

**BEFORE INDEPENDENT HEARING COMMISSIONERS**

**AT HAMILTON**

**IN THE MATTER** of the Resource Management Act 1991

**AND**

**IN THE MATTER** of the hearing of submissions on Proposed Plan  
Change 1 to the Waikato Regional Plan

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**STATEMENT OF PRIMARY EVIDENCE OF  
RICHARD ALLEN  
FOR FONTERRA CO-OPERATIVE GROUP LTD (74057)**

**BLOCK 1 HEARINGS**

**15 FEBRUARY 2019**

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**RICHMOND**  
CHAMBERS

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## 1. **SUMMARY STATEMENT**

- 1.1 Fonterra supports collaborative approaches to the development of water management policy.
- 1.2 Fonterra supports the aspirations of the Vision & Strategy for the Waikato and Waipa Rivers. We recognise the need for a robust regulatory framework to begin the required transition toward the long term water quality goals.
- 1.3 Fonterra supports the introduction of land use change controls, referencing of farms for nitrogen loss, requirement for relatively high nitrogen loss farms to reduce that loss level and the broad introduction of FEPs in the Waikato / Waipa catchments.
- 1.4 Within the framework proposed we believe there is an opportunity to improve implementation efficiency, and farmer engagement with the rules, through reducing the reliance on the Overseer model and introducing an alternative “Nitrogen Risk Scorecard”.

## 2. **INTRODUCTION**

- 2.1 My full name is Richard Grant Allen.
- 2.2 I have been employed by Fonterra Co-operative Group Limited (**Fonterra**) since 2008, most recently as Environmental Policy Manager. In my time with Fonterra I have been involved in the development and implementation of the on-farm environment programmes – namely the Effluent Programme, the Stock Exclusion (“Waterways”) Programme and the Nitrogen Programme. In my current role I am responsible for ensuring Fonterra policy positions are effectively represented in the various planning processes across New Zealand that may impact on dairy farmers and the dairy industry.
- 2.3 I hold a Bachelor of Agriculture Degree from Massey University and a Bachelor of Laws Degree from Waikato University. I also hold the

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Advanced Sustainable Nutrient Management Certificate from Massey University.

- 2.4 I have been a member of the Technical Advisory Group for the Overseer Best Practice Data Input Standards.
- 2.5 Prior to my employment with Fonterra I worked for the Waikato Regional Council in the Resource Use Group. My role with the Regional Council primarily involved monitoring and enforcement of the farm rules in the Regional Plan.
- 2.6 I have previously owned and operated a large drystock property in the King Country running sheep, cattle and deer, and I currently farm a 20ha deer property.
- 2.7 I am familiar with the provisions of the Proposed Plan Change 1 to the Waikato Regional Plan (**PC 1**), and I was involved in the submissions and further submissions filed by Fonterra on PC 1. I am authorised by Fonterra to provide this statement on its behalf as a Fonterra representative.

#### **Scope of Evidence**

- 2.8 My statement covers:
- (a) The Fonterra position on the provisions of PC 1 that are the subject of this hearing, in particular the collaborative process undertaken by the Collaborative Stakeholder Group (**CSG**) and the nitrogen management provisions.
  - (b) The Nitrogen Risk Scorecard, which Fonterra is proposing to be used for low and medium risk farms.
- 2.9 I have made comment on the s 42A Report to the extent that report relates to issues Fonterra identified in its submissions.
- 2.10 Fonterra will provide more detailed technical evidence in support of our submissions in the later Hearing blocks.

3. **FONTERRA SUPPORT FOR THE COLLABORATIVE PROCESS AND THE FUNDAMENTALS OF THE PROPOSED PLAN CHANGE 1**

3.1 Fonterra recognises and values the time and resource commitment from the CSG members, the Technical Advisory Group and the Regional Council and Iwi governance partners that led to the notified provisions of PC 1.

3.2 Fonterra supports the aspirations of the Vision & Strategy for the Waikato and Waipa Rivers, and the crucial (but very challenging) objectives set out in that document. Fonterra also supports the direction and the approach as set out in PC 1. Fonterra has therefore primarily submitted on matters that might be considered to be implementation detail, where we believe the provisions might be made more efficient and practicable and therefore more effective.

4. **MANAGEMENT OF NITROGEN IN PC 1**

4.1 Fonterra recognises that to be consistent with achieving the aspirations of the Vision & Strategy and to meet the specific objectives within PC 1, PC 1 must contain a robust and implementable policy / rule framework.

4.2 Fonterra therefore generally supports the approach of PC 1 as achieving, to a large degree, the complex balance between reasonable certainty of achieving cultural and environmental objectives with the need to minimise social and economic disruption (in other words, to ensure that the rules are effective, while achieving the objectives in the most efficient manner possible).

4.3 I note that the s 42A Report at paragraph [110] identifies that *“The NRP and the 75<sup>th</sup> percentile, FEPs, stock exclusion and the land use change provisions are largely opposed”*. While we have not made the detailed assessment of the submissions that the authors of the report have been required to make, this finding is not consistent with our wider stakeholder conversations and is a surprising finding to us. While we understand that a large number of individual submitters from one sector may have opposed many of the key mechanisms (to achieve the

objectives) of PC 1, an assessment that considered support by sector / interest group may have been more useful. The s 42A Report does go on at paragraph [126] to point out that the “vast majority” of those opposed to the PC 1 approach have not identified another credible mechanism.

- 4.4 Fonterra is committed to supporting its farmers to meet the regulatory requirements proposed in PC 1, and we have been developing the capability and systems that will be required to do so effectively. Where we have seen regulatory efficiency opportunities (ie areas within PC 1 we believe could be improved) we have submitted on this and, as noted earlier, we will provide detailed evidence in support of our technical submissions in later hearing topics

Fonterra lodged an application for a Certified Industry Scheme with the Waikato Regional Council in November 2018 consistent with the requirements for a Scheme as set out in Schedule 2 of PC 1. Five Waikato based Sustainable Dairying Advisors are now certified with WRC as Farm Nutrient Advisors.

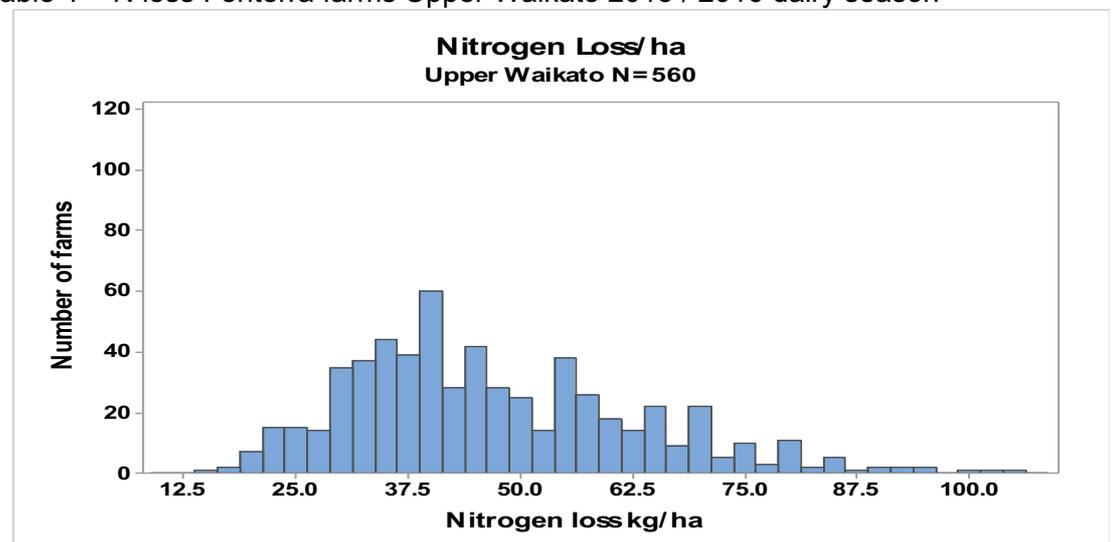
- 4.5 Fonterra’s view is that the combination of the NRP (or an alternative robust method to benchmark N loss risk - see Scorecard comments below and at Appendix 1), the 75<sup>th</sup>ile cap and the land use change restrictions, combine to allow for a high level of confidence that an N loss load reduction can be predicted. We believe the focus on good farming practice for all farms (through FEPs) and the imposition of an upper nitrogen loss limit for relatively high loss farm systems, is appropriate and sends the right messages to farmers.

- 4.6 Fonterra has considered how the rules as proposed might impact on dairy farms. For example in the Upper Waikato FMU, the Fonterra nitrogen programme data can be used to calculate that predicted N leaching, (below the root zone) on dairy farms in the FMU would be reduced by approximately 6% through the implementation of the 75<sup>th</sup>ile rules. (note that this is 6% of total dairy load, the group of farms

above the 75<sup>th</sup>ile will be decreasing N loss by a far higher percentage).

- 4.7 As I understand it, the CSG considered the required N loss reductions across all FMUs, would be achieved through a combination of the 75<sup>th</sup> %ile rule (approximately 6 -7% load total reduction below the root zone) and efficiency improvements achieved through nutrient actions written in to FEPs.(approximately 4% load reduction, although potentially much higher than this). It is the Fonterra view that this is a realistic (and achievable) N loss reduction to expect from the implementation of PC 1 as proposed.
- 4.8 Table 1 below shows the N leaching data spread for Fonterra farms in the Upper Waikato where the example 75<sup>th</sup>ile is approximately 57kgN/ha. (NB the actual 75<sup>th</sup>ile N loss number cannot be known at this stage of the process as all dairy farms in the FMU are not included here, the data has not been modified to meet the WRC Overseer protocols and the Overseer version used to establish these numbers is not the future version that the NRP will have to be calculated under).Despite these qualifications the Fonterra data provides the best estimate possible at this time and allows for a good understanding of the level of change required. (How many farms will have to decrease N leaching by how much)
- 4.9 147 farms in this dataset sit above the 75<sup>th</sup>ile N loss number.

Table 1 – N loss Fonterra farms Upper Waikato 2015 / 2016 dairy season



4.10 Fonterra will provide detailed evidence on the ability of farmers to decrease to the 75<sup>th</sup>ile and the profitability / farm viability impacts of that change in later hearings, including findings from a commissioned case study project . It is clear from the example data spread (at Table 1 above) that there will be a significant range of impact for farmers. A number sit quite close to the 75<sup>th</sup>ile and are likely to be able to make management changes and seek efficiency improvements to achieve the required reductions. A smaller number are well above the 75<sup>th</sup>ile number and some of these would be making significant farm system change to meet the N loss cap.

#### 5. **INCLUSION OF THE SCORECARD IN TO PC 1**

5.1 The one significant method change (for the management of contaminant loss under PC 1) that Fonterra raised in its submissions and will be developing through these hearings, is the introduction of a Nitrogen Risk Scorecard (**Scorecard**). A working draft of the Scorecard process documentation for the Fonterra Nitrogen Programme that sets out the tool in some detail is attached as Appendix 1 to this document, and this has been further explained in the evidence of Mr Willis filed on behalf of Fonterra.

5.2 While we intend to provide more detailed technical evidence in support of this approach at later hearings sessions, the basics of the approach are set out now so as to set the scene for the Hearing Panel. We also raise it now in response to a number of submitters who opposed the provisions of PC 1 on the basis of cost of compliance/inefficiency of process, particularly for low and medium risk farmers (including those farmers who operate very stable farming systems).

5.3 Partly driven by regulatory developments around New Zealand, Fonterra has moved rapidly to begin the rollout of Farm Environment Plans (FEPs) in both regulated and non-regulated regions It is our experience that Overseer outputs (and the complex interactions and

blackbox modelling that drives those outputs) are not well suited to a farmer / advisor conversation on practical actions to increase efficiency / decrease loss risk. The Scorecard that Fonterra has developed provides a tool that, while objectively calculating risk levels, is intuitive for a farmer and presents information on all the key factors that drive nitrogen loss risk. This allows the Scorecard to be directly used to ensure that actions in the FEP are appropriate to manage the particular risk, and that those actions make sense to the farmer who will be required to implement them.

- 5.4 Given the inherent and significant problems that will arise from a region wide reliance on the Overseer model (including cost, farmer access to limited expert users, highly complex and non-transparent calculation / modelling 'engine', lack of farmer confidence in the model, enforceability, version change management), Fonterra included in its submissions on Variation 1 an alternative approach. This approach, while recognising the value of Overseer for referencing and monitoring high nitrogen loss risk farms where significant change to the farm system might be required, looked to an alternative for lower risk systems and farms that were in a steady state.
- 5.5 Since our submission on Variation 1, the proposed Scorecard, and our understanding of how it might support strong FEP actions for managing diffuse contaminant loss risk, has developed considerably. We have begun to socialise the concept broadly with well attended stakeholder meetings, expert peer review and recently presentation at the Fertiliser and Lime Research Conference. Interest in, and support for further development of the approach, has been broad and enthusiastic. All parties in the regulation of diffuse nutrient loss conversation are looking for tools that can improve farmer engagement with the issue while decreasing the administrative / implementation burden and uncertainty that comes with the regulatory use of Overseer.
- 5.6 We believe there is an opportunity (and a need given the implementation challenges that face regulation that depends so extensively on the Overseer model), to introduce a new way to robustly

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manage nitrogen risk. Removing some of the high costs and uncertain outcomes that will arise with the proposed approach while still retaining a strong focus on the risk factors that drive nitrogen loss, is in our view, consistent with achieving more efficient and effective regulation.

- 5.7 Fonterra will provide a more detailed description of the approach we are suggesting, and alternative proposed structure and wording, at the later relevant hearing session.



**Richard Allen**  
**15 February 2019**

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## **APPENDIX 1 – NITROGEN SCORECARD**

**(Refer separate document)**