

Submission on the Government consultation document for Pricing Agricultural Emissions

From He Tātai Rangahua –The Food and Fibre Youth Network

Biography:

The purpose of He Tātai Rangahua – the Food and Fibre Youth Network (FFYN) is to enable young people in the primary sector to add their voice to shaping the future of our food and fibre sector. The FFYN Council is focused on action, and helping drive and inform the change we want to see in the future.

NZ Young Farmers, in collaboration with the Ministry for Primary Industries, Beef + Lamb New Zealand, DairyNZ and AGMARDT launched the network in 2021 creating an opportunity for young representatives across the food and fibre sector to raise industry issues and provide input into critical decisions about the sector's future.

The Network is currently made up of 230 network members located across Aotearoa New Zealand and involved in a number of food and fibre initiatives, private enterprises and public organisations.

General responses to the proposal:

The Food and Fibre Youth Network do not support the emissions pricing proposal in its current form. We think it is critical to get the balance of the system right and carefully manage the impacts. Therefore it is important to get the settings right including the setting of unique prices, incentive payments, sequestration and emissions reduction targets being science based and focused on warming impact.

Impacts of the proposal:

There are many potential negative and far reaching impacts of this proposal on food and fibre producers, the wider community and economy. Three particular areas of concern identified by network members are the economic impact, the impact on mental health and wellbeing and the ability to inspire the next generation and attract and retain the great people needed to continue to make the food and fibre sector the incredible industry that it is.

Economic Impact

The FFYN are concerned that the government's emission pricing proposal will have serious economic impacts to farming businesses and rural communities. New Zealand's export revenue and government tax revenue will decrease with flow on negative consequences for

the New Zealand economy. The proposal has the potential to create financial hardship for farmers with *“iwi and Māori communities being most affected”*. In the short term, this proposal *“will push some farmers out of the industry due to lack of profitability and create new financial barriers”*. There will be a further increase in on-farm costs which will result in *“an increase in price that the consumer will have to pay. With inflation and the increased food prices we have seen the pressure that this has put on consumers let alone having to increase it further”*.

The continued viability of the sheep and beef industry is of particular concern. If this proposal were to go ahead we would see a number of farmers for whom the additional cost on their business would make it no longer profitable. This proposal will create significant barriers to farm succession and economically sustainable long term farming. The FFYN feel that this proposal would be the *“death of rural communities”*. It's not just the on farm impact, food and fibre producers are supported by a large range of business, from input suppliers, transport operators, those providing advice and those processing products beyond the farm gate to name just a few. We have already seen the impact of policy decisions on communities such as the East Coast which has seen mass afforestation of hill country properties happening over the last several years. This takes farms and their owners and employees out of communities, impacting the viability of schools, clubs, small business and the many aspects that make rural communities great and create opportunities for young people developing in the industry. This can then make it harder to attract staff or make food and fibre production and living in rural communities less attractive to people considering it as a career. This then continues to fuel the negative downward spiral, causing more people to leave, more farms to be sold into trees, the closure of more rural schools and businesses.

Mental Health and Wellbeing

The FFYN is generally concerned about the social impacts of the Government's Emissions Pricing Proposal, and the flow on impact to farmers and growers mental health and wellbeing. Anecdotally, it is well understood that rural communities are severely impacted by mental health challenges, and this has become a significant area of concern and focus. The outlined proposal will likely add significant pressure to farm feasibility through increased costs of production, increased levels of compliance and complexity of operations as well as a great deal of uncertainty. These added pressures will have a severe impact on already strained and stressed communities, detrimentally impacting rural suicide rates and resulting in the mass exodus in rural communities.

Farmers and Growers are already feeling a range of emotions towards their macro operating environment, including being *“Confused, overwhelmed and at the moment quite worried.”* This is a considerable concern not only from the economic reliance New Zealand has on the primary industries, but also as the legacy of our rural communities, and the fabric of New Zealand's history is rapidly and increasingly becoming challenged. It is crucial that farmers

and growers feel pride and value in what they do for New Zealand, and that they feel as though they are valued citizens, creating and driving a prosperous nation. The innovation and resilience of New Zealand's food and fibre producers has pulled the country through many challenging times including providing the country's economic backbone through the global financial crisis and coronavirus pandemic. It enabled New Zealand producers to be among the most emissions efficient in the world and adapt to changing circumstances, but they need to be given the opportunity to continue to innovate and apply new ideas and be celebrated for this not feel like they are being attacked and forced out of production.

Inspiring the Future

The FFYN observes the rapidly changing sentiment towards careers and lifestyles in the primary sector, with many producers sharing apprehensions of viewing the food and fibre industry as a viable career option. *“It's becoming more and more unenjoyable and unrealistic to farm and be involved in the sector. I'm now looking at other career and lifestyle options. Wouldn't recommend the sector to anyone I care about”*. Not only are the mental health implications critical to be understood for the current generation of farmers, but also the next generation looking to enter into the primary industries.

The pathway to farm ownership is difficult to navigate, often an extremely stressful and mentally exhausting process carried out over many years. The added complexity of conversations of the agricultural pricing proposal is adding to these complexities, and impacting the certainty that passionate and eager young people have in the primary industries. Incoming generations of farmers and growers are becoming *“Scared for our future, there are a lot of opportunities but farm succession is already tough and this adds another financial barrier”*. These discussions are also resulting in rifts between generations, and resulting in *“a division between older farmers and younger farmers/the public”*.

Feedback on key proposals:

Pricing setting process and criteria: MfE consultation, Section 3, Question 5

The FFYN does not support the proposed approach to price setting and recommends that a unique price is set for both methane and nitrous oxide taking into consideration a broader range of factors than just progress toward the emissions reduction targets.

We think that the availability and costs of mitigation options and only generating enough revenue to cover incentive payments within the scheme should be key considerations in determining the unique prices along with: the impact on sector viability, the community and economic impact, along with the risk of emissions leakage and progress towards the emissions reduction targets.

We recommend any targets used in setting the price should be reviewed and be science based and reflect warming impact and not be political. Emissions leakage should not be accepted. It makes no sense to penalise New Zealand food and fibre producers who are among the most carbon efficient producers in the world and cope with the negative social and economic impacts of that while having that food production replaced by other countries with higher footprints.

We do not support the linking of the Nitrous Oxide price to the carbon price in the Emission Trading Scheme (ETS)

We think both unique prices should be set by an independent body which is appointed by the He Waka Eke Noa partners and should have a youth voice.

Revenue recycling: MfE consultation Section 3, Question 6 and Section 4, Question 11

The FFYN thinks its important that revenue is recycled by investing into further research for agricultural greenhouse gas mitigation and reductions, funding incentives payments to encourage the uptake of mitigations by system participants, covering sequestration payments for categories within the system and a contribution towards administration costs which should be minimised. The scheme should not generate a surplus as the government proposal currently does.

Investment into research should be new additional investment not refunding/offsetting the cost of funding pledges the government has already made. We do not support utilising the revenue to buy offshore offsets.

Incentive payments to defray the cost will be the key to getting uptake of emissions reductions mitigations and technologies as they become available and that is what is going to have the most meaningful impact on achieving emissions reduction while balancing the social and economic impact and our contribution to food production in an efficient and sustainable manner.

Some of the things we think should be recognised through incentive payments include carbon sequestration through vegetation and soil carbon, forages that support lower emissions, plant and animal genetics for lower emissions, vaccines, supporting the technology installations or use of precision agriculture, urease inhibitors along with other additional technologies or mitigations as they are developed or proven. It is also important to recognise all the good work that has already been achieved by food and fibre producers who are already among the most efficient in the world and not penalise those early adopters.

Food and fibre producers should have significant input into how revenue is reinvested back into the sector through research and development and incentive payments. This should

include a youth voice to provide a diversity of perspectives and keep impact and benefit for future generations as part of the discussion.

Sequestration: MfE consultation Section 3, Question 8

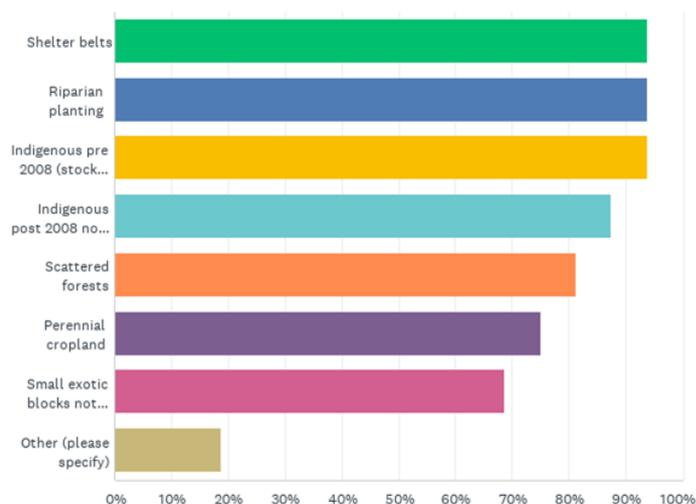
Do you support the proposed approach for recognising carbon sequestration from riparian plantings and management of indigenous vegetation, both in the short and long term?

No, the FFYN do not support the proposed approach for recognising carbon sequestration from riparian plantings and management of indigenous vegetation. We believe that more sequestration categories need to be recognised. If farmers and growers are to be charged for emissions, they should also receive recognition for **all** the sequestration that happens on their farm.

The government's proposed approach does not recognise all the vegetation on farms that is currently sequestering carbon. Areas of pre- or post-1990 native vegetation, scattered forest, perennial cropland, shelterbelts, small blocks or not uniform shapes of exotics (not ETS eligible) on farm all contribute to the sequestering of carbon and should be included. We support what was proposed by the He Waka Eke Noa partnership on sequestration.

It is no more difficult to map and register a shelter belt which isn't currently included in the government proposal than it is a riparian planting which is recognised. The technology available with lidar and hyperspectral imaging makes the assessment of smaller areas much easier and more consistent than it has been previously.

The graph below shows the categories of on-farm vegetation our network members thought should be recognised within the system.



New Processor levy backstop: MfE consultation Section 3, Question 9

The FFYN does not support the introduction of an interim processor-level levy in 2025 if the farm-level system is not ready.

We feel that spending the time and money setting up a farm-level system correctly from the start would provide a better outcome than building a processor-level system first and then building a farm-level one a few years later. This will create unnecessary costs and confusion for participants. We think it makes more sense to start with a simple farm level system and then add further detail in the future than transition between totally separate systems.