

# BRIEFING FOR INCOMING MINISTER

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DairyNZ 



**New Zealand dairy farmers are world leaders in the production and export of sustainable, nutritious dairy products. Our farmers are proud to work with the land, work with animals, and produce the milk which we share with the world.**

Our success has been shared with the rest of New Zealand. We employ 50,000 people throughout New Zealand, generating \$19.7 billion in export revenue. Directly and indirectly we are a significant contributor to rural and urban communities and play a critical part of the COVID-19 recovery. Our levy payers are also part of the growing Māori economy with ten percent of New Zealand dairy farms in Māori ownership.

Domestically and internationally, consumer expectations are growing – and we too want to continue to raise the bar. We have a proud history of transformation. The dairy sector has continuously refined our practices, developed new technologies and driven efficiencies to give our pasture-based farmers a competitive advantage over our global competitors – all without subsidies. We have an industry wide commitment in the *Dairy Tomorrow* strategy to build on these foundations; farming in a way that cares for our cows, our people, our environment, and communities.

Together with the Government we share the vision for the continued evolution and transformation of our sector through the *Fit for a Better World* and *Te Taiao* strategies. We have some ambitious targets to reduce our greenhouse gases, improve water quality, and increase the value of primary sector exports over the next decade. We want to work with you to ensure we achieve the outcomes we have set in the *He Waka Eke Noa – Primary Sector Climate Action Partnership* and how we make the *Action for Healthy Waterways* implementation practical.

And we are doing more than making commitments; farmers have been and are continuing to take action to improve waterways, planting riparian margins, fencing, excluding stock, reducing nitrogen loss, investing in infrastructure, installing bridges and culverts, investing in farm environment plans, and starting catchment groups to collectively address the issues. DairyNZ is now preparing the sector for the next transformation with Project Step Change.

This document outlines the three main areas we want to focus on with you, as well as a number of key statistics for our sector. We wish the Government to -

- 1) Take a more strategic approach to our science funding system to ensure the big, long-term issues are addressed.
- 2) Work with us to future-proof our primary sector and rural communities by continuing to invest in initiatives that will attract and retain skilled workers, support innovation, and support mental health and wellbeing.
- 3) Continue to work with us to get the environmental settings and support right. Success will require true partnership.

As an evidence-based organisation, you can trust DairyNZ to work constructively and collaboratively with you on behalf of our levy-payers to get a pragmatic and fair result not only for farmers, but for all New Zealanders to build competitive, resilient and sustainable farming businesses that are fit for the future.

We want all New Zealanders to be as proud of our dairy sector as we are and for our farmers to continue to lead the world in sustainable dairy farming for years to come.



**Jim van der Poel**

Chair  
DairyNZ



**Tim Mackle**

Chief Executive  
DairyNZ

# ABOUT DAIRYNZ

## Our purpose

DairyNZ is the sector organisation that represents all New Zealand dairy farmers. We invest in research, practical on-farm tools, resources, support and advocacy. DairyNZ delivers a better future for our farmers – and for the country through science, research, tools, advocacy and advice.

## Our history and mandate

DairyNZ is funded by a levy on milksolids that is paid by dairy farmers under the Commodity Levies Act 1990, with a vote every six years. DairyNZ's mandate was renewed in May 2020.

The first levy vote was in 2002 and the first milksolids levy was introduced in June 2003 following the disestablishment of the New Zealand Dairy Board when Fonterra was formed in 2001. Two independent industry organisations, Dairy InSight and Dexcel, were initially formed. In November 2007, Dairy InSight and Dexcel amalgamated to form DairyNZ.

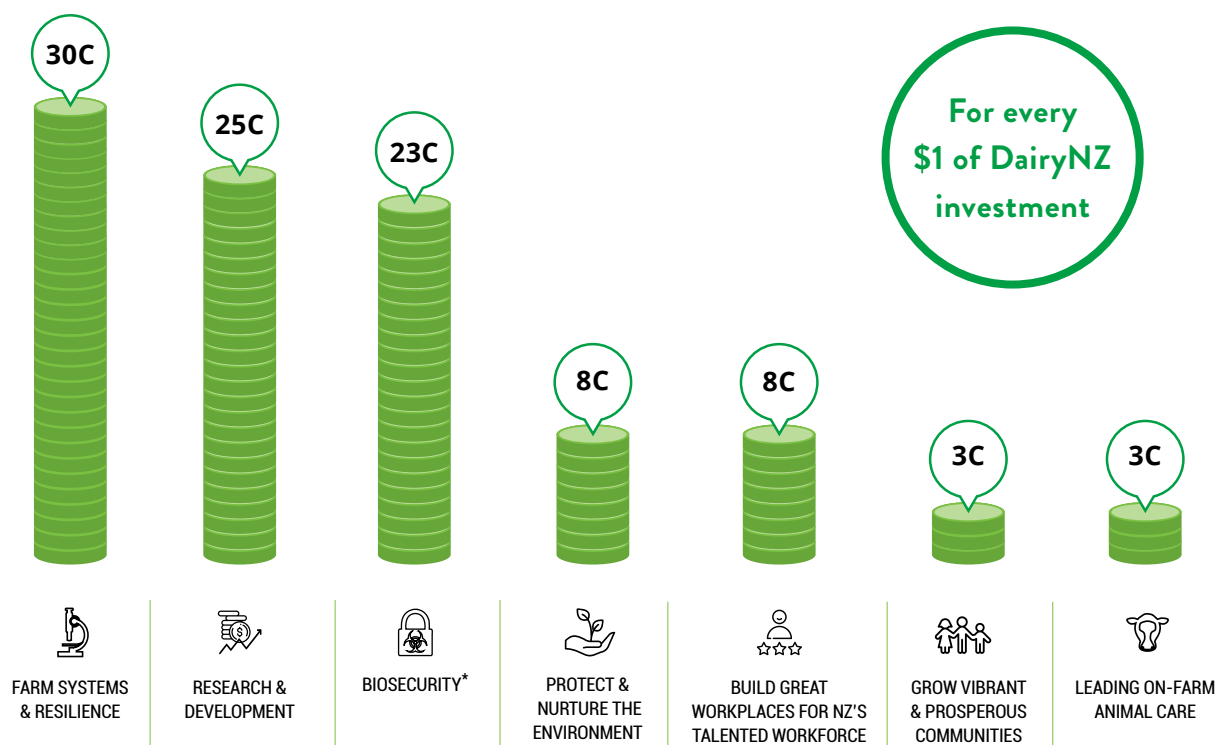
DairyNZ employs around 300 staff in regional offices throughout the North and South Islands, with the head office in Hamilton. It has a governance board of eight members - five farmer-elected and three independent, professional directors.

In 2019/20, a total of \$68.3 million was collected through the milksolids levy, plus DairyNZ received Government co-funding. Investment through the levy has delivered a wide range of benefits that far outweigh the costs.

**Farmers' return on investment is at least \$15 for each \$1 paid through the levy.**

## How we invest our farmers' levy

2019/20 funding under the sector strategy, Dairy Tomorrow.



# WE WANT TO WORK WITH YOU

In our 2020 *View from the Cow Shed* report we identified the top 10 things the Government could do to improve outcomes for dairy farmers and New Zealand.



## Refocus investment in science

1. Invest in R&D for our primary sector to unlock more value and volume.
2. Set a clear strategy for science funding that is appropriately resourced to support farmers to reduce their environmental footprint while increasing profit.



## Work with us to future-proof our sector

3. Work with the sector to meet workforce needs through training and recruitment of Kiwis as well as skilled migrant workers.
4. Invest in rural broadband and improved mobile coverage to better connect our rural communities with New Zealand and the world.
5. Develop a national water storage strategy and invest in water storage to increase water supply in times of drought, enable land-use flexibility and unlock economic potential.
6. Develop and enforce a world-leading biosecurity system that is properly resourced, learns from our *M. bovis* experience and ensures everyone plays their part.
7. Reform the RMA to reduce compliance costs for farmers, increase efficiency and drive better environmental outcomes.



## Get our environmental settings and support right

8. Partner with farmers and support them to play their part to meet new environmental standards.
9. Ensure targets for water quality improvements are fair and equitable, clear, scientifically robust and have pragmatic timeframes for implementation.
10. Review the methane targets in the Zero Carbon Act to ensure they are firmly grounded in science and align our international and domestic targets by applying a split gas approach to our Paris commitment and carbon budgets.

**These are our policy priorities over this term of Government**

# REFOCUSING INVESTMENT IN SCIENCE

**For the dairy sector to maintain our international competitiveness, reduce our environmental footprint and make a greater contribution to New Zealand's economy we need a more strategic approach to research and development.**

This isn't necessarily about investing more money but investing the existing pool of money more wisely through long-term strategic partnerships between government and the sector.

## DairyNZ is a science-led organisation



employing more than  
**20 PhD scientists**

in aquatic science, ecosystem health, animal husbandry, agronomics, agricultural science, genetics & more



In 2019/20 we invested

**\$53M** in Research & Development

DairyNZ invests significantly with partners to find

**science solutions to enhance the sector's competitiveness, resilience and sustainability.**



## The challenge and opportunity

The current research system isn't working. It's costly, cumbersome, and doesn't direct funding to the areas that will really make a difference. Misplaced incentives prioritise piecemeal projects at the expense of long-term vision and co-ordinated effort. The result is a splintered system driving mostly short-term and disconnected projects, with low accountability for impact.

We need to apply a long-term strategic lens to our research sector so that the critical questions can be addressed. The big challenges we are facing like improving water quality, reducing emissions, and adding value to milk require substantial, long term research investment based on a shared strategy. The projects must bring together the expertise of our best researchers to achieve our collective economic, social, and environmental aspirations.

## We want to work with you

Prioritise research funding that together with sector funding, can address:



**Reducing the number of entities**

and over-governance in science.



**Continued investment in R&D solutions**

for the future of the dairy sector.



**Methane mitigation technologies**

at farm systems scale.

# REFOCUSING INVESTMENT IN SCIENCE

## A snapshot of our research programme

- Improving the fertility of our national herd – with MBIE and AgResearch, LIC and Fonterra
- Studying flexible milk schedules to help farm workload – with Lincoln University Research Dairy Farm
- Award-winning Forages for Reduced Nitrate Leaching (FRNL) project - with AgResearch, MBIE, Manaaki Whenua, Foundation for Arable Research, Lincoln University, and others
- Profitability of lower impact kale and fodder beet systems to also improve environmental impact on wintering systems – with Southern Dairy Hub
- Developing tools to breed cows with lower urinary nitrogen to help meet water quality and GHG outcomes – with MBIE, CRV-Ambreed, Fonterra, AgResearch, AbacusBio, Massey University and Lincoln University
- Guidance on the performance and design of constructive wetlands– with NIWA
- Plantain trial in Tararua to reduce nitrogen losses – with MPI, Massey University, Horizons Regional Council
- Regenerative Agriculture framework to build a scientific evidence base for Aotearoa – with Our Land & Water, Calm the Farm, MfE, Manaaki Whenua, MPI, NZX, Pamu, and others
- Māori Agribusiness Extension programme (MABx) to build the confidence of Māori agribusinesses, their trustees and land owners to undertake change and achieve more from their whenua – with MPI



Plantain trial in Tararua

# WORKING WITH US TO FUTURE PROOF OUR SECTOR

## Dairy farmers are optimistic about the future but face challenges that require the sector and government to work together

### Biosecurity

Biosecurity is of huge importance to our primary sector's resilience – and for the prosperity of our country. The world-first partnership between Government and industry to eradicate *Mycoplasma bovis* from New Zealand, is a significant effort and achievement. It has been incredibly challenging and many lessons have been learned.

As at 12 Nov 2020

**250 farms**

have been confirmed with and cleared of *M. bovis*.

7

there are only **known farms** infected in NZ.

**Over 1,500 farmers**

used the free DairyNZ, Beef + Lamb New Zealand Compensation Assistance service, and benefitted from a faster claim payout.

## We want to work with you to:



### Take on board the lessons we have learnt from our sector's *M. bovis* experience

to improve our biosecurity preparedness and future responses and to leave a stronger biosecurity system as a result.



### Ensure our systems are ready for any future biosecurity incursions,

such as foot and mouth disease, including the Government-industry agreement cost-share arrangements.

DairyNZ have taken action to identify a large number of organisms that could come to NZ and harm our industry. We have developed the Dairy Biosecurity Risk Evaluation framework (D-BRIEF) with Epi-Interactive. This framework examines the biosecurity risk of animal diseases, pest plants and insect pests. On farm these can affect pasture and crop yields, milk production, reproduction and animal welfare. Some of them also pose a serious risk to farmer's health. The presence of some of these organisms in New Zealand could greatly affect the ability to trade our dairy and animal products. We want to partner with the government to adopt this framework.

# WORKING WITH US TO FUTURE PROOF OUR SECTOR

## Workforce issues

As one of New Zealand's largest employers, the dairy sector needs motivated and passionate people to make a difference in the world. Attracting, retaining and developing our dairy sector workforce is a priority for us, and even more pressing given Covid-19 border restrictions. Access to skilled labour continues to be a challenge for our sector.

Our partnership with the Government on the GoDairy training programme has been a great start but more initiatives will be necessary, as this is a multi-faceted issue. We also know improving the employment experience is also important, and DairyNZ has developed the Good Boss programme with our partners, to provide guidance and support for employers in the sector.

We are a high paying employer (including their accommodation) compared to a lot of other rural industries and provide opportunities for people to grow their wealth and become part of the ownership structure of the industry.

## Dairy farmers make a significant contribution the New Zealand economy



**Dairy employs**

**50,000**

people directly.



**Paying**

**\$3.4 billion**

in wages each year.



Dairy is a **major** contributor to our regional economies.

**26%**



of farmers said that they were rarely or never able to find staff with the skills and experience they needed.

**62%**

of farmers said that they or someone on their farm had experienced mental health issues over the last year.

**50%**

of farmers said they don't have the **broadband internet** they need on their farm.

**52%**

of farmers said they don't have the **mobile reception** they need on their farm.

**Improved digital connectivity is needed to:**



make a modern workplace, unlock innovation on-farm, keep our farmers socially connected

## We want to work with you to:



**Highlight the opportunities of work**

on farm, improving the workplace experiences, and supporting the resilience and wellbeing of our dairy farmers.



**Address the digital divide**

and drive effort to improve digital connectivity for our rural communities.



# GETTING OUR ENVIRONMENTAL SETTINGS AND SUPPORT RIGHT

Domestically and internationally consumer expectations are increasing – and we want to ensure we continue to meet those. We acknowledge our sector has an impact on the environment, and we seek to enable sustainable and viable food production that can also protect, restore and sustain our environment to enhance our well-being and that of future generations. New Zealand dairy has the lowest carbon footprint in the world- we must ensure we maintain this position and that will take coordinated effort.

## Climate change

*He Waka Eke Noa* – the Primary Sector Climate Action Partnership is a world first initiative between the agricultural sector, Māori, and Government to work together to implement a framework by 2025 to reduce and manage agricultural greenhouse gas emissions and build the agriculture sector’s resilience to climate change.

The methane and nitrous oxide reduction targets in the Zero Carbon Act are very ambitious and will be challenging for the sector. New Zealand’s contribution in this area is also in advancing the understanding about the different greenhouse gases, given our unique profile as a developed country with high agricultural emissions. For this reason the targets must be regularly reviewed by the Climate Change Commission.

### When asked about their climate change concerns:



**40%** of farmers said their biggest concern was the public not appreciating how low-carbon they already are.

**36%** of farmers said having targets they believe are fair was their biggest concern.

DairyNZ is working hard in the workstreams of *He Waka Eke Noa* to ensure the milestones are delivered. This means developing guidance on incorporating GHG in farm plans, achieving consistent metrics for GHG, what a fair pricing incentive would be, how to recognise on-farm sequestration, and how to coordinate and drive innovation and research for the sector. We also continue to support a range of other research, development and extension projects on topics related to greenhouse gases, including our internal StepChange initiative launched in 2020.

## We want to work with you to:



**Deliver on the He Waka Eke Noa –**  
the Primary Sector Climate Action Partnership milestones to support farmers.



**Ensure any GHG targets are fair and scientifically robust**  
as knowledge develops.



**Build the capability within the sector**  
required to deliver farm plans over the next five years.

# GETTING OUR ENVIRONMENTAL SETTINGS AND SUPPORT RIGHT

## Water quality

Like all New Zealanders, dairy farmers share ambitions for healthy waterways. The dairy sector was the first to create a voluntary industry water accord – well ahead of regulation – which in many cases has informed regulation. We launched the Dairying and Clean Streams Accord in 2003 then the Sustainable Dairying: Water Accord in 2013. We now have the Commitments under the Dairy Tomorrow strategy.

The scale and expectations of the Water Accord and its predecessor were bold –it required a huge amount of cooperation from dairy farmers to get it done. The required a massive investment in faith, time and money. It was aspirational and a big stretch. Now it is business as usual.

Dairy farmers are continuing to take action to improve waterways, planting riparian margins, fencing, excluding stock, reducing nitrogen loss, investing in infrastructure, installing bridges and culverts, investing in farm environment plans, and starting catchment groups to collectively address the issues. DairyNZ is now preparing the sector for the next transformation with Project Step Change. Change is happening, but it takes time to deliver and time to measure.



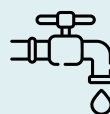
We need **time** to get there.



**A blunt DIN isn't the right lever** to pull to improve ecosystem health.



Regulations must be **practical on farm.**



**32% of farmers**

said that nutrient limits were their biggest concern, when asked about water quality.

**Regulations will be more successful if farmers buy into them.**

**We want to work with you to:**



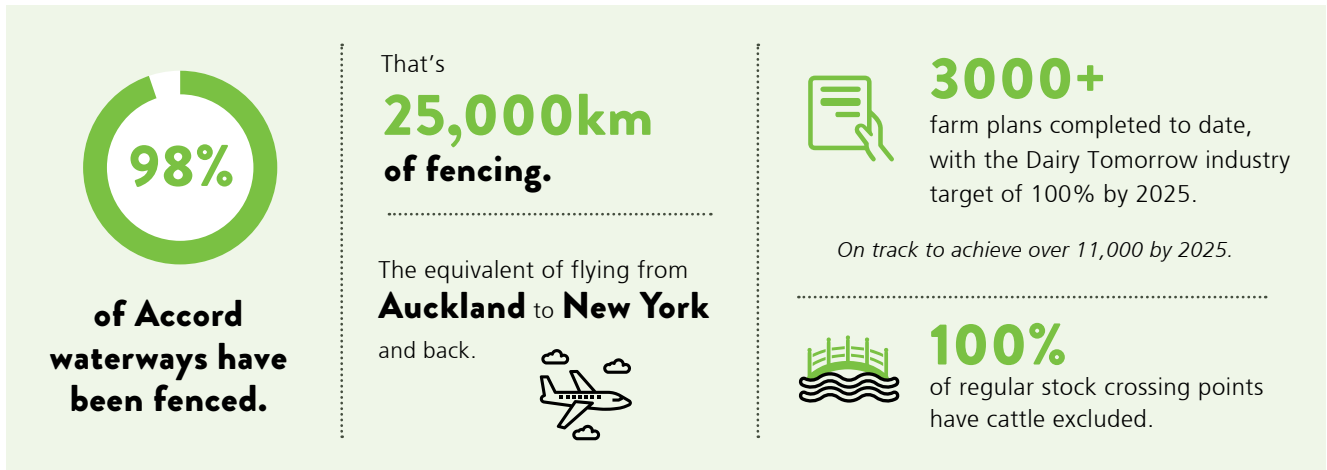
**Make the Action for Healthy Waterways regulation implementation practical** and meet the objectives.



**Enable our farmers to feel acknowledged** and New Zealanders to feel proud of our dairy sector's efforts domestically and internationally.

# OUR ENVIRONMENTAL HOOFPRIINT

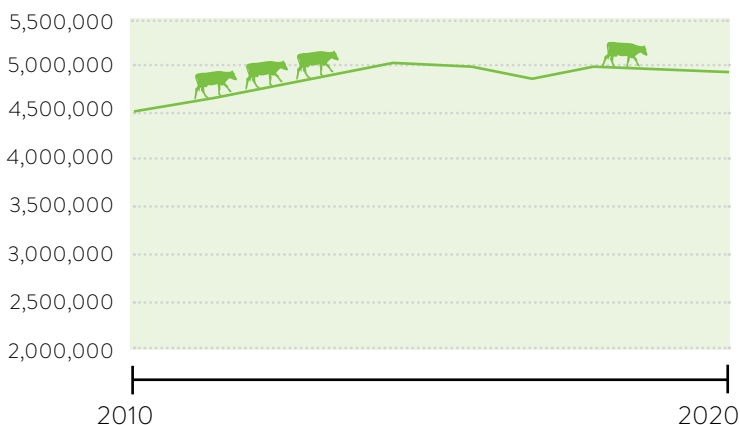
Farmers have been working hard over the past decade to reduce their environmental footprint. The dairy sector began this journey in 2011 with the Clean Streams Accord, the precursor to the Sustainable Dairy Water Accord.



Source: Sustainable Dairy: Water Accord.

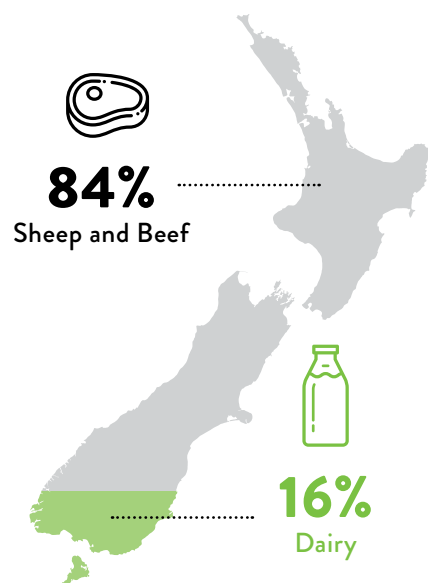
The days of significant cow growth may be over, with farmers continuing to place more focus on productivity and efficiency.

For the last five years our national herd has been relatively flat.



Source: NZ Dairy Statistics 2018-19, DairyNZ and LIC

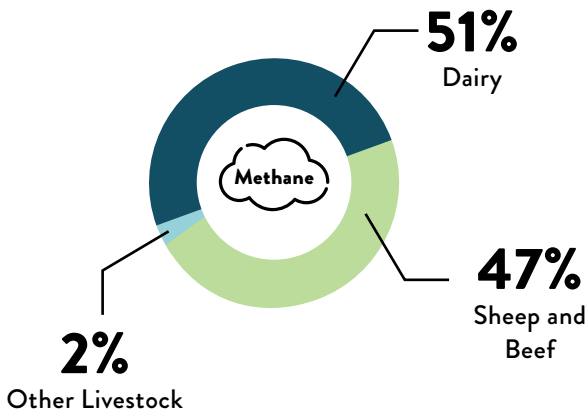
Dairy accounts for 16% of our pastoral land with Sheep & Beef accounting for the remaining 84%.



Source: Statistics NZ 2018

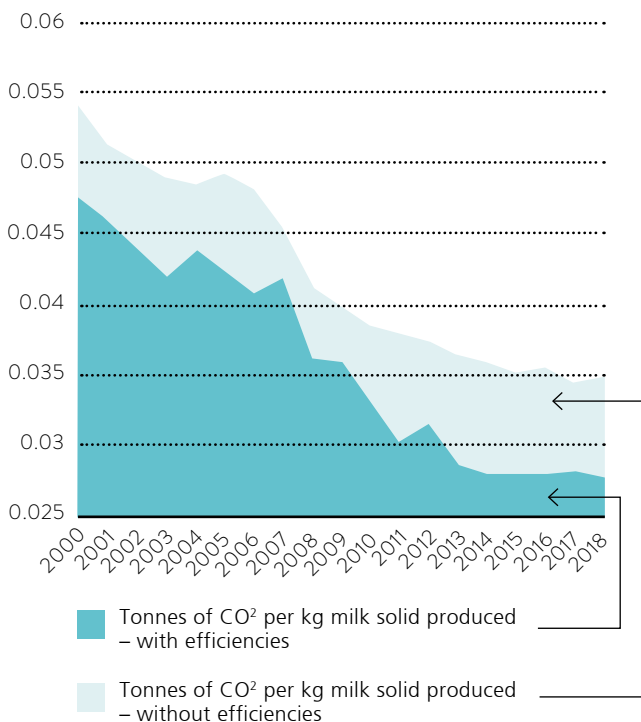
# CLIMATE CHANGE

Dairy makes up roughly half of our agricultural livestock methane emissions with the other half coming from the sheep & beef sector.



Source: Mfe 2020

Our farmers now produce 25% less emissions per KG of Milksolids thanks to continued investment in R&D, science, and efficiencies.

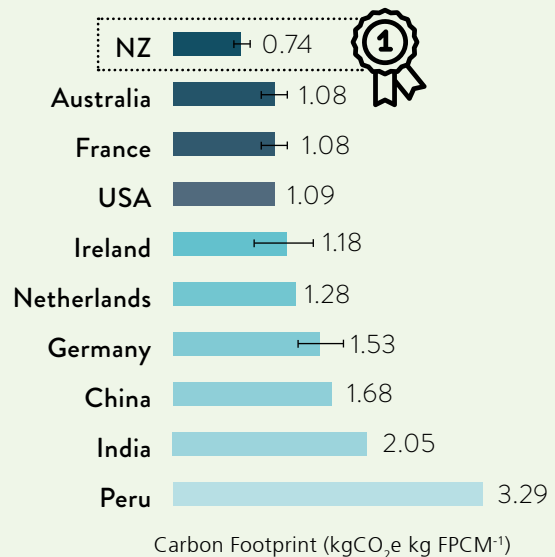


Source: NZ Dairy Statistics 2018-19, DairyNZ and LIC



Kiwi dairy farmers are the most emission efficient producers of milk in the world – and that hasn't happened by chance.

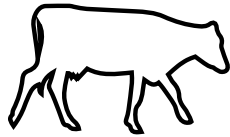
Our farmers have been investing for decades in genetics, grass & soil science, plant-breeding, and driving best practice farming.



Source: AgResearch 2020

# A SECTOR SNAPSHOT

## Sector at a glance statistics for the 2019/20 dairy season



**11,179**

**Total number of herds**  
(down 193 herds from 2018/19)

### Cows

**4.921**

**million milking cows**  
(0.5% decrease from 2018/19)



**1.896**

**billion kg of milksolids**

Processed by dairy companies in 2019/20  
(up 0.6 percent on 2018/19)

**385**

**average kg milksolids per cow**  
(up 4kg/cow on 2018/19)



### Farmers

**6,268**

**owner-operators**  
(56% of herds)

**3,227**

**sharemilkers**

**1,597**

**contract milkers**

### Farms

**155ha**

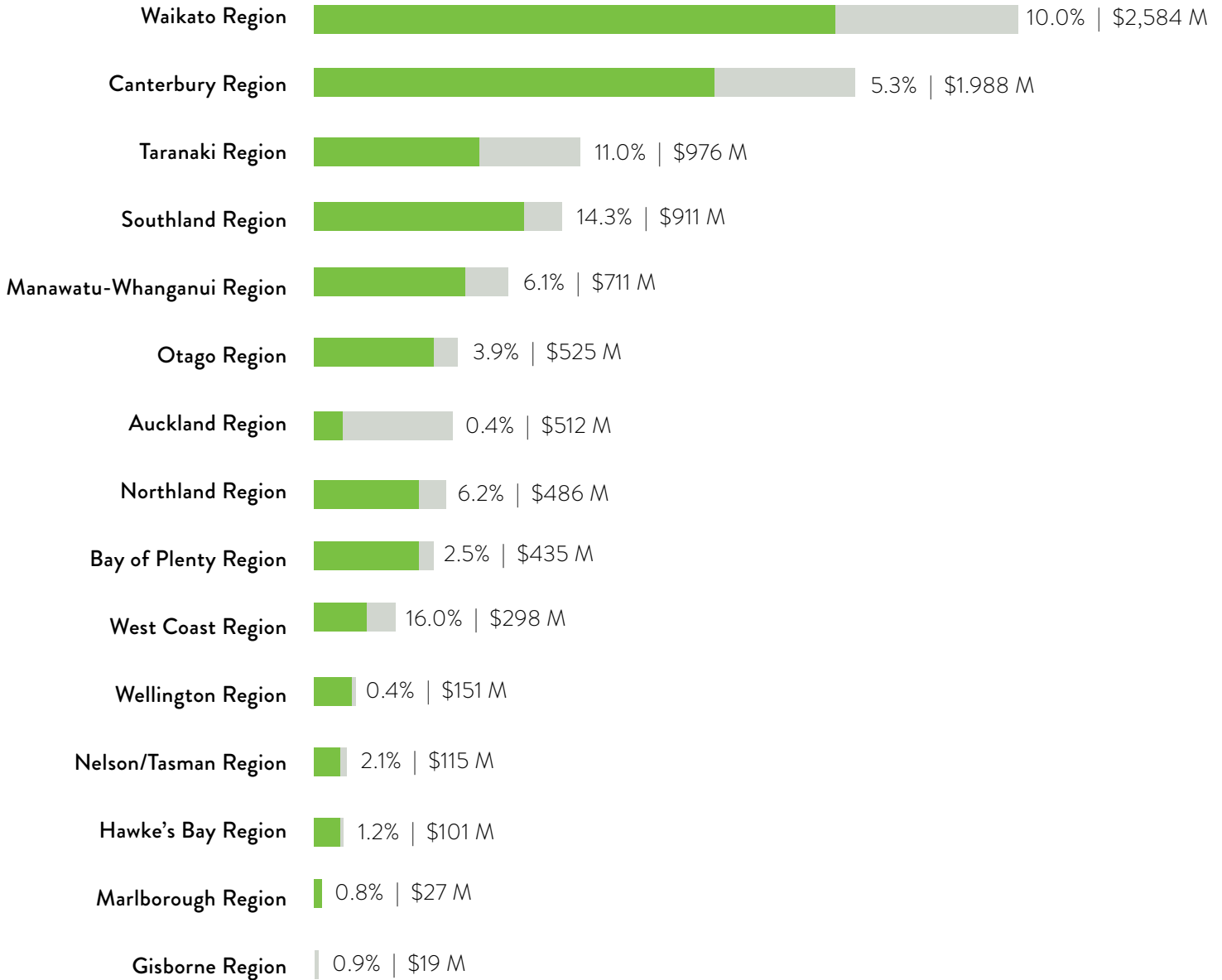
**average farm size**  
(effective ha)



**440** **average herd size**  
(up 5 from 2018/19)

# OUR ECONOMIC CONTRIBUTION

## Regional GDP contribution, % of total GDP, \$millions, 2019



Source: Statistics NZ 2020

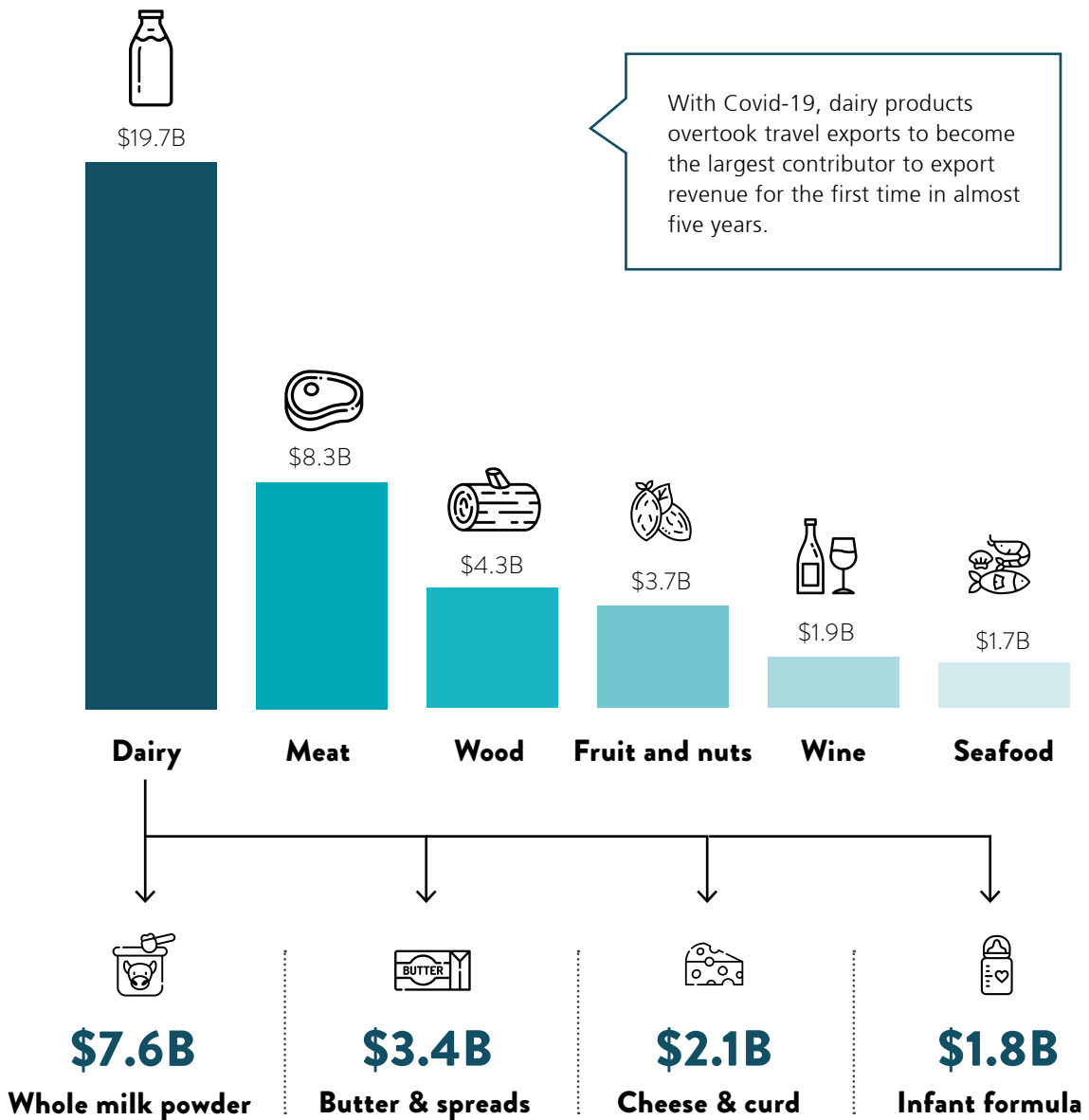
# EXPORTS

**NZ exports 95%**  
of the milk we produce to  
over 100 different countries.

We generate  
**\$19.7 billion**  
of exports.

**This accounts for 34%** of goods exported  
in year to June 2020

## Top merchandise trade exports in year to June 2020



Source: Statistics NZ 2020

*DairyNZ* 

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