

To: Freshwater Submissions, Ministry for the Environment
From: Shand Thomson, Chartered Accountants, Balclutha, Otago
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Submission on:

1. Action for Health Waterways : A Discussion Document on National Direction for our Essential Freshwater
2. Draft National Policy Statement for Freshwater Management (NPS)
3. Proposed National Environmental Standards for Freshwater (NES); and
4. Draft Stock Exclusion Section 360 Regulations

1. Who are we?

We are a Chartered Accounting firm owned and operating in Balclutha, South Otago (small town NZ). We have a satellite office in Dunedin. We have served our community for 75 years. We currently employ 45 people (35 FTE's).

Like many small towns, Balclutha relies solely on the primary sector and 90% of our clients are either farmers (sheep, beef, dairy, dairy support, deer, arable, or mixture of), or operate a wide range of businesses that rely on the agri-sector. Over the years, we have developed strong working and personal relationships with our clients.

We are unashamedly agri focused, heavily involved in agri sector benchmarking and actively involved in the wider agri-sector including facilitating for both the Agri-Women's Development Trust and several RMPP Action Groups as well as a long standing sponsor of the Clutha Development Inc water quality project which supports 6 water care groups.

2. Support in principle:

Like all New Zealanders, we believe that healthy waterways are a priority for our communities. We agree with and support the need for the following aspects of the proposals:

- Maintenance and enhancement of the health and environmental quality of all waterways
- Strategies that enable all waterways to be a regular place of enjoyment and provide safe drinking water
- Good management practices such as farm environment plans
- Extending the reach and access to science and education to meet fresh water aims
- Prohibiting wallowing animals and cattle from waterways
- Exempting sheep

3. Concerns:

While we agree with the overall intent, we have concerns about the detail and potential impacts the proposal will have on our clients and their businesses. Our concerns are:

■ **Timing & process:**

The nature of the proposals and timeframes did not involve a suitable consultation process either with industry groups prior to release, nor subsequently with short timeframes coinciding with the busiest time

in the farming calendar. There has been little or no work on the economic impacts on farmers and therefore NZ's economy as a whole.

■ **Economic impact:**

- There should be comprehensive economic modelling to determine the direct costs to farmers and the flow on impacts on the community at a region-by-region level. Present levels of intensification are the result of century long economic policy settings that encouraged, and in many cases required, development and intensification for farm viability and the health of our national economy.
- We are aware of some modelling work completed by the Waikato Regional Council. It reported that forestry would replace pasture-based farming in many parts of the region and farm profitability would fall by 11%. This should be concerning to all New Zealanders.
- There is a risk of being lulled into a false sense of complacency that these changes are manageable economically without testing this robustly. Currently commodity prices are good but we know that these fluctuate widely and there is plenty of evidence of very difficult times in the agri sector and how this impacts on rural communities and the wider NZ economy.
- As agri accountants/advisors, we see the current and proposed increasing compliance costs having a major effect on viability regardless of current economic conditions. The investment required to comply with the proposals is in many cases significant.

■ **One size fits all:**

- The "grand parenting" provisions whereby any further intensification will require consent penalises those farms with low-intensity farming systems. It provides the greatest flexibility and opportunity to those already in high intensity farming systems. This is inherently unfair. Greater attention to improving the worst affected areas would reap the greatest reward and be much fairer than a sinking lid policy applied indiscriminately to all land types and farming systems.
- Water quality and water efficiency policy appear to be at odds with each other with tension between the existing requirements for irrigators to be water efficient and the limitations on intensification. The greater capital and operational costs of shifting to (supposedly) more efficient, spray systems, mean the farmer needs to transition to a further intensified farm system to be commercially viable.
- Most of our clients, to some degree, follow existing good management practises in relation to water quality, attend local events to learn about improving these practices, and are members of local water catchment groups. We recognise that not all farmers are proactive and detrimental practises do exist, however, the proposed legislation is a one size fits all approach that does not recognise the good outcomes achieved by many. To put it in plain terms, it does not focus enough on the poor performers directly.
- Putting blanket gradient and stocking rate limitations on farmland for winter grazing across New Zealand fails to acknowledge the extreme differences in soil type and moisture fluctuations and growing season. The potential impact that this may have economically (through inability to carry capital stock over winter) across various regions is not properly understood.

■ **Mental health and wellbeing:**

- The past few years have been profitable for most of our clients due to unusually buoyant commodity prices, **yet** farmer confidence is the lowest it has been in decades. Currently, farmers are dealing with increasing pressures on bank lending arrangements and we are encountering the effect across our client base on a daily basis. The high indebtedness of some farm businesses, the demands on cash flow by the need to repay debt earlier and also reinvest in tiring business infrastructure and increasing compliance requirements, are all cumulatively adding to the pressure on our farming clients. The timing of freshwater reforms simply adds another layer of pressure.
- The latest farmer suicide rate of 16 per 100,000 people compares to 11.2 for every 100,000 people living in cities. In Australia, the farmer suicide rate is 20 per 100,000 people. This does not read well and as a country we need to better understand what the causal effects are. It follows that care is

needed to ensure that environmental reforms are well considered, focussed on the areas that can provide the most benefit, and implemented over a sensible timeframe that allows time to manage the significant associated costs.

■ **Compliance costs & bureaucracy:**

- As agri accountants/advisors, we see the current and proposed increasing compliance costs having a major effect on viability regardless of the current economic conditions. The investments required to comply with the proposals will be very significant in many cases.
- Application and consenting fees currently restrict good water quality initiatives that farmers already engage in voluntarily. We have a number of examples of these situations where bureaucracy has got in the way of proactive outcomes.
- Cost effective permanent or seasonal feed pad solutions that do not require resource consent need developed through government-industry partnerships to allow for practical solutions that minimise damage under winter grazing practises.
- Calf sheds need to be excluded from requirements to consent. We know of local farmers who put down layers of woodchips throughout the season incorporating urine and dung with a local nursery providing fresh woodchips and taking away the previous seasons' as compost.

■ **Farm systems:**

- Better education and extension of biological systems in the soil, currently downplayed by wider industry bodies, but acknowledged by Land Care Research and other scientists (eg Graham Shepherd), could reduce nutrient losses via ground water migration (i.e. under the riparian planting) and improve landscape and hydrological function dramatically.
- The proposed average slope calculation potentially restricts a farmer with a balance of flat, rolling and steep gradient land to utilise the flat land for more intensive activity such as winter grazing on the basis that currently each farm carries with it, an average slope calculation for the entire area. If slope calculation is to remain, it must have the ability to be isolated into Land Management Units within the farm area.
- Under the proposal, rotational grazing would trigger the exclusion of stock from waterways in almost every case, irrespective of gradient. This is a concern as rotational grazing is an integral part of many farmers grazing systems and it would be completely impractical to fence off waterways in some of our rolling to steep areas. In many cases, these waterways are the livestock's only source of water.
- Farmers need the ability to manage non-planted riparian areas via short bursts of grazing during the dry season to manage weed pressures without extensive use of herbicides that can be toxic to freshwater ecosystems. This is a practise currently utilised by many farmers with fenced waterways.

4. What should happen:

- Apply an effects based approach at a catchment-by-catchment level rather than the proposed national rules based method. Target the known problem (high N levels) catchment areas that do not have existing plans tackling the issue to the level desired by the proposals.
- Ensure there is adequate resourcing to constructively support the changes that are needed in the high-risk areas, concentrate on achieving success, and then apply the learnings in phase two which would target any remaining non-compliance in lower risk areas.
- Support a constructive collaboration model similar to the RMPP Action Network for lower risk areas. If target quality indicators are not being met collectively (or farmers fail to engage), then trace the source by water sampling up the tributary and seek action plans from the catchment group for further improvement and/or enforce compliance action.
- Waive application fees and streamline local process for approving works that will enhance environmental outcomes.

- Facilitate/sponsor Farm Environmental Planning courses for “Farm Environmental planners” and auditors over the next 12 months to provide the necessary support to ensure plans are developed and owned by the farmer.
- In assessing proposals, prioritise the “wellbeing” of those directly affected by the proposed legislation especially with respect to setting timeframes for compliance.
- Require better rigour and transparency of the science around the setting of the water quality indicators and solutions for different farming systems and land types to avoid the current one size fits all approach.
- Take into account the vagaries of outputs from Overseer Modelling, increasing the availability of the details around outputs - improve transparency - and make allowances for the degree of statistical variation.
- Recognise existing waterway protection, such as riparian plantings and fencing, and allow this investment to be utilised over an extended period up to its natural useful life provided the farmer can show it provides the desired water quality outcomes.
- Increase transparency and robustness of the process from here on in by undertaking meaningful economic modelling, making available the names and skill set of the members of the panel advising the MFE and the Minister, and providing further opportunities for input and consultation from industry groups.



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