

Olsen Farms Ltd
Submission on Waikato Regional Council
Variation I

Dear Sirs

Enclosed is an addendum to my original submission sent to the Waikato Regional Council earlier this year.

I would appreciate if this submission could be treated as an addendum to the original.

I would very much like to have the opportunity to speak to both at the time of the formal hearings.

Please could you confirm the above, and the approximate time when hearing commissioners will be engaged for the above.

Thank you

A handwritten signature in black ink, appearing to read 'D. Olsen', with a stylized flourish at the end.

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Olsen Farms Ltd

**Submission on Waikato Regional Council's
Variation 1
Of the
'Proposed Plan Change One' (PC 1)**

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I could not gain an advantage in trade competition through this submission.
I am not directly affected by an effect of the subject matter of the submission.

I wish to be heard in support of this submission

Signed:

David Olsen
Olsen Farms Ltd.

Date: April, 2018

1. Vision and Strategy

The Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010, Schedule 2, Vision (k) states "the restoration of the water quality within the Waikato River so that it is safe for people to swim in and take food from over its entire length."

PC 1 uses an 80-year timeframe to achieve the water quality objectives of the Vision and Strategy. The timeframe is intergenerational and more aspirational than the national bottom lines set out in the NPS FM.

Based on the information that was currently available, the CSG concluded full achievement of the Vision and Strategy by 2096 is likely to be costly and difficult. The 80-year timeframe recognises the 'innovation gap' that means full achievement of water quality requires technologies or practices that are not yet available or economically feasible.

In addition, the current understanding is that achieving water quality restoration requires a considerable amount of land to be changed from land uses with moderate and high intensity of discharges to land use with lower discharges (e.g. through reforestation).

Because of the extent of change required to meet the 80-year limits, achieving even the first step towards the long-term freshwater objectives in this Plan is an ambitious target.

With the requirement for all land users to reduce their discharges annually whether they meet the levels set in PC1 or not, there is likely to be a decrease in stocking numbers which will eventually result in a reduction in jobs and a reduction in demand from rural service providers.

This will have effects on the community such as the reduction in school roles, reduction in patients for doctors, reduction in off farm spending affecting the local shops, a reduction in the ability to produce enough produce to supply the local demand etc.

The flow on effects from this Plan Change will affect everyone in the Waikato region and has the potential to affect the national economy of NZ.

PC1 does not address the issue of pest fishes in the waterways and without addressing this issue the Vision and Strategy of the Waikato River Authority in relation to swimmability and food gathering, will never be achieved no matter what amount of other water quality management targets are met due to the ongoing detrimental impacts from pest fishes.

Part 3 of the Vision has the following sub-parts:

(i) the protection and enhancement of significant sites, fisheries, flora, and fauna:

(j) the recognition that the strategic importance of the Waikato River to

New Zealand's social, cultural, environmental, and economic wellbeing requires the restoration and protection of the health and wellbeing of the Waikato River:

(k) the restoration of water quality within the Waikato River so that it is safe for people to swim in and take food from over its entire length:

And these sub-parts all require a control strategy to be in place for the pest fishes (Koi Carp) to allow them to be enacted as required.

With the feeding activities of the Koi Carp there is no way that the river banks can be protected from erosion and the native flora and fauna protected from predation. This then means that without having a management strategy for pest fishes in the proposed plan change, the Regional Council is failing in one of its legislative requirements under sub-part 3(i).

Sub-part 3(j) requires the restoration and protection of the health and wellbeing of the Waikato River and again without having an active management strategy for pest fishes in the proposed plan change, the Regional Council is failing in its legislative requirements under sub-part 3(j).

Sub-part 3(k) requires the restoration of the water quality within the Waikato River so that it is safe to swim in and take food from over its entire length and yet if there is no adequate strategy to control the pest fishes then the sedimentation of the water and the predation of both the fauna and their habitat means that the Regional Council is failing in one of its legislative requirements under sub-part 3(k).

Section i of the Strategy requires:

(i) encourage and foster a “whole of river” approach to the restoration and protection of the Waikato River, including the development, recognition, and promotion of best practice methods for restoring and protecting the health and wellbeing of the Waikato River:

Section k of the Strategy requires:

“(k) ensure that cumulative adverse effects on the Waikato River of activities are appropriately managed in statutory planning documents at the time of their review:”

Under these sections I contend that the Regional Council has a statutory requirement to take into account the adverse effects of Koi Carp given that they are a well-known problem invasive species, that are listed on the Department of Conservation website as an unwanted organism and a noxious species.

Remedy:

- **Include a strategy for managing the control of Koi Carp to allow for compliance with the requirements of the vision & strategy within the proposed plan change.**

2. Cost of PC 1

PC1 is focused on rural land use only within the specified catchments. This means that the cost of achieving improvements in water quality is spread very unevenly across the region. The majority of the costs, both in terms of compliance, mitigation works and farm management are borne by only a small sector of the region’s ratepayers. Even within the rural sector the costs are spread unevenly with some of the highest costs falling on dry stock farmers. These economic and social impacts on rural communities have not been fully assessed.

These cost estimates contained in the section 32 analysis are very selective and have not included the full range of economic effects from the implementation of PC1. I believe that when the full costs are made public they will show that the implementation of PC1 in its current format will cripple the economy of the Waikato Region. For this reason Objective 2 of PC 1 (Section 3.11.2) will not be achieved and in fact I believe it will have the perverse outcome of actually destroying the social and economic wellbeing of many small communities within the PC1 catchment areas.

The requirement to exclude stock from all water bodies will have huge costs for compliance. Waikato Federated Farmers commissioned a study testing the implications of the plan change and this showed projected costs ranging from \$0 to over \$780,000 for AG First farms.

Five out of seven Dry stock farmers faced costs in excess of 100K (113k, 210k, 385k, 425k, 785k.) and therefore ***PC1 is simply unaffordable for the majority of drystock farmers.***

Once areas have been fenced off from grazing then it becomes the WRC's problem in terms of maintenance for eradication of pests (both flora and fauna) and in some areas there will be major costs involved in maintaining access for recreational use such as swimming and fishing as well.

The WRC has stated that they consider the average costs of PC1 in relation to FEP's to be approximately \$4,000 per farm and this does not take into account any of the other financial effects (i.e. Reduction in capital value of land from restrictions on ability to change uses, Actual costs for fencing of riparian areas, actual costs for managing the fenced off riparian areas to control pests [both flora and fauna] and to maintain access for recreational users, Impacts on local rural communities from decrease in local off farm spending and possible reduction in numbers of residents from farmers and their families being forced off their land, The inability of the commercial growers to provide the current level of supply of vegetables and the need for imported goods to make up the shortfall etc.)

Remedy:

- ***That an in depth analysis of the total costs of implementation of PC1 be undertaken and that consideration be given to a more strategic and staged approach to implement PC 1 based on that analysis, so that Objective 2 can be realized (see Section 6 of this submission).***

3. Implementation

A staged approach to implementation is proposed (3.11.2, Objective 3) with an initial 10-year plan to achieve 10% of the long-term (80 year) goal. PC 1 will be reviewed after this 10-year period.

However, PC 1 (3.11.3, Policy 2e) requires that the stock exclusion requirement is to be completed before July 2026 (i.e. within the 10-year goal interim goal). From the financial analyses I have seen, the fencing required to achieve 'stock exclusion' particularly for hill country farmers, is a major cost in implementing PC 1. Thus, while the staged 10 year period sounds reasonable, it makes it financially very difficult and in some cases impossible for farmers to implement because all these costs are 'up-front' in the first 10 years.

Although the plan has an eighty year timeframe for some farmers (e.g. hill country farmers) 100% of the costs of stock exclusion and water reticulation are to be born in the first ten years of the PC1 implementation so in effect for these farmers PC1 has actually only a ten year timeframe.

These costs will affect the farmers ability to comply with the requirements of PC1 due to the effects on overall financial viability and the ability of the land to support further borrowing to allow for the water reticulation and fencing of steep areas that is required as evidenced by the comments in the ANZ-AgriFocus newsletter of December 2016.

The higher the costs of fencing and water reticulation and the greater the reduction in capital value of the land through inability to intensify land usage, the lower the chances of banks' lending more capital for this work and also the higher the possibility that the banks may call in loans due to lowering of capital land values.

The stock exclusion and water reticulation requirements have to be completed in the first ten years and after that they will have virtually nothing else to do but wait for the next seventy years (if they can still afford to own the property) to see if the mitigation effects of the exclusion requirements have actually delivered the modelled results in their catchment.

Remedy:

- **That 3.11.2, Objective 3 be deleted and a staged approach is planned and implemented based on a sub-catchment model (see Section 6 of this submission).**

4. Emphasis on Nitrogen

39per cent of Nitrogen and 55 per cent of Phosphorus come from other sources than farming. The facts are that, yes, farming is a contributor, but it is not alone. What about these other sources?

From the council figures, we know that 7 per cent of the N and 18 per cent of the P comes from point sources and the balance (32 per cent N and 37 per cent P) is from natural sources.

PC 1 places emphasis on managing N, almost to the exclusion of all the other contaminants - P, sediment and pathogens. This introduces (Rules 3.11.5, Section 3.11.5.3 (2) and Schedule B) into the Plan the need for farm-level

“Nitrogen Reference Points” (NRP), “Grandparenting” and the use of the “Overseer” nutrient management model (or any other approved model).

Plan Change 1 cannot hope to achieve the statutory expectations of the Waikato Settlement Act’s ‘vision & strategy’ because the V&S assumes reduction in impact, whereas PC1 motivates property owners to maximise their use of grandparented ‘rights’ in relation to Nitrogen discharges.

Plan Change 1 rewards the most those who have done the least to reduce their environmental impacts.

It is noted that within the current Section 32 analysis, estimated Nitrogen losses from non-dairy pastoral land use have increased by only 4% over the period 1972 to 2012.

Overseer was developed as an expert system to inform nutrient management decisions at the farm level. As with any model attempting to describe biological processes, its predicted outputs are subject to errors. For example the minimum error (CV, coefficient of variation) in the predicted rate of nitrogen leaching from Overseer is about 30% but it can be much higher (>100%) if the incorrect input data is used, inadvertently or otherwise.

PC 1 proposes to set absolute discharge limits for N (Nitrogen Reference Points, NRP) for each farm. The ‘errors’ in Overseer mean that there will always be uncertainty as to whether the specific N discharge limit is met or otherwise. Litigation is a likely outcome.

PC 1 proposes to use ‘grandparenting’ to allocate N loadings at the farm level. These will be based on the predicted N leaching losses from Overseer for the two seasons 2014/15 and 2015/16, taking the higher of the two estimates (Schedule B). This system is crude, unfair and inequitable because it rewards in perpetuity the least efficient N users. In any case there are more sophisticated approaches to allocate N losses to individual farms (see Section 6 of this submission).

Applying a one size fits all rule to nitrogen loss through the Nitrogen Reference Point (‘NRP’) is not the most appropriate approach as it fails to take into account the significant differences that apply compared to other parts of the catchment and as a result the different costs and benefits compared to elsewhere. The effect of enforcing existing NRP’s will place a ‘cap’ on rural production and development, effectively discouraging the unrealized potential of the area. This will have the following negative impacts and costs:

- a) Locking farms into their current production levels
- b) Consequently locking farm business values
- c) Discouraging potentially environmentally sustainable farm business growth, which in turn drives economic and employment growth

- d) Consequential negative economic impacts on small rural towns, which have already suffered significantly from rural depopulation and the erosion of community and social services.
- e) The demise of smaller rural communities within the affected catchments, as farmers are forced off their land through a lack of financial sustainability;
- f) Increased pressures and stress;
- g) Closure of community facilities and schools;
- h) Closure of community stores that support local communities;
- i) Loss of local sports teams;
- j) Loss of community spirit.

It has also been proved by recent studies that nitrogen is not the main problem contaminant in all catchments yet there is little in the proposed plan change around management of the other contaminants such as phosphorous and sediment.

Remedies:

- *That Overseer should not be used as a regulatory tool but can be used to undertake qualitative what-if-analysis if required for a given sub-catchment where N is identified as a limiting nutrient in either that sub-catchment or the wider Waikato/Waipā Rivers.*
- *That other methods should be explored to establish NRPs if they are required in a given sub-catchment.*
- *That any required reduction in emissions from farming operations be made on the basis of the total percentage emitted from farming (i.e. 61%N & 45%P) as a part of the total reduction required for all waterways*
- *Identify other other off-farm solutions to reduce N and P loadings on the rivers that are reasonable and equitable?*

5. An Alternative Approach

The Waikato Regional Council has failed to provide leadership by developing clear guidance material for both the Farm Environment Plans and also for the implementation of the proposed plan.

Implementation of the plan should initially, identify the highest priority sub-catchments and focus effort in the areas where the benefits are greatest. This would also aid in building a constructive working relationship between the land users and the Waikato Regional Council rather than the current excessively regulatory approach inherent in PC1.

Applying the same approach to contaminant loss across the whole catchment does not take into account sub-catchment differences and is inequitable as it discriminates against those sub-catchments with the most untapped development potential (and often the lowest contaminants) and favours those that are intensively developed (and have the highest contaminant discharges).

A more effective and refined approach would be to focus on sub-catchment planning and management and alongside that focus on implementing robust Farm Environment Plans that are based on the "**BEST PRACTICABLE OPTIONS**".

The cumulative effect of the submissions 2, 3 & 4 above is that PC 1 should be re-configured around Policy 9 – a sub-catchment approach, based on collaboration between the sub-catchment community and the Waikato Regional Council.

Adopting this approach would require:

- Calculating the amount of N, P and sediment that needs to be removed from the Waikato River in order to reach the water quality goals in 80 years.
- Allocating these loadings to each sub-catchment taking into account the amounts of N, P and sediment currently leaving each sub-catchment.
- Allowing the sub-catchment community, working with the Regional Council, using "**Best Practicable Options**", to decide the most cost-effective means to reach the required sub-catchment goals after taking into account and prioritizing which contaminants are most limiting to water quality in the sub-catchment.

If this were done it would:

- Ensure community involvement and commitment and hence ensure that Objectives 1 & 2 are achieved.
- Reduce the uncertainty introduced by Objective 3 (the 10 year sub-goal).
- Reduce the amount of uncertainty introduced by the use of Overseer as a regulatory tool, due to errors and version changes (N may not be the limiting nutrient in many sub-catchments).
- Remove the inequity of Grandparenting to determine NRPs (N may not be the limiting nutrient in many sub-catchments and in any case there are better methods to allocate N losses).

- Reduce costs (other more cost-effective method rather than fencing could be considered to reduce contaminants reaching significant waterways such a wetlands, riparian planting and 'hot-spot' management).

Remedy:

- That PC 1 be rewritten and configured around a sub-catchment approach. (see Section 6 of this submission).
- Include in the proposed plan a strategy for more water quality sampling across all of the sub-catchments to identify which of the contaminants are a problem in each sub-catchment and what the levels of those contaminants are in each of the sub-catchments.

6. Sub-catchment management

PC 1 proposes (3.11.3 Policy 9) that "... a prioritized and integrated approach to sub-catchment water quality management.... "will be adopted. Then at "Implementation 3.11.4.5" it states that the "Waikato Regional Council will work with others to develop sub-catchment scale plans...."

The purpose for these sub-catchment plans appears to be (see sections a-g) to prioritize which of the 4 contaminants, or combination of contaminants, is the cause for the poor water quality and plan the appropriate mitigation options reflecting the biophysical properties of the sub-catchment.

This policy appears to contradict the pan-regional approach currently adopted in PC 1, which proposes to mitigate losses of all contaminants in all reaches of the Waikato River catchment area.

The best approach to water quality management would be to place more emphasis on implementing robust Farm Environment Plans based on the "**BEST PRACTICABLE OPTIONS**", at a sub-catchment level.

Sub-catchment management should be driven by the primary stakeholders (and by that I mean the people that are going to have to take actions to mitigate the effects and also pay for those actions) in partnership with the Regional Council.

This approach would create some flexibility for individual farm operations and encourage the primary stakeholders to develop ownership of the solutions while achieving the required water quality management outcomes.

Remedy:

- That PC 1 be re-written to reflect a sub-catchment approach to water quality management and reflect the fact that some sub-catchments may not require the mitigation of N.
- Ensure that the sub-catchment management plan is based on the levels of all of the contaminants identified from the water quality monitoring.

7. Land Use Change

The non-complying activity status for land use intensification is excessively conservative and will have unintended consequences.

Restricting land use change on a broad scale across the Waikato and Waipa catchments is unjustified and should be removed from the plan. Land use flexibility is fundamental to sustainable primary production enterprises and especially in relation to food production, where the enterprise must be able to respond to the demands of an increasing population.

It is considered that where Stage 1 targets are met, as required by Table 3.11-1, each sub-catchment should have the flexibility to manage finite resources accordingly as a permitted activity.

Where the sub-catchment has been identified as a high priority, it is considered that restricted discretionary land use change consent could be utilised to manage accordingly.

In relation to horticulture the result of the proposed changes means that effectively there is no expansion of any horticultural production within the Waikato/Waipā catchments from this point forward. This will (due to expanding population) eventually have the end result of transferring food production (and the consequent effects) to other areas outside of these catchments.

An effects based approach more consistent with the RMA would be to allow intensification where contaminant discharges are maintained, reduced or offset using "**Best Practicable Options**".

The non-complying activity status is inconsistent with this approach as it essentially assumes that consent is inappropriate and will only be granted in exceptional circumstances. A **permitted activity** status based on strict criteria would be a better fit with the RMA and the need to produce food for an expanding population.

Remedy:

- **Remove Non-Complying Land Use Change Rule from PC1.**
- **Enable change in land use in sub-catchments that meet Table 3.11-1 attribute targets as a Permitted Activity.**
- **Introduce a new Restricted Discretionary Activity consent to manage change in land use in high priority sub-catchments.**
- **That Horticulture be a permitted activity based on strict criteria that ensure discharges are maintained, reduced or offset.**