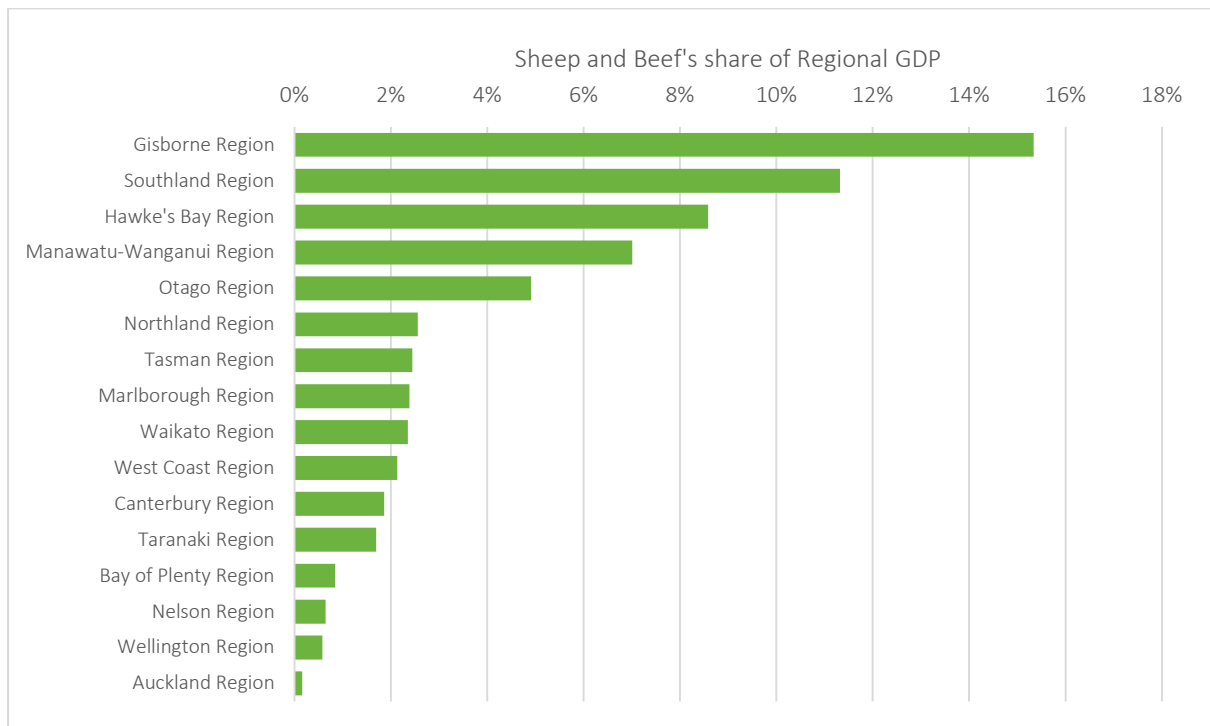# Proposed Southland Water and Land Plan Hearing Statement

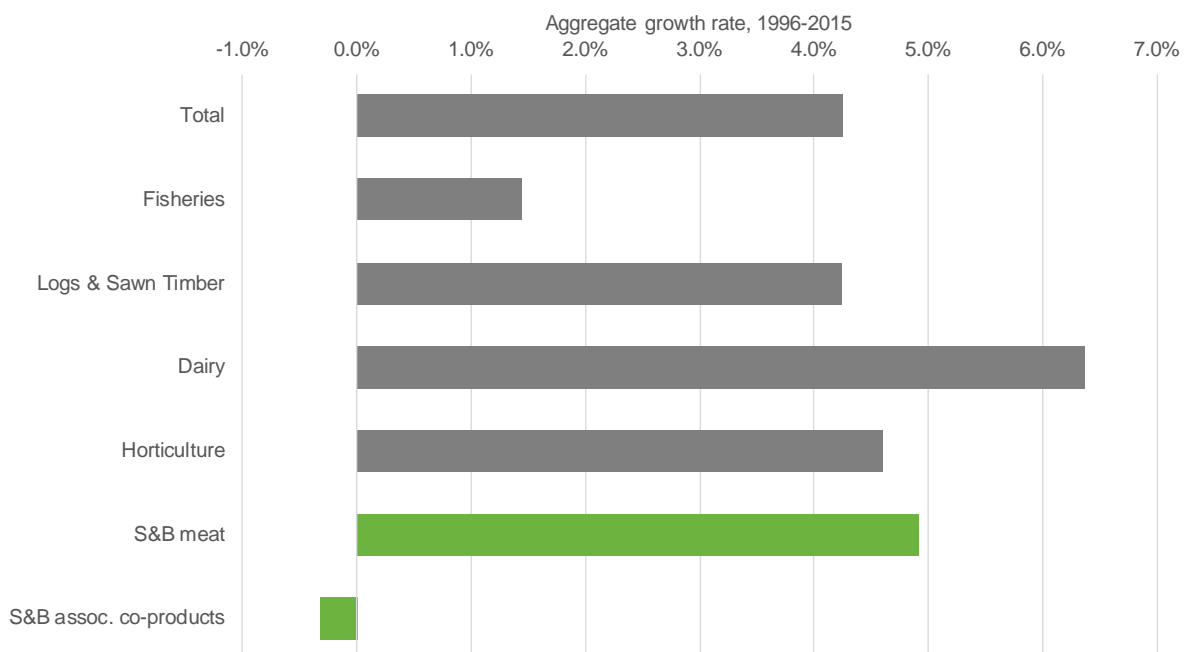## Andrew Burtt, Chief Economist, B+LNZ

1. Good afternoon.

2. My name is Andrew Burtt.

3. I am chief economist at B+LNZ, with responsibility for managing the B+LNZ Economic Service, which conducts the Sheep and Beef Farm Survey. The Survey has been operating since the 1950s, but constantly evolving to handle new requirements.

4. Today I am going to provide an overview of the sector in Southland using information from B+LNZ research and its ongoing Sheep and Beef Farm Survey, which is a representative sample survey of the sheep and beef farming sector in New Zealand.

5. The key points are:
   a. Agriculture is Southland's main economic activity.
   b. The sheep and beef sector is the dominant farm type and employer in Southland and is inextricably linked to the fabric of the region.
   c. The sheep and beef industry is very diverse but it is adaptable and resilient, continually making efficiency gains while meeting customer needs.
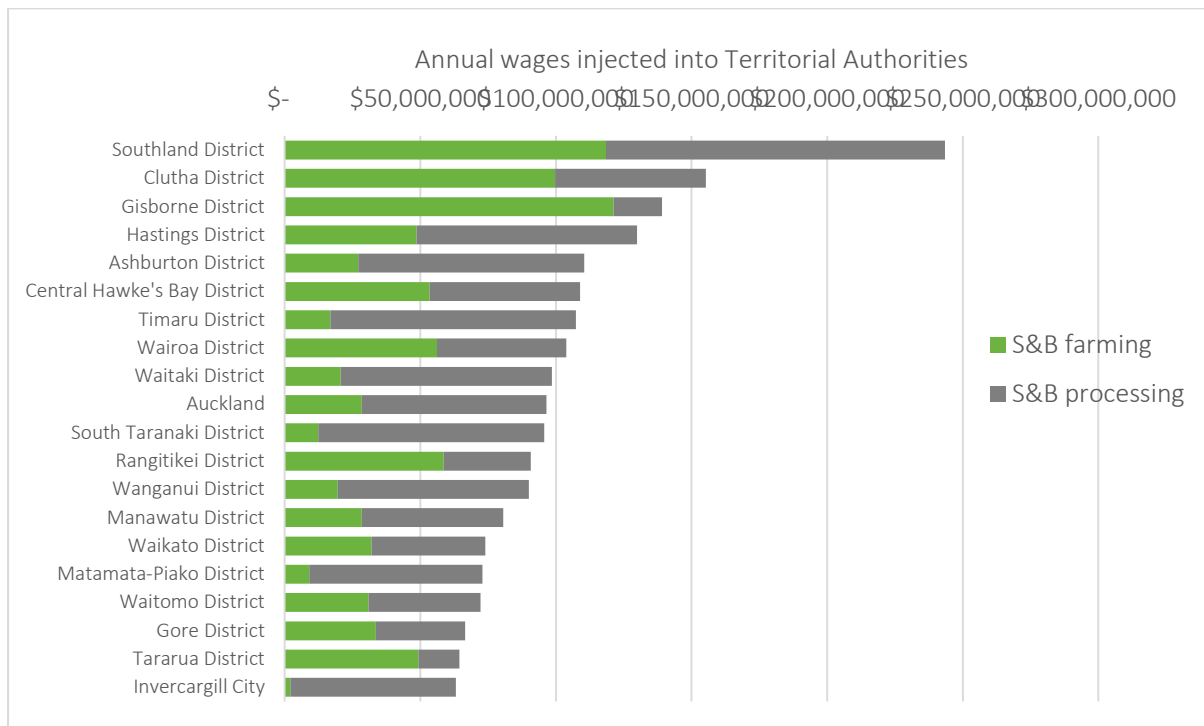
First, the Sector

6. According to the Council's Agriculture and Forestry Report completed as part of the Southland Economic Project, which B+LNZ and I personally were involved in, over 20 per cent of the region's GDP comes from agriculture.

7. B+LNZ recently commissioned some analysis to focus specifically on sheep and beef – including farming and processing. Here are some key points:
   a. In Southland, the contribution of sheep and beef to GDP is second only to Gisborne.
   b. [Slide]

Sheep and Beef's share of Regional GDP

Region	Share
Gisborne Region	~15.5%
Southland Region	~11.5%
Hawke's Bay Region	~8.5%
Manawatu-Wanganui Region	~7%
Otago Region	~5%
Northland Region	~3%
Tasman Region	~2.7%
Marlborough Region	~2.6%
Waikato Region	~2.6%
West Coast Region	~2.3%
Canterbury Region	~2%
Taranaki Region	~1.8%
Bay of Plenty Region	~0.8%
Nelson Region	~0.7%
Wellington Region	~0.7%
Auckland Region	~0.2%

c. The industry has not been in decline. Sheep and beef meat exports have grown faster than total goods exports in the last 20 years.

Aggregate growth rate, 1996-2015

Category	Growth rate
Total	~4.2%
Fisheries	~1.6%
Logs & Sawn Timber	~4.2%
Dairy	~6.5%
Horticulture	~4.5%
S&B meat	~5.8%
S&B assoc. co-products	~-0.7%

d. Sheep and beef farming and processing inject over $380m in wages into Southland TAs – nearly $250m into Southland district. And well over $50m into Invercargill – that's primarily from meat processing.

Annual wages injected into Territorial Authorities

	$-	$50,000,000	$100,000,000	$150,000,000	$200,000,000	$250,000,000	$300,000,000

Southland District
Clutha District
Gisborne District
Hastings District
Ashburton District
Central Hawke's Bay District
Timaru District
Wairoa District
Waitaki District
Auckland
South Taranaki District
Rangitikei District
Wanganui District
Manawatu District
Waikato District
Matamata-Piako District
Waitomo District
Gore District
Tararua District
Invercargill City

- S&B farming
- S&B processing

8. The drystock sector employs nearly five thousand Southlanders in farming and a further three thousand six hundred in meat processing.

9. I often think we characterise "meat processing" as producing "just" meat, but it's worth noting that the processing industry is complex too and, though its reps/companies are far better placed than me to describe the complexities of their individual businesses, it must be remembered that the value chain involves farmers producing complex biological "things", i.e. animals, that are disaggregated into a very wide range of products for a very diverse range of customers around the world and over time. Both involve individuals optimising their businesses to meet their personal, family and business objectives, including accounting for risk.

Farming

10. I'm now going to turn to the extent, and some characteristics, of sheep and beef farming.

11. We at the Economic Service estimate there are about 1,325 commercial sheep and beef farm businesses in Southland.

12. Each represents a household, and at least one family too, which is inextricably linked into the community around it.

13. According to the Southland Economic Project report I mentioned earlier, sheep and beef farms cover nearly 60 per cent of the land area in the region.

14. I think its human nature for us to simplify things to something linear, but drystock farming and humans are complex and diverse. We all know that, but sometimes overlook it.

15. B+LNZ's Sheep and Beef Farm Survey is a sample survey that is representative of the livestock population, so B+LNZ's Economic Service Managers engage with farmers across the spectrum of behaviours and geographies. Experience has shown that farmers are as complex and diverse as the rest of the community. As Andrew Morrison said "there is no 'typical' when it comes to sheep and beef farms". I'd add to that, farmers know their environments... well ...and are best placed to adapt to those environments, and when I say environment that should be interpreted broadly.

16. Returning to the notion of "typical" and diversity, our Survey includes:
    a. Farms that are over 10,000 hectares in total size but have maybe 1,000 ha in natural state;
    b. Farms that are under 200 ha, but still have areas that are in natural state;
    c. Farm businesses that have very little debt and those that are more-indebted;
    d. Farmers of a range of ages and stages of life;
    e. Some farms that would be considered flat – but they're not flat like Canterbury;
    f. Some that are substantially steep, difficult and extensive land; and
    g. Almost all having a mix on the one farm.

17. This chart [Figure 1], which is taken from the Southland Economic Project report[1], shows there are multiple revenue streams on sheep and beef farms, and that requires quite complex project management to deal with multiple livestock categories, expenditure, seasonal conditions, environmental conditions and other constraints to produce an output that meets customer needs.

18. In Southland, sheep and beef farms have evolved to be primarily focused on sheep – with an average of 65-70% of revenue coming

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[1] Figure C73: Proportional mix of total revenue for 43 case study farms ($/eff.ha), p159

from sheep (lambs and adult sheep, and wool). But, on average, another 15-20% of revenue comes from beef cattle, dairy grazing, cash crop, and "other" revenue – which is things like forestry; tourism; selling dogs, possum skins and other livestock; and rent on land leased out.

Figure 1
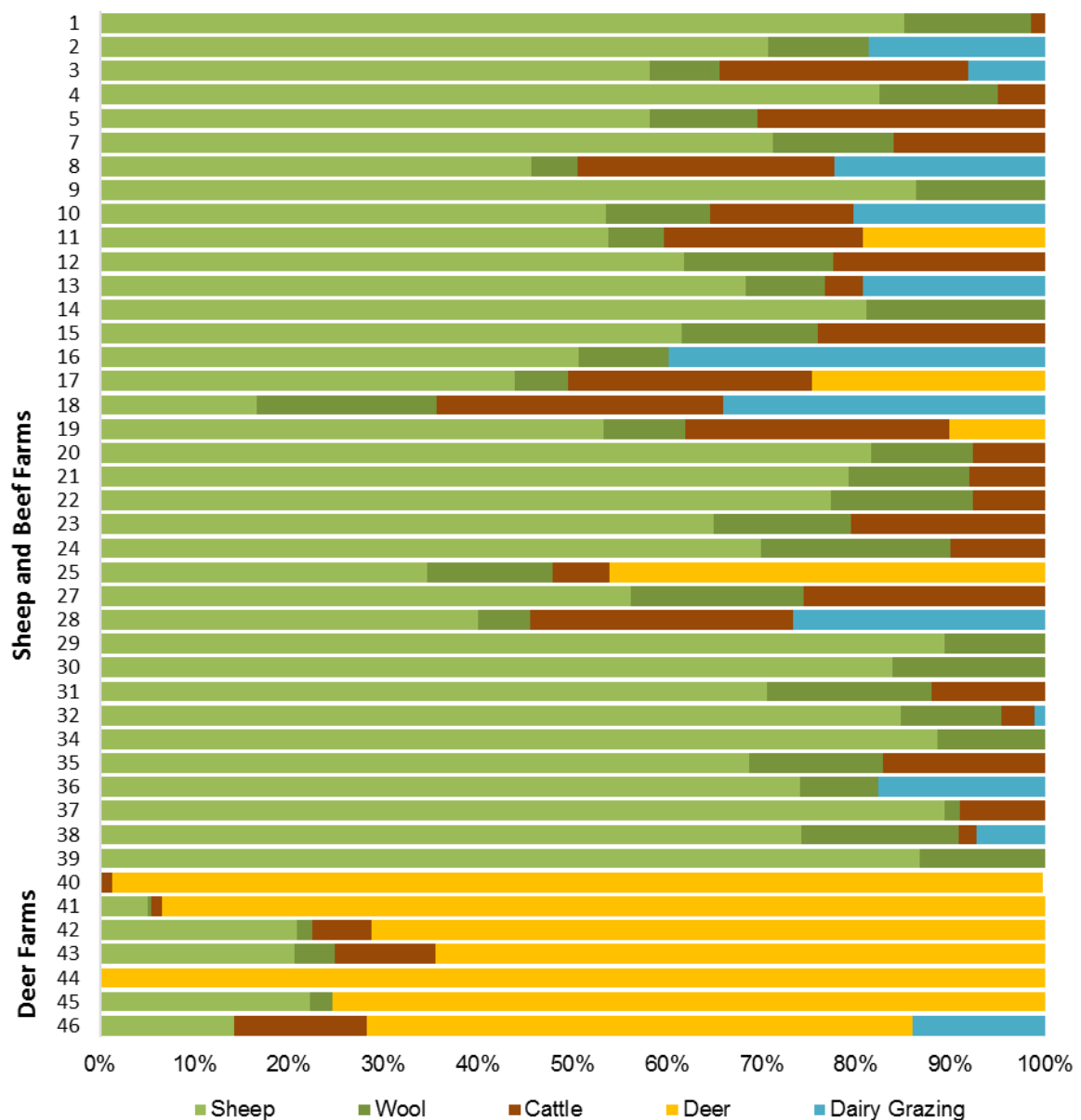
19. There's often a focus on "winter grazing" in discussions in Southland, but to put this in context, here are some observations from the Sheep and Beef Farm Survey:

   a. Systems have developed to carry livestock through winter, which is vital in Southland given the climate considerations.

   b. The definition of "winter grazing" varies considerably, because of the diversity of farming operations and because farmers adapt their systems to their environments.

c. Imported feed is another point of confusion between anecdotes and quantitative data. Feed is not imported onto drystock farms in the way it often is on other livestock farms, although some sheep and beef farmers pay for grazing. Almost all feed consumed on sheep and beef farms is produced on-farm. Indeed, our 2015-16 Sheep and Beef Farm Survey, which will be completed soon after 30 June, shows that what we call Intensive Finishing or Farm Class 7 farms – the most populous type in Southland – sell – which means EXPORT – about 11 tonnes of feed for every one tonne feed of purchased.

d. Looking at this slide [Figure 2], over 40% of all sheep and beef farms in the region planted no winter crop. They use so-called "all grass" systems. That's the blue column at the left.

e. On the Southland plains, while roughly 80% of farms grew winter feed crops – the three tall green columns – …it was equivalent to 2-8% of those farms' effective area. Only a handful had a winter feed area equivalent to 10% or more of the effective area.

Figure 2
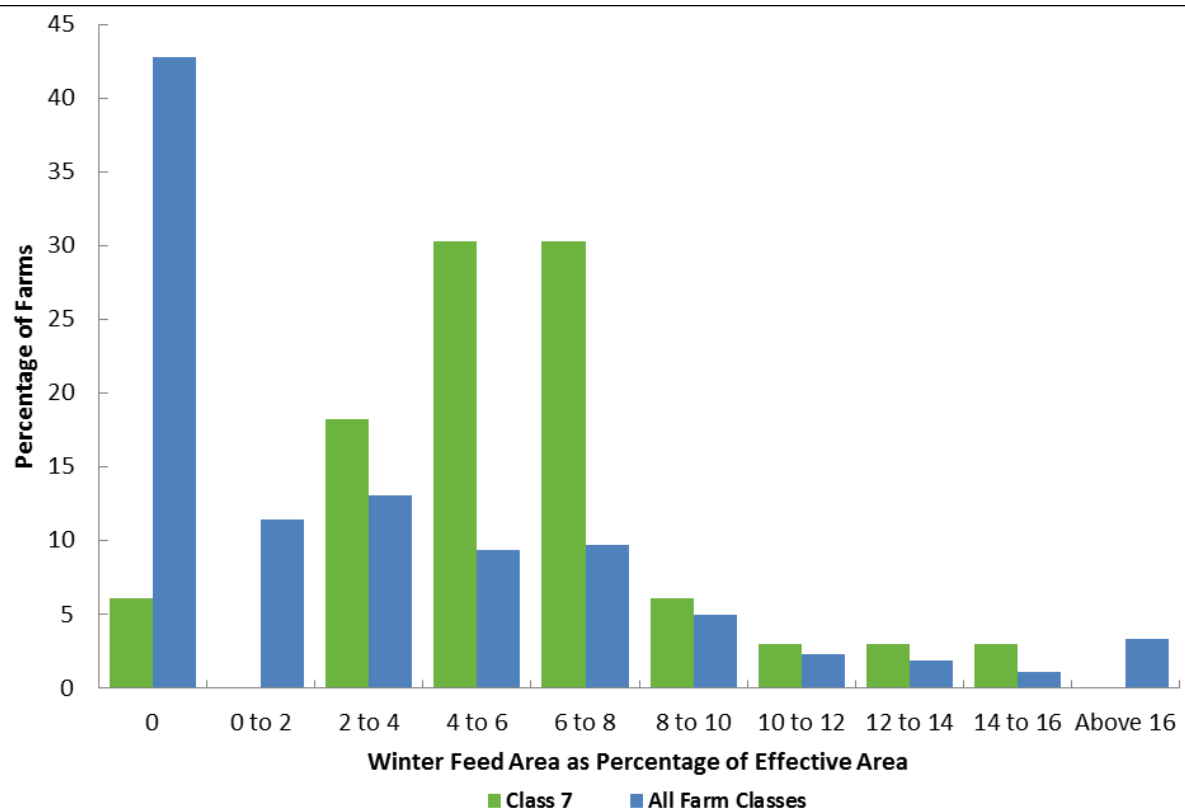
20. Thank you for the opportunity to speak to you today. I'm happy to take any questions.