

Frequently asked questions

How much will the proposed split cost dairy and beef cattle farmers?

When the phased eradication response was announced in May, the government estimated the total direct cost of the response at up to \$870 million over 10 years, with 32 per cent of that (\$278 million) needing to be funded by the dairy and beef sectors. Added to this is the \$11.2 million industry had committed to support the initial investigation phase of the response, bringing the total industry contribution for the response to \$289 million over 10 years.

It's important to note that this is the government's estimate of what the total cost may be, and the final figure will depend on the success of the phased eradication programme and how long it runs for. It will also depend on efficiencies that can be brought into the eradication programme, and DairyNZ and B+LNZ are committed to their governance role of ensuring financial accountability.

Based on today's announcement the share of that cost would be approx. \$272m for the dairy sector and \$17.4m for the beef sector over the 10 years of the response. Roughly half of the 10-year cost of the response will be incurred in the first two years of the intensive eradication activity, and B+LNZ and DairyNZ are intending to consult with farmers as part of setting levy rates.

For dairy farmers, this means that in the next few weeks we'll be working out what the costs would be for repayment terms per year.

For beef cattle farmers, the biosecurity levy rate will depend on the repayment timeframe that farmers prefer during consultation. For instance, levies could be frontloaded at approximately \$4.80 per head for Year 1, reducing to around \$1.70 in Year 2 and steadily decreasing thereafter. Alternatively, the costs of the intensive eradication period could be spread, with levy rates set at a lower level, but for longer. B+LNZ will cost up a range of options for beef farmers to consider as part of our consultation.

What was the process by which the decision was made?

The Boards of DairyNZ and B+LNZ agreed to engage an independent panel to come up with a recommendation on how to share the costs of the *M. bovis* response and both Boards agreed to abide by the recommendation of that panel as the fairest way to reach agreement on those costs.

The independent panel considered the views of both DairyNZ and B+LNZ with regards to the potential spread and impact of the *M. bovis* disease, as well as the principles of the Government Industry Agreement framework, in reaching their recommendation.

How did the panel arrive at the recommended cost share?

The panel's recommendation was based on the potential impact of the disease on production of dairy and beef, and the relative size of the two sectors. As part of its assessment of impact, the panel assessed, and accounted for, the different levels of risk raised by different farming systems (e.g., intensive vs extensive beef systems).

Full details of the panel's rationale is available on the DairyNZ and B+LNZ websites (or [available here](#)).

Why is the 94:6 split different to the panel's 95:5 split?

Originally the panel recommended 95:5 but it was agreed that it needed to be based on a five-year rolling average, rather than one year's worth of data. This was to help us determine the relative impacts on both sectors and we felt rolling averages give a more accurate picture than one year's worth of data and using the rolling data changed the ratio slightly by one per cent.

If just as many beef farms have been affected by the eradication, why is the split not more equal?

The split is based on the production impacts of *M. bovis* if it was not eradicated and relative size of the two sectors, rather than the number of infected farms.

Based on current research (backed up by observations during the eradication process so far), the impact of the *M. bovis* disease on extensively raised beef cattle is minimal. While the animal may carry the disease, it will not show clinical symptoms. There is a slight difference in the risk of disease impacts between extensive and more intensive beef operations.

The more intensive nature of dairy systems means that clinical impacts are more likely to arise, resulting in impacts on production.

The proposed split is therefore a reflection of each industry's production based on their respective economic sizes, alongside the likelihood of *M. bovis* impacting on production in different farming systems, rather than how many dairy or beef farms are infected with the disease.

Will you be releasing the full report?

Yes, the independent advisory panel's full report is available on the DairyNZ and B+LNZ websites.

What happens following the approval of the decision by the DairyNZ and Beef + Lamb New Zealand boards?

DairyNZ and B+LNZ will consult with their farmers on the details of the separate biosecurity levy.

Will dairy cull also need to pay the beef biosecurity levy?

DairyNZ and B+LNZ have agreed that due to the way in which the panel has reached its recommendation, and the unique circumstances of the response, dairy cull cows will not be subject to the *M. bovis* beef levy.

Will bobby calves need to pay the beef biosecurity levy?

Consistent with conventional practice, no levy will be charged to bobby calves.

How easy will the differential beef levy be to administer?

It is anticipated that the *M. bovis* levies will be collected under existing systems. There is already a differential levy for TB for beef cattle and dairy cull cows and it should be relatively simple to align this system. This system is relatively new, and in some cases cattle are being incorrectly recorded as either 'dairy' or 'beef'. As shareholders of OSPRI, B+LNZ and DairyNZ have been working to improve the system and will continue to do so to ensure that the right farmers are charged the right amount for cattle at processing.

What happens if the phased eradication programme isn't working?

There were a number of reassessment points agreed between the government and industry at the outset of phased eradication to ensure progress is regularly checked, to ensure eradication remains the best choice. Any decisions regarding the future of the phased eradication programme will be made in agreement between the government and industry with the best long-term outcomes for the sector in mind.

Is there a realistic prospect of the disease being eradicated?

Government and industry believes that *Mycoplasma bovis* was detected early enough in New Zealand to allow us to successfully eradicate it.

Tracing of the spread of *M bovis* and the results of bulk milk testing since the eradication decision is all consistent with the assumptions made about spread at the time of the eradication decision.

While confidence is growing, we appreciate it is a difficult task which no other country has accomplished, which is why the phased eradication programme has review points built into it to ensure it remains the best long-term option for the dairy and beef sectors.

What are DairyNZ and Beef + Lamb New Zealand doing to support farmers?

With substantial support from the Rural Support Trust, DairyNZ and B+LNZ have set up a compensation assistance team, DBCAT, to provide free assistance to farmers to prepare compensation claims. Contact details for the service are:

- Call 0800 322 281; or
- Email dbcats@dairynz.co.nz; or
- Email dbcats@beeflambnz.com

DairyNZ and B+LNZ have placed Recovery Managers, sourced from industry, into each of the regional *M bovis* headquarters. The Recovery Managers lead a team of people with knowledge of farming to help affected farmers through the challenges of being impacted by the response, and to ensure decisions are made with an understanding of farming.

Both organisations are talking to farmers, individually and at farmer meetings, to better understand the issues that arise on the ground to help shape the response.

Who was on the GIA panel?

Graeme Milne, Independent Advisor and Company Director

John Ballingall, Deputy Chief Executive NZIER (note John has just left NZIER)

Rob Ogilvie, Partner, Franks Ogilvie

Steve Rich, Manager GIA Secretariat

Beef + Lamb New Zealand specific questions

Will sheep be levied for M. bovis?

No. *M. bovis* is a cattle disease and sheep will not be levied.

How will Beef + Lamb New Zealand consult on levy rates for funding the beef industry's share of the phased eradication response?

Beef cattle farmers will be consulted as part of a joint consultation with DairyNZ, which is currently planned to take place from mid-January 2019 to early February 2019.

The *M bovis* response cost has been significantly more than assumptions made by all livestock sector organisations around response costs when originally seeking mandates to join GIA. In part, this is because of the nature of the response – it is on

a scale comparable to a Foot and Mouth Disease response, but as it has no trade impacts or impacts beyond cattle, the industry share of costs is particularly high. To repay the beef sector costs of the eradication under the GIA levy rates (of 45c/head) already consulted on would take over 30 years. Both DairyNZ and B+LNZ will be consulting farmers on repayment periods and the implications this has for maximum levy rates.

What is the cost likely to be per head of beef cattle?

The amount depends on the timeframe chosen by farmers to spread the \$17.4 million total cost over (this includes the beef industry's share of the \$11.2 million of costs already incurred as part of the investigation phase). As an example, for beef cattle farmers to frontload costs would likely need a levy of \$4.80 per head for the first year, reducing to around \$1.70 for year two, and then reducing steadily and significantly as the response went on. Alternatively, farmers could average out costs over a two or three-year period and pay a lower levy for a slightly longer period of time. Our consultation with farmers in the New Year will include detailed information on repayment and levy rate options to make sure farmers can provide informed feedback.

How will the beef cattle levy for *M. bovis* be collected?

It is anticipated that the beef cattle levy for the *M. bovis* response will be collected via a biosecurity levy at the point of slaughter.

What advice and resources are available to assist beef cattle farmers?

Beef + Lamb New Zealand has a wide range of resources available for farmers at www.beeflambnz.com/mycoplasma-bovis

MPI also has regular updates on the phased eradication response, biosecurity precautions, information and advice for farmers who are under controls, and compensation information and guidance at: www.mpi.govt.nz/protection-and-response/mycoplasma-bovis/

DairyNZ specific questions

Why is DairyNZ paying such a large percentage of the costs compared to B+LNZ?

A robust process has been followed. DairyNZ presented an approach that was rejected by the independent panel after much debate and negotiation. We argued strongly that the cost split should also include the costs that would be associated with changes to farming systems in both sectors if *M. bovis* was not controlled and eradicated.

However, the panel felt it was too difficult to determine these costs and settled on likely clinical impacts instead. Having said that, we did enter this process agreeing that we and Beef+LambNZ would abide by the recommendations of the independent panel and we also acknowledge the need to move forward.

DairyNZ has been adamant that the beef sector will not charge dairy farmers through their own cattle cull levy (i.e. dairy farmers will not pay twice).

The panel's calculation of recommended cost share was based on an assessment of the relative at-risk farm-gate revenue for each of the dairy and beef sectors. The panel assigned risk factors to both industries' revenues, the risk factor being the risk of financial losses due to *M. bovis* compared to an animal raised on a typical dairy farm.

What is the amount for the dairy sector?

- Total cost being recovered \$870 million
- 32% of that cost is \$278 million
- 94% of the 32% is \$261 million + \$10.5 million for the initial testing phase to June this year (total: \$272 million).

The cost will be funded by a separate biosecurity levy, however the details such as payback period are subject to a biosecurity levy consultation. These details will be determined in the new year and you will have an opportunity to provide feedback. The split has been agreed that it be will funded 94% by dairy and 6% by beef, due to our size, scale and income impact. Originally the panel recommended 95:5 but it was agreed that it needed be based on a five-year rolling average, rather than one years' worth of data. This was to help us determine the relative impacts on both sectors and we felt rolling averages give a more accurate picture than one years' worth of data and using the rolling data changed the ratio slightly by one percent. The dairy sector, therefore will be required to fund approximately \$272 million for the entire ten-year programme through a specific biosecurity levy.

What will the average cost be per dairy farmer?

An indication of what the levy could be is a levy of approx. 2.6 cents kg/MS over three years would cover the costs incurred to date and up to June 2020 (approx. \$4100 per year for an average size farm). What the exact numbers will be, and over what time period, will be determined after farmers have provided feedback through the consultation.

How long will I have to repay the costs?

Details on the payment period will be provided to dairy farmers through a levy consultation that will take place in the new year. There will be an opportunity for farmers to provide their feedback.

How will farmers repay these costs?

As a percentage of the milksolid cost.