

Tabled at Hearing 14/10/14

**IN THE MATTER** of the Resource Management  
Act 1991

**AND**

**IN THE MATTER** Variation 1 to the Land and  
Water Regional Plan

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**STATEMENT OF EVIDENCE OF SOUTHBANK DAIRIES LIMITED**

**14 October 2014**

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**Southbank Dairies**

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## BACKGROUND

1. My name is Gary Michael. I am a dairy farmer. I have lived beside the Selwyn River my whole life. I don't have an environmental academic or legal background, and don't propose to be an expert on the Land and Water Regional Plan (LWRP).
2. What I do have is very real feedback on the practicalities the proposals in the LWRP will have on the farming community and the wider New Zealand economy.
3. Along the way I hope you allow me to indulge a few observations I have made about the people and process that has led to a growing sense of frustration in the community.
4. We own a dairy farm in Dunsandel milking 700 cows on the 188 ha farm. This is the third season since we converted the farm to dairy.
5. The farm borders the Selwyn River with no lakes on the property. There are five bores to supply water to irrigate 174 ha. There are a total of four rotorainers and one pivot irrigators.
6. I have farmed for the past 23 years on the same property, starting with 110 ha as a sheep and cropping farm, adding on extra land until we are at the 188 ha that the farm is now. Eight years ago I moved to being a support property with a cut and carry operation, and also winter grazing 1,000 cows on grass. Three years ago we converted to dairy.
7. We are Synlait suppliers and are working towards the Synlait "Lead with Pride" accreditation programme. The accreditation programme assesses the farm across the following categories: animal health and welfare, environment, milk quality, and social responsibility. For the environment requirement the

suppliers “must achieve excellence in efficient water and irrigation management, effective effluent management, improved biodiversity, soil quality, emissions and energy management”. This programme is ISO accredited and considered world wide as ahead of its time.

8. We are stage 1 shareholders in the Central Plains Water Limited (CPW) with Ordinary and Construction Shares. Further detail was included in our original submission.

## **SPECIFIC SECTIONS OF THE PROPOSED VARIATION 1 OF THE PROPOSED CANTERBURY LAND AND WATER REGIONAL PLAN**

9. For farming in Canterbury to be environmentally sustainable it needs to be industry led. Most farmers in Canterbury acknowledge we need to be ahead of the game or we will end up with the same types of rules that European farmers have had imposed on them from environmentalists and consumer watch dog groups.
10. The general feeling is that we have got to start somewhere and changing a Plan is highly expensive, time consuming and frustrating business.
11. Under the present LWRP there are going to be some real winners. That without a doubt will be the consultants.

### **Matrix of Good Management**

12. What is the matrix of good management (MGM) and how will it affect me?  
The short answer is I don't know I have heard plenty of what it could look like.

There appears to be no definition of good management practice as it relates to specific farming practices in the LWRP.

13. Retrospectively including something that nobody can quantify yet doesn't seem that smart to me. There needs to be a healthy and considered debate over a period of time on the MGM. Not a rushed, ill considered, pre-ordained tick box approach that appears to be happening at the moment or the Plan will fail and nobody wants that.

14. I suspect there are very few farmers that aren't already operating under good management principals. Nutrient loses will be the same as under current management. After all, farmers are running a business and good nutrient management and economic management go hand in hand, it is called Farming 101.

### **Zone Committee**

15. There are 15 members on the Selwyn-Waihora Zone Committee but only one has been elected, the rest have been appointed. The committee comprises of six Runanga representatives, seven community members and two councillors. One would have thought those most affected by zone community decisions should have been better represented on it, as is the case with other zone committees.

## ***Managing Land Use to Improve Water Quality***

### **Farm Environment Plan (FEP)**

16. As we stated in our submission we support the requirement for **implementation of a Farm Environment Plan (FEP) given in Policies 11.4.12, 11.4.13, and 11.4.14.** Farm environmental plans are a good idea. A

FEP is required for the Synlait "Lead with Pride™", and the CPW consent requires a FEP, for which we are a shareholder.

17. Most farmers currently have a nutrient budget. They are a simple and effective tool to manage nutrients and get farmers thinking about what is happening on their farm.
18. For environmental plans to be successful they have to be farmer driven along with what is generally accepted as standard best practice. That is a debate for farming industry groups and scientists not bureaucrats and shouldn't be rushed.
19. Above all else a farm environmental plan should be cheap and simple to audit. A figure of two to three thousand dollars a year as is being talked about is patently ridiculous.
20. I propose a system similar to our current on farm effluent audit taking half a day and costing around three to four hundred dollars. It is fair, it is cheap and above all else it is not based on questionable science so the people that is has the most effect on support it.

**Policy 11.4.12(a), Policy 11.4.14(b), and Table 11(j) *Irrigation Scheme Nitrogen and Phosphorus limit***

21. We **oppose** Policy 11.4.12(a) which states you are not allowed to exceed the nitrogen baseline for the property's nitrogen loss calculation above 15 kgN/ha/yr.
22. We **oppose** the requirement of Policy 11.4.14(b), that if a property's nitrogen loss calculation is greater than 15 kgN/ha/yr, then for dairy farms, a 30 % reduction must be made. And as a consequence, we oppose all references in other policies and rules to these reductions.

23. We oppose Table 11(j) *Irrigation Scheme Nitrogen and Phosphorus Limit*.

We will become part of CPW scheme but we have no idea what the N and P limits will be for us then.

24. The Overseer calculated baseline for our farm is 39. I suspect we will be given a figure of mid to late 20's by ECan in 2017. From then it will be a 30% reduction according to the plan by 2022. Therefore we are looking at halving our current figure. Just in case you are wondering this comes under the 'You have got to joking' category. We have heavy soils but for farmers with lighter soils the N loss rate will be higher. Therefore the reduction required will be greater.

25. So what would halving our Overseer number by 2022 mean? I am not an expert on Overseer but the three main things that push the number higher are urine patches therefore stocking rates, winter leaching, therefore winter grazing and to a lesser extent nitrogen fertilizer therefore grass growth.

26. On Southbank Dairies like most dairy farmers we winter graze off farm so there is no room to improve the figure here. As a side note: my winter grazier, a sheep and cropping farmer, says winter grazing dairy cows will affect his base line to a point some of his farm will have to go unused for the rest of the year and he will have to charge me accordingly. This makes winter grazing uneconomic regardless of where the cows are grazing for both of us. Another farcical situation as a result of a questionable computer model, like ECan's ground water model.

27. If we have to cut our fertilizer programme back and, therefore our grass growth, according to Overseer that will only drop us 3 to 4 points at most. The cost for our farm would be around 300,000 kg/year of dry matter grown based on 20% reduction in urea application. The financial cost at 20 c/kg dry matter is \$60,000.

28. I got my farm consultant, Howard de Klerk (MSc Agric Pri.Sc.Nat MNZARN) to do some calculations of what a 30 % reduction in N losses means for my farming business. His results were as follows:

***Options at reducing leaching***

- i. Wintering cows on crop is a major contributor to leaching. In your case, the cows are wintered off farm and wintering has no impact on your leaching on that particular farm. Building a barn or changing systems will not improve matters as no cows are on farm in winter. This leaves no opportunity to make any gains to reduce leaching from winter.
- ii. Relatively small gains can be made by changing the irrigation system to centre pivot irrigation – or more controlled lower application rates compared to “roto-rainers”. Initial scenario tests on Overseer suggest the gains will be very small – not more than 1 kg N/ha. All gains are additive, but upgrading irrigation equipment will come at a cost for next to no gain.
- iii. Building a feed pad and standing cows off during autumn and wet periods in spring can also help in theory. The grain is already fed in shed. Feeding the baleage and PKE on a pad and standing cows off for 3 hours per day in April, May and August, September and October made no noticeable difference to N losses. Standing them off longer would require more supplement.
- iv. Changing the effluent system to a holding pond and applying solids in summer made no noticeable difference.
- v. Reducing cow numbers to 300 cows and production down to 135,000 kg MS reduced N losses to 20 kg N/ha.
- vi. These scenarios are preliminary results using the model as set up by the fertilizer company. I therefore cannot verify every detail but must assume the basic data has been captured correctly.

***Financial impact of reducing production and stock numbers***

- i. Reducing production from 320,000 kg MS/year to 135,000 kg MS will have a catastrophic impact on revenue. Production will drop from 1850 kg MS to 780 kg MS/ha – lowering revenue by \$6,955/ha based on \$6.50 milk price. The farm will generate \$1.2m less revenue from milk.
- ii. The latest 2012/13 Dairy NZ Economic survey showed Canterbury dairy farmers have a \$4.98 operating expense per kg MS – leaving \$1.50/kg MS profit – based on \$6.50 milk price (about long term average). This can reduce profitability by over \$1600/ha.

- iii. According to the Dairybase survey, average FWE/kg MS were \$4.16/kg MS in Canterbury. Farmers produced on average 1428 kg MS/ha. Debt to asset ratio is 43%. Debt was \$18.66 per MS – or \$26,600/ha. Total asset value must therefore be around \$62,000/ha. It should be patently clear that halving production and therefore revenue potential will have a substantial impact of land values. This could potentially wipe out dairy farmers equity.
- iv. If farmers are expected to halve their production per ha by halving cow numbers, a farm like Southbank would need to cut back on 2 staff members – according to the survey there is 1 FTE per 164 cows. Over Canterbury this would create massive unemployment.
- v. If a farms production is halved, revenue will be halved. Based on \$26,600 debt/ha and an interest rate of 6.5% - farmers pay \$1,730/ha on interest alone. This works out to be \$1.21 interest per kg MS. If mortgages are land based (per ha) and production halves, then it is obvious interest/kg MS will double – to \$2.40/kg MS.
- vi. If FWE are maintained at \$4.19/kg MS plus \$2.40 interest – cost of production would be around \$6.60, not including depreciation.
- vii. At the current \$5.50 milk price the dairy industry in Canterbury would be in dire straits and not sustainable.

29. Therefore from his calculations I would have to decrease the number of cows from 700 to 300 cows to meet the 30 % decrease in N losses proposed under the Plan. That is an almost 60 % decrease in my stocking rate. This is not a realistic option for my farming business.

30. The problem is my bank manager isn't that thrilled about it. I originally thought I would have to decrease my stocking rate by 30 %. I jokingly told my bank manager that he drop 30% of my mortgage to make the Overseer figure more attractive for his budget. He declined and pointed out that the LWRP is not only going to have a massive effect on farm profitability but also on the value of farm land in Canterbury.

31. My farm consultant, De Klerk's summary statement was as follows: *"A lot more work needs to be done to model and re-model to find a scenario that best meets the N loss limits. If it means halving cow numbers and production, not only Canterbury farmers, but the entire region would be in deep financial*

*trouble. The impact on employment opportunities and land values will be staggering."*

32. In his email he added this further statement: *"This would mean the end to dairying in Canterbury as we know it – and probably an end to most dairy farmers equity as well. It would wipe the value off the land at an astonishing rate."*

33. My brother next door is a cropping farmer. He has a thriving business where he malts his own barley and sells to breweries in New Zealand and overseas. His calculated Overseer base line is around 5 or 6 because too much nitrogen only produces cloudy beer and no one wants that. The trouble is if he wants to expand his business to do that he needs to borrow against his greatest asset the land. Land values go hand in hand with base lines and we have already seen that in Canterbury land values. I guess Overseer is very much like a capital gains tax on low baseline farms.

34. The milk payout forecast this year could well be below the cost of production. Why is the plan discriminating between farming types based on EBIT? Where is the science in that? Let alone the fairness.

35. I am also a shareholder of CPW so I have no idea what my N loss limit will be under that allocation. When CPW started no one had heard of nutrient allocations or base lines.

36. Shareholders signed up for two assets: water and the infrastructure that carried water to our farms.

37. Then along came nutrient base lines and a nitrogen allocation. This is now the third asset, the one you need now but didn't know you needed it at the time the scheme started. Shareholders have made a significant investment in the scheme. Providing a nitrogen allocation to the scheme that has not been

confirmed on a farm by farm basis is unacceptable. The viability of a scheme we have already paid for is at stake.

38. Nationally significant schemes such as CPW should not be put in jeopardy because the goal posts have changed due to a computer model half way through a project we've already paid for.

***Relief sought:***

***Nitrogen loss limit (Policy 11.4.12(a) and Table 11(j))***

- a. Delete all references to 15 kgN/ha/yr limit until there is more adequate assessment of the Overseer model and proper scientific measurement of nitrogen losses across different parts of the region to ascertain actual nitrogen leaching to waterways data.
- b. Draft "Other Methods" to work with farmers to implement N loss reduction programmes using Overseer calculations as an indicator so that farms with high N loss rates are reviewed first.
- c. Once adequate actual data has been obtained confirming Overseer's accuracy in predicting N loss rates then decide a suitable N loss limit for inclusion into the plan by way of a variation.
- d. Delete Table 11(j) and all references to Table 11(j).

***Nitrogen loss limit (Policy 11.4.14(b))***

- a. Delete all references to percentage decreases of N losses across the individual farming types (e.g. 30 % for dairying).

## **Rules 11.5.6 to Rules 11.5.13**

39. Following on from the discussion regarding Policy 11.4.14(b), we **object** to the rules that have been created to enforce the policy.
40. Requiring farming to be a discretionary activity and therefore needing a Resource Consent will be a boon for the consultancy business.
41. The cost to farmers and the economy will be staggering. You only have to ask anyone who has to obtain a resource consent what a nightmare it is even with a consultant. The level of paperwork and bureaucracy will be immense.

### ***Relief sought:***

- a. Delete all the rules 11.5.9, 11.5.10, 11.5.11, 11.5.12, 11.5.13 and replace with Other Methods.
- b. If this is not satisfactory, then delay the commencement of each of the rules until a much later date when more accurate results of nitrogen losses can be obtained for each farm, as well as changing the following:
  - i. The activity status of Rule 11.5.9 from restricted discretionary to controlled activity status.
  - ii. The activity status of Rule 11.5.10 from discretionary to restricted discretionary status, using the matters which Council can exercise its restricted discretion listed for notified Rule 11.5.9.
  - iii. The activity status of Rule 11.5.11 from non-complying to discretionary status.
  - iv. The activity status of Rule 11.5.12 from prohibited to discretionary status.
  - v. The activity status of Rule 11.5.13 from prohibited to non-complying status.

## ***Sustainable Use of Water and Improved Flows***

### **Policy 11.4.23**

42. We **oppose** Policy 11.4.23 that reallocates water at a rate and volume that reflects demonstrated use.

43. My main concern regarding CPW is that shareholders be able to retain their existing water consents for their bores rather than have them surrendered when the consent comes up for renewal.

44. A number of farmers will use existing bores as a back-up for times when the river scheme is at low flow. These bores will also be a critical backup in the event of a catastrophic scheme failure due to a natural disaster, such as an earthquake.

45. Farmers have paid for the irrigation infrastructure including wells and pumps. Taking those consents away on a use it or lose it basis is just plain wrong.

### ***Policy 11.4.23:***

- a. Delete the additional statement to Schedule 10 regarding Selwyn Waihora zone.

### ***Schedule 10 - Reasonable Use Test***

*Within the Selwyn Waihora catchment method 1 shall determine seasonal irrigation demand based on eight and a half years out of ten.*

- b. We support the change from “demonstrated use” to “reasonable use”.
- c. We oppose the change from nine out of 10 years to eight and half years out of 10 for Selwyn-Waihora.
- d. We also oppose that there is no delayed start date to the policy, even though most farms only have two years of water usage history to have their allowance calculated on. Therefore we request a delayed start to the policy at such time that records have been kept for a reasonable period of time.

## **CLOSING COMMENTS**

46. Farmers aren't frightened by change. We know we have to continually improve our practices. But changes forced on us with scant regard with the consequences of our livelihoods and with, as far as I can see, little benefit to the environment is incredibly frustrating.

47. Take us with you to make this plan work but you're not going to succeed by halving our incomes.

