Action for Healthy Waterways  
- Submission from Farm Management Consultants

Lochie MacGillivray and Phil Tither are farm management consultants with AgFirst Pastoral HB Ltd in Hawke’s Bay. We work in the sheep and beef sector, primarily in Hawke’s Bay but also service clients throughout New Zealand including a reasonable number in the lower South Island.

AgFirst NZ have put together a comprehensive submission on the healthy waterways proposals covering all of the agricultural and horticultural sectors. The purpose of our submission is to highlight some key areas for sheep, beef and deer farmers.

1. Optimising land use across a mosaic of land resource

Typically sheep and beef farms cover a wide range of land resource and in our view are less homogenous than many of the other primary sector industries. Some of the land -farmed by this sector has more significant limitations due to factors such as slope, soil type, access and climate. But it also ranges through to pockets of high-quality and potentially very productive land. Often this variance of land quality is within the same farm.

We agree that the objective of improving the environmental footprint of our farms is an important objective and believe that in many farms a well managed plan can achieve this with moderate, if any, material impact on net profitability.

However one of our key concerns is the possible restrictive approach to limiting intensification on parts of farms.

As farm management consultants we are often tasked with helping evaluate land use change on pastoral farms. This can range from evaluating retirement of less productive land from pastoral use e.g. changing to carbon/production forestry/indigenous forestry, and on the other hand opportunities for enhancing economic potential particularly of the better and less vulnerable land classes.

Modelling work using tools such as Farmax and Overseer along with seeing the results on commercial farms have led us to the view that there can be win-win opportunities for farm businesses that retire some vulnerable areas but to maintain financial viability also aim to enhance the productivity on priority areas. Often a consequence of this development will result in increased emissions per ha from the intensified block. However at a whole catchment level total emissions could possibly be moderated. The increased losses from these more
developed blocks in some cases can often be more than offset that by retirement of steeper land classes where the economic value is significantly less and where they are often sensitive to sediment loss into waterways.

We are therefore concerned about the proposals where we fear that there may be excessive restrictions to improving productivity. A couple of examples would include

1. Requiring consents for irrigation areas greater than 10 ha. We understand consents will need to be able to demonstrate that there is no net increase in environmental impact.

2. Arbitrary restriction on areas that can be forage cropped. Forage cropping and regular regrassing programs have been shown to have significant impacts on whole farm productivity by providing a key feed resource of high quality at specific times of the year and this being leveraged to improve the feed utilisation on the whole farm.

Consents which focus on just that particular block or grandfather clauses/arbitrary constraints could have significant impacts on a business’s ability to realise the potential of land with significant economic potential.

As an alternative to these specified restraints we rather support the farm planning approach where a proactive program is documented that looks at the property as a whole, or even better still how it fits into a wider catchment plan, and aims to ensure that it achieves triple bottom line objectives of financial sustainability along with environment and social goals.

2. Questions regulators may ask

If we allow some intensification won’t things get worse?

We believe that a big picture approach where overall progress is made in environmental outcomes should be the focus. Allowing flexibility to still have some targeted intensification as long as there is a greater offset elsewhere will provide a mechanism to achieve environmental goals but allow progressive and proactive farming businesses to enhance their contribution to the New Zealand economy.

If it’s worthwhile developing land why hasn’t it been done already?

Technology and markets are ever-changing and typically the opportunities to implement improved technology and/or land use change is greatest on the easy contour / high-quality farms / parts of farms.

For example our research on utilising plantain and clover pastures on sheep and beef farms in Hawke’s Bay suggests that converting pastures on 10% of the farm would increase the farm gross margin by almost 30% As the impact of Plantain is not available in the Overseer programme as yet, it is possible that this landuse change comes with a decrease in N losses to water.
Many farmers have identified this opportunity and are establishing systems to regularly replace this high-quality but short-lived pasture. However, we believe it is still a technology that is underutilised and some farmers believe that they will no longer be able to take up these pasture replacement opportunities because of restrictions on forage cropping and regrassing programs.

In terms of market changes for sheep farmers, the net value of wool is now very low whereas lamb and even mutton production are producing good financial returns. Production systems for wool can tolerate lower animal performance and consequently utilisation of poorer quality feed on hill country was historically viable for a wool-focused business, but efficient meat production requires high animal performance in terms of lambing percentage and lamb growth rates which typically require high-quality pastures and/or forages. At current wool returns, a focus entirely on crossbred wool production would not be viable for most farm operations.

The gap in net financial margin from better land relative to poorer land has significantly increased in recent years because of these changes to market returns for different products. If the ability of farm businesses/regions to react to changing markets is overly constrained then this will have an impact on individual landowners' viability and asset values but will also constrain the regional economy, and ultimately the NZ economy.

Why don’t farmers plant more trees to protect waterways and earn from Carbon Sequestration?
Carbon is another example of a new market opportunity which will be useful as a new revenue stream in some situations, and more trees may lead to improved water quality in some areas. We are concerned that the time frame some carbon farm developers are taking is too short and believe that for long-term landholders this is a relatively short-lived opportunity i.e. only the 1st rotation of trees eligible to earn carbon credits and permanent forests only generate revenue up until they reach ceiling yield, i.e. maximum biomass per hectare. We recommend a 100-year view, not a 30-year view on widespread changes of pastoral land to forestry. Usually planned farm forestry is best incorporated in conjunction with pastoral land use to maintain the best economic, environmental, social and cultural outcome.

3. Summary
We recognise that change is required to improve water quality and believe that well thought out farm plans can help identify opportunities that allow business and environmental goals to coexist.

We fear that grandfather clauses and arbitrary restrictions on individual landowners can have unreasonable impacts on business and community viability.

Thank you for reading.