



NEW ZEALAND SEED CERTIFICATION SCHEME INFORMATION UPDATE SEPTEMBER 2021

SUMMARY

There are several significant changes currently occurring in the way the seed certification scheme is governed and administered in New Zealand. These changes will affect every stakeholder participating in seed certification, including growers, seed processors, seed companies, independent verification agencies and the government regulator. These changes will not only change the way stakeholders interact with the schemes but also how they pay for participation, how and when varieties and seed lots are verified and who is accountable for the activities undertaken. This document describes where these changes are happening and how they will affect stakeholders.

SEED CERTIFICATION INFORMATION SYSTEM PROJECT (SCIS)

Progress with development

The new system is in its third and final stage of development and is planned to be completed in December 2021. Functionality that manages certification up to the time of delivery into store has all been completed and tested. A “soft go-live” release is planned to be available in October so that growers and seed companies can begin to familiarise themselves with the features.

Implementation timing

It is planned that all activities associated with certified crops to be harvested in 2023 will be administered in SCIS. With that objective, the first activity in the next couple of months for everyone will be to set up their organisation and user profiles. This action will be required for both growers and seed companies. Following this, the next for seed companies will be the setup of listing and authorities for domestic and multiplication varieties. For growers it be the of registering of crop entries.

For everyone involved in seed certification there will be a lot of training and education involved to become familiar with a new way of doing things in SCIS. This will be done via workshops, online training guides and over the phone support. It is also expected that seed company field representatives will become familiar with SCIS and be able to assist growers in entering their crops.

Project cost

The cost of delivering this project has risen significantly since the initial projection in mid-2019 of \$1.9 million. It is now expected to cost \$3.5 million.

OPERATIONAL CHANGES TO NZSA

The development of the SCIS has allowed the New Zealand seed industry to change the way the NZ certification scheme is governed and administered. The NZSA has responded to this opportunity to bring about changes as follows;

- Starting on the 1st October, Evan Johnston has been appointed to the position of SCIS Coordinator. Evan’s responsibilities will include facilitating user testing of the application prior to release, managing the engagement, education and training of users, supporting the deployment of SCIS administrators and the development of Standard Operating Procedures.
- A new National Seed Certification Office (NSCO) entity will be established to administer seed certification. This entity will be based in Canterbury and will be progressively resourced as its workload grows over the next six months.

- Independent verification, inspection and seed testing services will become contestable. However, it is probable that this change may be limited to specific activities and may take a period of time to transition. NZSA may also decide to contract certain verification services to specific IVAs to maintain continuity of supply.

Over the next couple of years, the NZSA will be very active in establishing the NSCO, negotiating with MPI and IVAs on new agreements, completing the SCIS project and helping the industry to adapt to the new certification processes and framework. During this time, it will require strong leadership in governance and strategy. The current NZSA executive has appointed John McKenzie, Oceania CEO for PGG Wrightson Seeds to the role of NZSA chair to provide this leadership.

FUNDING

Operational costs

The NZSA requires funding to cover its new operational cost overheads going forward and to complete the SCIS project. Operational costs are forecast to be around \$1.2 million per annum. These will include new MPI recovery charges of \$ 150,000 per annum for the management and oversight of OECD certification and new variety purity and seed lot verification charges of about \$140,000 from IVAs and MPI. The verification charges are directly correlated to the volume of crop administered by SCIS. Additional costs may be added depending on how quickly the industry wishes to invest in additional developments to SCIS.

Project costs

The remaining SCIS project costs are about \$1.61 million, all of which will be paid by November 2022.

Cashflow

To ensure enough cashflow to cover these two activities, the NZSA proposes implementing the two following revenue structure.

- For harvest 2022, NZSA will request NZGSTA to implement the additional Industry Contribution charge of \$0.004/kg on the 2021 crop for seed companies and Federated Farmers to implement a \$0.0045/kg contribution on the 2022 crop from for seed growers. This was signalled as a probable outcome at the last industry consultation round at the end of last year.
- Implement a 3c/kg certification charge (or similar mechanism) for all crop administered in SCIS for 2023 harvest. This charge will be split between growers and seed companies based on the following policy;
 - I. Proprietary crop certification charges will be split 50/50 between the owner of the cultivar and the grower of the seed lot.
 - II. Multiplication crop certification charges will be split 75/25 between the contractor of the crop and the grower of the crop. This will transition to 50/50 for 2024 harvest. (Seed companies who have internalised certification costs into their grower contracts will be accommodated regarding invoicing of costs.)
 - III. All commodity crop certification costs (eg *Nui*) will be charged 100% to the grower.

Certification charges will be separate from inspection and seed testing costs. These costs will be invoiced to the user directly by the organisations undertaking these services.

Capital

In the short term the NZSA will need to generate revenue over and above normal operating costs and retain this for debt repayment. In the longer term, capital will also need to be retained for system improvements based on user feedback, changes in requirements and software upgrades.

QUESTIONS AND ANSWERS

Is the industry going to be better off financially than what it was 2 years ago?

The industry will be better off financially with the establishment of a NZCO by several hundred thousand dollars per annum although benefits have been eroded over the last two years. This is because of the additional seed lot verification costs that were not in place two years ago.

Is the new system and certification framework going to fix the current industry constraints?

Not immediately. The main constraints for industry are in seed processing and seed testing turn-around, both of which a new system cannot fix because these are issues of resource. However, with the new framework, all NZ ISTA accredited seed laboratories will be eligible to be accredited to undertake official purity and germination testing. It will be up to those laboratories to decide if they wish to do this. If they do, it will still take time to train up additional analysts to undertake this work so the industry will not see an immediate improvement in seed testing turn around in the next year or two.

Unfortunately, what the industry is going to have to accept is an additional verification requirement that MPI is implementing for OECD and OECD-EU certified seed. This verification will occur once a seed lot is in a completed state with a completed test. The seed will not be able to be released from an MAO site until it has been approved by MPI. If MPI can complete this check in a similar time frame to phytosanitary approvals, this process should not be a significant constraint for industry, but this is not a certainty as yet.

Is SCIS going to simplify certification processes for stakeholders?

It is hoped that SCIS will be a revelation for seed company administrators, growers and seed processors in its ease of use and in its transparency in displaying the status of a variety, crop or seed line at any stage of certification. It is recognised that there will be initial hurdles to overcome in set up, familiarisation and training and that the system has the minimum functionality required at present to save costs. The initial hurdle will mainly be for growers in setting up their farm maps using the geospatial mapping functions in SCIS. Once they have done this it will be relatively plain sailing from there on. There will also be some challenges for the NSCO in becoming familiar with the data it will inherit from AsureQuality so that it can check things like paddock histories.

What are the cost increases as a result of the new SCIS?

There are no specific cost increases that have come about because of the operation of SCIS itself. NZSA has faced several cost increases not directly related to operational certification activities but from overheads such as the MPI management and oversight cost recovery. As mentioned above, NZSA also needs to generate revenue to cover future capital costs that we are likely to require to maintain and develop the SCIS.

Is the new SCIS really worth the cost? Are we not better with the status quo?

The NZ Seed Industry had little option but to spend the money on a system to meet new traceability and verifications requirements of our industry regulator. This spend would have been either on upgrading the current systems managed by AsureQuality or by starting from scratch with a new IT

system. Based on independent advice, that latter option was chosen. Starting from scratch has allowed the industry to decouple itself from its complete dependence on a single IVA service provider for system administration and development. Decoupling the information system and its administration has created the opportunity to review and change the way seed certification is governed in NZ. Hopefully this change will bring about tangible benefits to industry over and above the cost of SCIS.