

Rotorua Farmer Solutions Project – Farmer Feedback Report

Meeting summary and farmer feedback from 27 February 2013 workshop in Rotorua

Note: This report should be read alongside the main FSP report and associated supplementary paper dated 8 March 2013.

Prepared by Greg Lambert, Simon Park and Lee Matheson

Dated 9 April 2013

In attendance:

- Lee Matheson (chief report author), Duncan Walker (report co-author), Simon Park (project facilitator), Greg Lambert (independent reviewer)
- Nine farmers who participated in the Farming Systems Project (FSP) were present and a further two farmers tendered apologies; most of the farmers attending were dairy farmers

Meeting format

Lee made a presentation outlining the FSP methodology and main findings. A range of points was raised during the presentation and in the subsequent discussion, and these are summarised below:

1. The farmers should see this draft summary of the meeting and have the opportunity to comment on it before it is finalised.
2. It is important also the participating farmers see the FSP report and have the opportunity to discuss it before it is made available to the public.
3. Q. What nature was it envisaged any required financial compensation to farmers would take in the FSP report? A. It was assumed this would be an upfront one-off payment to compensate for annual loss of farm-gate operating profit calculated at a 5% discount rate.
4. Q. How were the mitigation options that were modelled selected? A. A pragmatic approach was used based on farmer survey response and assuming that obstacles to farm adoption, including full financial compensation, were overcome; only those options that fell into the category “over my dead body” (a score of 1 in Q1 of the survey) were excluded from consideration.
5. The “willing” adoption assumption in the FSP report was seen as a liberal interpretation of the farmers’ attitude. They engaged in the FSP in good faith, but even with full compensation “reluctant” or “conditional” adoption are more appropriate terminologies. Also, it needs to be remembered that farmers answered the questions asked of them within the context of obstacles to adoption, primarily full financial recompense, being overcome. If this does not occur their answers to the questions would in many cases change.
6. The farmers concurred with the view taken in the report that they were in most cases already largely using best practice nutrient management within their current farm systems i.e. while there is still some room for system “tweaks”, this is minor. Thus, on average, there was little potential to include efficiency gains e.g. less N leached for the same or more profit resulting from changes such as lower stocking rates and associated

higher per cow production, in modelling changes to their farm systems. However, on an individual basis there may be capacity for some farmers to improve productivity/N use efficiency.

7. Q. What were the drivers for the diverse outcomes for the same mitigations used on different farms? A. A complex range of factors e.g. existing level of efficiency, whether cows were wintered on or off-farm, and the proportion of imported feed.
 - a. Comment was made that full housing year-round might be an option. This was not modelled as farmers did not express a preference for this mitigation, but could be investigated in future modelling.
 - b. Although the modelling suggested maize silage is a potent mitigation option, use of this as an alternative to N fertiliser use is riskier because of issues around feed quality and silage availability.
 - c. The system efficiency gains modelled using maize silage appeared high based on practical experience.
8. It was agreed there was currently “low-hanging fruit” in terms of reducing N losses in the catchment, and BoPRC should in particular be targeting the large areas of gorse that are reputed to have significant N emissions; similarly very extensive sheep & beef properties would seem a sensible initial target. It would be useful to know the total area of the latter farms.
9. The “forestry right annuity” approach used in analysing forestry options seems a sensible approach given the large barrier that up-front investment in transition to forestry causes for pastoral farmers, given the very long lag until proceeds from sale of timber occur.
10. It was noted that the area extrapolation methodology used in the report is complex, based on several data sources, and hard to understand.
 - a. The extrapolated dairy area (6215 ha) used in the report was different from the BoPRC/ROTAN area (5050 ha), and the farmers’ own analysis (4819 ha). It was noted that the 6215 ha represents total farm area including non-effective area, whereas the others are for the effective milking platform area only.
 - b. Use of the total area was necessary to allow the corresponding Rule 11 benchmark Overseer files to be used as a base because areas, slopes, soils, blocks etc were already set up.
 - c. Also ex-dairy farms are not included in the area used in the FSP.
11. Careful explanation is required regarding how the average sample whole farm dairy N loss used in the report in Table 8 (30.8 kg N/ha) relates to the average extrapolated whole farm dairy N loss of 41.7 kg N/ha for the catchment
12. The farm gate economic cost to the farmers in terms of reduced profitability of their farming operations of \$88.1 million aligned with the farmers’ own perceptions. Several important issues were raised with regard to this:
 - a. Who will bear the cost of the apparent short-fall between this figure and expectations as to the funds available for financial compensation to farmers?
 - b. Also, this figure does not include losses in farm capital value as a result of loss of farming flexibility and changes in market perceptions resulting from farming within an N cap. What is the size and nature of these losses in capital value, and where will they impact most?
 - c. It was noted that the average land values used did not account for other factors like subdivision potential, proximity to town and schools, and aesthetic merits.

- d. It was noted banks are reluctant to lend against low value forestry land as it represents poor security.
13. Could autumn calving and winter milk supply be considered? Are winter milk contracts available to improve the profitability of such changes?
 14. The report includes an analysis of dairy, sheep & beef and forestry land values, and concludes that market perception around sheep & beef land values is high and may adjust as the influence of an N cap impacts.
 - a. Is the current perception driven by a view that N emissions in the catchment are a “dairy problem”?
 - b. For some reason, New Zealand land price inflation for sheep & beef land has been higher than for dairy land over the last two decades.
 - c. As the influence of the N cap and implementation of mitigations to reduce N leaching are implemented, will value of sheep & beef land prices face a major correction and subsequent loss in capital value?
 - d. Potential losses in sheep & beef farm capital value over and above losses in farm-gate operating profit were estimated in the meeting to be of the order of \$30 million.
 - e. Subsequent analysis (post-meeting) by Perrin Ag suggests a figure in the region of \$35 million loss in capital value (see supplementary paper). This figure excludes any equity losses from dairying.
 15. There was confusion around the level of reduction in N loss achieved by dairy farmers since 2001-04. This was estimated in the FSP report at 17 t N/year, as compared with the farmers’ estimate of 70-75 t N/year.
 - a. It was pointed out the 70-75 t figure includes calculated changes occurring because of use of different versions of Overseer and different soil assumptions as well as reductions due to changes in farm practice.
 - b. Savings as a result of farms exiting dairying are not included in the 17 t figure, and clarification is needed with regard to the status of those farms within the 70-75 t figure.
 16. How will necessary N losses be allocated to farms? Ultimately this will be a BoPRC process. The assumption in the FSP report was that “allowable N losses” will be similar to the current understanding, based primarily on the grand-parenting approach used in Rule 11. If this is not the case the economic drivers on farmers will change and the outcomes of the FSP, if it was repeated, could well change.

Take home messages from the meeting

- A. The “willing” adoption phrase use in the FSP report was seen as a liberal interpretation of the farmers’ attitude. Terminology more correctly reflecting their attitude might be “conditional” adoption, and one of those important conditions was full financial recompense.
- B. The FSP only considered a limited range of options for mitigation of N leaching and further analysis could identify other cost-effective opportunities; selection of these mitigations was based on farmers’ views at the time, and these will undoubtedly change over time.

- C. The extrapolation methodology used for catchment scale land use in the report should be reviewed to ensure a consistent approach with regard to defining areas of land use, particularly dairying.
- D. The FSP only considered *average* dairy and sheep & beef farm systems; system optimisation at an *individual farm* level would probably provide improved outcomes in terms of cost-effectiveness of options; and such flexibility would be advantageous in implementing a N loss reduction programme within the catchment.
- E. Also, some consideration needs to be made regarding impacts of deer and lifestyle farms on catchment N loadings and potentials for mitigation.
- F. Early gains in terms of catchment N loss reductions could be made by early focus on gorse areas and low intensity sheep & beef farms.
- G. A common dataset describing areas of different farming systems is necessary and explanation on how to rationalise the sets of information in current use would be very desirable.
- H. The gains made by the dairy farm sector within the catchment in reducing N leaching since 2001-04 need to be clarified and the drivers of the different components of those reductions itemised.
- I. It is important that potential loss of capital value of land is taken into account (as well as loss in farm operating profitability) in assessing the total likely economic impact on farmers. Any perception that the potential total financial loss to farmers is of the order of \$88 million needs to be avoided, and the FSP report (or other subsequent analysis) needs to clearly outline the likely full costs. This loss of capital value might be of the order of an additional \$35 million
- J. The FSP farmer group would appreciate the opportunity to read the full report before its findings are made public.
- K. A 3-4 page summary of key results from the FSP report would be helpful to farmers and the public.