

In the Environment Court  
at Wellington

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*under:* the Resource Management Act 1991

*in the matter of:* appeals under clause 14 of the First Schedule to the  
Resource Management Act 1991 concerning proposed  
One Plan for the Manawatu-Wanganui Region

*between:* **Federated Farmers of New Zealand**  
(ENV-2010-WLG-000148)

*and:* **Minister of Conservation**  
(ENV-2010-WLG-000150)

*and:* **Horticulture New Zealand**  
(ENV-2010-WLG-000155)

*and:* **Wellington Fish and Game Council**  
(ENV-2010-WLG-000157)

*and:* **Andrew Day**  
(ENV-2010-WLG-000158)

*Appellants*

*and:* **Manawatu-Wanganui Regional Council**  
*Respondent*

*and:* **Fonterra Co-operative Group Limited**  
*Section 274 party*

Statement of evidence in reply of **Sean Matthew Newland** for Fonterra  
Co-operative Group Limited

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Dated: 18 April 2012

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REFERENCE: John Hassan (john.hassan@chapmantripp.com)  
Luke Hinchey (luke.hinchey@chapmantripp.com)

## **STATEMENT OF EVIDENCE IN REPLY OF SEAN MATTHEW NEWLAND FOR FONTERRA CO-OPERATIVE GROUP LIMITED**

### **INTRODUCTION**

- 1 My full name is Sean Matthew Newland and I hold the position and experience as described in my Evidence in Chief (*EIC*).
- 2 In this statement of evidence I respond to the evidence of Cornelius (Neels) Botha and Alison Dewes on behalf of the Wellington Fish & Game Council (*Fish & Game*).
- 3 The fact this statement in reply does not respond to every matter raised in the statements of other parties, or every witness raising those matters, should not be taken as acceptance of the matters raised. Rather, I rely on my EIC and this reply statement to set out my opinion on what I consider are the key issues in relation to the Manawatu-Wanganui Regional Council's (*Council*) Proposed One Plan (*POP*).

### **SCOPE OF EVIDENCE**

- 4 My evidence will address the following matters raised in Dr Botha's evidence:
  - 4.1 The Manawatu River Leaders' Forum; and
  - 4.2 Dairy farming compliance with the Dairying and Clean Streams Accord (*Accord*).
- 5 My evidence will also consider issues raised in Alison Dewes' evidence regarding the long term price of milk and her associated predictions regarding the growth of dairy conversions.

### **EVIDENCE OF NEELS BOTHA FOR FISH & GAME**

#### **Manawatu River Leaders' Forum**

- 6 As Dr Botha states in his evidence (see paragraph 2.4) the community value the Manawatu River and its tributaries for a range of reasons, not simply (or even primarily) environmental reasons but also for recreational, cultural and economic reasons.
- 7 Fonterra Co-operative Group Limited (*Fonterra*) agrees that the New Zealand community wants clean fresh water – however, in Fonterra's view, the community, and the Government, want to ensure that a strong economic base underpins our ability to achieve broader social objectives. The Manawatu Leaders Accord's goal is:

*"... to improve the Manawatu River, the mauri (life force) of the Manawatu River Catchment, such that it sustains fish*

*species, and is suitable for contact recreation, in balance with the social, cultural and economic activities of the catchment community.”<sup>1</sup>*

- 8 There is explicit recognition within this that what is to be achieved is not simply an environmental outcome, but an environmental outcome that also provides for the social, cultural and economic objectives and activities of the community.
- 9 Dr Botha also identifies that the Manawatu River Leaders’ Forum application to the Fresh Start for Freshwater Clean-Up Fund indicated concerns of risks to stock water and dairy shed wash down water, among other things. I note that I have been involved in this Forum, on behalf of Fonterra, for several years and while this may have been a concern raised in the application, I am not aware of any concerns among the dairy sector (Fonterra included) regarding the suitability of the Manawatu River or its tributaries as a source of stock water or water for dairy shed wash down attributable to the water bodies’ current water quality. In addition, the broader range of risks identified are not, as far as I am aware, confined in their cause to nitrate loss from dairy farms, although this is one of the key matters controlled by the POP to address water quality issues.

#### **Compliance with the Dairying and Clean Streams Accord**

- 10 Dr Botha makes a number of assumptions regarding the ability of industry self regulation to be successful based on his reading of the 2010/11 Dairy and Clean Streams Accord Snapshot report (*Snapshot*)<sup>2</sup>.
- 11 While Dr Botha’s reading of the report is correct in content, I believe his assumptions as to industry self-regulation are incorrect bearing in mind the broader context of which he may not be aware.
- 12 The most visible, and reported on, Accord target not being achieved has historically been related to compliance of dairy farm effluent discharges. This has, and remains, the most heavily and directly regulated (by regional councils) activity within the Accord targets. Until approximately 6 to 7 years ago – and in some regions even more recently - responsibility for farmer education (such that there was), monitoring of and compliance with effluent management sat with the regional councils. During this time compliance levels remained, in most regions, static or improved incrementally.
- 13 In an attempt to help address this issue Fonterra and DairyNZ have, over the past 6-7 years, increased the role they play in informing

<sup>1</sup>2010/2011 <http://www.horizons.govt.nz/managing-environment/resource-management/water/manawatu-river-leaders-accord/>

<sup>2</sup> <http://www.maf.govt.nz/news-resources/publications.aspx?title=Dairying%20and%20Clean%20Streams%20Accord:%20Snapshot%20of%20Progress>

and supporting farmers to improve their effluent management practices. This has included the provision of technical data, raising issue awareness, development and implementation of training programmes, development of standards and accreditation of effluent systems and their designers. Fonterra, through its team of dairy sustainability specialists, has also provided increasing one-on-one support to farmers, with a focus on effluent management. I note that Alison Dewes recognises the significant resources the dairy industry has invested into research and extension on how to mitigate environmental effects from the dairy sector (paragraph 6.15).

- 14 Most recently, this work culminated in Fonterra undertaking the "Every Farm – Every Year" programme which commenced in 2010. The programme saw every Fonterra supplier's effluent system assessed for risk of non-compliance and adverse environmental impact. Where risk was identified, corrective actions were required to be implemented by the supplier.
- 15 While it is only from this year on that we will see any improvement from that programme, I am confident that this industry led non-regulatory approach (I don't consider the programme to be "voluntary") will result in increased compliance rates. I base this confidence on personal experience of working directly with farmers on effluent improvement issues, and the positive outcomes from similar approaches used by Fonterra in relation to food safety and milk quality (on which the Every Farm – Every Year programme has been modelled).
- 16 I also note, for instance, that the Snapshot shows the 2010/11 year results as having the lowest national level of significant non-compliance since the standardised system of reporting was introduced in 2007/08.
- 17 Turning to the particular issues raised by Dr Botha regarding the Accord stream fencing goals, I note that the approach taken by the independent MAF auditors as documented in the Snapshot was not an "apples for apples" comparison with the assessments undertaken by the independent assessors who undertake inspections for Fonterra. The main differences of approach were:
  - 17.1 The use of temporary fences was not considered by the MAF inspectors. Temporary fences are relatively inexpensive, and provide a mechanism to mitigate flood impacts, so this has been adopted by some farmers as a means of Accord compliance. Fonterra considers this method as an effective stock exclusion if used when cows are in a paddock with access to Accord waterways;

- 17.2 The difference in reporting results. MAF used a “complete stock exclusion on a farm” approach. Fonterra uses “stock exclusion from a % of Accord waterways” approach. In my view Fonterra’s approach is more consistent with the Accord target which is “*Dairy cattle excluded from 50% of streams, rivers and lakes by 2007, 90% by 2012*”. In short, MAF only counted those farms and Accord waterways with complete exclusion as compliant, whereas Fonterra has reported on the percentage of Accord waterways from which stock is excluded. On that basis the comparison is much closer (if not within the bands of the margins of error).
- 18 Dr Botha has missed these points. His assertion (paragraph 4.6) that only 42% of farms inspected had excluded stock should be modified to say “had fully excluded stock over their entire length”. In Fonterra’s view, MAF’s method of assessment does not account for the substantial improvements that have been made. The results do not refer to whether a farm had carried out stock exclusion up to any percentage less than 100%. Rather if any exclusion occurred over 99% of the waterway this was not accounted for.
- 19 The Snapshot report shows that while only 42% (+ or – 4%) of farms have complete stock exclusion, 57% (+ or – 3%) of streams had complete exclusion (noting that this did not include those streams where temporary fencing was the mechanism for stock exclusion), and 78% (+ or – 2%) of total Accord waterway bank length had stock exclusion. Nationally, the mean bank length left for stock to be excluded from is 0.8km per farm.
- 20 As noted, the Accord target for 2012 is that 90% of Accord waterways have stock excluded. The national figure from the independent assessment carried out for Fonterra indicates 84% exclusion (i.e. stock are excluded from 84% of the total length of waterways on Fonterra supply dairy farms)
- 21 Fonterra acknowledges that it has not quite met its targets and that stock exclusion from waterways is important. It should be noted that Fonterra has now introduced stock exclusion as a condition of supply, as a non-regulatory, industry-led mechanism. This has been done, following several years of action via the voluntary process, to provide certainty to farmers. Fonterra has also accepted the rules in the POP requiring stock exclusion.
- 22 There is also recognition within Fonterra that independent audits of such targets would be the best approach in the future – provided the auditors are properly briefed on the relevant requirements of the Accord to avoid future misinterpretations such as the present.
- 23 Targets for nutrient management have yet to be met by all suppliers having nutrient management plans (NMPs). The reason for this is

simple – until recently there has not been the trained resource available to make these available to all dairy farmers.

- 24 The resource available to provide NMPs resides, almost entirely, within the fertiliser industry and they have had to upskill staff before being able to provide farmers with the appropriate level of advice. For this reason a staged approach was taken which saw farmers provided with simpler nutrient budgets in the first instance and, as resource became available, these budgets are now transitioning to NMPs. This has had the added advantage of raising farmer awareness by easing them into nutrient management through a simple process. I note that 99% of Fonterra suppliers have a current nutrient budget, the remaining 1% is an artefact of the timing of budget preparation and monitoring by audit staff.
- 25 I agree with Dr Botha's comment at paragraph 4.7 that achieving industry self-regulation is not easy but it is effective. Fonterra maintains the view that the dairy industry has advanced substantial changes in farming practice and behaviour without regulatory input.
- 26 As demonstrated by farmers' performance in relation to effluent management, a regulatory approach is also not always effective. To support the existing regulatory approach, Fonterra brought in the Accord (a "non-regulatory approach") to sit alongside and complement the existing regulatory approach. In relation to the POP Fonterra generally supports the decisions version of the POP as a regulatory approach which will also sit alongside the Accord.

## **EVIDENCE OF ALISON DEWES FOR FISH AND GAME**

### **Long term price of milk and dairy conversion scenarios**

- 27 At paragraph 7.13 of her evidence Alison Dewes makes reference to the long term price of milk, and in particular suggests \$6 or \$6.50 as a possible price (vs \$4.55 which she states was used by Monaghan in the Toolbox assessment). She also makes predictions as to likely dairy conversion scenarios based on "*continued strong commodity prices and the improved business returns from dairying commodity prices and global markets*" (paragraph 5.10).
- 28 I do not have expert qualifications to comment on those predictions, but would note my understanding that it is very difficult to know what the long term price of milk will be due to the large number of variables which go into determining the price.
- 29 I also note my understanding that milk price is only one of the factors which will influence a land owner's decisions to convert to dairy farming. The main factor is more likely to be the relative profit margin that can be made from dairying, when compared to another type of land use. For example, if a sheep and beef farmer is

able to get better profit margins from that use than in dairying, there would be less of a financial incentive to change their land use.

- 30 In any case, my understanding is that the Council intends to continue monitoring water quality and will also be collecting resource consent information on all new dairy conversions in the region. Therefore, if conversions appear to be coming on faster than anticipated, the Council will be able to review the relevant planning provisions (as is already expected in Ms Barton's current proposed policies 6-7A-B) to address any potential issues.

#### **CONCLUSIONS.**

- 31 Although Fonterra's compliance with the Accord has been underrepresented in Dr Botha's evidence, Fonterra is still supporting a degree of regulation (ie. the decisions version of the POP) which will sit alongside the non-regulatory approaches discussed in my EIC. Fonterra considers that the version of the POP it is promoting is achievable and balanced.

**Sean Matthew Newland**

18 April 2012