

Tabled at Hearing 14/10/14

BEFORE INDEPENDENT HEARING COMMISSIONERS

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of the hearing of submissions on Proposed Variation 1
(Selwyn-Waihora) to the Proposed Canterbury Land and Water
Regional Plan

BRIEF OF EVIDENCE OF ERROL ALBERT BEGG

Dated: 14 October 2014

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Introduction

- 1 I am a director of Erralyn Farm Limited (EFL) along with my wife Marilyn. EFL jointly own, with Krysette Limited (KL), approximately 330 hectares of farmland located above State Highway 1 in the Combined Rakaia Selwyn surface and groundwater zone (**Property**). The directors of KL are my daughter and son-in-law.
- 2 KL currently farms the Property as a dairy block with 1000 cows. Its directors were sharemilkers on another EFL property previously and they have now taken the step into being owner-operators. I have been a farmer for nearly 50 years and have been in dairying for nearly 18 years, so work closely with the directors of KL to provide the benefit of my experience, including sharing machinery from other EFL blocks. I speak with the directors on a weekly basis to discuss any farming issues that may arise on the Property.
- 3 The Property was purchased as a working dairy unit on 1st August 2012 with all consents and irrigation infrastructure in place. We have not had to establish any consents or infrastructure ourselves. I know the Property has been an established dairy unit, with the same stock numbers and operating procedures since 2005.
- 4 The Property has the benefit of three resource consents to take and use groundwater. Two of the consents relating to 113ha of the Property are subject to adaptive management conditions and expire in 2020. The final consent is subject to conditions imposed through the Rakaia-Selwyn groundwater review and appeal process and expires in 2034. The two adaptive management consents are unreliable, however the consent expiring in 2034 is a relatively reliable supply.

Farming practices

- 5 EFL and KL already run the Property in accordance with best practice protocols and a farm advisor is employed on an ongoing basis to provide assistance with decisions. The directors of KL are close to the dairy business on the Property becoming a certified member of 'Lead with Pride' with Synlait. This is an internationally accredited ISO65 dairy farm assurance system and emphasises the importance of best practice procedures, Synlait offers an incentive for participating in this.
- 6 85% of the Property is irrigated by 2 centre pivots. Both centre pivots have their own monitoring probes which are monitored from the farm computer or mobile phone. This area has liquid fertiliser applied at low rates for most of milking season through the centre pivots. The other 15% of the Property is under rotorain and moveable sprinklers.

- 7 Efficiency of irrigation on the Property is very important to KL and EFL. This is not just from a best practice perspective, but also because the cost of irrigation rules out using water when it is not necessary.

Adaptive management

- 8 The two adaptive management consents relating to 113ha of the Property are subject to conditions that means the water available from them is unreliable. This has flow-on effects on the farm business profitability and the ability to plan for future investment. At the time the consents were taken on, EFL and KL were of the view that some water was better than none, ideally however, we would like to replace these consents with a more reliable supply.
- 9 One of the conditions of the adaptive management consents is that the static groundwater level has to be above a certain level to be used for the next irrigation season. We have been lucky that since the Property was taken on, climatic factors have meant the last 3 irrigation seasons in Canterbury have been shorter than average due primarily to later starts and earlier finishes to irrigation seasons. I understand that less favourable climatic factors leading to a long irrigation season is are likely to result in this adaptive management condition affecting the following season.
- 10 The financial effect of being unable to use the water allocated in the adaptive management consents on 113ha of the Property would be devastating. I discussed the issue with the farm advisor for the Property and we came up with the following figures:
- i. Pasture production on the 113ha would likely reduce from approx 17,000kg Dry matter(DM)/ha under reliable irrigation to say 8000kg DM/ha under a dryland situation. If this feed was all to be replaced with bought in supplement at an average cost of 40c/kg DM the purchased cost of feed would be at least \$406,800 (113ha x 9000kg DM shortfall x 40c). A 40c average price for replacement DM would be considered realistic based on a mix of grain at say 45c, PKE at say 30c, and silage at say 40c.
 - ii. It is likely that even if the feed shortfall from no irrigation was replaced by purchased feed, there would probably also be an unquantifiable production drop off. The costs of feeding supplement and wastage has also not been accounted for. The cost of feeding out supplement plus wastage would add say 5c/kg DM or in the vicinity of \$51,000 to the cost noted above. The above figures are based on average supplement prices, not the likely inflated prices in a drought year.
- 11 I understand the adaptive management conditions were only imposed because groundwater in the catchment was theoretically overallocated. I am concerned that if

groundwater in the Rakaia-Selwyn is no longer classed as overallocated, the provisions of Variation 1 mean that these consents may still be subject to adaptive management conditions if or when we come to renew them in 2020.

Reliability

- 12 I have been irrigating for over 40 years and in my experience in the worst droughts the average 8.5 year total volume of water could be used up before the autumn. Not being able to do those last waterings would have a significant effect on the growth of winter feed. As there would be many other farms in the same position it would not only affect dairy farmers but also the winter feed providers.
- 13 In this scenario, we would have likely been unable to use our adaptive management consents. The decrease in reliability of our remaining consent would therefore have an even more significant effect. I expect it would result in our having to dry off our herd earlier and send it away to grazing at considerable expense as in my experience prices rise when water is scarce as less feed is available to all farmers in the area.

Central Plains Water (CPW)

- 14 As we would like to replace the water provided by our adaptive management consents with a more reliable supply, we investigated joining the CPW scheme when it became available.
- 15 We were advised when we initially made enquiries that CPW water would not be supplied to only part of the Property, it had to be supplied to the entire Property. As we only had reliability issues with the 113ha covered by the adaptive management consents and had only recently purchased the Property, our family could not afford or justify the additional financial costs of CPW shares and running costs on an ongoing basis, particularly when we had paid an irrigated price for the Property.
- 16 I am continuing to investigate the ability to join CPW, but am concerned about being forced into a decision to use scheme water when it is not financially viable for our farming business.

Transfers

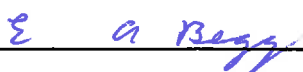
- 17 The other option we are investigating was the replacement of our adaptive management consents with reliable groundwater consents from another site. We do not wish to increase irrigation from its current level on the Property, simply to obtain a supply of water for the 113ha that we can rely on in planning future farming activities.

- 18 The restriction on transfer proposed in Variation 1 makes it extremely difficult to obtain replacement water for our adaptive management consents, even if it is available.

30% reduction in nitrogen loss rates for dairy by 1 January 2022

- 19 The predicted N outputs for the Property for the 2014-2015 season is 67kgN/ha. I would not expect this to have altered significantly from 2009, as stock numbers, farming operations and crops grown have not altered since that date. As a result, although we are still calculating the 2009-2013 baseline N figure, I would expect it to be around 67kgN/ha/annum.
- 20 This figure is slightly higher than average because 80% of the dairy herd is over-wintered on the Property and always has been. This is different to a lot of dairy operations that send their herd off-farm and are therefore able to keep N outputs down.
- 21 I would not expect a significant reduction in N to be required by 2017 as the Property is already operating to best practice protocols. However, I am concerned about the 30% reduction in N required after 2022.
- 22 A 30% reduction in N outputs would take the baseline figure for the Property to approximately 47kg N/ha. This would mean we would have to at least winter our dairy herd off the Property in addition to other measures which could affect production and I expect will be costly.
- 23 Because I was concerned about the cost of reduction measures, I read the literature for the Lincoln Dairy Research farm on the reduction with some interest. The research farm experience a loss of over \$100,000 for their 600 cow when reducing outputs by 30%, compared to the previous season of farming.
- 24 I understand from industry literature that the 30% reduction has been imposed on the dairy industry based on EBIT. The volatility of the dairy payout is well known as has happened recently where it dropped from over \$8.00 kg/ms to possibly under \$5.00 kg/ms. I am concerned with how Environment Canterbury can impose restrictions that will carry significant cost as far out as 2022 based on the profitability of one sector of Agriculture (Earnings Before Income Tax).

Dated this 14 day of October 2014



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