

Report on farmer consultation

Deer Industry New Zealand

DINZ represents 1,300 farmers with deer across the country, and deer product processor and marketers. Deer product exports are worth around \$300m per annum. Approximately 840,000 deer are farmed in New Zealand. 70% in the South Island and 30% in the North.

Deer numbers have been stable over the past 10 years. Most deer are run as part of a mixed livestock operation alongside cattle and sheep. According to Statistics New Zealand 440 farms derive the majority of their income from deer. DINZ estimates that about 80% of deer farmers run mixed livestock businesses.

Consultation Process

DINZ conducted phone conversations and on-line webinars with deer farmers over the consultation period. Group meetings were held with members of the New Zealand Deer Farmers Association. DINZ did not run face to face meetings over the consultation period. To avoid duplication DINZ encouraged farmers with deer to attend the HWEN roadshow's organised by DairyNZ and Beef+Lamb NZ. Feedback has been received from over 100 farmers over the past month and is summarised below

Extreme Concern at Impact on Business Viability

The first point that farmers made is that with no commercially available and feasible mitigations, sequestration is the only means of offsetting a potentially catastrophic impact on their families' livelihoods and assets.

The pricing used in the consultation document has understandably created a great deal of anxiety among farmers with deer. 2030 ETS equivalent prices as described in the document will render deer farming financially non-viable. On several case study farms the 2030 ETS equivalent prices reduced EFS by 17% on a highly productive and currently profitable mixed farm, typical of breeding and finishing units in the South Island.

The feedback from farmers is that the emissions factors used for venison seem unbalanced when the feed intake of deer is compared to sheep and beef, and dairy. The proposed systems' impacts on the viability of different farming systems are unfair when the emissions profile, and therefore warming effect, of deer industry emissions is compared to other sectors of the New Zealand economy.

The modeled costs of 16c/kg milk solids versus 45c/kg venison used in the document show that the impact on deer farming is 300% greater than dairy production. One of the principal objectives of the HWEN partnership is that it is equitable - deer farmers cannot see how this meets any definition of equitable.

Many deer farmers are in favour of a system that recognises emissions above the natural carrying capacity of the land, either by putting in place a progressive per hectare charge or placing the charge on imported fert and feed.

Farmers who are investing in the environmental improvements on their property voiced concern that a GHG tax will reduce the funds they have available to continue with this work, and reduce the amount they have available to make changes to reduce greenhouse gas emissions, once the technology is available. Similarly one farmer wondered if the liability faced by a farm couldn't directly be used to cover the costs of native plantings rather than being recycled through a revenue gathering system.

Unclear on the Purpose of the Pricing Scheme

With the prices presented in the consultation document, farmers could not ascertain the purpose of the scheme, instead viewing it as a punitive tax designed to reduce stock numbers and/or encourage afforestation. Farmers observed that funding should be collected from the agriculture sector in an equitable manner to fund the development of methane and nitrous oxide mitigations, and their application once they are available.

Farmers reinforced that deer are largely run on country that is not suited to cropping therefore exhortations to convert land to horticulture are impractical. Many farmers also observed that they had already fenced off gullies and riparian strips therefore wanted to ensure that this would be acknowledged in any future mechanism.

Farmers asked when is the job done? Individually, a farmer could reduce their GHG emissions by 10%, in line with the government's aim, but they would still face 90% of the GHG charge.

Gases Must be Priced Separately

Feedback is unanimous that the gases must be priced separately, and that the price of agricultural emissions must be decoupled from the ETS and carbon pricing. Many farmers have strong views on the reduction targets described in the document and urged the agriculture industry to focus on the warming impact of methane and not gross emissions. DINZ supports this view. DINZ has not supported the goal of a 10% reduction in methane by 2030. Farmers advocate for setting pricing at the level that recognises methane's contribution to global warming via an appropriate and scientifically valid methodology.

#1 Priority is ensure business viability

Feedback from farmers indicated that the top three priorities were assessed as:

- 1. Ensures the sector remains profitable and internationally competitive**
- 2. Recognises on-farm actions that reduce emissions**
- 3. Clear and simple system, with low administration costs**

Stay Out of the ETS

While not an endorsement of either of the two options, feedback from deer farmers was consistent on the need to avoid placing agriculture in the Emissions Trading Scheme.

While velvet producers read into the consultation document that velvet was not currently covered, they recognised the likelihood of it being covered at some point in the future, but more importantly the ever increasing carbon linked price would be to the detriment of venison producers and the sector as a whole.

Deer Farmers Favour a Simple On-Farm System.

If the purpose of the pricing mechanism is to motivate farmers to reduce emissions while maintaining production the pricing mechanism has to operate at the farm level to allow farmers to decide on what actions they can take and to be rewarded for reductions.

Farmers observe that the time estimated for completion of farm records included in the consultation document is excessive. Many observed that they already gather that information for farm management, and data are already included in annual tax returns. Many farmers recommended that the IRD system be used for a simple annual return

Farmers acknowledge that the cost of the individual farm level system will be greater, but prefer the control the farm level system would give them to be rewarded for their actions.

The processor level system is not favoured, unless it is simply to gather funds for R&D.

- It provides no incentive to improve efficiency, it provides no reward for improvements
- Average pricing is decoupled from efficiency so may not result in reduced emissions
- It prices inefficient production at the same basis as efficient.
- The cost of administration of the EMCs and SMCs was viewed with concern.

A transition scheme, from processor levy to farm level levy was accepted by some farmers if a simple farm level system could not be established by 2025, but with clear time frame and steps to the transition.

Deer Farmers have Mixed Views on how to Value Non-ETS Sequestration.

With sequestration being the only means of offsetting a GHG charge. Those farms without recourse to sequestration have no option other than to destock on land that is likely to not be suitable for anything else and also unable to financially support reduced stock levels.

Farmers would like recognition of the sequestration that is occurring on their property. The point was strongly made that the exclusion of pre-2008 vegetation needed to be addressed, and that where pre-2008 sequestration could be verified, it should be recognised.

Farmers are mindful of the unintended consequences of encouraging further afforestation of farmland through incentivising on-farm sequestration. ETS compliant sequestration should not be included in an agriculture greenhouse gas scheme. Farmers are also mindful of the cost of paying for non-ETS sequestration and are concerned this would reduce funds available to address the need for research into and application of greenhouse gas reduction technologies.