

Food prices must reflect costs

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FOOD prices must rise to pay for environment improvements to meet public expectations, Taupo farmer Mike Barton says.

And major changes were needed to regulations hamstringing forestry, he told the Institute of Forestry conference.

Adhering to nitrogen caps on his beef finishing farm had increased costs by 48% and reduced earnings before interest and tax by 30%.

He had squeezed costs and increased productivity as far as he could but consumers had become conditioned to low food prices that did not allow landowners to meet higher environmental standards.

Ngai Tahu forest estate manager Edwin Jansen said rules and regulations governing forestry meant it could not compete with dairy for the investment dollar.

Each year for eight years \$1.6 billion had been invested converting South Island land into dairy farms while forestry could not attract \$175 million a year to plant 35,000ha of new land into forestry.

“Why are farmers investing in agriculture and not in forestry and what has to change?” he asked.

Ngai Tahu had converted the 6700ha Eyrewell forest on the banks of Canterbury’s Waimakariri River into 20 dairy farms, which it intended to manage so they were in the top 5% of sustainable farmers.

It built 14 dairy sheds and 60 houses, installed 57 pivots to irrigate 6000ha, built dams to hold five million cubic metres of water and planted 150ha of native reserves and 250ha of shelter.

Jansen said where there were once trees there was now a community of up to 140 residents with 65 of them working full time



PAV UP: Taupo farmer Mike Barton says consumers need to realise the true cost of producing food.

on farms milking 14,000 cows.

Ngai Tahu had invested \$330m in Eyrewell and would soon start another 20-year project converting the 9300ha Balmoral forest.

Compared to forestry, dairy offered operating cashflow, capital growth, a short investment timeframe, moderate risk, an exit strategy, no contingent liabilities and a return on equity.

He questioned if forestry had done enough to reduce its regulatory risk.

Speaking in a personal capacity Jansen said the forest sector and Ministry for Primary Industries needed a rational debate on domestic forest policies to encourage investment and for

NZ to meet its climate change obligations.

He singled out issues with the emissions trading scheme, saying the Government should signal a target price band for NZ units which would give confidence to the industry.

Jansen did not think agriculture should be included in the ETS just yet.

Agriculture had more pressing priorities with issues of sustainability, nitrification, water quality and protecting biodiversity, he said.

“They have enough to deal with without worrying about the ETS. But if they do all of that, they will reduce their emissions anyway.”

Agriculture’s inclusion would not guarantee a lift in the carbon price. Instead, the sector might be allocated carbon credits that would flood the market.

A higher carbon price was no guarantee of a stronger forestry sector, in part because of regulatory control and liabilities with forests planted before 1990 and the likelihood land prices would rise should carbon prices increase.

Another reason agriculture should not join the ETS was that MPI would be preoccupied dealing with its inclusion, delaying reform of forestry regulations.

Jansen said reform of the ETS must allow for a short investment timeframe and payback, remove contingent liability, be low risk, bankable and offer a good return on equity.

A solution should include the removal of the distinction between pre-1990 and post 1989 forest land, reconsider when NZ units were credited to forest owners and remove contingent liabilities on the surrender of NZ units on harvest. Barton, a former chairman

of the Taupo Lake Caie, said environmental regulations

and compliance farmers in the catchment must now meet, had become verification for Taupo Beef branded meat, which was sold throughout the North Island.

The farmer-owned branded meat sold at a 30% premium over Angus Pure, equating to a 10% premium for producers.

But Barton said that was insufficient to meet the higher costs of farming under the Taupo catchment nitrogen cap.

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**Edwin Jansen
Ngai Tahu**

So the farming model needed to change to address issues such as water quality but that meant consumers accepting higher food prices that reflected the true cost of production.

The project to protect Lake Taupo was a combination of imposing nitrogen limits on farmers, buying farms which were sold for forestry and using carbon credits to release capital for farmers to invest in nitrogen mitigation measures such as forest planting.

The project ended last year, three years ahead of schedule, having successfully removed 170 tonnes of nitrogen a year from the catchment.

When it started there were four dairy farms and 101 sheep, beef and deer farms in the catchment. Today there were four dairy farms and 72 sheep, beef and deer farms.

New awards for young foresters

THE Prince of Wales has lent his name to two new forestry awards for young professionals.

The awards were also designed to encourage sustainable forest management.

The awards would be awarded annually to recipients in New Zealand and Australia and were announced at the NZ Institute of forestry conference in Dunedin.

The Prince of Wales Award for Sustainable Forestry would recognise the achievement of a young forestry professional with a passion for sustainable forest management and a commitment to their national forestry institute.

The Prince of Wales Forest Leadership Award provided the chance for students with leadership skills to work abroad and develop a wider view of sustainable forestry.

NZ Institute of Forestry president James Treadwell said the prince had a keen interest in sustainable forest management and young people around the world.

Bringing the awards to Australia and New Zealand was the next big step in achieving his vision.