



2011 GENERAL ELECTION MANIFESTO



FOREWORD

Federated Farmers 2011 Manifesto not only distills what is important to farmers, but puts forward our policy ideas that will enhance the New Zealand economy. In many respects, the key themes in our 2011 manifesto can be broken down into five key areas:

ENSURING PROFITABLE FARMS

Farmers understand the need for policy and spending restraint and the need to rebalance the economy towards the private sector. We recognise that genuine wealth can only be created in the private sector but wealth creation builds tax revenue. Ensuring profitable farms is about appropriate as opposed to over regulation.

MAXIMISING AGRICULTURE

Water is the leading edge for agriculture's environmental and economic footprint. We outline sensible policies for its ownership, management, allocation and quality. The storage of water underpins economic growth by extending both the growing season and availability of land. Not to mention the freedom to use this land that makes optimum economic sense.

RESEARCHING A BETTER WAY

Research is the key on the door to increasing both on-farm productivity and the value and range of the products we help to produce. Research is also fundamental to reducing agriculture's environmental footprint by enabling us to do more form less.

LEVERAGING OFF SAFER FOOD AND ENHANCED BIOSECURITY

New Zealand's reputation isn't based on the ETS, NAIT or 'clean-green', it is based on proven systems of food assurance and integrity built into our entire production system. Another vital aspect to our economy is biosecurity, which is a key market differentiator but one that has been underplayed.

MAKING THE MOST OF OUR HUMAN AND TECHNOLOGICAL CAPITAL

Agriculture has always been knowledge-led and there are opportunities to take this knowledge to the world in such a way that creates a services counterpart to the on-farm work of farmers.

We are all one people and our 2011 manifesto is our first step in a whole society approach. One that defines New Zealanders by what they do, as opposed to the narrow definitions of 'rural' and 'urban'.

A handwritten signature in black ink, appearing to read 'Bruce Wills', with a long horizontal flourish extending to the right.

Bruce Wills
President
Federated Farmers of New Zealand

ABOUT FEDERATED FARMERS

Federated Farmers is New Zealand's leading rural sector organisation, representing 26,000 farmers and farm workers nationwide.

The Federation is New Zealand's second largest membership based trade body. It is the largest independent representative of New Zealand's farmers. Federated Farmers is democratically accountable to its farmer members. Being voluntary funded, policy is completely member driven. Member views are regularly canvassed by staff and elected representatives, who formulate submissions that help local and central government decision-making.

Federated Farmers is an apolitical organisation, neither supporting nor opposing political parties or candidates. Its interest is in representing the views of its members to central and local government on the important policy issues facing agriculture and farming.

Federated Farmers has evolved over many years and is the product of farming families and leaders with passion, drive and commitment to campaign for and support both rural communities and the agricultural industry.

The Federation's roots go back as far as 1902 when the New Zealand Farmers' Union was constituted nationwide. The New Zealand Farmers' Union joined with the Sheep Owners' Federation to form Federated Farmers of New Zealand in 1945. In 2005 Federated Farmers celebrated 60 years as the voice of New Zealand farming.

Federated Farmers comprises 24 provinces and seven industry groups.

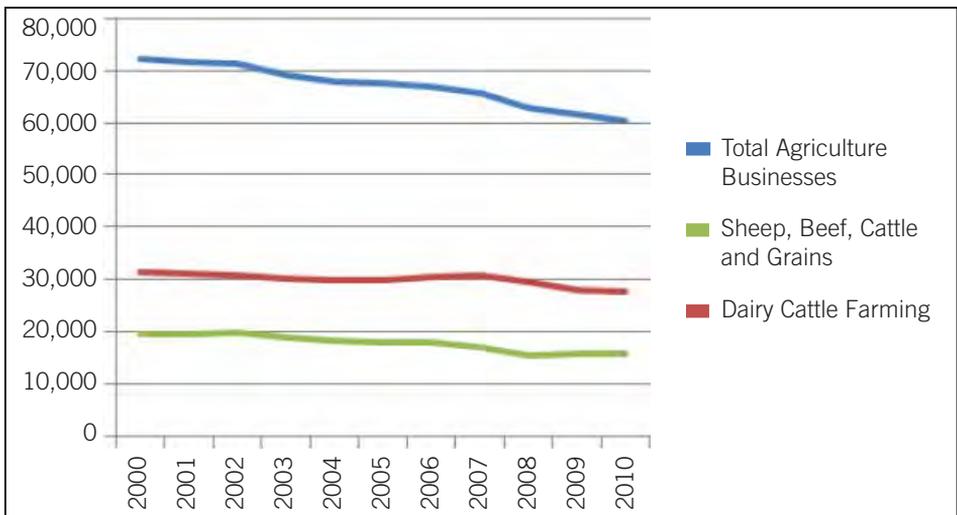
FACTS ABOUT FARMING

FARM NUMBERS

As at February 2010 there were more than 60,000 agricultural businesses in New Zealand. Of this total, almost 28,000 were grain, sheep and beef cattle farms, and almost 16,000 were dairy farms. Other farm types include deer, pigs, goats, poultry and horticulture.

Figure 1 shows there has been a steady decline in the number of agricultural businesses. This trend has been caused by consolidation of farms into larger economic units and by subdivision of agricultural land for lifestyle blocks and urban growth.

Figure 1: Agriculture Businesses (2000-10)



Source: Statistics NZ Business Demography Statistics 2010

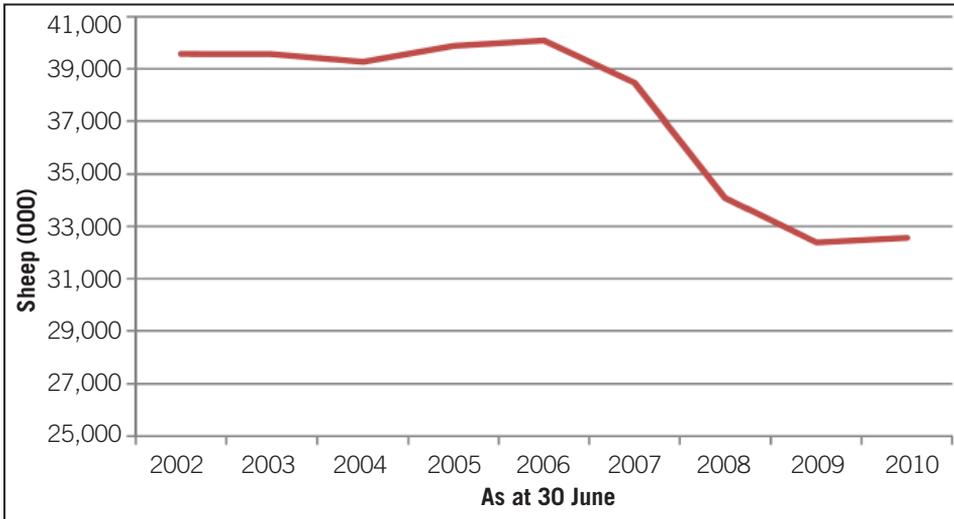
LIVESTOCK NUMBERS

As at June 2010 New Zealand had 32.5 million sheep, 6.0 million dairy cattle and 3.9 million beef cattle.

Figures 2 and 3 show declining sheep and beef cattle numbers while dairy cattle numbers have increased. These changes in the mix of livestock reflect the profitability of the respective sectors. However, adverse weather events such as droughts and storms can also have an impact on livestock numbers.

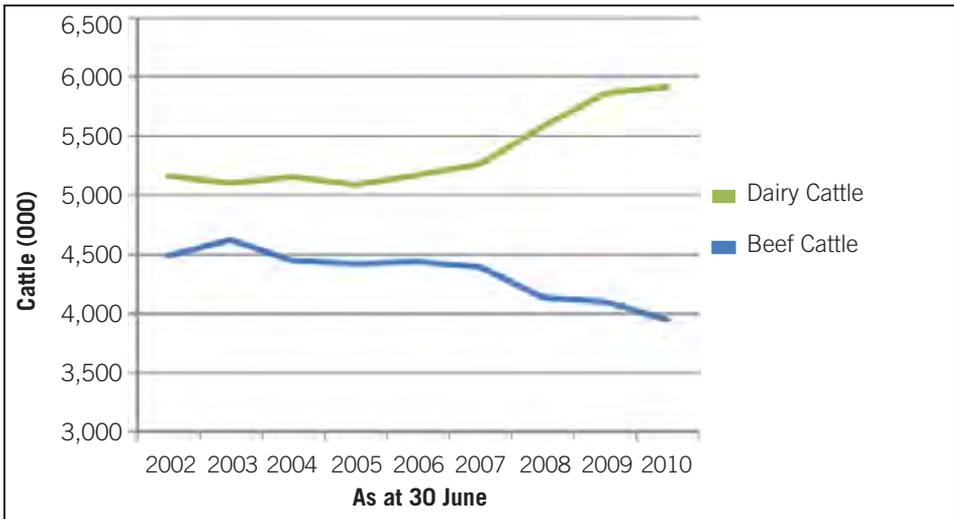


Figure 2: Sheep Numbers (2002-10)



Source: Statistics NZ Agricultural Production Statistics 2010

Figure 3: Cattle Numbers (2002-10)



Source: Statistics NZ Agricultural Production Statistics 2010

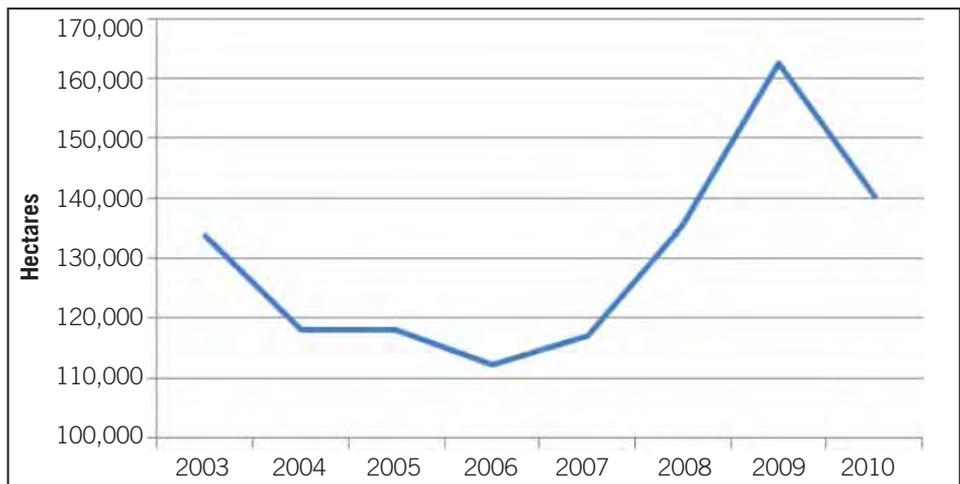


GRAINS CROPS

For the year ended June 2010, a total of 140,400 hectares of grain crops were harvested, mainly in wheat, barley and maize.

Figure 4 shows a large increase in hectares harvested prior to a dip in 2010. Again, farm economics and weather can have significant effects on grains crops.

Figure 4: Grains Crops Harvested (2003-10)



Source: *Statistics NZ Agricultural Production Statistics 2010*

AN ECONOMIC DRIVER

According to the Ministry of Agriculture and Forestry, the New Zealand agricultural sector generated \$24.3 billion in gross revenue for the year ended March 2011¹.

Much of this gross revenue would have been spent in cities and towns, with 'intermediate consumption' (e.g., fuel, fertiliser, feed, electricity, etc) estimated to be \$12.7 billion. A further \$2.6 billion was paid to employees as wages and salaries and \$2.3 billion was paid out as interest on loans.

Agriculture was estimated to make a direct contribution to GDP of \$11.6 billion, or over five percent of total GDP. This is the contribution inside the farm gate. Adding activities outside the farm gate, such as the processing of primary products such as milk, meat, wool and farming services, agriculture is estimated to contribute over 15 percent of total GDP.

Agriculture is also at the forefront of productivity. For the period 1978-2008, the agriculture sector's productivity has grown by an average of 3.4 percent per annum, three times the average 1.1 percent growth for the wider economy². This is important because in the longer-term productivity is what determines economic growth and standards of living.

INTERNATIONAL COMPARISONS

Table 1 highlights key statistics about New Zealand and countries we like to compare ourselves with. New Zealand is a small country in land area, population and size of economy. Agriculture is, however, a more significant contributor to the economy.

¹ *Gross Agricultural Revenue and Expenditure, Ministry of Agriculture and Forestry, 2011.*

² *Industry Productivity Statistics 1978-2008, Statistics New Zealand, 2010.*

Table 1: Facts About Farming

Country	Land Area (000 km ²)	2011 Population (000)	2010 GDP (\$US billion PPP)	2010 GDP per Capita (\$US PPP)	2010 Direct Agriculture % of GDP
Australia	7,741	21,767	890	41,300	4.0
Canada	9,985	34,031	1,335	39,600	2.0
Chile	756	16,889	260	15,500	5.6
Denmark	43	5,530	201	36,700	1.1
Ireland	70	4,671	172	37,600	2.0
Netherlands	42	16,847	680	40,500	2.6
New Zealand	268	4,290	119	28,000	4.6*
United Kingdom	244	62,698	2,189	35,100	1.4
United States	9,827	313,232	14,720	47,400	1.2

Source: CIA World Fact Book (note: PPP refers to 'purchasing power parity').

* Indirect contribution of agriculture to NZ GDP is much higher at around 15% of GDP (i.e., including downstream processing and services to agriculture).

FOOD AND FIBRE TO THE WORLD

New Zealand's agricultural exports earned the country \$24.2 billion for the year ended December 2010, representing over 55 percent of total merchandise exports³. Table 2 shows how this is broken down into specific commodities and figure 5 shows growth in the major agricultural commodities over recent years.

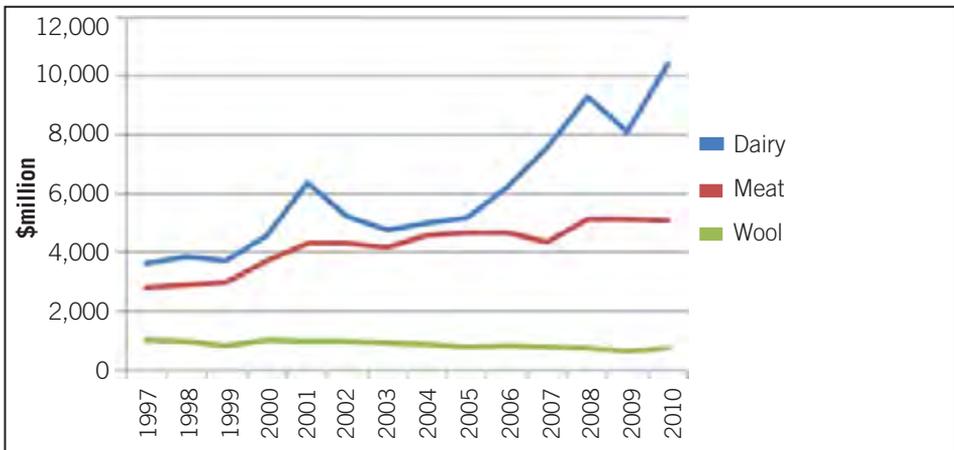
Table 2: Agricultural Exports by Commodity

Agricultural Commodity	Exports for year ended December 2010 (\$ million)	Percent of Total Merchandise Exports
Beef	1,933	4.4
Sheep meat	2,725	6.3
Other meat	760	1.7
Dairy products	11,202	25.7
Wool	730	1.7
Raw hides, skins and leather	443	1.0
Fruit and vegetables	2,163	5.0
Wine	1,089	2.5
Other agriculture	3,151	7.2
Total agricultural products	24,196	55.6

Source: Statistics New Zealand, Overseas Trade Statistics

³ Overseas Trade Statistics, Statistics New Zealand.

Figure 5: Major Agricultural Exports (1997-2010)



Source: Statistics New Zealand, Overseas Trade Statistics

New Zealand is a small country and our food production is relatively small in global terms, contributing, for example, only 2 percent of global milk production. However, the key difference between New Zealand and other countries is we export the vast majority of our agricultural production. 93 percent of lamb, 91 percent of mutton, 82 percent of beef and 95 percent of dairy products are exported.

This makes New Zealand a significant player in world trade of foodstuffs. According to a 2003 report for the Food and Beverage Taskforce, New Zealand can boast:

- Approximately 35 percent of world trade in dairy products
- Having the largest exporter of premium grade apples
- Having the largest share of international trade in sheep meat
- Having the largest exporter of venison
- Being the second largest exporter of mutton
- Being the fourth largest exporter of beef.

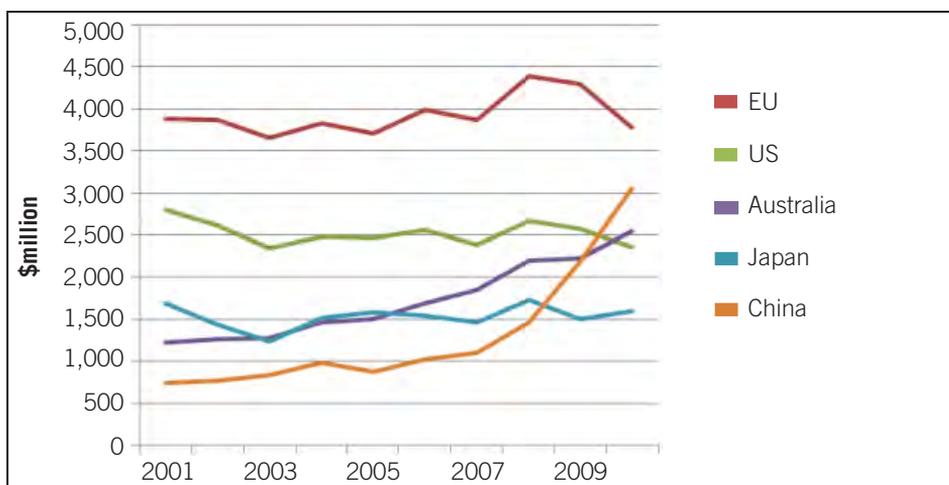
New Zealand's agricultural products are consumed in a diverse range of markets. Table 3 shows that in 2010 the top 12 markets accounted for 72.5 percent of total agricultural exports and figure 6 shows the growth in key markets over recent years. Growth into China and Australia has been particularly notable.



Table 3: Agricultural Exports by Market

Market	Exports for year ended December 2010 (\$ million)	Percent of Total Agricultural Exports
European Union	3,775	15.6
China	3,051	12.6
Australia	2,552	10.5
United States	2,355	9.7
Japan	1,602	6.6
Indonesia	703	2.9
Taiwan	663	2.7
Philippines	627	2.6
Malaysia	603	2.5
South Korea	569	2.3
Saudi Arabia	551	2.3
Singapore	526	2.2
Other markets	6,619	27.5
Total agricultural products	24,196	100.0

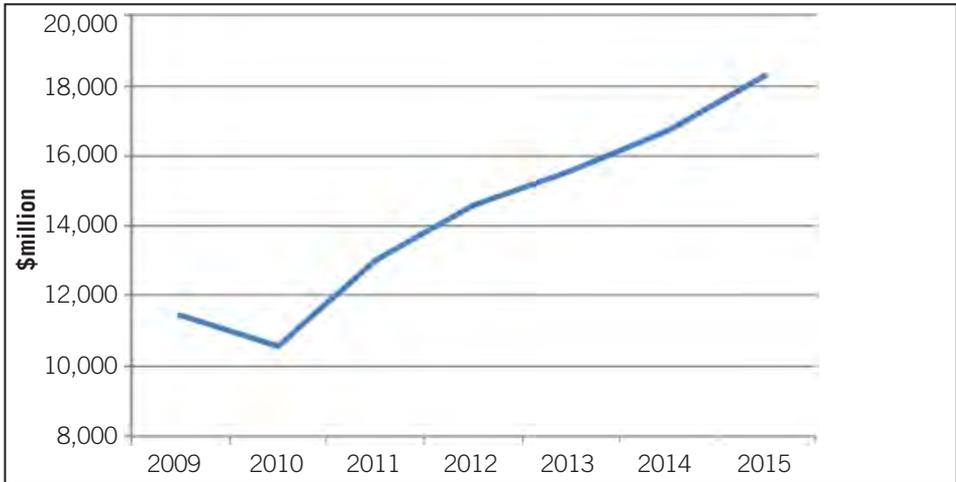
Source: Statistics New Zealand, Overseas Trade Statistics

Figure 6: Major Agricultural Markets (2001-10)

Source: Statistics New Zealand, Overseas Trade Statistics

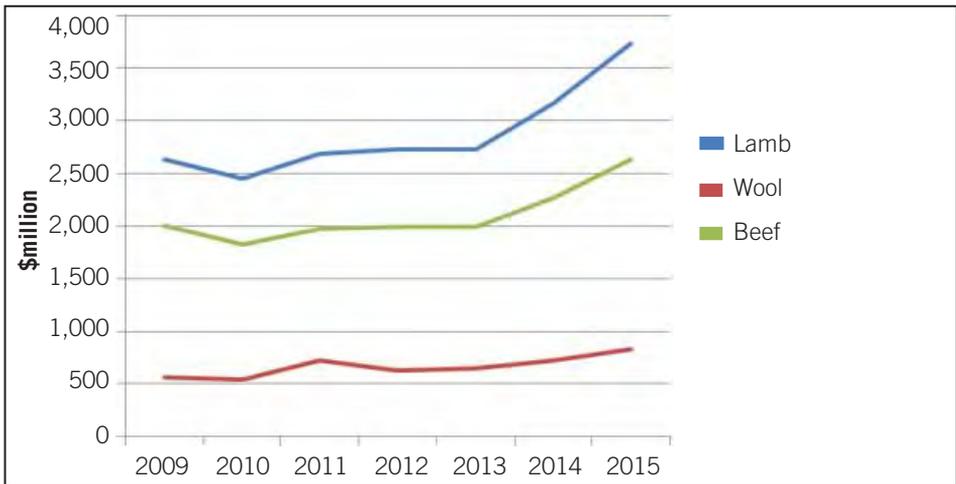
Looking ahead the future for agricultural exports should be positive. Although New Zealand's traditional markets in Europe, North America and Japan continue to face serious economic challenges, strong growth is expected to continue in Australia, China, India and South East Asia. This is reflected in MAF's 2011 Situation and Outlook for Agriculture and Forestry. Its forecasts to 2015 for dairy exports and for lamb, beef and wool exports are shown in figures 7 and 8 respectively.

Figure 7: Forecast growth in diary exports to 2015



Source: Ministry of Agriculture & Forestry, *Situation & Outlook for Agriculture & Forestry, 2011*

Figure 8: Forecast growth in lamb, beef and wool exports to 2015



Source: Ministry of Agriculture & Forestry, *Situation & Outlook for Agriculture & Forestry, 2011*

FARMERS AS EMPLOYERS

In 2010 approximately 78,000 people were employed in agriculture in New Zealand, accounting for four percent of all employees. Of this total around 22,000 were employed on grain, sheep and beef cattle farms and 23,000 on dairy farms. Including farm owners, it is estimated that around 120,000 people are directly engaged in agricultural work.

For the year ended March 2011, the agricultural sector paid out \$2,606 million in wages and salaries, much of which will be spent in cities and towns.

There is a perception that agriculture is a low wage industry. This is a myth and Federated Farmers' annual Remuneration Survey confirms that farm employees earn significantly more than the average. According to the 2010 survey report, the average farm employee earned \$45,410 per annum, \$8,567 more than the average wage and salary income earner, as measured by Statistics NZ Household Economic Survey for the year to June 2010. This was up 4.9 percent from \$43,294 in the 2009 report.

RESEARCH

Farmers pay compulsory commodity levies to fund industry good activities, including research and development to support productivity gains and sustainability. For example, in the 2009/10 year:

- Beef+Lamb NZ received \$23.8 million in levies on meat processed
- DairyNZ received \$51.8 million in levies on milk solids processed
- Foundation of Arable Research received \$3.5 million in levies on grains.

This levy money from farmers plus substantial funds from primary processors and other companies, many of them owned by farmer shareholders, has helped fund the government-industry Primary Growth Partnership which had grown to \$493 million by September 2011.

ENVIRONMENT

According to the 2007 Agricultural Production Census, New Zealand farms occupied 14.7 million hectares or around 55 percent of New Zealand's total land area. As such farmers are at the frontline in delivering environmental outcomes on behalf of all New Zealanders.

Farmers take their environmental obligations very seriously. In the dairy sector good progress is being made on reaching the targets in Fonterra's Dairying and Clean Streams Accord and in 2006 a Dairy Industry Strategy for Sustainable Environmental Management was adopted. Table 4 shows generally good progress being made towards Clean Streams Accord targets.

Table 4: Progress towards Dairying and Clean Stream Accord targets 2007/08-2009/10

Accord Target	2007/08	2008/09	2009/10
Dairy cattle are excluded from streams, rivers and lakes (2007 target: cattle excluded from 50 percent of Accord-type waterways)	78%	80%	85%
Regular race crossing points have bridges or culverts (2007 target: 50 percent of regular crossing points bridged or culverted)	98%	98%	99%
All farms have a system in place to manage nutrient inputs and outputs (2007 target)	98%	99%	99%
Farm dairy effluent is appropriately treated and discharged (target: full compliance with regional council resource consent and/or permitted activity conditions immediately)	64%	60%	65%

Source: *Dairying and Clean Streams Accord: Snapshot of Progress 2009-10, March 2011*

Federated Farmers has been leading a Primary Sector Water Partnership and the Federation has also been actively involved in the Land and Water Forum. Both initiatives aim to improve water quality and water allocation.

Farmers are paying for research into sustainability through their compulsory commodity levies. This includes funding for climate change research through the Pastoral Greenhouse Gas Research Consortium.

Farmers work hard to control plant and animal pests on their land and they fund efforts to control pests through levies to the Animal Health Board and rates to regional councils. In 2009/10 beef and dairy cattle farmers paid \$42 million in levies to the Animal Health Board for possum control.

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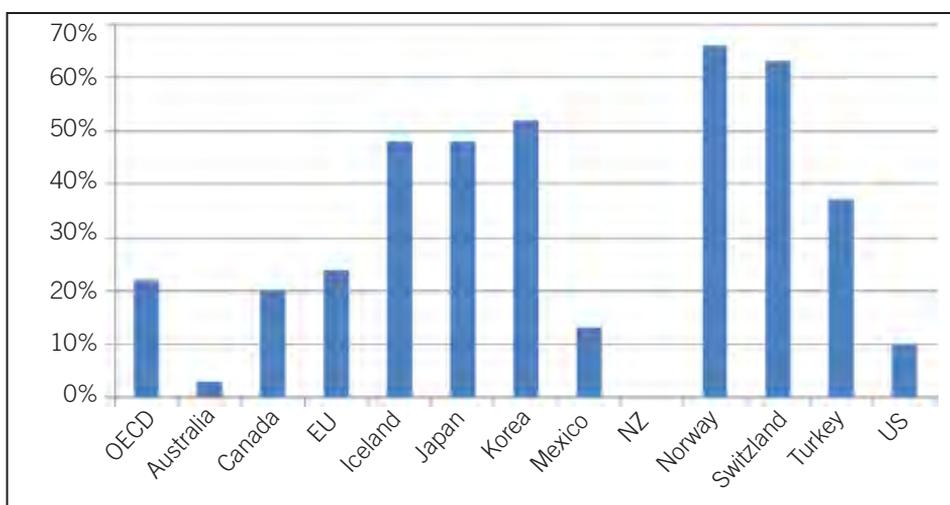
Many landowners have voluntarily covenanted or otherwise protected thousands of hectares of native bush, valuable wetlands and specific habitats of native birds and animals. They have also fenced and re-planted thousands of kilometres of streams and rivers and created hundreds of artificial dams that provide habitat for wildlife.

SELF RELIANT

In the mid 1980s the Fourth Labour Government removed all subsidies for farm production.

Government support for New Zealand farms now represents less than one percent of farming income, compared to an OECD average of 22 percent. Figure 9 shows Producer Support Estimates for OECD countries in 2009.

Figure 9: Producer Support Estimates for OECD Countries (2009)



Source: OECD Producer and Consumer Support Estimates Database

New Zealand farmers are the most self-sufficient in the world.

FARMING AT A CROSS-ROADS

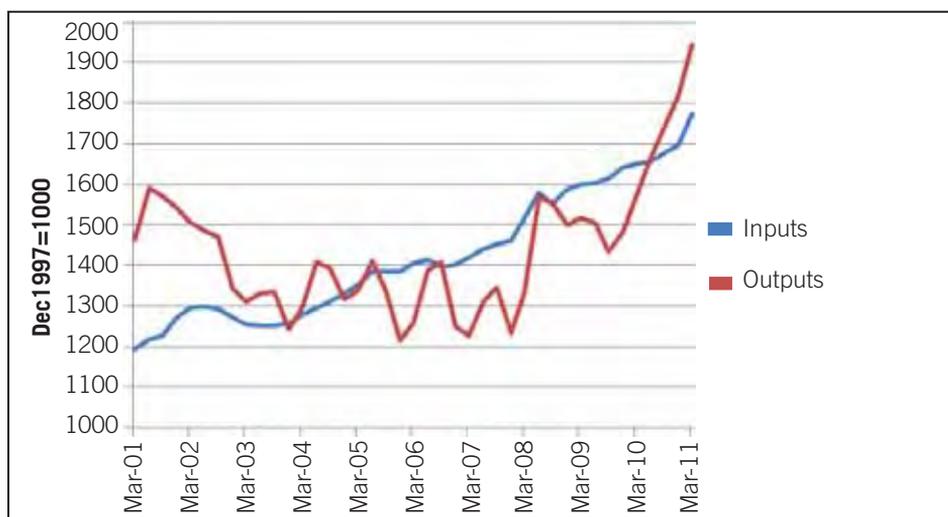
New Zealand is the best food producer in the world and the world wants our food as evidenced by very high commodity prices in 2010/11. This should make it a great time to be a farmer but, despite farming's huge contribution to the economy and boasting a superior productivity performance, many farmers have felt under pressure.

Over recent years there has been an insidious margin squeeze with farmers caught by remorselessly high inflation of their farm inputs, while incomes have been at the mercy of fluctuations in commodity prices, the exchange rate and the weather, all of which are beyond farmers' control.

It is important to recognise farmers are price takers, not price makers. Unlike many businesses, including those that provide services to the agricultural sector, farmers have no easy or direct ability to increase selling prices. Mostly, they are set globally. As a result, when farm input costs rise while incomes remain static, or fall, farmers either have to cut spending or increase debt, with the latter increasingly less of an option due to the heavy indebtedness of many farms and stricter lending criteria being applied by banks.

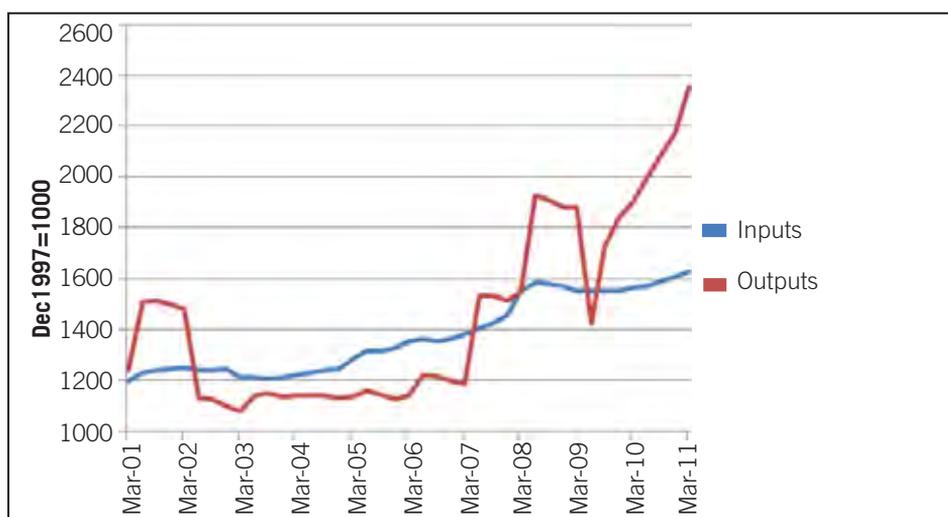
Figures 10 and 11 illustrate this by showing the trends in input and output prices for sheep and beef farmers and dairy farmers respectively.

Figure 10: Input and output prices for sheep and beef farmers (2001-11)



Source: Statistics NZ Producers Price Index

Figure 11: Input and output for dairy farmers (2001-11)



Source: Statistics NZ Producers Price Index

Notwithstanding the most recent increases in farm-gate returns, the upshot of the longer-term trend of margin squeeze is for the most part farmers have struggled to be consistently profitable. The table below shows meagre rates of return for sheep and beef farms and better, but still relatively low rates of return for dairy farms, with the exception of the 2007/08 and 2010/11 seasons.

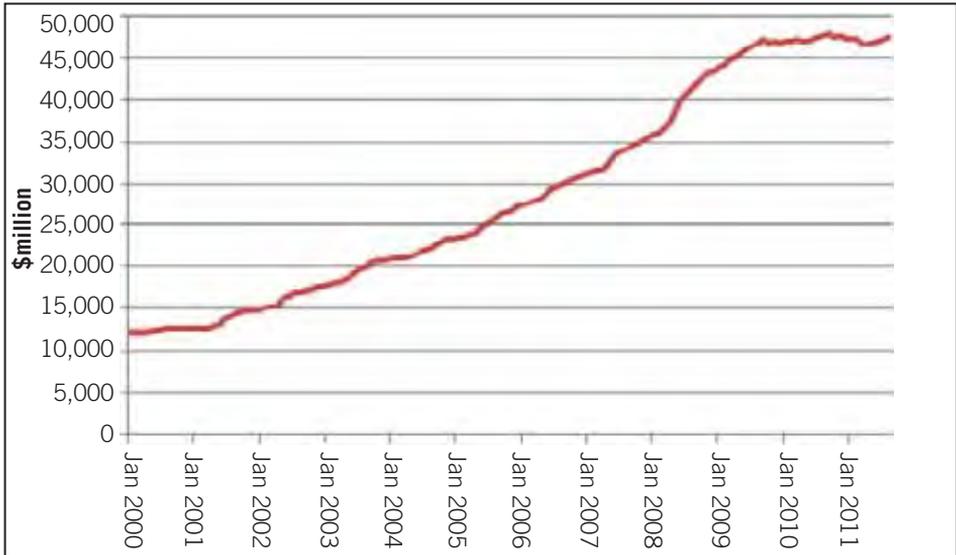
Table 5: Average Rate of Return

	2005/06	2006/07	2007/08	2008/09	2009/10 (provisional)	2010/11 (forecast)
Sheep and Beef	0.2%	0.0%	-0.4%	0.5%	0.5%	1.3%
Dairy	2.6%	2.2%	6.0%	1.2%	4.3%	7.0%

Source: ANZ, National Bank, Beef & Lamb NZ, Dairy NZ

The rate of return on equity refers to the economic farm surplus, less interest and lease, as a percentage of equity. Income tax, debt repayment, capital expenditure and living expenses for the farmer's family all have to be met from within this rate of return. Poor rates of return help to explain why farmers have had to increasingly resort to borrowings, with agricultural debt increasing four-fold during the 2000s. This growth is illustrated in figure 12.

Figure 12: Agriculture Sector Credit (2000-2011)



Source: Reserve Bank of New Zealand Sector Credit Statistics

If farming is to contribute its maximum potential to New Zealand's economic recovery it needs a friendly business environment. This includes government policies that help farmers be profitable and grow their businesses to the benefit not just of themselves and their families, but their local communities and all New Zealanders.

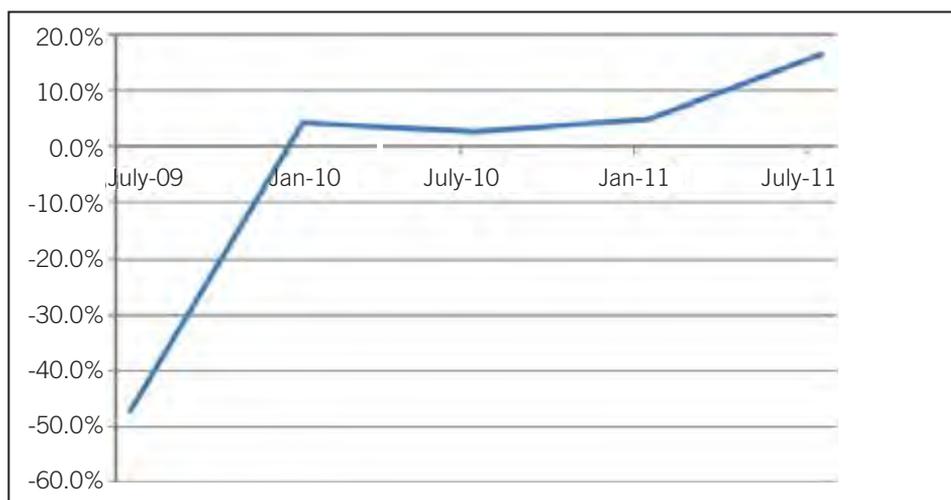
This Manifesto sets out Federated Farmers' policy prescription across a wide range of issues which if followed we believe will help secure the future of farming and put New Zealand on much a stronger footing.



FARMERS' CONCERNS AND PRIORITIES

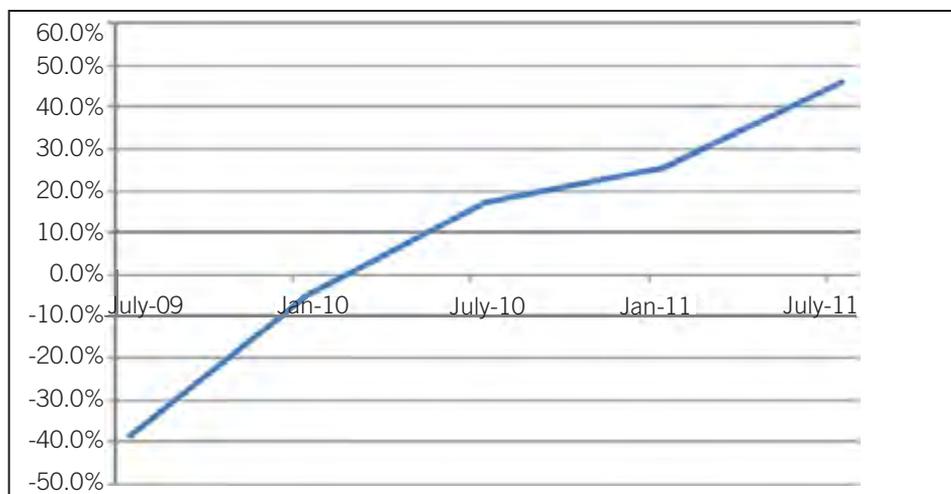
Since mid-2009 Federated Farmers has been running a six-monthly Farm Confidence Survey. Encouragingly, the survey results show that over the past two years farmers have become more confident about both the general economy (see Figure 13) and their own profitability (see figure 14).

Figure 13: Net General Economic Conditions - All Farms (July 2009 - July 2011)



Federated Farmers Farm Confidence Survey

Figure 14: Net Farm Profitability - All Farms (July 2009 - July 2011)



Federated Farmers Farm Confidence Survey

Despite this increased optimism farmers have a number of concerns and priorities for government. Understanding these concerns and priorities is key to understanding why the Federation is advocating for the policies contained in this Manifesto.

FARMERS' CONCERNS

The most recent Farm Confidence Survey was undertaken in July. Farmers' concerns, and to a lesser extent government priorities tend to fluctuate depending on the issue of the moment. For example, concern about climate change policy and the Emissions Trading Scheme spiked upwards in July 2010 at the same time as the ETS was implemented, while concern about the weather spiked upwards in January 2011 during a severe drought in many parts of the country.

Table 6 shows respondents' top ten concerns and top ten priorities for government from the July 2011 survey. Most of the policy positions discussed in this Manifesto relate either directly or indirectly to one or more these concerns and/or priorities.

Table 6: Concerns and Priority for Farmers

Single Biggest Concern			Highest Priority for Government		
Rank	Issue	%	Rank	Issue	%
1	Climate Change Policy & ETS	14.5	1	Reduce government spending	16.5
2	Input Costs	12.8	2	Climate change policy & ETS	12.1
3	Compliance costs & regulation	12.0	3	Reduce government debt	9.8
4	Exchange Rate	11.5	4	Support agriculture & exporters	9.2
5	Debt, interest rates & banks	8.2	5	Reduce compliance & regulation	8.8
6	Farmgate & commodity prices	7.8	6	Economy & business (general)	8.7
7	Weather	6.6	7	Monetary policy	6.2
8	Public perceptions of farming	4.7	8	Earthquake recovery	5.4
9	Local government and rates	4.4	9	Industry-specific issues	3.4
10	Industry-specific issues	4.0	10	Trade liberalisation	3.3

July 2011 Federated Farmers Farm Confidence Survey



ADVERSE EVENTS

The past three years have been hugely challenging with droughts, floods, snowstorms and earthquakes. Such events place our rural communities under considerable financial pressure as farmers work to put right what Mother Nature has delivered. Additionally, and often overlooked, is the human toll on families and the community.

Adverse events can also bring out the best in communities, with rural people never slow to lend a hand, whether it is to neighbours or to their city cousins. This was most notable when the Farmy Army turned out in force to help Christchurch residents clean up after the devastating February and June earthquakes.

Federated Farmers has a strong background and reputation in the area of adverse events, being at the forefront of major responses and longer term recovery planning, working alongside organisations such as the Rural Support Trusts, Civil Defence and local authorities.

The self-help ethic is strong in the rural community both in risk mitigation and in response to adverse events. Farmers invest considerable sums of money and effort, both individually and collectively, into risk management initiatives such as flood protection, drainage, irrigation and water storage infrastructure and feed. Nowhere is farming practiced with the expectation that government will be the insurer of last resort.

Federated Farmers generally supports the Government's approach to adverse events, including the continuance of the Agricultural Recovery Programme and funding to develop and maintain the capacity of rural support trusts. Federated Farmers supports MAF's coordination role for these trusts.

Federated Farmers wants

- Government to continue the Agricultural Recovery Programme
- MAF coordination role for rural support trusts, in conjunction with Federated Farmers, to continue.

ACC AND HEALTH & SAFETY

Farms contain multiple hazards and higher than average risks of workplace accidents. Federated Farmers recognises the significant financial and social implications injuries and fatalities have on farmers and their families. The Federation therefore undertakes an active injury prevention role, working alongside ACC, the Department of Labour and other agencies concerned with rural health and safety. The Federation is an active participant and supporter of the Agricultural Health and Safety Council and the FarmSafe programme.

While agreeing some regulation is necessary, Federated Farmers believes regulation should be kept at a reasonable level and should not be considered until other options are exhausted. Too often, regulation is imposed as a knee-jerk reaction, without properly considering the implications. As a result, regulation that does not recognise the reality of farming operations runs the risk of failure. Education and information is preferable to regulation for encouraging improvements in farm safety.

For some years, Federated Farmers has been concerned about increases in ACC levies and compliance costs. Compliance costs surveys consistently identify ACC as one of farmers' biggest concerns, as well as for businesses generally. Farmers' ACC levies are relatively high compared to more sedentary occupations.

The ACC scheme's costs increased strongly in the 2000s and when the economy slowed after 2008, a massive liability was exposed which threatened large levy increases. In 2008 Federated Farmers urged the incoming Government to reverse previous expansions of the scheme and urged it to encourage ACC to focus on containing its costs. We also supported initiatives such as experience rating to reward businesses with good safety records.

While supporting recent changes to ACC and pleased to see progress in ACC's financial position, Federated Farmers supports further reforms. For example, we support the reintroduction of competition into the ACC Work Account. We also believe more work needs to be done to ensure ACC motor vehicle levies better reflect risk factors and to reduce cross subsidisation.

Federated Farmers wants

- Department of Labour to focus on education and information to improve workplace health and safety
- ACC to continue containing costs of the scheme to keep pressure off levies
- ACC to continue with experience rating
- Government to reintroduce competition into the ACC Work Account
- ACC to review funding for the Motor Vehicle Account.

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ANIMAL IDENTIFICATION AND TRACEABILITY

Federated Farmers is a strong supporter of biosecurity, incursion response, food safety and consumer confidence on farm products facilitating trade access. New Zealand currently uses a number of systems to achieve these objectives. As a result, we have a well-established and hard-earned reputation for producing high quality and safe meat and dairy products.

It is the Federation's view that a commercial, voluntary National Animal Identification and Tracing (NAIT) system would have been the best option. However, the legislation is proceeding with a mandatory system, so we will now work to make NAIT as efficient as possible while keeping costs to farmers to a minimum.

As NAIT moves towards becoming operational, Federated Farmers is keen for a number of issues of particular concern to our farmer members to be resolved. The regulatory and market pressures for cattle do not exist for sheep at this stage, so economic grounds must inform any decision to expand NAIT's coverage of livestock species. The potential for misuse of farm data by government and other agencies means that assurances must be provided for its protection.

Draft legislation provides NAIT with grossly excessive compliance and enforcement powers which need to be made less draconian for farmers to have confidence they will not be abused. Farmer confidence in NAIT is essential if it is to succeed.

There has been discussion about merging NAIT and the Animal Health Board at some stage. We strongly support merging the two organisations as quickly as possible to remove duplication of costs from two separate systems keeping track of the same animals.

New Zealand farmers have a long history of innovation and adopting new technology and farm practices. Individual farmers have already adopted electronic identification and tracing technology for significant gains such as reduced labour costs, increased accuracy when weighing stock or the ability to more easily select stock on specific production traits. To enhance innovation, NAIT must have a clear and easy process for the integration of new technologies into the system, such as ultra high frequency tags.

Federated Farmers wants

- Government to assure that economic grounds will inform decisions over the future inclusion of other commercial livestock species in NAIT
- Government to assure the protection of farm data
- Government to support changes towards less draconian NAIT compliance and enforcement provisions
- Industry ownership of any new traceability system
- NAIT to establish a clear process for the integration of new technology.

ANIMAL WELFARE

New Zealand farmers are world leaders on integrating animal health and welfare into their farm management planning. The Federation is active in ensuring everyone knows their moral obligation to treat all animals humanely. It is not acceptable to allow animals to suffer as a result of deliberate ill treatment, neglect or poor management practices.

As a major producer and exporter of animals and animal products, New Zealand needs to keep in mind the growing domestic and international consumer consciousness and concern about animal health and welfare. Previously acceptable practices are being reassessed and changed to more readily fit the world in which we live.

Maintaining open trade access is critical to the New Zealand farming community. The Federation insists that any trade discussion or regulations based on animal welfare are backed up by unbiased scientific analysis. The Federation promotes partnerships with other parties interested in animal welfare such as the National Animal Welfare Advisory Committee, the National Animal Welfare Emergency Management Committee and groups such as the World Society for Protection of Animals and the SPCA.

Farmers have the responsibility to adhere to animal welfare legislation and codes of practice and to train their staff how to care for animals properly. Government has the responsibility to ensure animal welfare requirements are reasonable and based on sound scientific analysis and an understanding of farm operations.

Compliance and enforcement officials are a key part of the animal health and welfare equation. The Federation is working to ensure farm animal inspections are carried out to meet the needs of farmers and that inspectors understand the complexity of our farming systems.

Our memorandum of understanding with MAF is a key part of ensuring that Government and industry are working to a common animal health and welfare goal.

Federated Farmers wants

- Government to ensure animal welfare requirements are reasonable and based on sound scientific analysis and an understanding of farm practices
- Government to provide clear and concise information to farmers in relation to animal welfare visits from compliance and enforcement officials
- Government to train all animal welfare inspectors in farming systems
- A collaborative working relationship with the MAF Compliance and Enforcement animal welfare team. This includes well developed communication channels between officials and farmers.

BANKING

Farming has always been reliant on bank capital for investment to grow the farm business, for seasonal finance and in some cases for survival. According to MAF Farm Monitoring Reports, interest is often the largest single farm expense. With agricultural debt at \$47 billion, a 1 percent change in interest rates would be worth \$470 million to farmers. Banks' decisions can have a huge impact on farm businesses and farming families' economic and social well-being.

Since the global financial crisis erupted in 2008 Federated Farmers has received a number of banking-related complaints from farmers. Although many, probably most, farmers are satisfied with their banks, some are definitely not. Dissatisfaction relates mainly to tighter conditions for both new and existing credit and increasing costs of credit that have been imposed since the global financial crisis.

While most farmers have accepted a return to fundamentals, some have disputed changed conditions with their banks. Based on feedback we have received, farmers feel dissatisfied with existing dispute resolution options. Farmers should have better access to the Banking Ombudsman Scheme.

The Reserve Bank has also been implementing new requirements for bank funding and capital adequacy. Federated Farmers supports measures to strengthen the financial system and ensure that risks are appropriately managed, but aggressive implementation of the changes could be harmful for farming if they significantly increase the cost of credit or restrict its availability. We also want banks to be more transparent in the setting of interest rate margins for rural lending.

Federated Farmers wants

- Government to remove the Banking Ombudsman Scheme's \$200,000 financial limit for compensation
- The Banking Ombudsman Scheme to be able to consider complaints relating to a bank's commercial judgment and interest rate policies
- Greater transparency of banks' interest rate margins for rural lending.

BEES ISSUES

The once bright future of the honeybee in New Zealand is under serious threat. The arrival of the Varroa mite in 2000 dramatically changed the future of the bee industry. As it has spread Federated Farmers has seen the decimation of New Zealand's feral/wild beehives, effectively halving the total bee pollination workforce. Without human intervention, this aggressive mite will kill every bee colony in New Zealand.

Pollination provided by the bee industry contributes at least \$4.5 billion annually to New Zealand's economy and underpins a further \$12.5 billion of export revenue from the horticulture, arable, pastoral and beekeeping sectors. No other industry sector holds such a responsibility; pollination delivers much of the food we eat and a large portion of the products which we export as a nation.

The increasing importance of agricultural sustainability and food security means that honeybee decline both in New Zealand and internationally is of serious concern. Aside from habitat loss, the main issues leading to a pollinator crisis in New Zealand are increasing honey bee pests and diseases, declining floral resources leading to pollen shortages and bee malnutrition and undervaluing the vital role of the beekeeping industry to the economy.

Significant threats to New Zealand's bee population and horticulture, arable and pastoral industries come in the form of bacteria, viruses and invasive insects. Any combination of these combined with Varroa can be devastating and do irreparable damage. It is vital that as a country we recognise the immense value the honeybee delivers and accordingly take immediate steps to strengthen our protection of this key sector. Part of this process must be strong and successful biosecurity measures.

The Federation considers robust Import Health Standards are another crucial tool for the protection of our bee industry. When this fails our industry and many others are put in jeopardy.

The importation of 'artificial' pollen for use in the kiwifruit industry which occurred under an Import Health Standard relating to nursery stock was unacceptable. The bee industry was never consulted and therefore there were no protocols for testing the pollen for viruses or bacteria. Unfortunately, this may have led to the introduction of PSA into New Zealand kiwifruit orchards. This is an example of why stricter controls are needed on all bee related products coming into New Zealand.

The American Foulbrood Pest Management Strategy's ten year review is still a work in progress and the current strategy stands, almost three years since the review was initiated. This performance offers little comfort for an industry that has driven this strategy and has strived to achieve the goals which were set.

Federated Farmers wants

- Recognition of the value of bees to New Zealand as a whole to the country and economy
- Management plans to deal with bee pests not currently in New Zealand
- Ongoing financial support to be made available to the bee industry for the continuation of surveillance, education and bee research
- Government to consider stricter controls on all bee related products coming into New Zealand
 - Conclusion of the ten year review of the American Foulbrood Pest Management Strategy.

BIODIVERSITY

Federated Farmers recognises the importance of our indigenous biological diversity as an important component of our identity as New Zealanders. We want to actively protect and enhance our indigenous biodiversity for everyone to enjoy.

Farmers spend millions of dollars each year on actively managing areas through weed and pest control, fencing and regeneration through planting and enhancement. The rate at which landowners are queuing up to formally covenant special areas on their farms has grown exponentially in the last ten years.

Our members are extremely proud of their work and achievements on their farms to protect and enhance biodiversity. It is this ethos that Federated Farmers considers should permeate government policy on biodiversity.

A number of farming areas throughout New Zealand rely on the routine clearance of regenerating indigenous plants to maintain pasture improvements. This does not mean they are clearing large tracts of native bush.

It is incredibly important to our farm businesses they can maintain the ability to cost effectively remove and control indigenous regrowing plant species. It was the ability to continue those activities and the wide ranging scope of the proposed National Policy Statement (NPS) on Indigenous Biodiversity that lead to wide concern among farmers about its impact on the productive sector.

Federated Farmers considers the NPS should not proceed in its current form. If it does proceed, it should direct councils to work in partnership with landowners to protect and enhance biodiversity in preference to regulation.

Federated Farmers strongly supports and acknowledges the existing investment in partnerships, with two key agencies working with landowners to enhance and protect our special places and things, QEII Trust and Landcare Trust.

If the Government is serious about protecting indigenous biological diversity, then it must be willing to invest, on behalf of all New Zealanders, in more weed and pest control on its own lands and in supporting partnerships with landowners through the QE II Trust, Landcare Trust and local government. This should be pursued through more active support of existing initiatives, by way of direct funding and through a contestable fund.

It should also amend the proposed NPS to limit the scope of regulatory protection to nationally important sites and require councils to work in partnership with landowners to protect and enhance other areas of indigenous biodiversity on private land.

Federated Farmers wants

- Government to increase funding for the QEII Trust, Landcare Trust and weed and pest control in Crown land, in preference to proceeding with a National Policy Statement on Indigenous Biodiversity
- Government to create or enlarge a contestable fund to enhance the uptake and implementation of non-regulatory methods to protect biodiversity in regional and district plans and for landowners to apply to for assistance with protection on private land
- Amend the proposed National Policy Statement on Indigenous Biodiversity to limit the scope of regulatory protection to nationally important sites and require councils to work in partnership with landowners to protect and enhance other areas of indigenous biodiversity on private land.

BIOSECURITY

Without the income generated by the work of the agriculture sector, New Zealanders would not enjoy first-world living standards. To maintain the competitive advantage that agriculture has, biosecurity must retain a strong focus on protection of land based primary production.

Biosecurity agencies must be accountable for balancing trade facilitation with ensuring pests and diseases are kept out of New Zealand. The sea is a great natural border and an advantage we must protect. Accountability and performance of our biosecurity agencies are paramount. For example, if border control systems have been shown to be ineffective, there needs to be a future focus on new methods to deal with current inefficiencies and potential threats.

Tourists and the public are often a forgotten biosecurity risk causing group. Didymo, for example, would more than likely not be here if it wasn't for a stray American angler whose fishing equipment wasn't cleaned properly. Unfortunately, the land user is often the one who suffers if the real causes of the problems are not properly targeted.

To counteract any risks, we support greater emphasis being placed on ways of pushing the biosecurity focus for imported goods off-shore. Let the countries sending their risk goods here deal with the problem. Containers, cars and food products should all be treated and inspected prior to arrival. We should not have to sort out a problem within New Zealand that has originated from a country where a pest or disease is present that could devastate our national economy.

Pre-border assurance can be implemented through international agreements between trading countries with costs being absorbed by the exporter or exporting nation.

Our borders must remain secure. Electronic passenger clearance at airports or "fast track" clearance of imported goods at ports must take biosecurity risks into consideration. New technologies at the border are seen as positive, as long as they are thoroughly tested and do not increase the chance of a new biosecurity incursion.

Forward focused biosecurity systems that provide confidence to farmers are critical. While they must not hinder free trade, robust, transparent and scientifically-based risk systems are necessary. If balance is to be achieved, then biosecurity agencies must work towards developing communication and partnerships with land users. Making the best use of the people working within land based industries is an efficient way of improving biosecurity systems.

Government has traditionally funded and undertaken biosecurity. This recognises the widespread and intergenerational value biosecurity has for all New Zealanders, the risk created by other sectors of the economy and the need for biosecurity decisions to be objective.





While Government Industry Agreements (GIAs) offer the opportunity for greater collaboration and communication between the primary sector and government in order to create better biosecurity outcomes, they must not result in a transfer of costs from government to the primary sector. GIAs must be a true, transparent and committed partnership between the primary sector and the government. GIAs must enhance biosecurity, be of net benefit to the sector involved and be adaptable. The role of exacerbators and the sources of biosecurity risk must be recognised in any funding model.

Federated Farmers wants

- Government to assess how exacerbators, i.e. importers and tourists, can assist in the funding of the costs of readiness and incursion response actions
- Greater implementation of pre-border measures to keep biosecurity risks out of New Zealand
- Robust and scientifically justified import health standard process
- Changes to biosecurity implementation must be scientifically justified
- Government to work in partnership with primary industry groups to ensure that biosecurity processes are equitable
- Government to reassess the Government Industry Agreement process and the formation of the Deed of Agreement for readiness and response
- Establishment of a full-time independent review panel to act as a watch dog on biosecurity decision-making processes.

CLIMATE CHANGE AND EMISSIONS TRADING

Federated Farmers takes its responsibilities as New Zealand citizens seriously. We know it is vital to use resources efficiently and wisely. We also know communities need to be resilient to a variety of challenges, both natural and created.

For much of the past 20 years or so agriculture, although often denigrated, still provides the lion's share that anchors the New Zealand economy and will continue to do so for generations to come.

The challenge for New Zealand is to find a balance between what some people in society view as right and what is reasonable. On the one hand, biological agricultural emissions are said to comprise around half this country's greenhouse gas emission. On the other hand, we remain the only country to consider imposing emissions liabilities on biological agricultural emissions and there are few, if any, mitigation technologies farmers can cost-effectively take up with confidence.

Given the imbalance in applying a carbon price on New Zealand food producers while competitors avoid any similar cost and cost-effective mitigation options remain largely non-existent, there must be conditions on the entry of biological agricultural emissions into the ETS. Federated Farmers would consider it reasonable that the review provisions in section 160 of the Climate Change Response Act be amended to require that future reviews specifically consider whether New Zealand finds itself in a position where:

- Competitors in other countries have similar schemes or otherwise face similar emissions costs
- Economically-sustainable mitigation technologies are available for widespread uptake
- International rules allow New Zealand to recognise the uptake of such technologies.

The reason why the Federation insists these conditions must be built into future reviews is to ensure New Zealand's food production is not forced to bear a price of carbon, where to do so would make agriculture uncompetitive and the main response open to farmers would be to reduce production. This is a situation the government should look to avoid.

Climate change policies should be based on good science, be practical and cost-effective, and allow New Zealand farming to remain economically viable and internationally competitive.

Federated Farmers wants

- Climate change policies aligned with those of our key trading partners and competitors
- Changes to legislation to ensure agriculture remains out of the ETS far beyond the current entry date of 2015, until mitigation tools are available and our competitors do the same
- Changes to legislation to insert conditions on any decision to bring agriculture into the ETS.

DAIRY INDUSTRY ISSUES

The dairy industry is a key contributor to New Zealand's economy, particularly in the current economic crisis. In the 2009/10 season, the industry's 11,691 herds produced 16.5 billion litres of high quality milk, earning 24 percent of New Zealand's total \$41.1 billion in exports during 2010.

While the farmer owned co-operative Fonterra is the powerhouse of the dairy industry, collecting around 89 percent of New Zealand's milk, there are other co-op contributors to the industry, Westland Milk Products and Tatua. In addition about 7 percent of the nation's milk is collected by various independent processors.

All processors of dairy products are allowed access to Regulated Raw Milk under the provisions of the Dairy Industry Restructuring Act 2001 (DIRA). DIRA and the Regulations have been under constant scrutiny for most of its life, with DIRA amended in 2010 and the Regulations amended in 2007, 2008, 2009 and 2010. This constant revision is a distraction to the dairy industry. We have been an active participant during all revisions of both DIRA and the Regulations, with the goal of seeing a fair outcome for all concerned.

Federated Farmers has been involved in the debate on milk pricing, with a submission made to the Commerce Select Committee's Inquiry. We do not believe that consumers are paying too much for milk and we believe the market is working as it was intended. Consumers should shop around for the best deals.

Dairy farmers are lifting their environmental performance. They have been given more tools to help deal with effluent in the form of the Farm Dairy Effluent Design Standards and the accompanying Code of Practice. More farmers are complying with their effluent consents. All dairy companies are demanding better environmental performance from their farmer suppliers and Federated Farmers has been part of this strategy.

Federated Farmers has also been involved with the push to reduce routine inductions of dairy cows, has been involved with the work to ensure the welfare obligations of bobby calves are met and is on the forum to minimise effluent spillage on roads.

Federated Farmers wants

- Government to settle Dairy Industry Restructuring Act and Raw Milk Regulations
- A holistic view taken of environmental degradation that recognises the steps being taken to improve performance.

ECONOMIC POLICY

The New Zealand economy has been struggling to recover from the 2008-09 recession and the shocks caused by the Canterbury earthquakes. If the economy is to recover in a sustainable way, there must be a more export-friendly environment and a rebalancing of the economy in favour of the tradable sector.

To achieve this rebalancing, all government policies should promote increased productivity, efficiency and economic outcomes and ensure international competitiveness for the tradable sector.

Federated Farmers generally supports the findings and recommendations from the 2025 Taskforce, the Capital Markets Taskforce, the Tax Working Group, the Welfare Working Group, the Savings Working Group, and the Regulatory Responsibility Taskforce. Their prescriptions would strengthen the economy and they should be implemented.

The 2008/09 financial year saw a return to fiscal deficits after 15 years of surpluses and these deficits are forecast to continue for several years. The deficits will require increased borrowings to plug the gap between revenue and spending and the Crown's gross debt is forecast to rise from \$43 billion in 2008/09 to \$114 billion in 2013/14.

The deficit problem was caused by huge increases in government spending during the 2000s which was exposed once revenue fell in the wake of the recession. Core Crown expenditure almost doubled over the 2000s, from \$35 billion in 1999/00 to \$64 billion in 2009/10. This rapid growth in spending also boosted inflationary pressures, resulting in higher interest rates and pressure on the exchange rate.

FISCAL POLICY

Federated Farmers supports fiscal responsibility and a flatter tax system with lower tax rates, both for personal income tax and company tax. The Government should aim to return to surplus as soon as possible.



It should adopt a spending target of 30 percent of GDP and to achieve this target spending should be capped. Furthermore, all spending should be reviewed to focus it more on productive investment to grow the cake, rather than redistribution of a static cake.

These policies would reduce the tax burden, make government more efficient and make it easier for the Reserve Bank to control inflation without resorting to a tight monetary policy.

MONETARY POLICY

Federated Farmers supports the Reserve Bank Act and the maintenance of price stability as the Reserve Bank's key goal. We also support the use of the Official Cash Rate (OCR) as the primary tool for implementing monetary policy, although prudential regulation of the financial system can be a supporting tool.

The Federation considers the best thing any government can do to ease pressure on interest rates and the exchange rate is ensure all its policies are aligned with the goal of improving productivity and making the Reserve Bank's job easier in controlling inflation.

Federated Farmers wants

- All government policies to promote increased productivity, efficiency and economic outcomes and ensure international competitiveness for the tradable sector
- The Government to set a target to reduce core Crown expenditure to below 30 percent of GDP by 2014 or sooner and to introduce a spending cap
- All government spending to be continually reviewed to ensure that it is affordable, provides strong value for money, is efficient and delivers appropriately targeted outcomes
- At least some of the savings from spending reviews to be reallocated to areas such as transport, water storage, and broadband infrastructure and to research and development. In other words projects that will enhance New Zealand's economic resilience
- No change to the Reserve Bank Act in relation to monetary policy.

EDUCATION AND SKILLS

Federated Farmers wants more New Zealanders to consider working in the primary sector, especially at the farm face.

Agriculture is New Zealand's biggest export industry, providing a rewarding career to highly skilled individuals. Despite this, the sector struggles to attract workers. In part this is due to a bias in the urban secondary education system, due to a fundamental lack of understanding about farming. The long legacy of agriculture being labelled a "sunset industry" also haunts farming, more than two decades after it was erroneously stated.

During this time, however, New Zealand agriculture has been a world leader in innovation and research, which is a key reason why agriculture consistently outperforms the rest of the economy. This leadership must continue if agriculture is to continue being a strong growth driver.

Investment in training and educating employees and future industry leaders is an investment in New Zealand's future prosperity. By the same token, anything that undermines the training and education of those working in agriculture is a threat to New Zealand's long-term economic future.

New Zealand's investment in this field to date has been underwhelming. Agriculture provides a range of opportunities, but at present these are underutilised. We need to encourage future generations to consider these opportunities in order to ensure agriculture remains a viable long-term contributor to the well-being of all New Zealanders.

The Federation wants agriculture to be promoted as a viable career, especially to the 86 percent of New Zealanders in urban areas. Farming needs to be recognised as a skilled occupation by education providers and policy makers, both at the school level and at tertiary level, with appropriate funding for agricultural education and training providers. Leadership development in the rural sector also needs to be supported and promoted.

Federated Farmers wants

- Greater encouragement of young people, urban and rural alike, to consider careers in the primary sector, including farming
- Recognition farming is a skilled occupation by education providers and policy makers
- Adequate funding for providers of agricultural education and training
- Financial support for leadership development in the rural sector.

ELECTRICITY

Electricity is a significant input for farm production as well as being important for the well-being of farming families. The farming community has a vital interest in ensuring reliable supplies of energy and other utility services at prices that protect their competitiveness.

ELECTRICITY MARKET

Between 2000 and 2008 farmers' electricity prices increased by 85 percent. Electricity market reviews in 2009 resulted in changes legislated in 2010 to promote competition, reliable supply and efficient electricity market operation. Federated Farmers expects these reforms to reduce electricity price inflation. While it is still early days for the new market, we will be monitoring prices closely.

TRANSMISSION UPGRADES

In response to a push for more renewable energy and the fact that most of the country's electricity is not generated close to areas with growing electricity demand, over the coming years Transpower will be investing heavily in upgrading its existing transmission lines and to install new ones. Transpower's plans have an effect on the property rights of landowners. Federated Farmers has been at the forefront of discussions with Transpower seeking better easement conditions for landowners and more appropriate compensation arrangements.

Federated Farmers has also been advocating for the payment of compensation in the form of annual rentals as a fairer way for farmers to have a stake in the economic returns from electricity transmission and to recognise the continuing impact of transmission lines on farming operations.

Federated Farmers wants

- The new electricity market to be efficient and to deliver electricity prices that enhance farmers competitiveness
- Government to support, under legislation, the option of compensation for powerlines over farms to be paid as a reviewable annual rental.

EMPLOYMENT

Almost all farms employ staff, either permanently or on a casual basis, making employment policy an important issue for members of Federated Farmers. Around a third of all calls to the Federation's 0800 advice service relate to employment matters.

EMPLOYMENT RELATIONS ACT

Federated Farmers believes that employment law should be fair and flexible for all. The Federation was concerned that the law prior to 2010 was not achieving an appropriate balance, with a strong perception of a bias against employers.

Because perception influences behaviour it had, in our view, become real. Federated Farmers urged the Government in its 2010 review of the Employment Relations Act to proceed with reforms to address this bias and to improve labour market flexibility. Federated Farmers believes changes, such as the 90 day trial for all new employees and adjustments to the personal grievance system, will assist in levelling the employment playing field by giving employers the confidence to take a chance and employ someone when they may not have done so in the past.

We do, however, believe there are additional changes that could be made, such as an extension to the 90 day trial period to 180 days.

MINIMUM WAGE

Federated Farmers supports a statutory minimum wage rate to protect the most vulnerable workers, but the minimum wage should not be used as a tool to increase overall wage levels.

Sustainable increases in wage levels are only possible if there is an increase in productivity. Government should therefore refrain from further large increases in the minimum wage and consider whether to reintroduce a youth minimum wage. It should also focus on other policies that would improve skills, improve incentives for work and improve the business environment. This approach would be more likely to enhance competitiveness and productivity and therefore the capacity of businesses to pay higher wages.

Federated Farmers wants

- Greater encouragement of young people, urban and rural alike, to consider careers in the primary sector, including farming
- Recognition farming is a skilled occupation by education providers and policy makers
- Adequate funding for providers of agricultural education and training
- Financial support for leadership development in the rural sector.

HOLIDAYS ACT

The 2003 changes to the Holidays Act imposed significant compliance costs and increased wage costs. Federated Farmers therefore advocated strongly for many of the proposed changes in the 2010 Holidays Act review.

In particular we support employees' ability to request up to one week annual leave to be paid out. We are also supportive of the clarification given to the transference of public holidays in the Act, as this was an issue that previously confused many employers. We also support the option to use average daily pay to calculate holiday pay



PAID PARENTAL LEAVE

Federated Farmers supports the current scheme for paid parental leave which is funded by the taxpayer and available to the self-employed as well as employees.

There have been suggestions the period for paid parental leave be increased from the current 14 weeks. The Federation's concern is large increases in the period could become costly for taxpayers and cause difficulties for small businesses.

Federated Farmers wants

- Government to review within the next three years employment legislation, particularly the Employment Relations Act and the Holidays Act, to ensure that the recent changes are meeting the goals of reducing compliance costs and encouraging labour market flexibility and productivity
- Government to retain the minimum wage at its existing real level, that is adjusted only for inflation and to consider reintroducing a youth minimum wage
- Government to leave paid parental leave unchanged.

GRAINS INDUSTRY ISSUES

From an international perspective New Zealand's arable industry could be viewed as small, with 2,500 farmers and revenue of approximately \$5 billion. However, the industry contributes extensively to the New Zealand economy.

Latest statistics highlight export revenue of \$70 million from herbage seeds, such as clover and ryegrass, \$85 million from vegetable seeds and \$130 million from grain based products. The industry is a leader in seed multiplication, especially carrot and clover seed of which New Zealand is the primary world producer. Every day our products feed 6 million dairy cows and 30 million sheep. Currently, a Southland farmer holds the world record for wheat production and we also have the highest maize yields in the world.

One of arable farmers' key concerns is biosecurity. The fact we are able to be world leaders in seed multiplication is mainly due to our weed, pest and disease free status. It is of paramount importance we maintain a biosecurity system that ensures harmful pests and diseases are kept out of New Zealand.

A biosecurity breach of significant magnitude in the arable industry would seriously impede our ability to remain a productive part of the New Zealand economy. Market access could be lost if just one significant weed is found in our seed exports. The recent change to the Importation of Grains/Seeds for Consumption, Feed or Processing Import Health Standard, allowing a tolerance level for contaminant grains/seeds of up to 0.1 percent in weight is something we did not support and do not want repeated.

Another key issue for arable farmers is reducing the confusion surrounding the transport regulations for agricultural vehicles. Arable farmers use a wide range of vehicles for their cropping operations, some of which are driven on the road. To be able to do so legally and safely, a separate agricultural vehicles transport schedule is needed where the requirements are clearly stated.

Federated Farmers wants

- Government to not relax the import health standards for grain and seed into New Zealand
- Government to establish a separate Agricultural Vehicles transport schedule.

HIGH COUNTRY ISSUES

Federated Farmers High Country expects government policy and actions to be consistent with the law and all dealings with its leaseholders to be open, honest and dependable.

We expect governments to openly acknowledge the contribution many generations of high country families have made towards making the high country the iconic landscape that it is today. They have made significant investments in weed and pest control and have been willing to provide access and other assistance, so others may also enjoy this special landscape.

We look for government partnership in the protection of the land. In many cases government can be seen as the original exacerbators, either directly or through its agencies. As such government should provide practical support, including financial in appropriate situations, to landholders experiencing excessive weed and pest incursion problems.

To be able to continue making this contribution, high country families must be provided with a working environment allowing their businesses the flexibility to remain viable during changing times. The Crown Pastoral Land Act 1998 (CPLA) was introduced to provide some of this flexibility, including the tenure review process.

We support the CPLA principle that owners of perpetually renewable Crown pastoral leases should be allowed to buy the freehold title to all or most of their land, provided there is ongoing legal protection of areas with Significant Inherent Values (SIV's). We also believe that more recognition should be given to the use of protective mechanisms for SIV's as provided for in the CPLA.

On most farms, SIVs are defined as Significant Natural Areas by the local district council, and protected by rules laid down in its District Plan under the Resource Management Act. If the local District Plan has yet to provide this protection, these values could be protected by a temporary legal covenant. On properties where large areas of land have both productive and environmental values, protection could be provided by 'sustainable management covenants' under freehold title, as provided for under the CPLA. This would also help to promote community custodianship of covenants. SIVs should be evaluated objectively, on the basis of regional significance, rather than what is present on an individual property.

It is also important to respect the preference of those who do not wish to enter into the tenure review process. These people should not be forced into entering tenure review because valuations for pastoral lease rental purposes are based on non-pastoral considerations. The Land Act, supported by the CPLA and subsequent legislation asserts that rental values on Crown pastoral land are to be determined on the land's productive capability. Any other intention is contrary to the intent of the law.



Federated Farmers High Country expects the government to make pragmatic land use decisions rather than decisions stemming from ideology or diehard beliefs. Grazing of Crown land, for example can provide benefits for all parties. The effects of under-grazing can be as disastrous as those of over-grazing. Under-grazing can create exotic weed and fire problems while a judicious grazing regime can have economic benefits while still protecting vegetation, landscape and other values.

Federated Farmers wants

- Government commitment to productivity based rental on Crown pastoral leases
- A political environment that allows Crown pastoral lease holders to choose freely whether to apply for freehold title or continue to operate under leasehold contract
- A flexible and practical application to protecting significant inherent values by alternative means to reverting to full Crown ownership
- More pragmatic decision making in dealing with grazing applications on Crown land.

IMMIGRATION AND LABOUR

New Zealand has experienced a large number of dairy conversions, including many in non-traditional dairy areas. While the recent recession has resulted in higher unemployment, this has not translated into an abundance of appropriately qualified agricultural workers seeking employment. In fact, the labour market remains tight for many positions in the agricultural industry. This is evidenced by relatively high agricultural wage inflation since 2008, particularly in the dairy sector.

With a shortage of New Zealanders willing or able to work on farms, Federated Farmers has continued to push for increased immigration of skilled farm workers. Current policy is to allow only certain skilled workers onto the skills shortage list, typically on work permits of one or two years.

Unfortunately, most agricultural work does not fall into the skilled categories as they are currently defined, so farmers have experienced difficulty bringing in workers under the general immigration scheme. This again sends the wrong signals and does not accurately reflect the skill requirements of the industry that drives the economy.

Federated Farmers has long tried to persuade immigration officials to include dairy farm workers on the immediate skills shortage list. There has been reluctance to do so to date, with the lowest skilled position on the list being that of Assistant Herd Manager. The Federation wants politicians and officials to understand the extent of the problem of labour shortages and the need for more flexible immigration policies.

Federated Farmers believes that the current standard work permit results in a great amount of uncertainty for both the employer and migrant. There needs to be additional pathways in place to ensure highly skilled, productive migrants currently working in New Zealand's agricultural industry can continue to do so.

Federated Farmers wants

- Government to increase flexibility in immigration policies which recognise that farming is a skilled occupation
- Government to review the way agricultural positions are currently classified by Immigration NZ, with the intent of making them more reflective of the skills required in a modern farming environment
- Government to enhance the sector's ability to retain high quality migrants in the agricultural workforce.

LOCAL GOVERNMENT

Councils are responsible for the regulation of natural resources, including land, water and air, which are obviously important for the business of farming. Councils also regulate other activities and provide infrastructure and services to their local communities. It is important to remember that farmers may or, in many instances, may not use these facilities. Farmers therefore have a keen interest in local government.

ROLES AND RESPONSIBILITIES

The Local Government Act 2002 provides councils with a "power of general competence" and an activist purpose statement to promote "community well-being".

Federated Farmers considers community well-being can best be achieved by councils containing spending and thereby keeping rates down. Councils should focus on doing their core functions well; local regulation and the provision and maintenance of local infrastructure such as roading, water and waste. Most councils engage to a greater or lesser degree in the provision of commercial ventures and recreation and cultural facilities and activities.

In 2010 changes were made to the Local Government Act in an attempt to encourage councils to focus on their core functions, but the Act's list of these functions is very broad and goes beyond local public goods.

Federated Farmers considers the best way to get councils focussed on core functions is to ensure council activities are funded according to who benefits and that ratepayers get good information to assess the benefits they get from council activities. The 2010 changes to the Local Government Act include provisions to improve this information and should help.

A major review of the local government system is looking into roles and responsibilities of local government. Federated Farmers supports this review.

STRUCTURE OF LOCAL GOVERNMENT

The reforms of Auckland governance and the creation of the new Auckland Council have sparked debate throughout the country on whether other amalgamations or restructurings should occur. Federated Farmers has no national position on local government restructuring. We are open to change, but any decision on whether to support or oppose a specific proposal is made on a case-by-case basis at a local level, weighing up the pros and cons for farmers.

RURAL REPRESENTATION

The Local Electoral Act 2001 has diminished rural representation, a particular concern when councils depend heavily on rates based on property value. The Act requires strict adherence to a +/- 10 percent quota for the number of people each councillor should represent. While the Act allows for a greater degree of representation for isolated and distinct communities of interest, the resulting council representation reviews have seen a reduction in rural wards and the number of councillors from rural parts of districts. Federated Farmers wants a return of the law that existed prior to 2001, when councils had more flexibility and were able to consider factors other than population, such as geographic area or community of interest.

DOG CONTROL

Councils are responsible for controlling dogs in their districts. Farms can have large numbers of working dogs on their properties and dog registration fees can be a significant impost on farmers, especially when working dogs usually never leave the property so are generally of low risk to others. There is also great variation among councils in dog registration fees and some consistency in processes for setting these fees and those of other user charges would be useful. Furthermore, Federated Farmers wants to ensure any further changes to dog control laws do not impose unreasonable costs on responsible owners of farm working dogs.

ROADING

Roading is a key activity for local government, probably the most important for farmers. For our comments on road funding please refer to the section 'Transport-Infrastructure'.

Federated Farmers wants

- The review of the local government system to consider how best to focus councils on core functions
- The review of the local government system to consider local government structural issues but to not impose solutions from Wellington
- Councils to be given flexibility to decide representation arrangements
- More consistency in the processes for setting user charges, including dog registration fees
- Any changes to dog control to not impose unreasonable costs on the responsible owners of farm working dogs.

*Please also refer to **The Farmers' Manifesto Local Elections 2010 for Federated Farmers' policy actions targeted to councils and councillors** (see <http://www.fedfarm.org.nz/n135.html>).*

LOCAL GOVERNMENT FUNDING

Modern local government is broadly empowered in terms of its role and responsibilities yet is restricted to a narrow, archaic funding base made up of property value rates and per property charges.

Property value rates bear no relationship to either a farmer's relative ability to pay, or use of a service. Rates, therefore, prevent communities from truly assessing the costs and benefits of council activities. For farmers, this means a heavy tax on their key asset, land, to pay for all manner of community services many of which they rarely, if ever, use and have very little say over.

Rating policy is vital to the achievement of community outcomes and the community's ability to assess the value of council activities and ensure that councils are focused on their needs. Therefore, at a local level Federated Farmers submits each year to 65-70 councils' draft annual and long-term plans, focusing on improving council rating systems and reducing the rates burden on farms. This local experience has given Federated Farmers a unique perspective on local government funding issues which was invaluable to its interaction with the 2007 Independent Inquiry into Local Government Rates.

The Federation made a comprehensive submission to the Rates Inquiry and although we did not agree with all of its 96 recommendations, we agreed with the Inquiry's goal of significantly reducing property value rates as a proportion of local government revenue. Unfortunately, few of the Inquiry's recommendations have been implemented and the proportion of rates to total revenue has increased from 56.8 percent in December 2007 to 61.4 percent in June 2011.

This reliance on rates to fund local government is high by international standards and the increasing trend is unsustainable. Central government can assist in reducing this over-reliance by providing more revenue from petrol taxes and road user charges to fund local roads and committing funding if it is imposing increased roles, responsibilities and costs on councils.

The burden of rates is also uneven and is not helped by the large number of exemptions that exist, including Department of Conservation land. These exemptions should be reduced to make rates broader based, easing the burden on current ratepayers.

Councils also need a clearer steer from the government that income redistribution activities should solely be the preserve of central government. Councils have no way of knowing ratepayers' incomes, so the rating system and spending policies should not be used to redistribute income.

There is a lot councils can do to improve their rating systems under current legislation. Please also refer to The Farmers' Manifesto Local Elections 2010 for Federated Farmers' policy actions targeted to councils and councillors (see <http://www.fedfarm.org.nz/n135.html>).

Federated Farmers wants

- Government to commit to reduce the reliance on rates to fund local government
- Government to provide more revenue from petrol taxes and road user charges to ensure that local roads, like state highways, are funded according to road use rather than property value
- Government to commit funding to councils if it is imposing increased roles, responsibilities and costs on councils
- Government to reduce rating exemptions on land, including Department of Conservation land
 - Government to issue a clear policy direction that central government retains all responsibility for income redistribution and that this is not a role for councils.

MEAT INDUSTRY ISSUES

Recent strong demand for meat and wool in the marketplace overseas has resulted in much better farm-gate returns for meat and fibre producers. The Federation's aspirational T150 by 2013 goal is already being achieved in some cases, although \$150 is still not the average price for an average mid-season lamb.

Improved returns must, however, be placed in the context of very poor on-farm returns over much of the recent farming experience of many sheep and beef farmers.

A key part of a sustained meat and fibre sector resurgence will be the implementation of recommendations in the recently released Red Meat Sector Strategy. Federated Farmers recognises there is no silver bullet solution, but rather a range of options, based on careful analysis of the sector and its issues, enabling farmers, processors and other participants to move from an untenable position to one that is both sustainable and profitable.

For meat and fibre to take its rightful place as a strong, sustainable and profitable business sector, the underlying business fundamentals must move beyond the failed, reactive 'boom and bust' strategy that has typified the industry recently. To not do so will continue to expose meat and fibre businesses to more attractive land use options such as forestry and dairy and dairy support operations.

The sector appears to have moved on and there appears to be a willingness to bring about changes, both in practices in the underlying behaviours that drive business practices in the sector. We believe this will lead to stakeholders working effectively together for a better outcome for all concerned.

Federated Farmers wants

- All industry players to fully participate in the Red Meat Sector Strategy.

OVERSEAS INVESTMENT

New Zealanders hold a wide range of views on the sale of farmland to overseas interests. That it is an emotive issue is understandable but the challenge is to find a way to address public concern while ensuring that farmers and the wider economy are able to continue benefiting from overseas investment.

New Zealand's economy is built on foreign investment, investment that has been built up over many years. As at June 2011, the stock of foreign direct investment was \$95 billion and total foreign investment, including direct investment, equities and debt, was \$303 billion.

Overseas investment is both necessary and beneficial, providing needed capital for investment, generating jobs and increasing income, as well as helping embed and disperse the benefits provided by innovation. It also improves productivity, competition and consumer choice. Profits generated by foreign investors accrue to the New Zealand government through taxes.

With regard to farmland, Federated Farmers supports the purchase of land by immigrants who wish to farm the land and so benefit both their local communities and the economy in general. There are also benefits from high wealth individuals purchasing farmland of high scenic value.

There are concerns around some recent developments regarding the mass aggregation of farmland and the possible effects of this on farming and the economy. However, there are costs to making it harder for foreigners to buy land, such as reducing access to capital and the possibility of sharp falls in rural land prices. These need to be carefully considered to ensure that any changes to the rules and their implementation benefit farming and the economy generally and do not have unintended consequences.

Federated Farmers is also concerned about the potential for decisions by political whim and we consider it very important for investors and landowners to have certainty over the policy environment for overseas investment. Governments must ensure that any directives made to the Overseas Investment Office provide a clear and objective steer on what would and would not be acceptable.

We generally supported the 2010 policy changes requirements as they generally strike the right balance between encouraging investment and addressing the concerns about certain types of investment that might not be in New Zealand's best interests. The test though will be on how the changes are administered and enforced.

Federated Farmers wants

- An environment that encourages investment in the economy be it from overseas or from within New Zealand
- Rules on overseas investment in farmland that strike an appropriate balance between encouraging investment and addressing concerns about some types of investment
- Rules on overseas investment in farmland that provide both landowners and potential investors with certainty
- Objective, transparent, and consistent administration and enforcement of the rules on overseas investment in farmland.

PEST MANAGEMENT

Managing and, if possible, eliminating pests that adversely impact on agricultural production and our environment is strongly supported by Federated Farmers. Many farmers already undertake pest management programs at their own expense to combat local pest problems. By working with the Crown, regional councils and others there is a much better chance of achieving pest suppression. We support the call for more research into alternative methods of pest control. There is already a wide range of tools used as part of our integrated pest management practice, both in terms of chemical, biological and other controls. A number of specific pest issues have been highlighted from around New Zealand.

RABBITS

The recent resurgence of rabbits threatens New Zealand's productivity and environment and must be halted as a matter of urgency. The Government must accept its role in protecting the environment, especially rabbit-prone properties in the South Island High Country to ensure the land rehabilitation gains following the introduction of Rabbit Haemorrhagic Disease (RHD) in 1997 are not lost.

By acting in conjunction with farmers, these gains can be maintained. The opportunity to act jointly will ensure environmental values are protected including water and soil values, as well as the lands' productive capacity. Rabbit control should not be the sole responsibility of the landholder. We are more than happy to play a leading role in rabbit control. However, where control costs become excessive, it is appropriate that the public pays a share of these costs. Federated Farmers is calling for the establishment of a voluntary group in each area to form an autonomous board to manage the rabbit problem.

CANADA GEESE AND OTHER WATERFOWL

The moving of Canada Geese to Schedule 5 of the Wildlife Act means that they are no longer provided with protection status and have formally ceased to be a game species. Federated Farmers campaigned hard for this rescheduling and is now involved in ensuring alternative management objectives are adopted. The geese are a major agricultural pest being voracious eaters of pasture, with their excrement fouling land and waterways. Other water fowl species have been recently mentioned as requiring similar rescheduling to manage numbers more effectively. It is important that we continue to work with similar minded groups to ensure any noxious water fowl do not cause unwanted damage to our farms or environment.

POSSUMS, TB AND 1080

Federated Farmers view the eradication of Tb as imperative to the ongoing viability of New Zealand agriculture and supports the objectives of the National Bovine Tuberculosis Pest Management Strategy. The current incidence of bovine Tb in the national cattle and deer herds poses a substantial risk to New Zealand's international market access for cattle and deer products. The use of 1080 on possums and other vector pests reduces the incidence of Tb and is highly cost-effective.

Federated Farmers regards 1080 application as extremely important for enhancing the country's conservation and biodiversity values. To improve the health of forest ecosystems the destructive impact of possums needs to be reduced. To protect threatened species of birds and invertebrates from pests, especially rodents and mustelids, the continuation of 1080 use is necessary. However, we do support research into alternatives to 1080 to ensure that the most effective tool for possums and other invertebrate pests is being used.



WEEDS

Various weed species are an impediment to optimum pasture growth and can cause problems such as sickness amongst stock or animal welfare concerns. Significant weeds such as broom, ragwort and wilding pines have both an economic and environmental impact on our land. Federated Farmers supports programmes to reduce spread and manage the problems weeds cause. This requires working with regional councils, the Department of Conservation and the public to make sure the optimum results are achieved. It is important a range of methods are used to kill weeds rather than focusing purely on chemical control.

CROWN PARTICIPATION

The Federation strongly supports Crown funding and partnerships with industry for pest management. As Department of Conservation land is non-rateable, it is important the Crown adheres to its policy of being a good neighbour, as much of this land is the source of considerable pest problems.

BIOLOGICAL CONTROL

Having a range of pest control options is a key component of effective management. Federated Farmers recognises and supports the regulatory frameworks established to scientifically assess and manage any risks to the health and safety of people and the environment from the deliberate introduction of biological control agents. We recognise the potential advantage of the use of biological agents, but at the same time want to ensure that our industry is not placed at unacceptable risk. Our support for release for a control agent for the gum leaf skeletoniser was based on sound risk analysis and long-term oversight as to the benefits to primary producers.

Federated Farmers wants

- The establishment of joint working groups between government, landowners and the public to reduce rabbit numbers and other identified pests
- Action plans to ensure that Canada Geese numbers are reduced
- Action plans to ensure New Zealand continues its drive to be Tb Free
- Continued use of 1080 but research into alternatives to 1080 to ensure the most effective tool for possum and other invertebrate pests is being used
- Government to reduce rating exemptions on land, including Department of Conservation land, to fully fund pest management plans at a regional level
- Full farmer consultation and sound risk analysis on any planned biological control releases.

REGULATION AND COMPLIANCE COSTS

Over a number of years and under successive governments, there has been an across the board increase in regulation and associated compliance costs. While acknowledging that some legislation is necessary and useful, Federated Farmers considers, in many cases, the cost of regulation has exceeded the benefits.

New Zealand has 780 primary Acts and 3,365 statutory regulations. The rate of legislative change is bewildering with the Government each year creating and amending around 105 Acts and 405 regulations, representing between 6,000 and 9,000 pages of new legislation. This does not include the raft of local government plans, policies and bylaws, many of which seem subject to constant change.

There is also a problem with quality. Businesses and farmers are concerned about the burden of regulation and the amount of change, and even officials concede that there are examples of legislation not meeting their intended objectives or having significant unintended consequences.

Past attempts by successive governments to improve the quality of regulation while well-intentioned have been modest and have not stemmed the tide. Federated Farmers successfully lobbied the Government to introduce a Regulatory Standards Bill (RSB). The RSB was developed with the intention of improving the quality of regulation by setting out principles for responsible regulation and increasing the transparency of regulation-making. New legislation will have to be assessed against the principles through a certification process and the Courts will be given a role of being able to declare legislation incompatible with the principles, although the Courts will not be able to strike down legislation.

Although the RSB will not initially apply to local government, we support work being done to extend its provisions to local government in due course.

Federated Farmers has supported the establishment of a New Zealand Productivity Commission (NZPC), styled on the Australian Productivity Commission which has a good track record for producing high quality objective analysis and recommendations to improve the quality of regulation and policy more generally. While it is starting small we want the NZPC to be adequately funded to enable it to undertake more inquiries.

Federated Farmers has also supported the appointment of a Minister for Regulatory Reform and initiatives such as the Government Statement on Regulation and the annual Regulatory Reform Bills, which have been a useful vehicle for repealing or amending minor legislation. The quality of regulatory impact analyses also appears to have improved in recent times.

Federated Farmers wants

- A change in the political culture away from knee-jerk reactions to real or perceived problems and miss-deeds
- The passage of the Regulatory Standards Bill
- Work to be done on extending the provisions of the Regulatory Standards Bill to local government
- Adequate funding for the New Zealand Productivity Commission
- Continuation of the Regulatory Reform portfolio, the Government Statement on Regulation and Regulatory Reform Bills
- Continued improvement in the quality of regulatory impact analyses.

RESEARCH AND SCIENCE

There is good evidence that public and private investment in science and innovation results in an increase in a country's wealth and standard of living.

Investment in science and innovation in agriculture increases productivity, increases our opportunity to add value to our products, provides us with the tools to mitigate our environmental footprint and increases the efficacy of our biosecurity effort.

Currently we have one of the lowest investments in research and development at around 1.2 percent of GDP. Initiatives such as the Primary Growth Partnership are encouraging industry investment in research and development. The Federation recommends policies which encourage an increase in public and industry spending on research and development to 3 percent as soon as possible.

Implementation of government science effort should be strategic and co-ordinated. The Federation welcomes the recent change in direction towards a more collaborative approach to science within New Zealand, but acknowledges that there is still a role for some competitive funding to encourage new ideas.

The Federation supports the moves to give CRIs more strategic responsibility which reflects New Zealand's needs rather than the emphasis on institution competition and profitability.

The Federation is supportive of the major percentage of science funding being allocated to Biological Economy outputs as it reflects our leadership and strength in this area.

Federated Farmers wants

- Policies to increase science and research from 1.2 percent of GDP to three percent of GDP as soon as possible
- A collaborative working approach to science between CRIs, Universities and other research providers
- Government and industry financial support for research into Biological Economy outputs
- A collaborative science model which encourages greater landowner and end user input into development of research projects.

RESOURCE MANAGEMENT ACT

Farmers continue to support the ethos of section 5 of the Resource Management Act (RMA). That is, sustainable management that allows people and communities to get on with their lives and for the economy to grow while managing any adverse effects of those activities on the environment.

New Zealand is full of stunning landscape backdrops, and as a result landowners continue to be highly vulnerable to the demands of the wider community to protect these backdrops from farming and development. The arguments around landscape are highly subjective. To this end, the other larger piece of work that is urgently required and fundamental to farmers' issues with the RMA, has largely been off the radar of discussion around reform. The impact of protecting large tracts of private land through the implementation of section 6, matters of national importance, such as biodiversity and landscape, remains a real challenge for farmers.

The desires of New Zealanders to protect and enhance these areas can easily be expressed through a submission process and then manifested in a decision on a plan, when there is no connection to the actual management costs or the opportunity costs faced by the landowner. There is urgent need for this balance to be redressed through both legislative and policy changes, including inserting rights in property as a matter to be weighed against other matters of national importance.

Some councils continue to undertake major plan changes that identify particular areas of farmland or have large material effects on the way farming activities are managed without first consulting with affected landowners, at a farm scale level. This is of particular concern in respect to implementing landscape and biodiversity protection.

There is a growing tide of willingness on behalf of councils and central government to undertake collaborative approaches to developing policy in partnership with external stakeholders. This is leading to some very robust policy frameworks that recognise the practicality of implementing any changes on farm.

Recent amendments to the RMA have seen some improvements to consenting processes for larger projects and major infrastructure. That said, the 'little guy' is still picking up the pieces and the costs. Time and time again our members tell us of delays and additional costs associated with small scale consents.

Inconsistency in compliance action, proof of environmental effects and an unwillingness on the part of some councils to adopt environmental restorative justice in preference to Environment Court action continue to be an issue in some parts of the country, in particular in relation to the regulation and enforcement governing farm dairy effluent.

Federated Farmers wants

- An amendment to the Resource Management Act requiring full market compensation for landowners if land use is unduly restricted under the RMA and the insertion of rights in property as a matter to be weighed against other matters of national importance like landscape and biodiversity protection in section 6
- More councils to undertake collaborative policy development and to engage and consult landowners at a farm scale level prior to the notification of any plan or policy that impacts on their farming business
 - A more streamlined and cost effective approach to processing small scale consents through legislation change and a stronger independent auditing of council processes and performance
 - A greater focus and use of restorative justice in preference to undertaking costly Environment Court cases.

RIGHTS IN PROPERTY

Property rights are the formal and informal rules that govern access to and use of property. Rights in property include the rights to determine the use of property, income from property, disposal of property, and the exclusion of others from property.

Without property rights no other rights are possible and well-assigned and enforced rights in property provide the basis for many things we take for granted, including peaceful coexistence, prosperity, and conservation.

While there are cases where the taking of property or an impact on a property right might be justified in the public interest, the test should be set at a high threshold and any takings or impairments must be fully and fairly compensated.

With physical property or land being an important part of any farm business, the protection of rights in property is a particular concern to farmers.

This is one of the reasons why Federated Farmers is a strong supporter of the Regulatory Standards Bill (RSB). The RSB has six principles for good regulation, one of which pertains specifically to takings of property. We also want reform of the Resource Management Act to make provision for compensation for takings.



Federated Farmers wants

- Passage of the Regulatory Standards Bill, including the principle on property rights.
- An amendment to the Resource Management Act requiring full market compensation for landowners if land use is restricted under the RMA.

RURAL SECURITY

Rural communities are further from urban centres and have poorer access to emergency services and police than those enjoyed by urban residents. They also have a different set of challenges to deal with than in an urban situation. This includes often facing people accessing or wanting to access their land, carrying fire arms or with dogs, deciding whether or not to confront intruders, theft of property over a variety of locations, and poaching and slaughter of live stock and produce. They are also faced with unreliable cell phone coverage.

Farmers accept some of these challenges as part of living in a rural environment. The fact is that they will not receive the same level of service as those who live in urban areas. Criminals also perceive that they have a larger window of opportunity to commit offences. There is a strong reliance on support in a time of fire, accident, or crime. The funding and use of rescue helicopters is critical to ensuring that those who live in rural areas are able to access emergency health care within the golden hour.

Federated Farmers interest in rural security is to ensure that farmers, their families, and staff are able to access police services essential to their needs, at a level that maintains community confidence in their overall safety. In addition Federated Farmers seeks that farmers, either individually or through organisations, have a proactive relationship with their local or regional police and that rural issues are given sufficient priority across the Police. This should be set out in a dedicated rural police strategy.

Over the last three years especially, a number of proactive relationships have been developed at a regional and local level between police and farmers, but this is not the case everywhere. There is also a growing recognition, innovation and proactive policing in parts of the country addressing the problems of stock theft and poaching, being the unauthorised hunting of feral animals on private property.

Federated Farmers has also expressed concern about the impact on farmers needing to access, feed and or move livestock during a police emergency or road closure. While the safety of people is paramount in those situations, there is room for greater consultation, better communication and the ability for landowners to feed, move or provide water to stock.

Federated Farmers wants

- A dedicated rural police strategy
- A confirmed agreement between New Zealand Police and Federated Farmers about communication protocols and access to stock during police emergencies and sustained road closures
- Existing good practice and proactive measures to fight stock theft and poaching implemented throughout the country
- Recognition of the importance of and increased government funding for rescue helicopters
- Law change to make it easier to apprehend and charge poachers.

SUSTAINABILITY

The World Commission on the Environment and Development defines sustainability as “meeting the needs of the present generation without compromising the ability of future generations to meet their own needs”.

This is nothing new to farmers. Maori have farmed in New Zealand for hundreds of years and Pakeha for almost two centuries. Farmers get their hands dirty. Farmers are an integral part of New Zealand’s cultural identity and economic well being. Farming is for generations.

Farms are both a living ecosystem and a business. Unlike most other businesses, failure to farm in harmony with the environment will eventually collapse productivity and result in the failure of any farm business. We need and want to harvest the garden for ongoing generations.

Federated Farmers sees sustainability as achieving positive environmental outcomes with profitability and economic wellbeing. These are not mutually exclusive yet the concept of sustainability is increasingly skewed away from taking economic considerations into account. We want to see a collaborative approach to better defining and balancing economic and environmental considerations, including the development of scientifically verified metrics for sustainability.

Farmers care deeply about the environment, the welfare of their animals and the legacy they will leave for the next generation of farmers. Farmers have their hands in the soil. They don’t work in an office. They work out among the elements, the rain, the sunshine, on their land. They understand the challenges of our topography, our climate, and how they can best work with nature to produce food and fibre. For generations they have wanted to contribute to the success of New Zealand and its economic and social wellbeing, and they do. This explains why New Zealand’s on-farm productivity has only ever increased. Farms are truly sustainable in their very operation for they have always allowed future generations to meet their own needs.

Federated Farmers wants

- A collaborative approach with Federated Farmers to define economic and environmental considerations for New Zealand
- Scientifically verified metrics of sustainability for New Zealand
- The international effect of policies to support sustainability is assessed before adoption
- The economic viability of farming to be given equal weight in policy setting to environmental factors
- Financial support for Federated Farmers’ efforts on sustainability.

TAX

Farmers support a fair tax system but like most people they are concerned about the growth of government and an increasing tax burden, with total tax revenue per head of population rising from \$8,400 in 1999/00 to \$12,900 in 2007/08. Tax cuts and the recession has seen a drop to \$11,400 in 2010/11, but this is still \$3,000 per person higher than 1999/00.

As well as the amount of tax paid, reducing the compliance costs associated with tax is also a high priority. The Business New Zealand–KPMG Compliance Cost Survey has consistently shown tax to be the top compliance cost priority for farmers, as it is for all respondents. In the most recent 2008 survey, 70 percent of farmer respondents listed tax as one of their top three compliance cost priorities. This was the same percentage as for all respondents.

There have been a number of efforts in recent years to reduce tax compliance costs, but the costs remain high and the perception is that costs keep rising.

TAX RATES

Federated Farmers supports the reduction and alignment of personal income, trust, and company tax rates. It is problematic to have a top rate of personal income tax significantly higher than the trust and company tax rates, as was the case from 2000-09. This opened up opportunities for tax planning to avoid paying tax and was a factor behind property speculation that drove the unsustainable and unbalanced boom of the 2000s. As well as simplifying the tax system, lower and flatter income taxes also reward personal effort and encourage savings and investment.

GST

Federated Farmers supported the Government's increase in GST to 15 percent. This is because we consider it more desirable to tax consumption than income and saving. We also support GST applying as widely as possible and with as few exemptions as possible in order to keep the tax as simple as possible and keep compliance costs low.

LAND TAX

Federated Farmers would strongly oppose any revisiting of a land tax. A land tax would have a severe impact on land extensive businesses, with even a low rate of 0.5 percent costing farmers around \$525 million per annum. Farmers already pay huge amounts in property taxes to their councils and a land tax applied to agricultural land would add to this inequity and would impact adversely on farmers' already fragile bottom lines.

CAPITAL GAINS TAX

Federated Farmers is also strongly opposed to a capital gains tax. We are particularly concerned about the practical challenges and efficiency implications of introducing a capital gains tax and the inherent complexity of such a tax, especially when so many exemptions are proposed.

GIFT DUTY

Gift duty was an arcane tax that raised less than \$2 million per annum for the government,) but imposed significant ongoing compliance costs on the private sector, about \$70 million per annum. It was also an impediment to farm succession from one generation to the next. We are pleased that the Government repealed gift duty from October 2011 and we would be strongly opposed to its re-imposition.

LIVESTOCK TAX

The Government is concerned about the opportunity for farmers to exploit the livestock valuation elections for tax purposes, in particular the ease of leaving the Herd Scheme. The Government is reviewing the law around Herd Scheme elections and while Federated Farmers accepts that any abuse of the system should be addressed, we want to ensure that the vast majority of farmers who use the elections appropriately are not unfairly disadvantaged by any changes.

TAX SIMPLIFICATION

Federated Farmers supports measures to improve tax administration to improve the tax system and reduce compliance costs. However, any new system must be robust and reliable and it is important for electronic interaction to remain voluntary at least until such time as cost-effective Broadband is available to people in rural areas, including remote areas.



Federated Farmers wants

- Continued moves to reduce and align personal income, trust, and company tax rates
- GST to remain at 15 percent and for it to be applied widely with as few exemptions as possible
- No land tax
- No capital gains tax
- Gift duty's repeal to stand
- Any changes to livestock tax to not unfairly disadvantage farmers
- Tax administration to be improved and modernised but electronic interaction to remain voluntary.

TELECOMMUNICATIONS

The delivery of efficient and reliable telecommunications services is of great benefit to rural communities. It is not only a fundamental health and safety requirement, but it also allows for active participation in the knowledge economy.

Fast and reliable data transfer has become increasingly important as government, both central and local, banks and other service and supply businesses rely on electronic means to deal with farm businesses. In the modern environment, fast and reliable broadband access is vital if rural communities are to realise their opportunities in the global marketplace.

Federated Farmers wants telecommunications services supplied to rural consumers to be reliable and at reasonable cost to the consumer. The reality for rural and remote users is that the current state of the network is poor. This is why Federated Farmers has been a passionate supporter of the government's Rural Broadband Initiative (RBI). We will continue to work with the relevant parties to ensure that the RBI objectives are met, and that the rural community can begin to close the digital divide that separates them and urban New Zealanders.

Federated Farmers has pushed hard for an appropriate level of Government funding for the RBI. We succeeded in increasing the funding from the original \$48 million to \$300 million, but this is still significantly less on a per head basis than the \$1.5 billion funding for the Ultra Fast Broadband Initiative targeted at the 75 percent of New Zealanders defined as urban.

Federated Farmers wants

- Appropriate stakeholder involvement, including Federated Farmers, in the Rural Broadband Initiative rollout to ensure that the specified targets are met
- On-going government investment in telecommunications infrastructure, to meet the needs of the rural population.

TRADE

The vast majority of New Zealand's farm production is exported, for example 93 percent of lamb, 82 percent of beef and 95 percent of dairy production. Over half of New Zealand's total merchandise exports come from the pastoral sector. With growing pressures on global food supply and food prices it is likely that demand for New Zealand food products will increase, especially in non-traditional markets which are becoming wealthier.

TRADE LIBERALISATION

Farmers have always strongly supported efforts to promote the benefits of free trade and particularly efforts to negotiate improved market access and reduced trade barriers for our exports. Federated Farmers strongly encourages efforts to reduce tariff and non-tariff barriers and the elimination of agricultural subsidies and other policies that distort markets.

Over the past 20 years progress has been made to reduce these barriers but we are still a long way from achieving free trade. In 2010 nearly \$1.5 billion in tariffs was paid by our exporters on \$18.5 billion worth of agricultural exports. This is effectively an 8 percent reduction in farm revenue and an even bigger impact on farm profitability.

The biggest gains from trade liberalisation would arise from a multilateral agreement through the World Trade Organisation (WTO). Federated Farmers has strongly supported successive governments' efforts to achieve liberalisation of agricultural trade but progress has been painfully slow.

With the WTO stalled, the next best option is the negotiation of free trade agreements with important trading partners. Encouraging progress has been made in recent years, with the plurilateral Trans-Pacific Strategic Economic Partnership, and free trade agreements with China, ASEAN, Malaysia, and Hong Kong. We also welcome the current work to secure agreements with countries such as the Gulf States, India, Korea and Russia-Belarus-Kazakhstan, as well as expansion of the Trans-Pacific Strategic Economic Partnership. Federated Farmers wants these agreements to be comprehensive and result in meaningful liberalisation of agricultural trade.

TARIFFS

65 percent of imports enter New Zealand tariff-free and no product has a tariff rate of more than 10 percent. Tariffs neither raise much money for government nor offer significant protection for industries. New Zealand's remaining tariffs should be phased out to lower at-border costs and promote New Zealand's international connectedness. Unilateral elimination of tariffs would also show the world that New Zealand remains committed to free trade.

Federated Farmers wants

- Conclusion of a comprehensive WTO Doha round that includes liberalisation of agricultural trade
- Negotiation of comprehensive bilateral and plurilateral free trade agreements which include liberalisation of agricultural trade
- Elimination of New Zealand's remaining tariffs on imported goods.

TRANSPORT – INFRASTRUCTURE

Transport infrastructure and services are a vital component of ensuring the international competitiveness of the agricultural sector and New Zealand as a whole. An efficient transport system is essential to enable the agricultural sector to shift its produce to further processing centres and on to ports for export. It is also important for sourcing competitively priced inputs of production.

ROADING

New Zealand's roads are divided into two broad categories, State Highways and the local roading network (those roads that are not State Highways). State Highways are 100 percent funded by central government, through petrol tax, road user charges (RUC) and vehicle registration and licensing fees. Funding for local roads comes both from central government, through a funding assistance rate (FAR) to councils and through local government rates. On average the contribution is roughly 50:50 but it varies by council.

After serious underinvestment through the 1990s into the 2000s, since around 2005 there has been a substantial increase in funding for transport infrastructure. This increase has been welcomed by the Federation but we have been concerned that funding has not necessarily been spent on the most efficient projects or modes of transport. Federated Farmers believes that efficiency, value for money and the network principle should drive infrastructure spending.

Federated Farmers supports reforms to RUC to reduce compliance and administrative costs and to reduce evasion. A diesel tax, as proposed by some to replace RUC, is inappropriate as diesel is heavily used by farmers off-road and a new tax would require a refund system which could be very costly and cumbersome.

RATES AND ROADS

Local authority rates are based on the value of property and are paid directly only by the owners of the asset. As such they bear no relationship to the use of the roading network. Federated Farmers believes that at least some of the increased revenue from the 2007 decision to hypothecate road user revenue should have been allocated to councils through a higher FAR to help fund the maintenance of their local roads, reducing the burden on ratepayers and improving efficiency and equity.

With regard to funding local authority roads, the Government needs to take a network approach and recognise that rural roads have an economic value, particularly when considering the huge value of exports generated from rural New Zealand. Councils' FAR rates should be increased but we are concerned many rural councils' FAR rates are being reduced, putting upward pressure on rates and which may result in deteriorating rural roads.



OTHER MODES

Coastal shipping and rail have important roles to play in the transport system, particularly for the carriage of bulk goods over long distances. However, their role will always be limited and road freight will remain the mode which is the quickest, cheapest, and most convenient for most freight tasks. This is particularly the case in many rural areas where neither rail nor coastal shipping is available, cost effective or convenient. Government efforts to support rail or coastal shipping should bear this in mind and not use road users' funds to subsidise these modes or otherwise seek to push freight off roads onto other modes.

Federated Farmers wants

- Efficiency to be the primary determinant for transport funding decisions
- The Road User Charges system to be reformed to reduce compliance costs, administration costs, and evasion
- No diesel tax, either nationally or regionally
- Roading costs to be allocated so road charges are efficient and equitable
- Government to recognise that rural roads have a strong economic value and are an integral part of a national network
- A significant reduction in the reliance of local authority rates to fund the maintenance of local roads by way of a higher funding assistance rate to councils
- Rail and coastal shipping to operate commercially without subsidies from road users' funds.

TRANSPORT – REGULATION

Transport regulation is an important issue for farmers, both as road users in general and as movers of livestock and agricultural machinery on road.

AGRICULTURAL VEHICLE SCHEDULE

Agricultural vehicle regulations have been included with general transport rules since 2001. This has led to confusion of interpretation for farmers, agricultural contractors, farm vehicle dealers and enforcement agencies. Changes to individual Transport Rules have led to duplication and in some cases contradiction between the regulatory requirements for agricultural vehicle use on the roads.

Federated Farmers wants the re-establishment of a separate schedule of regulations for the use of agricultural vehicles on the roads. Such a schedule should clearly separate agricultural vehicles from other classes of vehicles used on the roads. This would not advantage agricultural vehicles over other vehicles; rather acknowledge the unique requirements of these, largely off-road, machines.

AGRICULTURAL OVER-DIMENSION REGULATIONS

There is a lack of uniformity between international standards and New Zealand standards which has generated additional cost to New Zealand agricultural vehicle users. Most agricultural machines are manufactured overseas and imported into New Zealand and these vehicles are manufactured to meet stringent international standards. However, when entering New Zealand these vehicles have to be adapted to meet New Zealand regulatory standards. Many machinery importers have difficulties altering farm machines to New Zealand standards, and the added costs are ultimately passed onto consumers.

Federated Farmers wants to see New Zealand's regulations brought into conformity with the agricultural vehicle regulations in the countries from where New Zealand farm machinery is imported. For example, European Union certified over dimension panels are not allowed to be displayed in New Zealand. The EU standard over dimension panels should be approved for use, along side the current New Zealand standard. This would save retrofitting costs and would not have a negative impact on road safety.

WORKTIME RULE

In 2010 Federated Farmers in conjunction with Rural Contractors New Zealand successfully advocated for a variation to the Worktime Rule, as in certain circumstances, agricultural contractors were finding it increasingly difficult to meet the worktime requirements. While the variation didn't extend the total allowable worktime hours, it allows approved contractors to condense their total hours into a shorter time period, adding an increased level of flexibility.

The variation is a step in the right direction, but the Federation wants the system further simplified and be more reflective of the seasonal demands those in the agricultural industry face.

OVERWEIGHT VEHICLES

The vast majority of New Zealand's agricultural vehicles are imported and, as a result, reflect international market trends. Internationally the search for increased productivity gains has seen agricultural vehicles increase in size and this trend will continue into the foreseeable future. For New Zealand to take advantage of productivity developments heavier axle weight limits are required in the recognition that agricultural vehicles spend very little of their working life travelling on the roads.

Agricultural vehicles are fitted with large soft profile tyres and travel at speeds well below the legal road speed limit, reducing the impact on formed roadways and bridges. Overweight permits must continue to be made available to allow essential harvest machines to move to harvest sites.

STOCK MOVEMENT

Citizens have a common law right to move livestock along and across roads. However, councils also have the power to make bylaws for a wide variety of reasons, including public safety and nuisance, and most have stock movement bylaws. The Federation has been concerned that there is often a presumption of guilt placed on the stock mover in situations when accidents occur, in many cases poor driver behaviour is the contributing factor. Also of concern is that a number of councils have taken overly restrictive approaches that impose significant impositions and costs on farmers.

STOCK TRUCK EFFLUENT

Leakage of effluent from stock trucks causes problems for road safety, public health and the environment. Farmers are under increasing pressure to 'stand their stock' for longer periods before transportation. The Federation supports the use of education to encourage farmers to stand their stock but more investment in stock effluent disposal facilities is also needed.

Federated Farmers wants

- The re-establishment of a separate schedule of regulations for the use of agricultural vehicles on the roads
- New Zealand's agricultural vehicle over-dimension regulations brought into alignment with those of the countries from where New Zealand farm machinery is imported
- A review of the worktime rule with a focus on how to make the rule workable for the agricultural sector
- A recognition that agricultural vehicles will continue to increase in size to take advantage of productivity gains. As such, we want the NZ Transport Agency to commission research to determine the impact that slow moving agricultural vehicles, with large soft profile tyres, have on New Zealand's road infrastructure
- Councils to be required to ensure that their stock movement bylaws do not impose unreasonable restrictions, impositions, or costs on farmers
- The use of education, rather than regulation, to encourage farmers to stand their stock with more investment in stock effluent disposal facilities by councils and the NZ Transport Agency.

URBAN-RURAL RELATIONSHIPS

New Zealand's population is overwhelmingly urban, with over 86 percent living in cities and towns. Furthermore, farmers and their families make up only around 2-3 percent of the population. Despite perceptions of New Zealand being a large farm, we are actually among the most heavily urbanised countries in the OECD.

Unlike previous generations when most city people had country cousins and were able to experience the farming life through family visits, Federated Farmers senses that as time has passed, fewer and fewer city people have the opportunity to understand what it means to be a farmer and how farms operate.

Urban people still understand the economic importance of agriculture, but many have concerns about its environmental impact, which has in turn affected public perceptions of farming and farmers.

Farmers are concerned about public perceptions of their industry and their way of life, and Federated Farmers is keen to work with urban people to improve their understanding of farming. We are also aware that farmers need to better understand urban aspirations.

That said, an unintended positive consequence of the Farmy Army's work responding to the Christchurch earthquakes was highlighting the strong bonds which remain between urban and rural New Zealanders and a spirit of mutual support and goodwill.

Over recent years Federated Farmers has attempted to bridge the urban-rural gap through its annual Farm Days which exposed thousands of city people to farming. The Federation wants to continue this work and is keen to work in partnership with central and local government and other stakeholders on ways to continue to build positive relationships between urban and rural people.

Federated Farmers wants

- Partnerships with central and local government and other stakeholders on initiatives to improve urban-rural relationships.

WATER

Water is the lifeblood of farming and food production. Water is also central to the interests and concerns of other sector groups and tensions around water quantity and quality have been difficult in many regions. Federated Farmers has supported moves towards more collaborative ways of working together at national, regional and catchment levels and strongly advocates for investment in infrastructure and innovation to deliver win-win outcomes.

Federated Farmers warmly welcomed recent Government announcements for expanded investments in rural water infrastructure. Developing the water and land resource is front and centre for the New Zealand economy. The expectation of structuring projects to also deliver wins for water quality and the environment is embedded in the irrigation acceleration programme. Federated Farmers welcomes acknowledgement of the role that Government may take in future equity partnerships. The benefits of strategic investments in productive water infrastructure extend well past the farm gate and well beyond the current generation.

Federated Farmers is actively participating in the Land and Water Forum, assisting the development of new national policy frameworks for setting and managing to limits. Federated Farmers supports strengthened national guidance for water management, while emphasising specific decisions on limits and targets must be made by local communities. These decisions must be informed by excellent science and balance all values.

Federated Farmers support industry self management as the primary mechanism for improving land use practices. Across the primary sector, all industry groups have made significant investments in the development of Good Management Practices and formal Audited Self Management programmes are already operational in a number of export-led sectors. While sector groups are taking a lead on sector-based environmental programmes, Federated Farmers has a broader interest in supporting coordinated industry initiatives, and in the interface between industry led programmes, government policy instruments and council plans. Federated Farmers believe a pan-sectoral agricultural approach can and will deliver water quality outcomes.

Federated Farmers note the Government's intent to explore a range of policy approaches including market-based instruments for both water quality and water quantity. Minimising transaction costs is a key test in the development of water allocation systems. Transfers within scheme and catchment boundaries should be facilitated, but the practicalities of catchment hydrology and reticulation infrastructure would generally constrain the development of water trading systems. Minimising transaction costs is equally pertinent in nutrient management systems. The emphasis must be on results, not on regulation or paper-heavy "cap-and-trade" systems which too often deliver perverse or unintended



consequences. Federated Farmers support the partnership approach; industry-led self management with regulatory oversight, working partnerships to support uptake of good industry management practices and re-alignment of consent and compliance activities to minimise duplication with industry-led programmes.

Federated Farmers recognise some catchments are particularly sensitive to the effects of historic and current land use activities. Most often the causes are complex and excellent science is required to inform sound decision-making about effective and cost-effective actions. Federated Farmers recommend sensitive catchments be explicitly identified and prioritised for collaborative industry-government initiatives and investments. Where pressures are especially significant, the development of transition pathways for farms requires very careful consideration of the economic and social costs of change.

Federated Farmers is a longstanding advocate for science and innovation to underpin resilient, profitable farming systems. A paradigm shift is needed at all levels of science and policy to re-engage the ingenuity, innovation and pragmatism of farmers and scientists to capitalise on the productivity of the land-water interface, including ways to integrate aquaculture and agriculture in inland waterways and estuaries.

Federated Farmers wants

- Continued commitment to the strategic and economic importance of public/private investment in rural water infrastructure
- Increased recognition of industry self management as the primary vehicle for delivering water quality outcomes and reduced duplication with council consent and compliance requirements
- Identification and prioritisation of sensitive catchments for collaborative industry-government investments
- An expanded portfolio of research to explore opportunities to harness the productivity of the land-water interface.

WOOL INDUSTRY ISSUES

Farm-gate wool prices have surged over the past year. However, Federated Farmers cautions that the increased reward to farmers, while long overdue and gratefully received, should not be taken as a signal that the sector is in a healthy state. Rather, as with the meat industry, the current position has arisen from a number of factors, including a reduced supply situation. The core problems that beset the industry, such as lack of sector unity, still remain to be addressed.

It is however pleasing to be able to report that there are a number of initiatives underway to place the wool industry on a profitable and sustainable footing.

The first of these is the Wool Unity Group set up to develop a sense of unity in what is a hugely fragmented industry. Federated Farmers is on the Group representing producers.

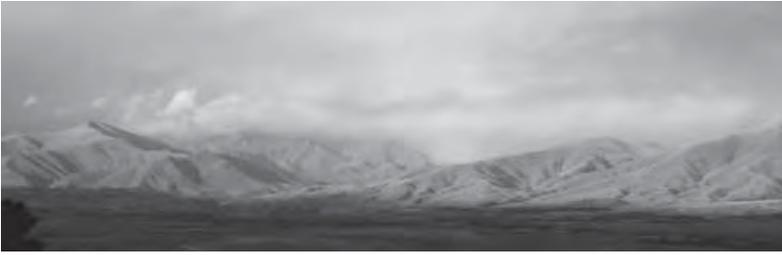
Operating in the commercial space, the Wool Partners Cooperative (WPC) attempted to achieve a commitment from wool growers that would have enabled the company to acquire the assets of Wool Partners International and its affiliates from PGG Wrightson. Its bid was unsuccessful but it appears that the new WPI board is still supportive of a strategy for grower ownership. We therefore expect a new proposal to be developed by WPC for farmers to consider.

The Campaign for Wool (CFW) is an industry initiative convened by HRH the Prince of Wales focused on promoting the much underrated properties of wool. In early June CFW launched in New Zealand Wool Week with a number of events.

Finally, the Commerce Commission has recently determined that the application by Cavalier Wool Holdings Ltd to acquire Wool Services International should be allowed to proceed. This decision is being challenged, however.

Federated Farmers wants

- All wool sector stakeholders to realise the value of working together for the benefit of the sector.



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