

**LIVESTOCK IMPROVEMENT CORPORATION
SHAREHOLDER COUNCIL**

**SUBMISSION TO
THE MINISTRY FOR PRIMARY INDUSTRIES
ON
THE DAIRY HERD IMPROVEMENT INDUSTRY
REVIEW OF REGULATION**

(MPI Discussion Paper 2018/10)

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LIC is a co-operative owned by 10,500 New Zealand dairy farming shareholders. The LIC Shareholder Council's role is to represent the shareholders of LIC and to make sure that the shareholders' interests are enhanced.

The LIC Shareholder Council is made up of 21 regionally elected farmer representatives from throughout New Zealand. These Councillors run varying types of farming enterprises under a range of ownership structures and use differing DairyNZ farming systems. This Council is therefore made up of a diverse, representative range of dairy farm businesses.

The Shareholder Council is concerned with the potential outcome of the 'Review of the Dairy Herd Improvement Regulatory Regime'. We are primarily concerned with the proposals contained in section 5, Data used for animal evaluation.

Under section 5.1 of the review there are 3 options presented:

1. Keep things as they are, retaining the regulated 'core' dataset of 46 data fields, and relying on herd testers to provide additional data to the DIGAD voluntarily.
2. Expand the regulated dataset to include the additional fields currently needed to calculate breeding values and animal evaluation indices.
3. Provide a more broadly focussed mechanism that allows the regulated fields to be updated without requiring amendment to the Act or the Regulations.

The LIC Shareholder Council strongly supports option number 1 as it retains the status quo, which from a farmer perspective works well and does not add unnecessary additional burdens or compliance costs on the dairy industry. The Council notes that non-core data is already shared freely and data access does not limit current or future herd improvement needs of the industry.

The Council is concerned with option 2 as it is proposed, or any variation that gives Dairy NZ or the Access Panel a monopoly in the transaction of the core (regulated) data set. The industry relies on certified herd testers to provide data into the core database. The incentives for those herd testers to continue to provide data will be diminished if their rights to use the data are limited by additional regulation, the intent of which is not clearly set out in the consultation document.

The Council is strongly opposed to option 3.

The main reason that the LIC Shareholder Council is opposed to option 3 and aspects of option 2 is that as owners and shareholders of the co-operative we have funded the significant industry investment in genetic improvement via purchased products and services from our co-operative and are committed as an organisation to continue this research and development into the future. Combined with good governance and expert knowledge from the senior leadership team and scientists, a significant portion of the profit has been invested into research and development. This research and development has driven much of the genetic improvement seen in New Zealand and is widely considered the key factor that has kept New Zealand farmers as world leaders in our field in producing grass based milk.

The view of the Shareholder Council is that unnecessary additional regulation, or the effective deregulation of the data aspects of the herd improvement regulatory regime, will be detrimental to our industry.

The Council is really concerned that the changes proposed would reduce the value of LIC, a value that dairy farmers have collectively built up for over 100 years and would introduce uncertainty to our rights to commercialise the outputs of the investments made by the cooperative. The effective loss of LIC's intellectual property rights developed on behalf of the majority of New Zealand dairy farmers would impact New Zealand's competitive edge against dairy farmers from around the world. This loss would be significant for LIC and we believe it would also detract from shareholders wanting to continue to invest in new and exciting products and services.

The Council is also aware that new developments in herd improvement are capital intensive, genomics being the most recent example. These technologies will require funds significantly in excess of what industry good funding can afford, and so will need developing by commercial organisations (whether they be farmer co-operatives or corporates). These commercial organisations will need to be able to retain control of the intellectual property developed and data collected to give them confidence to invest.