



Deer Industry New Zealand and The New Zealand Deer Farmers Association

Submission on Action on agricultural emissions: A discussion document on proposals to address greenhouse gas emissions from agriculture

13 August 2019

Introduction

1. Deer Industry New Zealand ('DINZ') is a levy funded industry-good body established to promote and assist the development of the deer industry in New Zealand. DINZ's levy payers are producers and processors of venison and velvet. There are roughly 1,500 deer farmers and 16 processing plants that slaughter deer, of which 12 slaughter only deer.
2. The New Zealand Deer Farmers' Association (NZDFA) is a voluntary subscription based Incorporated Society (established in 1975) and acts as an industry-good body established to represent the interests of New Zealand deer farmers, families and staff and to promote and assist development the development of the deer farming industry in New Zealand. The NZDFA has approximately 1250 subscription paying members and is nationally represented by a 4-person Executive Committee (including the NZDFA Chairman).
3. New Zealand is the world's largest producer of farmed deer. The main products marketed from deer are venison and velvet antler and approximately 95% of products are exported. In the year ending 30 September 2018, deer products were worth \$322 million in export receipts to New Zealand.
4. The industry is the youngest pastoral-based industry in New Zealand (the first deer farm licence was issued in 1970) but provides diversified markets and additional revenue to and complementary land use with other pastoral farming industries. Indeed about 80% of deer farmers also farm other livestock species and/or arable crops.
5. DINZ is a signatory to the proposal described in option 2 of the discussion document, namely "*He Waka Eke Noa – Our Future In Our Hands, The Primary Sector Climate Change Commitment*" and as such supports this as its the preferred option. DINZ and NZDFA reject option 1 (pricing livestock and fertiliser emissions at the processor level in the NZ ETS as proposed by the Interim Climate Change Committee).

Basic Questions

What is the best way to incentivise farmers to reduce on-farm emissions?

6. The best way to incentivise farmers to reduce on-farm emissions will be through helping farmers understand their emission sources and sequestration opportunities, and to provide practical tools to assist this. Pricing emissions is a valid mechanism when these tools and support services are available and pricing is linked to their expectations, but in the absence of practical on-farm mitigation measures pricing will only be viewed as a tax to gather revenue with no other signal to reduce farm emissions.
7. Most deer farms are extensive, low input farming systems. Typically with a range of livestock species (not just deer) and other land uses (arable cropping, native bush, woodlots, wetlands). A feature of these systems is that little or no extra feed is brought into the farm so that the land mostly supports the livestock all year round. It is not sustainable to overstock the land without bringing in additional (expensive) feed and creating further environmental risk. If pricing emissions is in the absence of recognition of mitigation measures, the implied stock reduction requirement for these farm systems would reduce profitability and increase the possibility of large-scale land use change (converting the farm as a whole to forestry)
8. This would be acutely apparent for dryland farms that are in summer-dry areas and therefore are lightly stocked or much of the South Island high country which is unable to produce as much feed as lower altitude, warmer (and possibly irrigated) areas. Yet conversely these farms may offer more opportunity for carbon sequestration and are otherwise less likely to negatively impact on other environmental aspects (water quality, biodiversity, soil conservation).

Do the pros of pricing emissions at farm level outweigh the cons, compared with processor level, for (a) livestock and (b) fertiliser? Why or why not?

9. Pricing emissions at the farm level allows the farm manager to undertake as much on-farm action as practicable to *reduce* emissions (via good management practices and new technologies when available) and *offset* emissions through carbon sequestration (increasing woody vegetation). Pricing at the processor level will be much less effective in this respect and will simply be a flat tax per head of animal slaughtered or kilogram of carcase weight – farmers will not be incentivised to apply mitigations.
10. Fertiliser should ideally be included at the farm level, rather than taxed at source (processor). A tonne of urea applied according to good management practices (e.g. applying when soil moisture content is not too high, not before any high rainfall event, only as required by the growing crop/pasture) will result in fewer nitrous oxide emissions than one that is not. While it may be administratively simple and cheap to price fertiliser at the processor/manufacturer level it effectively removes the ability for the farmer to demonstrate efficiency of use.

What are the key building blocks for a workable and effective scheme that prices emissions at farm level?

11. As outlined in option 2, providing on-farm tools to assess emissions levels, carbon sequestration opportunities and available mitigation measures (such as soil conditions at time of fertiliser placement, duration and quantity of low nitrogen/protein feed types,

maximising livestock growth per kilogram of consumed feed) will be fundamental for a workable and effective scheme.

12. Pricing of emissions should be fair and just: Price is set only on those emissions that are causing increased global warming – farmers who are meeting their (net) emission targets should not pay.

What should the Government be taking into consideration when choosing between Option 1: pricing emissions at the processor level through the NZ ETS and Option 2: a formal sector-government agreement?

13. The main considerations are i) cost of implementing the options; ii) likelihood of emissions reductions; and iii) likelihood of large-scale land use change (and economic, social disruption). DINZ considers the differences to take into consideration are as follows:

Consideration	Option 1 (Processor Level/NZ ETS)	Option 2 (Sector-Govt Agreement)
Cost of implementing/administration	Low	High
Likelihood of emissions reductions	Price dependent – likely through reduced stock numbers and land use change	High, irrespective of price
Likelihood of large-scale land use change	High – reduced stock numbers per hectare and reduced land values will result in hill country farms becoming more attractive to plantation forestry investors	Low, but will be emissions-price dependent

14. At a broader level the Government needs to consider if it is possible to design an approach that is low-cost to administer *and* achieves biological emissions reduction without large-scale land use change. Option 2 is preferred by DINZ as while it will be more expensive to administer, the likelihood of achieving real emissions reductions with less disruption to regional communities is higher than option 1.

As an interim measure, which would be best: Option 1: pricing emissions at the processor level through the NZ ETS with recycling of funds raised back to the sector to incentivise emissions reduction or Option 2: a formal sector-government agreement? Why?

15. The two options are likely to result in two different outcomes. For option 1, the interim measure is a revenue generating exercise that will do nothing to incentivise behaviour change or proactively seek meaningful approaches to reducing biological emissions. Farmers will view this measure as a tax on production and a revenue gathering exercise; attitudes to subsequent on-farm pricing are more likely to be less accepting. While funds may be recycled back into the sector the interim period will more likely serve to disengage farmers from proactive involvement in emissions reductions, thereby creating more of an impediment to actions when an on-farm pricing system is introduced.

16. For option 2, a well-designed on-farm reporting mechanism and pricing of emissions, with industry-good bodies' support will be more readily accepted and credible to farmers. Recognition of on-farm good management practices that reduce emissions and carbon sequestration opportunities are more likely to be fully explored and adopted where these make financial/environmental sense and are socially appropriate. Having an interim period to develop reporting tools and standards, verification protocols and raising farmer awareness will assist in farmer acceptance that pricing of emissions is required and will be fair and just.

What impacts do you foresee as a result of the Government's proposals in the short and the long term?

17. If option 1 is adopted the short term impacts on livestock production will be minor (5% liability). DINZ doubts that this will result in meaningful reductions in biological emissions. However it will introduce uncertainty into farm business planning as i) the price of carbon will be volatile but likely to increase over time, ii) the level of liability will increase over time. With an expectation the cost of emissions will increase, future capital investment is likely to be deferred (e.g. new fencing, construction of sheds, race ways or other environmental improvements such as wintering barns, and riparian/gully retirement).
18. Long term impacts could see large scale land use change from hill country farming to afforestation as the price of carbon, reduced livestock carrying capacity and lower land values undermine the profitability of livestock farming. How this then impacts on regional communities and economies, alongside reductions in annual foreign exchange has yet to be properly assessed.
19. If option 2 is adopted short term impacts will also be minor, but farmers will have more certainty in the long term that biological emissions reduction can be managed in a fair and just manner that allows farms to optimise land use according to environmental constraints and economic sustainability. Most hill country deer farmers already recognise land classes within their farms that are suitable for certain livestock classes and land classes where alternative land use is required or desired (e.g. erosion control plantings, native vegetation regeneration/habitat restoration, wetland construction). Including emissions reduction and offset opportunities into the business will be conceptually more compatible with the industry's current focus on environmental risk assessment and management using a Farm Environment Plan, thereby enabling DINZ and NZDFA to support deer farmers transition to reduced biological emissions.

Do you have any other comments on the Government's proposals for addressing agricultural emissions?

20. DINZ and NZDFA wish to continue a collaborative/co-design approach (with the Government, Iwi/Maori and other agricultural organisations) to enable deer farming to manage and demonstrate low emissions production that assists New Zealand's efforts honour the Paris Agreement.

Contact

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