

# Eaters should be paying for clean farms

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IT IS a lot tougher and costlier farming in environmentally sensitive areas and those costs should be reflected in what people pay for food, Lake Taupo farmer Mike Barton says.

With declining lake water quality, a combination of land purchases for retirement or a change of use, a cap on livestock numbers and nutrient application was imposed in the Lake Taupo catchment.

For farmers like Barton, not only had protecting the environment caused a decline in income but costs increased while prices received by producers continued to fall each year.

Barton said consumers, who were the final step in the agricultural food chain, could not be divorced from that problem.

"If farmers are asked to deal

with the water quality issues on their own, it'll just become a cost.

"But if we can ask the consumers to pay a premium for doing the right thing, then we can share that burden between everyone who's involved in the food space."

Taupo catchment farmers were required to provide the Waikato Regional Council with annual information on fertiliser use, stock numbers, stock sales and purchases to prove they had met their stocking and nutrient cap obligations.

That information could come out of annual accounts or receipts but there was no requirement for farmers to supply the council with their annual financial accounts.

Barton had turned what could be seen as a negative obligation in to a positive, by using the council's environmental verification for the nine-farm Taupo Beef branded selling group, which sold beef and lamb and soon venison to North Island restaurants.

The meat packs carried a symbol noting it came from farming systems credited with protecting Lake Taupo.

Regional councils were introducing a variety of measures to improve water quality, such as



HELP: Taupo farmer Mike Barton in a lucerne plot used in a grazing trial says farmers can't deal with water quality issues on their own.

nutrient leaching and emission caps, limiting stock numbers and requiring resource consent for some farming activities, which made any future conversion of land to dairy more difficult.

Waikato Regional Council's resource use director Chris McLay said the Healthy Rivers Wai Ora proposed plan change as drafted, required all farmed properties over 4.1ha to report annual stock numbers, fertiliser use and imported feed.

Farms greater than 20ha were required to have farm plans to manage the loss of contaminants with those plans either part of an approved industry-led scheme or by granting of resource consent.

Any consent required the development of farm environment plans and appropriate reporting.

"We need to be able to measure what farmers are doing in order to track progress towards achieving the objectives of cleaning up the Waikato and Waipa Rivers," McLay said.

Waikato University economics professor Frank Scrimgeour said the traditional tactic of growing production by increasing fertiliser and feed was no longer a straightforward solution because of environmental constraints.

Instead farmers needed to be more efficient in their use of inputs.

"They may use the same amount or less but the marginal benefits will increase because they would be less wasteful."

Scrimgeour said gains were possible from increasing the skills of staff, especially managers, an avenue that had not been fully used.

"A better farm manager will make better decisions."

Massey University business, innovation and strategy director Hamish Gow said the industry needed to rethink its operating model if it wanted to continue expanding.

That meant a shift from using averages to measure impacts to

focus instead on the impact of decisions at the margins.

It was a similar quandary for dealing with Auckland's growing population.

"The real question needing to be addressed is to move away from averaging and look at the impact of one more animal or one more human being added, both of which are putting pressure on our structures."

Gow said just what model would allow farming to continue expanding was up for debate but that debate needed to be based on the marginal impacts.

"We are using very average economics at the moment to understand how we look at these issues when we need to look at the marginal impacts."

Gow said the uncertainty about land use options would also be felt in land prices as some buyers chose not to invest because they did not know what future constraints they faced.

## Top farmers already make more while polluting less

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A NEW way of measuring dairy farm performance could provide a template for farmers to grow production and profits while cutting their environmental impacts.

There was no magical new technology.

In fact, the model was already used by farmers who were profitable on a \$4.30 payout, being able to operate on a breakeven figure of \$3.30.

The Ministry for Primary Industries' Farm Systems Change study looked at the animal health, environmental and financial performance of a select group of high-performing farmers to determine what made them different.

Sector policy director Jarred Mair said those

farmers were maximising the use of their capital and in doing so were more profitable, had high production and in some cases an environmental footprint 40% lower than contemporaries while meeting strict nitrogen caps.

"They are efficient capital structures and processes."

Case studies found farms making a 40% return on investment in a low-payout environment and 100% when the payout was high.

Mair said in one case they studied two farms next to each other that each had similar herd shelters.

They found one farm was performing strongly but the other was struggling so were digging deeper to determine why.

A common theme was the difference in how they used their capital investment but

Mair said there was also disconnect between the information provided by bankers, accountants and farm advisers and how to run a capital-efficient farm.

Capital efficiency was about how it was attributed and how the business was structured but it also required slightly different metrics to measure.

Initial conclusions were that productivity gains were still possible in existing farm systems and with existing capital through tweaking processes and systems.

But it also found that if banks, accountants and farm advisers delivered a consistent message, farmers would be more efficient in their use of capital.

The project followed an assessment of the goal of growing exports to 40% of GDP, which would require a

doubling of primary sector exports from \$32 billion to \$64b.

Meeting those goals also required significant capital investment.

Mair said the next step was talking to bankers, accountants and farm advisers including Dairy NZ about the information gathered from the case studies so lessons could be more widely adopted.

With increasing regulation and public questioning of the impact of farming, spreading the message of how to operate with a low environmental footprint while growing or at least holding production was invaluable.

"It will give farmers options to look at their operations differently and to learn from other farmers," Mair said.