

IN THE MATTER

of the Resource Management Act 1991

AND

IN THE MATTER

of the proposed Variation 2 to the Proposed
Canterbury Land and Water Regional Plan -
Section 13 Ashburton

**STATEMENT OF PRIMARY EVIDENCE OF ROBERT JOHN BRAWLEY
15 MAY 2015**

Federated Farmers
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Christchurch
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1. INTRODUCTION

1.1 My full name is Robert John Brawley. I am employed by Grow Mid Canterbury Limited ("**GMC**") as Chief Executive. Grow Mid Canterbury is the economic development agency for the Ashburton District. I have been employed with GMC since February 2007. My previous experience has been as owner of a financial & business consultancy and employment as a lending banker. My bank lending experience took in both the 1987 share market crash and the removal of SMP's from the New Zealand agricultural sector in the early 1980's.

Qualifications and experience

1.2 I hold a Master's Degree in Business Administration with Distinction from Massey University (2007) and a Graduate Diploma in Business Studies endorsed in Financial Planning (2003).

1.3 My concern with the proposed Variation 2 to the CWLP - Section 13 Ashburton ("**Variation 2**") relates to the potential for negative impact on businesses, both farming and non-farming, in the Ashburton District and wider economy.

2. BACKGROUND

2.1 Grow Mid Canterbury is committed to the long term sustainable management of the Ashburton District's natural resources in the wider context of sustainability; environmental, social, cultural and economic. GMC believes that the majority of the District's business people, including farmers, share this view.

2.2 GMC is concerned that the proposed variation 2 will have unfavourable economic impacts that could be reduced under the Federated Farmers and Dairy/NZ proposed solutions.

3. FLEXIBILITY CAP

3.1 GMC supports the proposal for a 'flexibility cap'. Requiring farming operations to operate within 2009-2013 average is too restrictive for

several reasons. Taking away the ability of a farming business to use its resources in the most economically sensible manner would result in a loss of economic opportunity for the district.

- (a) Firstly, such a situation would be inequitable for some farming operations who find themselves forced to change their farming focus as a result of external influences. By way of example; a black currant farmer on heavy soils would likely be a very low emitter currently. Without a 'flexibility cap' they would have insufficient flexibility to change their farming system if growing black currants was no longer viable. For example if their crop and new canes were destroyed by hail, as happened in this District several years ago.
- (b) Secondly averaging a four year period is not necessarily long enough to take in the range of farming applications a farmer puts the land to in his/her extended business cycle. This could significantly reduce a farmer's future ability to maximise the economic gains from their farming enterprise.

4. FONTERRA/DAIRY NZ PROPOSAL

- 4.1 GMC supports the proposed amendment to variation 2 as it believes this amendment would have less negative impact on business viability in Mid Canterbury.
- 4.2 GMC is concerned with the economic analysis that has been undertaken to date and believes this needs to be further explored. In particular, the linkages such as changes in business unit risk profile and the flow-on effects at the business level. The agency is concerned that there has not been enough time or resource for the parties to adequately consider the economic risk posed by this proposal and as a result the existing economic analysis may significantly understate the potential economic effects.
- 4.3 What on face value may appear a minor economic reduction to some groups (a 3% reduction in output is considered significant by this agency) could have significant unforeseen social effects that have not been identified in the current socio-economic analysis.

- (a) Farm worker accommodation is usually supplied by the employer. A reduction in staff by farmers could have a significant impact on workers and the community. If those workers were able to find other work in the area, though this may be unlikely given their probable skill set, they may struggle to find affordable housing within the district.
 - (b) The expansion of irrigated farming saw an influx of younger families into the district, revitalising rural communities, schools, churches, sports clubs etc. It is reasonable to assume a downturn in employment would have the opposite effect.
- 4.4 A modest reduction in expenditure by farmers could have a significant impact on businesses in the district. Research by BERL¹ and subsequent data provided by Infometrics² indicates that as much as 90% of the District's economy is closely linked to the agri-business supply chain. Thus the impact of reduced farmer spending is felt by almost all businesses within the district.
- (a) Farm support businesses typically find it more difficult to finance an economic downturn because they do not have the same levels of equity in their balance sheets as farms. Therefore their options to manage a downturn are more limited. GMC is concerned this may not be adequately reflected in current economic analysis.
 - (b) Many businesses operating in the local retail industry are trading on thin levels of profitability and have already reduced costs within manageable margins. Even a small decrease in turnover could force them to reduce staff or detrimentally impact upon their profitability and viability. GMC does not believe this is captured in current economic models.
- 4.5 It has been identified that the costs of mitigating nitrate leaching sit between \$0.2 and \$1 per k.g. of milk solids, dependent upon farming enterprise³. This is a significant cost that will need to be incorporated into financial risk models.

¹ BERL, Regional Database, 2008.

² Infometrics, Ashburton Annual Economic Profile, 2013 and earlier.

³ Lumsden, G, Rabobank, personal communication, 2015.

- 4.6 Economic modelling by Dairy NZ⁴ identified that the Environment Canterbury proposal would result in an increased risk profile (reduced resilience) for dairy farmers in the Hinds Plains Catchment Area. For a ‘typical farm’⁵ the likelihood of a negative cash surplus increased from a 1 year in 10 risk at GMP, to over 1 year in 5, with a corresponding reduction in the degree of recovery in intervening years. Furthermore approximately half of all dairy farms in the catchment have higher than median debt levels and higher than average costs of production. For a significant percentage of those farms the likelihood of a negative cash surplus increased from just over 1 year in 5 at GMP, to 1 year in 3. Compounding this was an increased likelihood of consecutive years of negative cash surplus.
- (a) Banks have indicated that they consider this change in risk profile to be significant and that it could lead to restrictions on lending, including reductions in allowable debt to security/income levels. This would not only be a major constraint on further development but, more importantly, on innovation. Innovation will be needed to develop increased ability to mitigate the environmental effects from farming.
- (b) GMC believes that the effect of a change in risk profile will be felt more greatly by businesses that service agriculture, in the district and region. As previously identified, research by BERL and subsequent data provided by Infometrics indicated that as much as 90% of the district’s economy is closely linked to the agri-business supply chain. A change in the risk profile of a major customer base would effect a change in the risk profile of the servicing/support business. As has also been previously identified those businesses typically do not have the size of balance sheet or bank security that farmers have. Their businesses are more often underpinned by depreciating assets than real property. Lending restrictions imposed as a result of a change in risk profile are likely to be felt closely by these businesses and further impact upon economic activity.

⁴ Mark Neal Dairy N.Z. 2015.

⁵ Mark Neal Dairy N.Z. 2015.

- 4.7 GMC is not confident that the expected level of farm development within the catchment will eventuate to offset the impacts of the proposal on existing farmers.
- (a) In particular GMC is concerned that there may not be sufficient room within overall catchment limits.
 - (b) GMC is also concerned as to the level of support further development proposals will receive from bankers, given the additional costs and risk model impacts already discussed and increased commodity price volatility - especially for dairy farming. The agency is already aware of a significant increase in unmet seasonal employment demand as a result of current commodity price volatility.
 - (c) Uncertainty is a major disrupter of business growth and development and the agency believes there is a high level of uncertainty surrounding the proposal and the actual effect it will have on farming operations. This is exacerbated by the calculations achieved with the latest version of 'Overseer' which GMC understands have been significantly different than previous calculations, even for arable farmers.
- 4.8 GMC is concerned that a greater burden will fall on, young, innovative farmers who have had less opportunity to build equity in their businesses. As a result their business models will be more sensitive to additional costs and restrictions. These are the very farmers who need to be supported in the industry if it is to achieve the level of innovation that is required to sustainably manage our natural resources.
- 4.9 Finally, the agency is concerned that a greater share of compliance burden will fall on those outside an irrigation scheme who will have to meet all compliance costs themselves.

5. SUMMARY

- 5.1 It is for the reasons above that I support the submissions of Federated Farmers and Fonterra/Dairy N.Z.

Robert John Brawley

15 May 2015

Attached letters of support from Ashburton District businesses:

- **Gluyas Motors Ltd.**
- **NZ Sock Co. Ltd.**
- **WH Collins Ltd**
- **Todds of Ashburton Ltd.**
- **Wilson Bulk Transport Ltd.**



7 May 2015

To Whom It May Concern

RE: Resource Management Act 1991 - Proposed Variation 2 to the Proposed Canterbury Land and Water Regional Plan - Section 13 Ashburton

My full name is *Euan Robert Sparrow*.

I am a businessman in Ashburton where I own and manage a business that operates in the Retail and Manufacturing Industry. My business name is Sparrow Brothers Retail; it has been trading for 128 years employing 8 staff including myself and family.

Firstly, I support the long-term sustainable management of our natural resources including water, environmental, cultural and economic.


Secondly, I support the submissions of Federated Farmers and Fonterra/ Dairy NZ.

I am concerned about the impacts on my business that would result from the proposed Variation 2. I believe that the above submissions if accepted would result in a lower level of impact on my business.

Sparrow Brothers is totally reliant on the farming sector for our turnover. As an example during the 1984 farming downturn we dropped 25% in turnover, and had a high level of bad debt that was not recovered. The banks already see retail in rural towns as a sunset industry.

We are obviously greatly concerned that with the new dairy payout levels leading to anything else which could affect the ability for farmers to continue to make and invest money back into the local community will have a negative effect on our business and a number of other areas of our district.

Kindest Regards



.....

Euan Robert Sparrow



TODDS OF ASHBURTON

7 May 2015

To Whom It May Concern

Resource Management Act 1991- Proposed Variation 2 to the Proposed Canterbury Land
And Water Regional Plan- Section 13 Ashburton

My full name is Anthony John Todd

I am a Retailer in Ashburton where I own and manage a business that operates in the Fashion Industry. Our business name is Todd's of Ashburton. It has been trading for 95 years and we employ a total of fifteen staff including myself and Christine.

Firstly I support the long term sustainable management of our natural resources including water, environmental, cultural and economic.

Secondly I support the submissions of Federated Farmers and Fonterra/Dairy NZ. I am extremely concerned about the impacts on my business that would result from the proposed Variation 2. I believe that the above submissions if accepted would have a major impact on my business.

We are an agricultural town. Town and Country are intertwined. We rely on each other for our continuing success.

While Mid Canterbury is quite diverse in what it grows farming in general and dairy farming in particular do have a growing influence on expenditure in our district. You only have to witness the drop in dairy prices this season to understand as a retailer I do have concerns on how these diminishing prices will impact on the retail and service industries in our district. The proposed variation will exacerbate that.

Some industries in Ashburton at the moment are in positive growth. But I can say the Fashion industry is quite fragile at present. We are not experiencing growth at all.

Any further outside influences that depress the market further would have a detrimental effect on the viability of businesses in our rural towns. It is worth noting there are empty shops now.

As stated our total staff numbers are 15. All our controllable overheads such as wages advertising etc have been rolled back as much as possible. If our turnover was to drop a further 10%/15% we would need to review further any of our controllable costs.

Obviously we don't have the same amount of "wiggle room" with the banks as in a lot of cases retailers don't have an appreciating asset such as equity in land outside of the family home. We are reliant on growing sales with margin to survive. Shop rentals do not come back when retail turnover drops.

If you wish to maintain a strong rural town you need to put in place regulations that don't strangle the life out of the very industries that are providing the wealth that the whole of New Zealand needs to enjoy a quality of life that is the envy of the world.

Think what you are proposing to do

Tony Todd
Managing Director
Todd's of Ashburton

7 May 2015

To Whom It May Concern

Resource Management Act 1991 - Proposed Variation 2 to the Proposed Canterbury Land and Water Regional Plan - Section 13 Ashburton

My full name is Jonathan Ward

I am a businessman in Ashburton where I manage a business that operates in the Transport & Rural service industry. My business name is Wilson Bulk Transport Ltd and it has been trading for 25 years and employs 40 plus staff including myself and family.

Firstly, I support the long-term sustainable management of our natural resources including water, environmental, cultural and economic.

Secondly, I support the submissions of Federated Farmers and Fonterra/ Dairy NZ. I am concerned about the impacts on my business that would result from the proposed Variation 2. I believe that the above submissions if accepted would result in a lower level of impact on my business.

Our company is very reliant on the agriculture industry for our existence and any changes in farm spending will impact us greatly with the flow on to this being our subcontractors and staff.

With the change in land use to Dairy Farming this is now a very important sector which affects all business in one way or another. Reduced expenditure from this sector will have long term affects to the district for employment and general business activity.

A 10% reduction in revenue to this company would mean we would have to look at all our costs including staff numbers with the possibility of having to reduce this by up to 4 permanent positions

I am very concerned about the effect of any reduced spending from the farming sector and I believe this would have a greater effect than economists may estimate for various reasons. Transport operations run on very small margins and we have depreciating assets which leave us little room to move, labour may be one of the few areas where we can cut costs easily. Our lenders may see a higher risk profile should the proposed changes go ahead and this will stifle growth in the district.

Jonathan Ward
Wilson's Bulk Transport Ltd

W H Collins Ltd
P O Box 35
Ashburton

Ph 03-3085119
Fax 03-3081449

7 May 2015

To Whom It May Concern

**Resource Management Act 1991 - Proposed Variation 2 to the Proposed Canterbury Land
and Water Regional Plan - Section 13 Ashburton**

My full name is Simon Lye

I am a businessman in Ashburton where I own and manage a business that operates in the Retail Industry. My business name is W H Collins & Co Ltd it has been trading for 100 years and employs 100 staff.

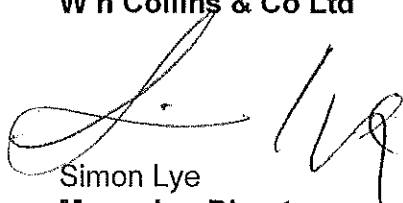
From both a Business and personal values perspective I support the long-term sustainable management of our natural resources including water, environmental, cultural and economic.

In conjunction with my values I support the submissions of Federated Farmers and Fonterra/ Dairy NZ. I do worry about the influence on my company that would result from the proposed Variation 2. I believe that the above submissions if accepted would result in a lower level of impact on my business.

We operate in a very rural based community and quickly observe (impact on sales) when there is a negative influence in the agricultural area, whilst weather can be the primary driver for these influences, the most notable example recently has been the drop in the global dairy prices which has effected our trading and overall confidence in the community.

If there is a proposal which could create an environment where our rural economy is stifled my concern is the impact of the local business. Possibly this hasn't been taken enough into consideration and what effects this would have. The end result like many businesses would be in is a capped labour force or even more negative, a reduction in staff which is the last thing we wish.

Yours faithfully
W h Collins & Co Ltd



Simon Lye
Managing Director
03-3085119



Gluyas Motor Group

ASHBURTON



8 May 2015

To Whom It May Concern

Resource Management Act 1991 – Proposed Variation 2 to the Proposed Canterbury Land and Water Regional Plan – Section 13 Ashburton

My name is Peter Gluyas.

I am a businessman in Ashburton where I own and manage a business that operates in the Agricultural industry. My business name is Gluyas Motor Group and Johnson Gluyas Tractors in Ashburton. Gluyas Motor Group has traded since 1954 and Johnson Gluyas Tractor has traded in Canterbury and North Otago since 1995.

Firstly, I support the long-term sustainable management of our natural resources including water, environmental, cultural and economic.

Secondly, I support the submissions of Federated Farmers and Fonterra/ Dairy NZ. I am concerned about the impacts on my business that would result from the proposed Variation 2. I believe that the above submissions if accepted would result in farm management practices that inhibit improvement in growth and productivity on the farm. The proposed "one model fits all" is so restrictive that it would turn back farming so much that progressive farmers would leave the industry. Farms in the Mid Canterbury region are lucky to have soils and productivity that convert to the most efficient use of that ground in terms of productivity, efficiency and profit.

Limited fertiliser use with blanket rules would be the most negative thing to happen in agriculture in New Zealand since the Muldoon era, and we don't want to go back there again.

So there needs to be a middle ground somewhere. But if I buy from a farm from a farmer who was 80 and had no irrigation and little or no fertiliser over it in the last 40 years (and I know of two farms now) then this farm could not be made productive under the proposed legislation, and this is not what is intended. The heavy nitrates experienced have been largely introduced since intensive dairying began here in the last 20 years. Let's moderate the heavy users first and come up with a plan that allows reasonable growth for low users, and also takes into account land use changes.

I am concerned that the effect on my businesses of farmers having to cut back expenditure would have a greater impact than economists may estimate, for instance the flow on effect to our business would mean we have to lay off sales and service staff. The effects of a low pay out are only just beginning to be felt now, and another blow such as production output diminishing on farms would inevitably lead to a cutback in our business, and we are already a very lean organisation.



Gluyas Motor Group

ASHBURTON



I don't think anyone has considered the overall effect of a lower farm income on farm land values, which must also lead to forced farm sales, as farmers' equity is eroded. This in turn devalues our businesses, and this very real prospect happened in the mid to late 1980's, which I remember well, and would prefer not to go back there again.

I am happy to discuss further any issues arising from my letter.

Yours Sincerely,
Gluyas Motor Group

Peter Gluyas
Managing Director