



1 December 2018

Sam McIvor,
Chief Executive, Beef + Lamb New Zealand
Level 4, Wellington Chambers, 154 Featherston Street
Wellington 6011

Tim Mackle
Chief Executive, DairyNZ
Level 10 Prime Property Tower 86-90 Lambton Quay
Wellington

Dear Sam and Tim

This letter introduces the final report of the *Mycoplasma bovis* (*M. Bovis*) Cost Review panel, which was convened by the GIA Secretariat at the behest of DairyNZ and Beef + Lamb NZ, the two identified industry beneficiaries of the *M. Bovis* response.

Our brief was to advise you on the appropriate industry cost share apportionment for the *M. Bovis* response in accordance with Clause 5.1.11 of the Government Industry Agreement for Biosecurity Readiness and Response (the GIA Deed). In its deliberations the panel considered available written information, submissions from industry parties, sought opinion from New Zealand and overseas experts, and responded to feedback on our draft opinion from the parties.

This task was complicated by the limited available information relating to probability of infection, certainty of impacts, and associated costs as they may apply in the New Zealand context. Given the absence of hard data, the Panel needed to make judgements about the financial risk to sectors consequent to infection. As set out in the report, based on the information available to it, the panel formed the view there is a high financial risk if animals are kept close together and lower risk if they are normally more dispersed. This led to the conclusion that all dairy is at high risk of impact. In the beef sector, beef cattle finished in feedlots and other intensive systems and bulls used for mating cows are relatively high risk; hand reared calves sold for finishing are moderately high risk; and other operations (largely extensive beef) are extremely low risk.

The panel developed a methodology to accommodate the array of factors we view as most pertinent, though it became apparent that there is insufficient existing data to populate our initial model with sufficient degree of confidence for the panel's purposes and what the industry parties sought from us.

Accordingly we also developed a model based on the at-risk revenues per farming type. Application of this model leads to our recommended industry cost share of 95% for DairyNZ and 5% for Beef + Lamb NZ. The Panel's assumptions have been documented in the model, so the parties may adjust

the model if necessary. We conclude by recommending that the cost share calculation be revisited periodically if more data on the probability of clinical infection by animal type and increased costs per infected animal becomes available.

Yours sincerely

A handwritten signature in black ink, appearing to read "Steve Rich". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Steve Rich, Manager, GIA Secretariat
For and on behalf of the M.bovis cost review panel.