



**DEER INDUSTRY  
NEW ZEALAND**

**SUBMISSION TO  
THE MINISTER OF AGRICULTURE**

**On the  
AMENDMENT PROPOSAL TO  
THE NATIONAL BOVINE TUBERCULOSIS  
PEST MANAGEMENT STRATEGY**

**By  
DEER INDUSTRY NEW ZEALAND**

**25 November 2009**

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Hon David Carter  
Minister of Agriculture  
C/- MAF Biosecurity New Zealand  
PO Box 2526  
**WELLINGTON 6140**

Attention: Belita Pereira

*By email: belita.pereira@maf.govt.nz*

Dear Minister Carter

## **AMENDMENT PROPOSAL TO THE NATIONAL BOVINE TUBERCULOSIS PEST MANAGEMENT STRATEGY**

Deer Industry New Zealand (DINZ) is the levy funded industry-good body established under the Deer Industry New Zealand Regulations 2004 pursuant to the Primary Products Market Act 1953. One of its key functions is to promote and assist the development of the New Zealand deer industry.

DINZ is a member of the Animal Health Board (AHB) as per Section four of the Constitution of the AHB.

DINZ appreciates the opportunity to provide a submission on the amendment proposal for the National Bovine Tuberculosis Pest Management Strategy (proposed NPMS). DINZ notes that it wishes to be heard in the event that you decide to call a Board of Inquiry. DINZ notes that attachments to this submission form part of the submission.

With respect to the proposed NPMS, DINZ submits the following:

1. DINZ congratulates the AHB on the formulation of the proposed NPMS. The views and perspectives of the Members of the AHB, Crown and others interested in bovine Tb are varied so the formulation of a common strategy should not be underestimated.
2. DINZ agrees that although strategy progress is well ahead of targets required to meet the 2013 target of 0.2% period prevalence, it is vital to remove bovine Tb from wild populations. As such, it supports the proposed NPMS' core aims of preventing expansion of existing Vector Risk Areas, testing New Zealand's ability to eradicate bovine Tb while keeping infected herd numbers to a level to avoid significant production losses and protecting the quality image of New Zealand's beef, dairy and deer products.
3. DINZ supports the Primary Objectives set in point 8.1. DINZ notes that measurement of achievement of objectives relating to removing bovine Tb from wild populations is not as straightforward as measuring herd period prevalence. Accountability and producer and industry support relies on clear, simple metrics.

A. **DINZ requests that** AHB provides clear, simple metrics to report on the proposed NPMS's outcomes.

4. DINZ notes that the AHB recognises that regional councils cannot be obliged to contribute funding to the proposed NPMS. DINZ has not sought legal advice, but notes that the Minister of Agriculture indicated by letter dated 19 September 2003 that he wished Deer Industry New Zealand to enter into a contractual arrangement so as to provide certainty of funding to the AHB. On that basis, DINZ signed a Funding Agreement with the AHB.

DINZ agrees that AHB requires certainty of funding to implement the proposed NPMS efficiently and effectively.

B. **DINZ submits that** all Members of the AHB, including regional councils should be obliged to support the proposed NPMS by putting mechanisms in place to ensure certainty of funding. **DINZ submits that** the current situation is inequitable and should be remedied.

DINZ acknowledges that regional councils collect the contribution on behalf of landowners, but notes that all other funders collect their contributions on behalf of others. DINZ also notes that regional councils also benefit from vector control through improved environmental and economic outcomes.

5. DINZ wishes to record its view that biodiversity benefits are likely to be significantly underrepresented at \$11.2 million per annum (point 16.3.3). DINZ notes the difficulty of quantifying biodiversity benefits (e.g. none appears quantified in the New Zealand Biodiversity Strategy (2000)), but anecdotal comments support very strong benefits to flora and fauna of AHB's work.
6. DINZ confirms AHB's feedback from farmer consultation (point 3.2) that "For deer farmers the most common statements were calls for reduced frequency or intensity of on-farm Tb testing of deer."

C. **DINZ requests** consideration of ways to lower disease control testing frequency and costs.

7. DINZ notes that the proposed NPMS indicates that "AHB may provide support for vector control operations...where contributions of funding or resources are available from other parties".

D. **DINZ submits that** these locally initiated projects may become more important to farmers who wish to manage vectors in their area while AHB is more focused on specific areas targeted for eradication and believes reasonable support should be provided to these projects on fair and reasonable terms.

## 8. DINZ is very concerned at the allocation of costs of the proposed NPMS.

Point 17 proposes that current Tb strategy funding be maintained under the proposed NPMS along with current funding shares between the Crown, the dairy, beef and deer industries.

The proposed NPMS notes the funding principles set out in [Section 61](#)<sup>1</sup> of the Biosecurity Act. In summary, they require that a proposal for an NPMS should specify:

- The extent to which persons or classes of persons benefit from the strategy
- The extent to which persons or classes of persons create, continue or exacerbate the problems to be resolved by the strategy
- A rationale for allocation of costs.

The proposed NPMS states in relation to the above three points (point 17), "Current TB strategy funding is guided by the funding principles set out in Section 61 of the Biosecurity Act."

DINZ notes that these are not funding principles. In fact, they are matters which must be specified in the proposal.

DINZ submits that the proposed NPMS is significantly different to the current strategy. The proposed NPMS has substantively different objectives, strategies and benefits. For example:

- the primary objective of the proposed NPMS is "establishing the feasibility of eradication of endemic TB..." compared to the current strategy which is about reducing infected herd numbers
- production benefits are emphasised in the proposed NPMS more than the current strategy (as well as trade benefits).

Despite effectively being a new strategy, the proposed NPMS does not discuss the extent to which persons or classes of persons benefit from the proposed NPMS strategy or exacerbate the problem of bovine Tb. Nor does the proposed NPMS provide a rationale for the allocation of costs. The proposed NPMS (point 17) establishes that Crown, the dairy, beef and deer industries and regions should pay as beneficiaries and/or exacerbators, but there is no rationale for the allocation of costs other than 'that's how it is in the current strategy' between Crown, the dairy, beef and deer industries and regions. A particularly challenging issue is a rationale for the allocation of costs between industries. The proposed NPMS is silent on this issue. It is inadequate to group the dairy, beef and deer industries as a "single class of persons" if they are to contribute as separate industries to the proposed NPMS.

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<sup>1</sup> Section 61 was substituted, as from 26 November 1997, by section [36](#) Biosecurity Amendment Act 1997, but the same wording applies.

E. **DINZ** submits that the proposed NPMS does not adequately identify the extent to which persons or classes of persons benefit from the proposed NPMS strategy or exacerbate the problem of bovine Tb. DINZ submits that the proposed NPMS must specify the extent to which Crown, the dairy industry, the beef industry, the deer industry and regions exacerbate and/or benefit from the proposed NPMS and specify a rationale for the allocation of costs. DINZ further submits that an adequate rationale for the allocation of costs is particularly important between the dairy, beef and deer industries.

A rationale for the allocation of costs should be based on a set of funding principles. Not considering funding principles puts the proposed NPMS at serious risk of producing suboptimal outcomes.

DINZ would like to suggest a way forward. DINZ was sufficiently concerned at the lack of a principle based approach to allocating funding between industries that it sought an independent view of a fair, principle based approach to industry funding of the proposed NPMS from Martin, Jenkins and Associates Ltd (Martin Jenkins).<sup>2</sup> The Martin Jenkins report is attached in full as Attachment 1 and forms part of DINZ's submission.

The Martin Jenkins Report identifies three funding principles which DINZ supports:

- Maximise the **effectiveness** of the proposed NPMS because different approaches to cost allocation and funding may:
  - encourage behaviours and actions compatible with the strategy's outcomes
  - place pressure on the AHB to ensure that its strategy is focussed on achieving outcomes and objectives that are valued by producers.
- Minimise **administration costs** because different approaches to cost allocation and funding may result in different administrative and compliance costs and
- Achieve **ongoing support from farmers** – because different approaches to funding may or may not be acceptable to funding partners over time. The approach taken needs to be accepted as 'fair' over the long term by those who fund it. Persons in equal situations, whether beneficiaries or exacerbators, should be treated equally. The criteria on which allocation and funding decisions are based should be transparent, objective and relevant to the purposes of the strategy. Costs should be allocated between them in proportion to the benefits that they will receive from it.

### Allocation of Vector Control Costs

The AHB expects that the proposed strategy will result in two main benefits for farmers:

- all beef, dairy and venison producers should continue to benefit from **mitigation of TB related trade risks**
- farmers (particularly in areas where TB is eradicated) should benefit from **lower production costs of TB.**

Drawing on the Martin Jenkins' report: *"the strategy exists for economic purposes. Put simply, TB infection reduces the desirability and value of meat and dairy products to consumers and increases production costs of meat and dairy products.*

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<sup>2</sup> Martin Jenkins provided a principle based approach to the Members' Committee of Animal Health Board for the current strategy in 2002.

*While facilitation of trade continues to be an important benefit of the proposed strategy, it also places emphasis on reducing production costs to farmers of TB testing, movement control, and the culling of infected animals. For this reason we conclude that it is necessary to consider alternatives to export earnings as a basis for allocating strategy costs.*

*In our view the strategy's benefits (and the costs that would occur in their absence) are realised mainly by farmers in their farm gate earnings. These earnings capture the strategy's contribution to the benefit of mitigating trade risks (satisfying consumers and regulatory agencies of the quality of New Zealand's dairy, beef and venison products) as well as production costs as follows:*

- *trade risk arising from TB is managed by an effective TB Strategy. This leads to markets remaining open, leading to higher farm gate earnings than if markets closed due to a high prevalence of TB in New Zealand in the absence of a TB Strategy*
- *production losses (due to culling diseased animals and low growth rates/milk production) are lowered due to an effective TB Strategy leading to higher farm gate earnings than if production losses were high due to high TB prevalence in New Zealand in the absence of a TB Strategy.*

*For these reasons, we propose that the strategy's benefits ultimately accrue to farmers and impact on their farm-gate earnings and that the strategy's funding should be linked to gross farm gate revenue rather than export earnings or direct disease control costs or other production coefficients such as herd size."*

DINZ strongly supports Martin Jenkins' recommended position on the allocation of industry's vector control costs on the basis of Farm Gate Returns. It covers both key benefits of trade risk mitigation and production benefit.

Based on figures from the AHB's 2008/09 Business Plan, Martin Jenkins has estimated this would result in industry funding shares of:

Sector	Share of Indivisible Costs based on Farm Gate Revenue
Beef	\$5,683,200
Dairy	\$19,148,800
Deer	\$768,000

*Source: Martin Jenkins, principle based approach to Industry Funding of the Proposed National Bovine Tuberculosis Pest Management Strategy, November 2009.*

F. **DINZ submits** that Farm Gate Revenues be used to determine the extent to which industry contributors benefit from the proposed NPMS and as a rationale for the allocation of costs. **DINZ submits** that an allocation based on Farm Gate Returns reflects where industry benefits (trade risk mitigation and production) of the proposed NPMS will accrue. **DINZ submits** that applying funding shares based on the current strategy (which themselves were arbitrary) have no basis for determining the extent to which industry contributors will benefit from the proposed NPMS and provide no rationale for the allocation of costs.

### Allocation of Disease Control Costs

DINZ is concerned that the lack of consideration of principles to determine rational funding shares in the proposed NPMS will result in a mismatch between those benefitting from the strategy and those funding it. A mismatch would result in dissatisfaction from individual funders because of a lack of fairness, undermining support for the proposed NPMS and decreasing its effectiveness.

A serious illustration of this is in the allocation of disease control costs. The proposed NPMS (point 17) recommends disease control costs being apportioned to individual sectors because they can be easily measured. The Martin Jenkins' Report (pages 10 to 13) points out that the proposed NPMS seeks to progressively eradicate TB from particular parts of the country. This should result in lower production costs to those parts of the country and similar or higher production costs to those not targeted for eradication. This will mean some regions will benefit more than others which potentially undermines the current 'national' approach to managing bovine Tb. Because there is not an even proportion of beef, dairy and deer operations across all regions, this will result in some sectors gaining more benefits (lower production costs and lower testing costs) purely due to them being serendipitously in an area targeted for eradication. This lowers their disease control costs, but not those of others outside the region.

The Martin Jenkins' Report argues that the rational approach under a principle based approach to determining funding allocations to disease control funding would be to nationalise disease control costs and allocate them among industries using the same methodology as indivisible costs. This would mean that production benefits would be shared fairly among industries and individual regions. DINZ sees logic in this approach, but also notes that there would be challenges.

The deer industry currently prefers that individual deer farmers manage their own testing costs whereas the beef and dairy industries have testing requirements under industry-wide contracts and are paid as part of their levies/industry contributions to the AHB.

A change to nationalised funding would be a significant change for the deer industry, and would need to be debated among the deer industry to understand what the practical implications would be. For example, by employing their own tester, a farmer can arrange for that person to do other jobs on the same visit. Also, nationalised funding may subsidise less efficient producers.

If a Board of Inquiry is called, the deer industry would use the intervening time to establish its position on nationalising disease control costs.