on the next page.

A few interviewees highlighted certification as an area of contention. They explained that maintaining MAF certifications (such as seed sampling) requires ongoing training, expense and time, when they believed their actual work experience and knowledge should suggest a commensurate level of expertise is already in existence. Another interviewee thought that the only benefits of accreditation are that businesses are seen as reputable and it can enable them to streamline their operations to a degree.

“Another issue of concern was that the cost of seed testing is not based on volume, and therefore quite high when testing small amounts of seed.”

Some interviewees mentioned an older, “orange label system” which they felt had worked well.

› ESTIMATED COSTS OF MAF’S COMPLIANCE REQUIREMENTS

Interviewees were initially asked to estimate the costs of MAF’s compliance requirements on their end product. It became clear in the early stages of interviewing that this was a very difficult task. Interviewees were therefore given a number of options (by FTEs, cost per tonne, percentage of production costs etc). The majority of interviewees still found it difficult to estimate and some could not provide an answer. This resulted in a broad range of estimates.

Some interviewees thought that compliance requirements costs are fairly minimal, while others thought the costs are quite significant. A few interviewees commented that actual costs really depended on whether they experienced any unforeseen problems with imports. Two interviewees gave a broad estimate of compliance requirements costing about 6–10 percent of total production costs.

Another issue of concern was that the cost of seed testing is not based on volume, and therefore quite high when testing small amounts of seed.⁴ Therefore, companies testing larger volumes of seed could more easily absorb the costs, while the same costs would be quite significant for companies testing small amounts of seed. One interviewee noted that GM testing for small breeding lines could cost thousands of dollars for approximately 100 seeds or around \$10 per seed.

Some interviewees considered the current transaction costs at the border as being a revenue collecting exercise for MAF.

Regardless of the detail surrounding costs, all interviewees commented that MAF’s compliance costs to their businesses are increasing.

› DUPLICATED OR OUT-DATED COMPLIANCE REQUIREMENTS

No interviewees thought MAF had any duplicated or outdated compliance requirements.

Some interviewees thought MAF and Customs have very similar processes and, as a result, there is duplication of information provision and compliance processes for them. In addition, the interface between the roles of these two departments was not as seamless as desired. It was suggested that the work required to comply with MAF and Customs requirements could be streamlined to reduce time and costs involved for the industry.

⁴ International seed sampling rules stipulate the amount of seed to be sampled. This is done on a sliding scale which results in small seed lines having a proportionally larger amount of seeds sampled.

“...consensus among interviewees was that clearing imports through Auckland was very difficult and time-consuming, while clearing imports through Christchurch was simpler.”

This concern was echoed regarding the roles of the Environmental Risk Management Authority (ERMA) and MAF. It was suggested that streamlining or interfacing processes, such as auditing, currently conducted by both agencies, would remove duplication and reduce costs for the industry.

»» IMPLEMENTATION

» CONSISTENCY OF IMPLEMENTATION

All interviewees believed that MAF treats each business the same with regards to the implementation of regulation. However, there were some issues raised in regards to consistency of MAF’s clearance processes.

A common point raised by all interviewees was the perceived lack of consistency in import clearances. Interviewees believed seed imports are dealt with differently depending on which region they are sent to and whether they come in via mail, airfreight or sea.

The overwhelming consensus among interviewees was that clearing imports through Auckland was very difficult and time-consuming, while clearing imports through Christchurch was simpler. Interviewees believed this was due to a lack of familiarity and knowledge of grain and seed among Auckland staff. One interviewee suggested the need for a better release process and the introduction of a system to transfer packages to a different colleague or centre that is more experienced at dealing with the type of import at hand.

Compliance processes, such as documentation, are built into MAF’s operating procedures and interviewees thought that this sometimes creates inconsistencies depending on how the procedures are managed by individual employees. They believed this is dependant on the employee’s skills, knowledge, experience and personality. This issue is further discussed in *Are MAF staff competent?* later in this Chapter.

A number of interviewees also raised their dissatisfaction with specific changes to import and export regulations and the way these changes are managed. Imports of seed containing black grass, a weed seed, were specifically mentioned⁵. There was also considerable mention of recent changes to allowable soil limits in grain and seed exports to the USA.⁶ Interviewees found it difficult to understand why these changes were implemented when the restrictions were not applicable in the past.

⁵ MAF staff experienced considerable lobbying from Federated Farmers and other industry bodies to ensure that black grass stays out of New Zealand.

⁶ Soil contamination concerns were first raised when US Department of Agriculture officials stopped some consignments of NZ seed due to soil contamination. The USA wanted a soil limit of zero, but MAF negotiated the current limit of 0.1%.

“Most interviewees were quite positive in their remarks, acknowledging the marked increase in collaboration between MAF and the industry.”

A significant number of interviewees gave examples of seed entering New Zealand through the mail without being checked. One interviewee said some scientists used to send very small seed samples that they (as scientists) knew were clean and fine by regular mail (and was worth the risk). However, seed importers believed that some seeds sent by other individuals also seem to pass through. They believed that if the pathways are made too tricky to negotiate, then people look for alternative options.

› QUALITY OF MAF'S PROCESSES AND SYSTEMS

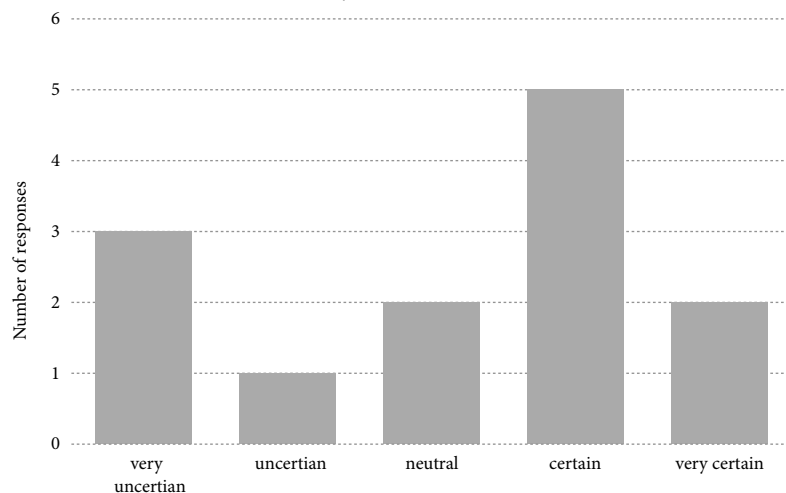
Interviewees were asked to give MAF a rating score on the processes and systems of its compliance requirements. On a scale of 1 to 5, with 1 being very poor and 5 being very good, interviewees gave MAF an average score of 3.7. Most interviewees were quite positive in their remarks, acknowledging the marked increase in collaboration between MAF and the industry.

One interviewee, however, believed that “the industry is doing MAF’s job”, and provided the example of a commercial enterprise developing a procedure manual for a non-standard business set-up, and then submitting it to MAF for approval.

››› CONTACT WITH MAF

› SUPPLY OF INFORMATION FROM MAF

FIGURE 4.2 HOW CERTIAN ARE YOU THAT YOU HAVE ALL THE INFORMATION YOU NEED TO COMPLY WITH MAF'S COMPLIANCE REQUIERIEMENTS?



“Interviewees preferred to deal with MAF staff they already knew.”

Interviewees were asked of their level of certainty in having all the information required to comply with MAF’s compliance requirements. Interviewees were generally quite positive regarding availability of information on export requirements, but thought it more difficult to obtain information on import requirements. Some interviewees felt that exporting to standard countries is generally smooth but the processes get more difficult when exporting to a new country.

While interviewees acknowledged the MAF Biosecurity New Zealand website more than likely contained all the material required, most experienced difficulty in navigating around the website to find the import and export requirements. Suggestions included redeveloping the website to make the information more easily accessible, introducing a search function, allocating an area for the different industries, and dividing the relevant information into importing and exporting requirements. Another interviewee suggested both technical and common names be listed on the website to ensure better understanding.

It was also highlighted that MAF does not proactively communicate information and changes in requirements; and the onus is on the industry to be aware of changes that may have been made.

► FINDING THE RIGHT PERSON TO CONTACT

Most interviewees could easily contact the right person as they contacted the same person each time. Interviewees preferred to deal with MAF staff they already knew. Some interviewees commended MAF’s participation in industry events such as the NZGSTA annual conference as they felt this led to improved networks and enhanced relationships between MAF and the industry.

There were some concerns raised about the timeframes and efficiency of service delivery by MAF staff. It was claimed that the timeliness and effectiveness of service provided depended on individual officers’ personalities. One interviewee suggested that MAF should introduce a co-ordinator or contact centre function that would provide a centralised point of contact with decision-making authority and ability. This would also ensure consistency in levels of service delivery.

It was also found that a number of interviewees preferred to bypass local MAF staff to seek solutions and clarifications directly from the MAF Head Office in Wellington. They claimed that the responses from Head Office were timelier, more credible and had greater chances of being upheld.

“Interviewees believed MAF’s staff turnover is contributing to reduced levels of competency in the organisation.”

➤ ARE MAF STAFF COMPETENT?

The grain and seed industry consists of many individuals who have spent their entire careers in the industry, and as a result are highly experienced. Many of them were critical of MAF’s competency with regards to their industry.

Many interviewees raised their concern regarding the impact of the current employment climate – high turnover rates, lack of specialisation, relative inexperience – and the influence this has on MAF’s human resource pool and capabilities. Interviewees believed MAF’s staff turnover is contributing to reduced levels of competency in the organisation. As a consequence, this is perceived to have an effect on the industry. It was suggested that MAF employ strategies to retain experienced staff, develop handover and training procedures for new employees, increase training to up-skill and specialise staff and develop a relationship management system to ensure industry contacts are not lost after an employee leaves.

North Island interviewees were generally complimentary regarding the competency of MAF staff, while a majority of South Island interviewees felt that MAF staff lacked skills, knowledge and experience of the seed and grain business.

North Island interviewees appreciated the complexities that MAF staff face in working across a lot of commodities, but felt MAF staff need more decision-making authority besides just following procedures and regulatory manuals.

The most outstanding complaint by South Island interviewees was that MAF staff seemingly lack required skills to efficiently and accurately inspect grain and seeds. Interviewees claimed this results in consignments being held up at the border.

Many interviewees admitted that the industry coaching MAF is inevitable. However, one interviewee, highlighted a potential risk that “the regulated training the regulator” could result in MAF not being recognised as independent or impartial from the industry.

➤ MAF ATTITUDE

Interviews found the attitude of MAF generally acceptable. However, negative feedback was received regarding MAF’s organisational culture and the authoritarian attitude and personal qualities of some staff.

Three interviewees were emphatic that MAF has a bad culture. One interviewee

“...interviewees are appreciative of, and acknowledge, MAF’s role, its complexities and the commitment by employees in upholding MAF’s purpose and outcomes.”

believed the culture of MAF is causing inefficiencies in service delivery. Another interviewee claimed the “bad attitude is permeating from top-down and creating a bad culture at MAF”

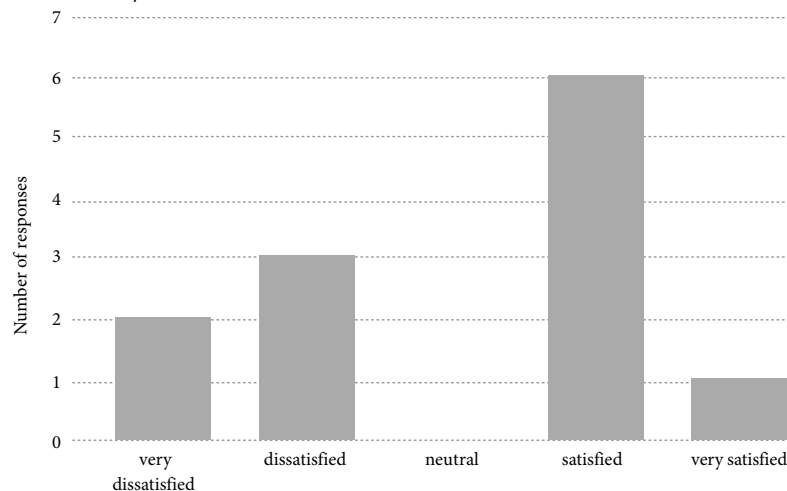
Some interviewees claimed MAF has an authoritarian attitude and does not work well with the industry. One interviewee highlighted that MAF needs to acknowledge that both the agency and the industry are working together for the betterment of New Zealand and therefore are actually on the same side. Another interviewee stated the inexperience, lack of empathy and understanding of the industry made interaction with MAF very frustrating.

Three interviewees stated some MAF staff personalities cause them to be continually cautious in their dealings with MAF to ensure the relationship is preserved for the future.

More positive comments, however, indicated interviewees are appreciative of, and acknowledge, MAF’s role, its complexities and the commitment by employees in upholding MAF’s purpose and outcomes. Some interviewees highlighted the exceptional efforts of some staff in maintaining good relations with the industry and working in an active, collaborative and consultative approach.

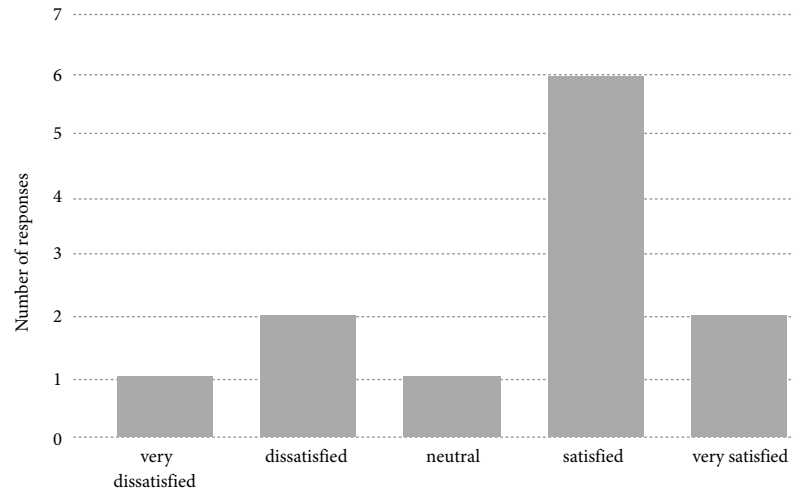
› QUALITY OF SERVICE RECEIVED

FIGURE 4.3 WHEN YOU LAST HAD CONTACT WITH MAF STAFF ABOUT COMPLIANCE REQUIREMENTS, HOW SATISFIED WERE YOU WITH THE SERVICE YOU RECEIVED?



“Almost 60 percent of interviewees were satisfied or very satisfied with the level of service received and over 40 percent were dissatisfied or very dissatisfied.”

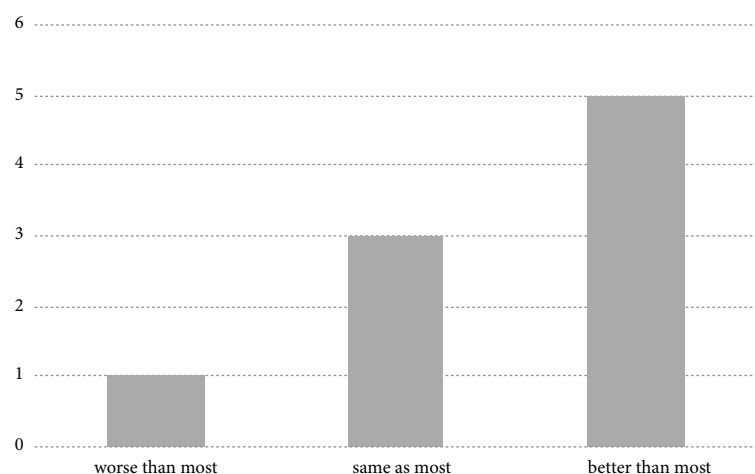
FIGURE 4.4 WHEN YOU LAST HAD CONTACT WITH MAF STAFF ABOUT COMPLIANCE REQUIREMENTS, HOW SATISFIED WERE YOU WITH THE END RESULT?



Interviewees were asked about their level of satisfaction when dealing with MAF staff regarding compliance requirements. Results in relation to the service received were polarised. Almost 60 percent of interviewees were satisfied or very satisfied with the level of service received and over 40 percent were dissatisfied or very dissatisfied. In contrast to this, interviewees expressed higher levels of satisfaction with the actual end result. Two-thirds of interviewees said they were either satisfied or very satisfied with the end result.

»» MAF COMPARED TO OTHER REGULATORS

FIGURE 4.5 THINKING ABOUT THE OTHER COMPLIANCE REQUIREMENTS INVOLVED IN GRAIN AND SEED PRODUCTION, HOW WOULD YOU RATE MAF?



“A large majority of interviewees thought that MAF’s regulatory performance is the same as, or better than most other regulators.”

A large majority of interviewees thought that MAF’s regulatory performance is the same as, or better than most other regulators. Interviewees found MAF professional and sensible. One interviewee acknowledged MAF’s effort in being increasingly consultative and service-oriented. However, there was also negative feedback around the MAF culture and complexity of some of its processes. Comments comparing MAF to the Australian Quarantine and Inspection Service (AQIS) were mixed.

»» UNDERSTANDING THE GRAIN AND SEED INDUSTRY

The final question aimed to provide the interviewees with an opportunity to raise any points that would help improve MAF’s understanding of the grain and seed industry. Some of these points have been discussed elsewhere in this report. The remaining points are outlined below.

» UNDERSTAND THE BENEFITS OF WORKING IN PARTNERSHIP WITH INDUSTRY

A large number of interviewees expressed a desire for increased collaboration between MAF and the industry. One interviewee stated the MAF culture has moved from being a partnership to now being one of opposition. Interviewees were optimistic of increased dialogue with MAF and believed collaboration is the best approach to finding practical and workable solutions for the way forward on a majority of industry issues.

Some interviewees regarded their industry as customers or shareholders in the “MAF business” and suggested a more customer-centric approach by MAF was needed.

» UNDERSTAND HOW DECISIONS AFFECT INDUSTRY

Interviewees felt MAF needs to better understand the practicalities of how grain and seed businesses work and the effects and constraints caused by MAF’s regulatory decisions.

One interviewee commented that MAF employees delegated with the responsibility for setting regulatory policy may not understand the industry and the wider agricultural context.

Another interviewee described the grain and seed industry as “the Cinderella of agriculture in New Zealand” as it is an industry of significant importance, contribution and potential, but has a low profile. Other interviewees emphasised that New Zealand’s pastoral industry and export markets heavily rely on New Zealand’s seeds and they should therefore receive greater focus and priority.⁷

⁷ Some analyses estimate that the seed industry is directly and indirectly responsible for over 60 percent of New Zealand’s exports.

“A large proportion of interviewees were frustrated to think they were stereotyped by their industry of occupation.”

One interviewee found New Zealand to be very stringent in its enforcement of requirements under law, in comparison with other countries where broader interpretations are used. This was claimed to have negative effects, such as high costs for compliance requirements and hinders business innovation. It was, however, also acknowledged that enforcement had positive effects, such as the perception that New Zealand exports are of high quality and New Zealand meets most other countries requirements, which gives exporters more freedom of opportunity.

Another issue raised was MAF profiling seed industry people as high risk travellers. A large proportion of interviewees were frustrated to think they were stereotyped by their industry of occupation.

› TAKE MORE RESPONSIBILITY FOR DECISIONS

Interviewees felt MAF staff should be able to make decisions more promptly. Three interviewees commented that MAF was too risk averse and decision making was time consuming and process-driven. This echoes similar views in found *Most expensive or time-consuming compliance requirement* and *Are MAF staff competent?*

“MAF’s compliance requirements are reported to have few negative impacts on business’ economic growth and productivity, and MAF’s biosecurity requirements return large positive impacts...”

SUMMARY

5

»»» KEY FINDINGS

The findings of this review indicate MAF is performing well as a regulator and that:

- › MAF’s processes and systems to manage its compliance requirements are generally working well;
- › the industry understands the importance of biosecurity;
- › the industry reported no issues with MAF’s management of the Commodity Levy Act;
- › MAF’s compliance requirements are reported to have few negative impacts on business’ economic growth and productivity, and MAF’s biosecurity requirements return large positive impacts;
- › MAF’s compliance requirements are not perceived to be duplicated or outdated;
- › the MAF Biosecurity New Zealand website is perceived to contain all the required information (although navigation is reportedly difficult sometimes);
- › interviewees understand MAF’s role within government and believe MAF generally performs better than other regulators;
- › MAF is perceived to have a good relationship with the grain and seed industry;
- › MAF is perceived to be fair and consistent in its interactions with businesses.

The findings also indicate there are a number of areas of business performance that potentially require further consideration by MAF. These are:

- › clarify differences in roles between the Environmental Risk Management Authority (ERMA) and MAF in relation to the HSNO Act;
- › review the impacts of import requirements on businesses levels of innovation;
- › reassess countries on the Importing Countries Phytosanitary Requirements register;
- › reassess timeframes for import clearances;
- › examine interface between Customs and MAF to streamline certain requirements where possible;
- › consider interfacing processes conducted by both ERMA and MAF;
- › ensure consistency at a national level for import requirements;
- › review MAF website to improve accessibility of import requirements;
- › up-skill MAF inspectors’ expertise and knowledge on seed and grain and the wider arable industry;
- › enhance customer-centric culture and attitude among MAF staff;
- › enhance collaboration with the industry;

“While the regulatory framework is therefore not “broken”, there are some regulatory implementation issues that may require further consideration by MAF.”

- › facilitate stakeholder relationships and improve MAF understanding of the industry;
- › promote and support MAF staff authority and decision making.

The review also sheds light on a number of emerging grain and seed industry issues that may be worthy of future consideration by MAF. These issues are:

- › the industry is experiencing rapid, unpredictable change;
- › bio-fuels seemingly pose a threat to New Zealand’s export seed industry;
- › the world is increasingly biosecurity conscious and import restrictions are getting tighter;
- › farmers now have more options for land use;
- › seed testers are a very skilled, yet ageing and part-time workforce.

»» CONCLUSIONS

The findings of this review suggest that MAF’s regulatory framework for the grain and seed industry is sound and generally acceptable to the industry. Grain and seed industry members understand MAF’s role in administering compliance requirements under legislation and understand the significance to their industry of MAF-administered legislation (such as the Biosecurity Act and Commodity Levy Act).

While the regulatory framework is therefore not “broken”, there are some regulatory implementation issues that may require further consideration by MAF. These include ensuring consistencies across different centres, negotiating importing countries phytosanitary requirements register, considering interface opportunities with other government agencies and making information more easily accessible to the industry. On this last point there was a clear signal for more information on the difference in roles between MAF and other regulatory agencies operating in this industry (for example, Customs, ERMA).

The impact of MAF’s regulatory requirements was also found to be generally acceptable to the industry. However, key issues identified were the time taken to clear imports and the perceived impediment to industry innovation from the restricted access to genetically modified and hybridised seeds.

MAF was considered to be better than, or as good as, most other regulators in New Zealand. Yet there was a call for MAF to focus on working harmoniously with the industry and to address some areas organisational attitude, particularly regarding “staff authoritarianism”. There was also a concern amongst interviewees about the level of knowledge and understanding of the grain and seed industry amongst MAF staff.

“...communication, collaboration and customer-focus appear to be the key words for MAF to consider going forward.”

The findings of this review provide a picture of MAF’s performance from the perspective of the grain and seed industry. The general picture provided correlates with other stakeholder feedback MAF has received and the majority of the “issues for attention” have also been identified in earlier work. This included the following:

- › **Costs of Compliance for Achieving Biosecurity Clearance** – the first outside-in review undertaken for MAF by PriceWaterhouseCoopers in 2005/06;
- › **Survey into Business Experience of Government Service Delivery** – research project undertaken for MED by Colmar Brunton in August 2005.

These studies found that the standard of service provided could be improved by focusing on service quality “fundamentals” like: more knowledgeable and experienced staff, more consistent implementation, less “letter of the law” approach, better customer service/attitude, improving response times, better co-ordination between departments, and availability of the right person.

Improved regulatory implementation by MAF is therefore about continually focusing on the basics of customer service delivery. Accordingly, communication, collaboration and customer-focus appear to be the key words for MAF to consider going forward.

6

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GLOSSARY of terms

7

AFIC	Arable Food Industry Council
AOSCA	Association of Official Seed Certifying Agencies
AQIS	Australian Quarantine and Inspection Service
ERMA	Environmental Risk Management Authority
FAR	Foundation of Arable Research
GM	Genetically Modified
HSNO	Hazardous Substances and New Organisms
ICPR	Importing Country's Phytosanitary Requirements
IPPC	International Plant Protection Convention
ISPM	International Standards for Phytosanitary Measures
MAF	Ministry of Agriculture and Forestry
MED	Ministry of Economic Development
NZGSTA	New Zealand Grain and Seed Trade Association
OECD	Organisation for Economic Cooperation and Development
PMAC	Plants Market Access Council
SCID	Seed Certification and Isolation Distance
SQMA	Seed Quality Management Authority
SSC	State Services Commission

APPENDIX 1

Quality Regulation Review

PUBLISHED SEPTEMBER 2007

In May 2006, Cabinet agreed to a review of regulatory frameworks to ensure that the regulatory environment for business is supportive of the Government's economic transformation agenda [CAB Min (06) 18/3 refers].

The results of this review highlighted that the regulatory environment should be viewed as a complex, dynamic system that is influenced by ever-changing social, economic, cultural and environmental factors. It also highlighted that quality regulation is not determined at one point in time, but can be influenced at all stages in the lifecycle of regulations. The review showed that the way central government, local government, business and other stakeholders think about and deal with regulation is important in determining whether the objectives of the regulation are achieved.

The review highlighted that regulation can have both a positive and a negative impact on economic growth, productivity and innovation. An optimal regulatory environment maximises the positive outcomes, while minimising any negative outcomes. The appropriate approach to quality regulation is not just about 'reducing regulatory compliance costs for businesses or "cutting red-tape." It is about ensuring regulatory frameworks are based on sound analysis, adhere to the principles of good regulatory practice, and continue to be "fit for purpose" over time.

In this respect, the key findings of the review were:

1. The need to consider the stock and flow of regulation, as well as all stages of the regulatory lifecycle. The review highlighted the importance of looking at both the stock of existing regulation and the flow of new regulation when thinking about the impact of regulation on economic growth. It also demonstrated that issues that determine the quality of regulatory frameworks and the overall regulatory environment can arise at all stages of the regulatory lifecycle⁸. In addition, the review showed that regulatory frameworks do not exist independently of one another, but can influence the effectiveness of other regulatory frameworks. As a result, there is a need to ensure that regulatory frameworks are consistent and compatible at the design stage as well as in implementation. In summary, when thinking about the link between quality regulation and economic growth, it is necessary to view the regulatory environment as a complex dynamic system, rather than a collection of independent and static regulations.

"...the way central government, local government, business and other stakeholders think about and deal with regulation is important in determining whether the objectives of the regulation are achieved."

⁸ The lifecycle of regulation can be thought of as: problem identification; regulatory design; regulatory decisions; implementation; monitoring and enforcement; and regulatory review.

2. Implementation is as important as design. A number of the issues raised by business during the review related to the way regulations are implemented, rather than the regulation's purpose or design. Concerns related to implementation by both local government and central government agencies, and included: inconsistent interpretation and application across regions and districts (where inconsistencies were not justified by regional or local differences); capability and capacity issues for regulators; issues relating to the quality of information provided about regulations and how this is communicated; and costs caused by delays and uncertainty. This demonstrated that in terms of ensuring positive outcomes for economic growth, the government should be as concerned about the implementation of regulation as it is with the decision to regulate and regulatory design.
3. More can be achieved by working together. The resolution of a number of issues raised during the review required multiple government agencies to work together. Regulatory issues relating to duplication, excessive information requests and inconsistency often require input from more than one agency to resolve. For example, two of the interface projects⁹ specifically established processes to facilitate this, as did the consideration of issues relating to local authorities performance of their functions. Also, concerns about the cumulative impact of regulation on business can only be addressed effectively through a whole of government approach. The review also highlighted the need for central government to work with both local government and business to identify and implement workable solutions to regulatory issues at all stages of the lifecycle of regulation.
4. Constant vigilance is critical. Good regulation is not only established at the design stage, but can be influenced throughout the entire lifecycle of regulation. For example, as the broader economic, social and regulatory environment changes, regulations can become obsolete, compliance information can become outdated, and duplication, overlap and inconsistencies can be created. It is important to ensure that the focus on quality regulation is not lost following decisions about the need for, and shape of, regulation. If a quality regulatory environment is to be maintained, government and business must be committed to a culture of constant vigilance and continuous improvement of regulatory frameworks.
5. Fixes for poor regulatory outcomes are diverse, with no "one size fits all". The review highlighted that there are a number of things that can be done

⁹ The interface between the Health and Safety in Employment Act 1992 (HSE), the Injury Prevention, Rehabilitation and Compensation Act 2001 and the Hazardous Substances and New Organisms Act 1996, and between building and resource consents processes.

to improve regulatory outcomes for business if government agencies are prepared to be innovative, and take an open-minded approach to working with business. Finding a solution doesn't always require considering legislative amendment, and other solutions adopted as part of the review included changes to departmental administrative processes and procedures, communication and information dissemination initiatives and the inclusion of issues in existing departmental reviews or work programmes. It is also possible to avoid problems for business at the regulatory design stage by adopting best practice techniques, such as undertaking effective consultation and considering options around regulatory flexibility.

Taking these factors into consideration, it is proposed that the Government's post-review approach to ensuring the quality of New Zealand's regulatory environment focus on the following four objectives:

1. Ensuring the quality of new regulation;
2. Improving the quality of existing regulation;
3. Developing a culture of good regulatory practice; and
4. Building the capability of regulators and of business.

“New Zealand has long enjoyed an international reputation as a supplier of high-quality seeds from our “clean” land.”

APPENDIX 2

Grain and seed industry profile

»»» SUMMARY

New Zealand’s arable industry grows seeds for export as part of a system that also produces grains, vegetables and livestock. New Zealand has long enjoyed an international reputation as a supplier of high-quality seeds from our “clean”¹⁰ land. Vegetable seed exports have been the growth export category in the arable industry for the past 10 years and are a very high export return crop on a per- hectare basis. This profile looks at the New Zealand’s export seed industry in the wider arable industry context, industry organisations and discusses some of the issues facing the seed and thus the whole arable industry.

Note: Figures given are largely based on the *Agricultural Production Census 2002*. Data from the *2007 Agricultural Production Census* will be available mid-May 2008.

»»» ARABLE INDUSTRY CONTEXT

The New Zealand arable industry produces milling, malting and feed grains, including wheat, barley, maize, oats and peas. One part of the arable industry also produces pasture and vegetable seeds for the pastoral industry and for export.

»»» TABLE A2.1: ARABLE INDUSTRY

CROP	AREA (HA)	PRODUCTION (TONNES)
Milling wheat	20 830	137 941
Other wheat	21 325	163 557
Barley	78 097	440 883
Oats	7 353	34 987
Other cereals	2 587	13 162
Maize	14 178	148 847
Field peas	10 925	29 457
Other pulses	1 804	3 302
Other crops *	30 729	Not available
Total	157 129	834 924

*Mainly pasture, vegetable and brassica seeds

Source: *Agriculture Production Census, 2002*, Statistics NZ

While the arable industry is centred in Canterbury, there are also dedicated arable farmers and industry in Manawatu, Hawkes Bay, Otago and Southland. There is a distinct and significant maize grain and silage industry operating

¹⁰ “Clean” in this context means relatively free of other plants that produce seeds that would reduce the purity of the seed line.

“...there were 520 grain farms and 250 farms with both grain and livestock in New Zealand.”

throughout the North Island and parts of the South Island, although it is largely concentrated in the Waikato and Bay of Plenty.

The last agricultural production census in 2002 showed that there were 520 grain farms and 250 farms with both grain and livestock in New Zealand. Most arable farms operate a combination of arable crops, seeds and a graze a significant but varying number of livestock.

»» ARABLE INDUSTRY SEGMENTS

Arable crops are subject to the Commodity Levy Act (Arable Crops) which collects a levy on wheat, barley, oats, maize, pulses, herbage seeds, vegetable seeds, brassicas, borage and other arable crops. This profile focuses on the export seed¹¹ section of the arable industry.

Seeds exported from New Zealand include grasses (mostly ryegrass), clovers, and specialist vegetable and brassica seeds. Seed exports are estimated to be worth around \$145 million¹², although they have come under pressure recently due to the higher New Zealand dollar.

»» NEW ZEALAND'S SEED INDUSTRY

Like other arable activities, seed growing is generally undertaken as part of a mixed production regime involving pastoral farming, fodder and vegetable production. Although arable crops are grown throughout New Zealand seeds, and especially those for export are mainly grown in the Canterbury region. Of the seed-growing farms, there are very few that solely grow seeds.

»» SEED INDUSTRY BACKGROUND

The New Zealand pasture seed industry began with the importation of English ryegrass for improved pasture grasses during the 1800s. Improved pastures soon required seed multiplication, which remains the basis of the New Zealand seed industry. Development of local eco-types followed, laying the foundation of a modern and successful plant breeding sector. Grain production and trade dates back to the late 1880s and early 1900s when large areas of wheat were grown for the fledgling flour milling and baking industry. New Zealand has long enjoyed an international reputation as a supplier of high-quality seeds of grasses and legumes and in the past 20 years vegetable seeds have also become a significant part of the export seed industry.

¹¹ Difficult to define specifically as can include some seeds from all these crops. Mostly made up of pasture, vegetable and forage seeds, but also includes some peas and cereals.

¹² Year ended March 2007, made up of vegetable seeds \$41m, ryegrass \$31m, clovers \$22m and peas \$24m, other minor crops about \$7m.

“...the regulatory environment for seed is unique in that it has no laws specifically governing the domestic production...”

»» THE SEED INDUSTRY IN NEW ZEALAND

Although the seed industry is a small part of the wider arable industry, its contribution to New Zealand’s economy is substantial. The estimated farm-gate value of the downstream production is \$370 million, the compound feed industry value \$500 million, poultry and pork products produced from this grain \$1200 million and retail value of cereal products \$1200 million¹³.

Seed grown in New Zealand is a key input for the primary sector and enables downstream annual production of:

- › 950 000 tonnes of barley, wheat, maize and oats; (350,000 tonnes is for human consumption and 600 000 tonnes for animal feed);
- › pasture seeds (primarily ryegrass and clovers) support New Zealand’s livestock and dairy industry, which make up 60 percent of New Zealand’s exports.

The most recent Agricultural Production Census in 2002 showed that the seed industry in New Zealand has an annual production of:

- › 40 000 tonnes of seed off 40 000 hectares of land;
- › seed with an estimated value of \$150–170 million;
- › seed exports of \$70 million.

»» QUALITY SYSTEMS

The reputation and growth potential of New Zealand’s seed industry is built on growers’ and seed companies’ commitment to high purity and trueness to type of the seed lines via robust traceability and segregation practices. A key part of this success is the voluntary seed certification and isolation distance management systems (SCID) being operated for the industry byASUREQuality. This system operates in a very competitive and generally non-farmer owned environment where many relatively small companies compete with each other vigorously, yet co-operate where there are mutual benefits.

While participation in the New Zealand seed certification scheme is voluntary, the pasture seeds industry participates to a very high level and this plays an important role in protecting the integrity of the seed industry by optimising standards and ensuring conformity with procedures.

In New Zealand the regulatory environment for seed is unique in that it has no laws specifically governing the domestic production, certification or marketing of seed. However, general laws relating to fair trading apply.

¹³ Source: New Zealand Grain and Seed Trade Association <http://www.nzgsta.co.nz/?q=node/63>

“Pasture seed has traditionally been the mainstay of New Zealand seed exports, but there is a rapidly increasing trend towards vegetable seed production...”

Protection for new cultivars is afforded by registration under the Plant Variety Rights Act and the New Zealand seed certification system, which has been operating for almost 80 years and is modelled very closely on the OECD seed certification scheme.

»» SEED MARKET TRENDS

Many New Zealand-bred cultivars, especially ryegrass, tall fescue and clover species, are commercially adopted in other countries. Pasture seed has traditionally been the mainstay of New Zealand seed exports, but there is a rapidly increasing trend towards vegetable seed production aimed particularly at the populous countries of Asia. In recent years substantial new business has also been developed in contract seed production for other countries.

A key driver of growth in vegetable seed exports is the inability of traditional vegetable seed-producing countries in Europe to maintain “clean” land. Clean land does not have isolation issues from previous crops or weeds that cross pollinate. New Zealand has a world leading isolation and certification system that give our high value arable farmers a distinct comparable advantage.

Opposite production seasons in the northern and southern hemispheres enables New Zealand plant breeders to accelerate seed production, and commercial companies to make up seasonal shortfalls from their own production.

Pasture seed and vegetable seed are currently the main export items of the New Zealand seed industry. Approximately 25,000 tonnes of seed are exported annually and the major markets are the United States, Australia, Europe, Japan, China and South America.

The International Seed Federation estimates that New Zealand’s domestic market for seeds is the 36th largest in the world. In comparison we are the 23rd largest seed exporter and 16th largest horticultural seed exporter. The table below shows that the value of New Zealand’s vegetable export seed industry is on the increase.

»» INDUSTRY ORGANISATIONS

› ARABLE FOOD INDUSTRY COUNCIL (AFIC)

The Arable Food Industry Council (AFIC) is an umbrella organisation to act as the public face of the arable food industry; the first port of call for government or outside bodies; a roundtable for discussion on current industry issues; a “drafting gate” for issues requiring specific action and a body with critical mass

capable of collective industry action where necessary and appropriate. It has representation from the following parties:

- › AgResearch;
- › NZ Institute for Crop and Food Research;
- › Federated Farmers – Grains Section;
- › Foundation for Arable Research;
- › New Zealand Feed Manufacturers Association;
- › New Zealand Flour Millers Association;
- › New Zealand Grain and Seed Trade Association;
- › New Zealand Plant Breeders Research Association;
- › United Wheat growers Association.

› NEW ZEALAND GRAIN AND SEED TRADE ASSOCIATION (NZGSTA)

NZGSTA exists to foster the business environment for its members. It comprises 80 companies who breed seed, and research, produce, process and market, import and export New Zealand's grain and seed outputs.

› FOUNDATION FOR ARABLE RESEARCH (FAR)

FAR is an applied research organisation responsible to New Zealand arable growers and is involved in funding arable research and technology transfer. It was formed in 1995 and operates under the Commodity Levy Act. In a 2005 referendum FAR received over 80 percent support from arable growers who voted, and 60 percent support from maize growers who voted.

FAR collects levies from wheat, barley, oats, maize, pulses, herbage seeds, vegetable seeds, brassicas, borage and other arable crops. The levy is collected at the first point sale (or used on the farm, for example, to feed stock) for all grain and seed, with the exception of maize which is collected on the seed purchased. FAR also receives funds from research grants, cooperative research and information sales.

› PLANTS MARKET ACCESS COUNCIL (PMAC)

The Plants Market Access Council Inc (PMAC) is a peak industry body, which focuses on promoting effective, affordable and reliable export market access for New Zealand plants and plant products. PMAC's Executive Council is made up of co-opted and elected representatives from the horticultural and arable sectors, a representative from NZFSA and MAF, and the Executive Secretary. It provides a forum for NZFSA, MAF, industry and other relevant government agencies (for example, MFAT and NZ Customs Service), to work together

“New Zealand enjoys an international comparative advantage in the pasture and vegetable seed industries.”

➤ SEED QUALITY MANAGEMENT AUTHORITY (SQMA)

The Seed Quality Management Authority is an incorporated society, and consists of representatives appointed from seed growers, seed industry, and researchers. MAF and AsureQuality are ex officio members. It effectively employs AsureQuality on behalf of the seed industry to manage the seed certification scheme, and is concerned with service, price and delivery of the Independent Verification Agency. SQMA manages the Seed Crop Isolation Distance scheme, vital to maintain the purity of New Zealand’s export seed crops.

The OECD has determined a set of certification guidelines for the international trade of small seeds. A similar set of standards required for some markets has been developed by the Association of Official Seed Certifying Agencies (AOSCA). MAF Biosecurity New Zealand is the designated authority for the OECD scheme. The Seed Quality Management Authority sits on AOSCA. MAF Biosecurity New Zealand sets the standards required to achieve OECD certification and also audits the Independent Verification Authority that is employed to implement the standards set by MAF on behalf of the seed industry to ensure that government-to-government assurance of seed purity is maintained. There are two Independent Verification Authorities in New Zealand SGS Ltd (an international certifying company) and AsureQuality. All data from within the scheme belongs to MAF and the Seed Quality Management Authority.

➤ FEDERATED FARMERS GRAINS COUNCIL OF NEW ZEALAND

This is one of seven industry groups that are part of Federated Farmers. Federated Farmers is New Zealand’s leading rural sector organisation and seeks to provide farmers a collective voice nationally and within each province.

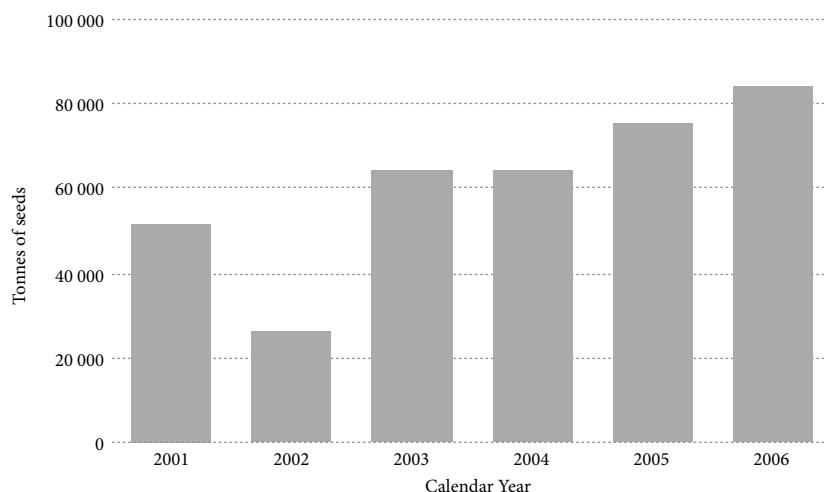
➤➤ ISSUES FACING THE INDUSTRY

New Zealand enjoys an international comparative advantage in the pasture and vegetable seed industries. In both cases, this advantage is consistency, reliability, and quality and any threats to any of those three assets will erode New Zealand’s competitiveness.

Growing specialist seeds (e.g. Chinese brassicas, hybrid vegetable seeds) can return up to \$20 000 per hectare to growers, however it is a high risk industry that requires very exact management and is inherently sensitive to climatic variations around pollination and harvest times in particular. An example of the associated risk is shown in the table below where seed production suffered in 2002 due to adverse climatic conditions with cloudy, wet weather and poor pollination.

“There are concerns about the availability of people skilled in arable farming techniques...”

FIGURE A2.1 TONNES OF HERBAGE AND AMENITY SEED PRODUCED IN NEW ZEALAND BY CALENDAR YEAR



Source: Foundation for Arable Research

The constraints on the arable and export seed sector include the limited amount of land in New Zealand suited to arable farming¹⁴ and the availability of water for irrigation.

Growth in high value arable sector farming depends on reliable irrigation. Customers of higher value arable products require consistent quality and predetermined amounts of arable product, year after year. While irrigation doesn't mitigate all climatic variability, it does alleviate a major source of yield and quality fluctuation. Arable systems incorporate crop rotations and so can adjust to some water restrictions. However, a reliable irrigation infrastructure and a fair and equitable allocation system are, therefore, critical to the industry's future.

The number of growers has declined in recent years, although those remaining are getting larger and more secure. There are concerns about the availability of people skilled in arable farming techniques and the implications for the next generation of arable farmers. A number of young arable farmers and machinery operators are choosing to work overseas where continued long term work can be achieved in comparison to New Zealand's strongly seasonal pattern of employment. Strong competition for labour between the agricultural sectors in Canterbury is also developing. Related concerns are that the arable industry is

¹⁴ In this case, suited means in terms of the climate, the soils (not too stony) and the competition from other land uses, particularly dairy farming, vegetable production and lifestyle blocks.

“...adoption of genetically modified (GM) crops overseas has created both opportunities and risks for New Zealand arable farmers.”

not “glamorous” enough, and there is no obvious career path such as there is in the dairy industry via sharemilking.

The major risks to the sector are biosecurity breaches, impediments to exports in the form of non-tariff barriers, and restricted access to new genetic material due to the HSNO Act. The high and changeable exchange rate is also squeezing profit margins in the export seed industry.

The widespread adoption of genetically modified (GM) crops overseas has created both opportunities and risks for New Zealand arable farmers. A successful co-existence regime that can allow GM and conventional agriculture to complement each other rather than be in conflict could add value to the industry. While the current ban on GM crops in New Zealand means the arable industry is unable to exploit the potential market opportunities, it also means that New Zealand’s marketing advantage in being GM free remains intact. Presently, the GM crops that are available globally do not offer significant advantages to the New Zealand industry.

Arable farmers’ outlook is positive for the medium term due to global biofuel demand competing for land and therefore raising the values of all crops, and also the optimism in the dairy industry. Arable farmers supply dairy farms with pasture and cereal silage and winter feeds. Oilseed rape grown for biodiesel is of concern to growers of specialist arable crops because unharvested seed can lie dormant in soil for many years. It readily germinates with any later crop, causing major contamination issues.ASUREQuality administers the Seed Crop Isolation Distance (SCID) programme which goes some way to mitigate this risk.

High dairy prices are also leading arable farmers consider converting their farms to dairy, although it is also providing earning potential for the future.

APPENDIX 3

Definition of Compliance Requirements

»» INCLUDED COMPLIANCE REQUIREMENTS

For the purposes of this review, the following requirements are included in the definition of compliance requirements:

- › Compliance requirements associated with commodity levy orders.
- › Compliance requirements associated with becoming or maintaining status as a MAF approved IVA (independent verification agency), recognised organisation, facility operator or recognised treatment supplier.
- › Compliance requirements for importing:

Pre-shipment compliance for goods:

- Compliance with IHS (import health standard) including special growing conditions, quarantine arrangements and pre-shipment treatment and fumigation.
- Cost of application for permit under IHS.
- Container related compliance requirements.
- Additional or special packaging.
- Shipping documentation relating to biosecurity compliance.
- Cost of import certification.

At port or mail centre:

- Cost of at-port or at-transitional facility risk assessment and inspection.
- Cost of cleaning or fumigation.
- Cost of surveillance of discharge of goods.
- Levies on sea containers.
- Delays from processing.
- Delays from mail seized and passed.
- Cost of re-shipment or destruction (fees and value of commodity).
- Delays (loss of commodity or increase in working capital requirements).
- Cost of diagnostic testing and treatment (fees, delays and loss of value of commodity).
- Administration – MAF liaison staff, paperwork, audit.
- Cost of biosecurity related security.

Transitional facilities

- Land, fit out and maintenance for biosecurity related space.
- Administration, accreditation or registration of transitional facility, compliance audits, record keeping and other administrative requirements.
- Additional transport cost from transporting cargo to/from transitional facility.

- Delays at transitional facility (loss of value of commodity and increase in working capital requirements).
- Cost of inspection, diagnostic testing and treatment (fees).
- Cost of destruction (loss of value of commodity and fees).

»» EXCLUDED COMPLIANCE REQUIREMENTS

For the purposes of this review, the following requirements are excluded from the definition of compliance requirements:

- › Compliance requirements arising from local government regulations.
- › Non-statutory compliance requirements (e.g. industry mandated rules).
- › Compliance requirements from regulations administered by other government departments. In particular, compliance requirements associated with food safety standards or health requirements (such as GMO or food additive restrictions).
- › Compliance requirements to ensure International Plant Protection Convention (IPPC) requirements are met, including international standards for phytosanitary measures (ISPMs).
- › Compliance requirements from other countries when exporting.
- › Compliance requirements for maintaining plant breeders' rights. This is administered by a business unit of MED (Plant Variety Rights Office).
- › Compliance requirements arising from import post-clearance activities. These requirements have been excluded because they tend to be directed at managing an existing problem rather than complying with requirements.
- › The cost of tax or GST.