



A voluntary environmental accord for the dairy industry (B - Epilogue)

On 26 May 2003, at the parliamentary office of the New Zealand Minister of Agriculture and Forestry, four people signed the first Dairying and Clean Streams Accord. They were the Minister of Agriculture, Jim Sutton; Marian Hobbs, the Minister for the Environment; Henry van der Heyden, the Chairman of the Fonterra Co-operative Dairy Group, supplied by 96 percent of dairy farmers in New Zealand; and Neil Clarke, Chairman of the Regional Affairs Committee of Local Government New Zealand, representing 12 regional councils.

The five-page Accord provided for an industry-led¹ partnership between the four signatories to improve the quality of farm waterways – streams, rivers and lakes. The voluntary agreement took the place of a national standard being developed by the Ministry for the Environment (MfE). The Accord set out the roles, responsibilities, priorities and targets for a ten-year campaign. Priorities for action were: to exclude dairy cattle from streams, rivers, lakes and their banks; to provide bridges or culverts where stock regularly cross a watercourse (50 percent compliance by 2007 and 90 percent by 2012 for this and the previous target); appropriate treatment and discharge for farm dairy effluent; management of nutrients to minimise losses to ground and surface waters (100 percent compliance for these two by 2007); and identification, fencing and protection of regionally significant wetlands (50 percent by 2007).

This case was written by Janet Tyson for the Australia and New Zealand School of Government, with supervision by Professor John Alford, ANZSOG, and Dr Richard Norman, Victoria University of Wellington. It is an epilogue to case 2004-7.1 and is intended to be used for teaching purposes. The use of teaching materials is restricted to approved persons.

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¹ Page 2 of *The Dairying and Clean Streams Accord*, Ministry for the Environment, Wellington, 26 May 2003 lists principles of the Accord, that include an agreement that actions will be developed that: “acknowledge the lead role of the dairy industry in the Accord”.

During the dairy season beginning 1 June 2003, farms would be assessed to provide data on the extent of remedial work that might be required. Fonterra and the regional councils were required to develop Regional Action Plans for the main dairying regions to implement the Accord by the start of the 2004 dairy season on 1 June.

The signing of the Accord formalised a “strategic, cohesive, partnership approach”² by the four parties to managing the impact of dairying on farm waterways. Environmental groups, in particular Fish and Game New Zealand, had highlighted the negative effects in a media campaign, beginning in 2001 and dubbed “Dirty Dairying”. Federated Farmers, representing many of the dairy farmer suppliers to Fonterra, had aggressively challenged this description.

As lobby groups, both Fish and Game and Federated Farmers had been excluded from the process that resulted in the Accord. Extensive consultation and negotiation was needed to achieve an agreed position for Local Government New Zealand (LGNZ), as representative of 12 highly autonomous regional councils; equally strenuous efforts had been needed to bring Fonterra shareholder farmers and their Board representatives onside. Federated Farmers strenuously resisted what the chairman of its Dairy Farmers of New Zealand (DFNZ) group, Kevin Wooding, saw as:

“Fonterra...abusing its privileged monopoly position...by proposing commitments which can only be delivered through conditions applied to suppliers³.”

At the time of signing, heated feelings were still evident. Fish and Game, quoted in the *Christchurch Press* of 27 May, called the Accord “wimpy”.⁴ *Rural News*’ 2 June edition headlined “Dairy Accord by Decree the Wrong Move.” The ACT New Zealand political party⁵ said “Dairy Farmers were on a hiding to nothing” claiming “Fish and Game has clearly been a participant to this Accord all the way, yet farmer representatives have been excluded. Why didn’t Fonterra insist on Federated Farmers’ Dairy Section being a signatory?”

The *Manawatu Evening Standard*, on 3 June,⁶ quoted horizons.mw [Manawatu-Wanganui Regional Council] regional councillors saying “they’ve been ambushed by local and central government with a document that aims to crack down on dairy farms polluting waterways.” According to Councillor David Meads: “We’ve been ambushed here, and become party to something we shouldn’t have” (see also *Exhibit 1*).

Within a few days, however, the Accord disappeared from the headlines, though not before Federated Farmers had sent out an open letter to all pastoral farmers, asking for their vigilance for any flow-on impact from the Accord on other livestock farmers.

² *Accord*, page 2.

³ Federated Farmers of New Zealand, Media Release PR 158-02, 3 December 2002.

⁴ Robson, Seth (2003) *Discord over Dairy Pollution Plan; Thumbs Down by Farmers*, *The Press*, Christchurch, 27 May.

⁵ Eckhoff, D, ACT New Zealand Rural Affairs Press Release, 27 May 2003.

⁶ Reprinted in NZ Federation of Freshwater Anglers (Inc) *Legislation News*. Downloaded from www.geocities.com on 7/11/03.

As Barry Harris, then chief executive of Environment Waikato, and a key figure in starting discussion on the Accord after a fortuitous meeting in late 2001, saw it:

“The rhetoric and the public debate was quite vicious up until the Accord was signed. It was one of those things where really strong leadership was called for. [Right up to] the night it was signed, there was huge pressure on the Ministers. It just dissipated after it was agreed to. It was like this big wave that hits the reef. As [these sorts of things] do. Unless it is so inequitable that you get a groundswell of reaction.”

Throughout the first half of 2003 there had been speculation whether Fonterra chief executive Craig Norgate (who was very active in promoting the Accord) would have his \$2 million contract renewed when it came due. A falling milk payout, largely due to global factors, had increased this speculation. Chairman Henry van der Heyden’s 26 June announcement that Norgate’s contract would not be renewed, said “all dairy farmers owe our inaugural CEO a big vote of thanks”⁷ for the energy and passion he had put into charting the course for the new company. It was, van der Heyden said, time for new leadership and “fresh and invigorating perspectives”⁸.

By September, Fonterra’s *Farmlink* shareholder magazine was reporting that Regional Action Plan (RAP) meetings, a requirement of the Accord, had been held to set Accord priorities in all regions. That same month, an MfE memo noted that RAPs had been completed in Waikato and Taranaki (*Exhibit 2*) and that further, “Federated Farmers are participating in the development of all the RAPs and Fish and Game representatives are participating in some.”

When Dairy Farmers of New Zealand held their AGM in June 2003, shortly after the Accord signing, the “Fonterra Dairying and Clean Streams Accord” had been the highlighted agenda item. By June 2004, it did not warrant a mention. Federated Farmers’ focus on other issues, notably the proposal to tax on-farm methane emissions, which prompted nationwide rallies and demonstrations under the acronym Fight Against Ridiculous Taxes (F.A.R.T.),⁹ had significantly raised its profile.

Interviewed in November 2003, Fonterra’s Technical Services Manager Shane Lodge said the RAP framework had been very effective in bringing all parties together.

“It’s a pity we couldn’t have had the RAPs in place while we were trying to negotiate the Accord.”

The RAPs, while not legally binding, covered “clear time-bound targets for priority actions; programmes to provide necessary information, such as identifying regionally significant wetlands and water bodies suitable for swimming; how the councils and Fonterra will work together and share resources...; a statement of the compliance and monitoring roles of Fonterra and the council, and a protocol for evaluating, reporting and reviewing the action plans.”¹⁰ Among the optional inclusions in the plan were a summary of agreed actions to implement the Accord at regional level, and

⁷ ‘New CEO for Fonterra’, Fonterra Media Release, 26 June 2003, downloaded from www.fonterra.com on 26.8.04.

⁸ *ibid*

⁹ Jon Morgan, (2003) ‘Tax fight Lifts Farm Lobby Numbers’, *Dominion Post*, Wellington, 29 November.

¹⁰ Accord, p.

“commitments agreed by other potential partners, such as Federated Farmers and Fish and Game Councils.”¹¹

By July 2004, at the start of the first “compliance” year for the Accord,¹² the previous twelve months of assessment had provided some encouraging data. As reported by Shane Lodge in the July edition of the Fonterra shareholder magazine *Farmlink*, 64 percent of farmers had to make few or no improvements to comply with the accord. Thirty percent needed to develop an improvement plan, while the remainder “needed to take immediate action.”

In the newer (South Island) dairying areas, up to 87 percent of waterways were already fenced. Sixty-seven percent of suppliers either had total exclusion of stock from waterways, or had no Accord-type waterways. At the other extreme, one farm had 50 km of waterways (the average being 1.7 km).

The table below was Fonterra’s assessment of progress as at June 2004:

Targets	Where are we at?
Dairy Cattle excluded from 50% of streams, rivers and lakes by 2007, 90% by 2012	50% target met nationally, working toward 2012 target
50% regular race crossing points have bridges or culverts by 2007, 90% by 2012	Target met but some individuals still have significant amounts of work to do.
100% of farm dairy effluent to comply with resource consents and regional plans	Nearly there; Regional Councils have this under action.
100% of farms to have in place systems to manage nutrient inputs and outputs by 2007	Target not yet met. Big gains in last 12 months to 17%
50% of regionally significant wetlands to be fenced by 2005, 90% by 2007	Where RSW have been identified the target has been met

Source: Fonterra *Farmlink*, July 2004

As Shane Lodge wrote:¹³

“The numbers confirm that many of our farmers are well aware of their responsibilities towards the environment and are acting accordingly.

¹¹ Accord, p

¹² Although the original start date for compliance with the Accord was 1 June 2003, it was agreed before the signing that the first year would be to establish base information against targets, with any enforcement to start from June 2004.

¹³ Shane Lodge, Fonterra Manager Technical Services, in Fonterra *Farmlink*, July 2004.

“What’s also very encouraging is that we’ve also been able to work with various diverse organisations, including Federated Farmers; Regional, City and District Councils; and Fish and Game, to develop region-specific action plans that will give our farmers a very clear picture of the issues they need to focus on and the steps they need to take regionally.”

Another sign of the times was the increase in penalties imposed by the Environment Court for breaches of effluent consents, with the offenders in recent cases in Southland fined \$16,000, and in Taranaki \$25,000.¹⁴

Subsequently, Dr Morgan Williams, the Parliamentary Commissioner for the Environment¹⁵ highlighted the impact of increasingly intensive dairying on New Zealand’s “natural capital” and emphasised the continuing need for “systems redesign” to ensure long term sustainability of farming in a major report ‘Growing for Good.’

“The good news is that a lot of activity is already taking place in New Zealand to redesign the production systems on our farms. ... However, the not so good news is that existing initiatives are not sufficiently profound or widespread enough to make a real and lasting difference.”¹⁶

In response, Fonterra chairman Henry van der Heyden said:¹⁷

“As the report clearly reminds us, the pressure on farmers to redesign farming practices and systems to tackle environmental problems is going to increase. That’s why it is important that we continue to make progress in addressing the environmental issues that we face.”

Federated Farmers Board member John Aspinall:

“The PCE’s recent tome on agriculture is an immense and highly readable piece of work. But where I think [it] misses the boat is by suggesting, agriculture, vast as it is, should have no impact on the environment.”

Neil Deans of Fish and Game New Zealand:

“The report supports what Fish and Game has been saying all along that land intensification cannot continue on its current scale without serious impacts on our natural resources.”

¹⁴ To be cited in the PCE report (see below). Personal communication with Philippa Richardson, Office of the Parliamentary Commissioner for the Environment, 7.12.04.

¹⁵ An independent officer of Parliament.

¹⁶ Parliamentary Commissioner for the Environment, Growing for Good, October 2004. Summary of Key Messages, downloaded from www.pce.govt on 21.3.05.

¹⁷ From Growing for Good, Intensive farming, sustainability and New Zealand’s environment. Report Summary, November 2004. From www.pce.govt.nz/reports/allreports/1-877274_51_8.shtml. Downloaded 31.3.05.

Exhibit 1

Press comment: The *Manawatu Evening Standard*, 3 June, 2003.

Downloaded from www.geocities.com on 7/11/03

Fonterra accused of a dirty dairying ambush

Horizons.mw regional councillors say they've been ambushed by local and central government with a document that aims to crack down on dairy farms polluting waterways.

Several councillors at yesterday's monthly meeting expressed surprise at the way the document had been signed on behalf of the regional council by Local Government New Zealand with little consultation about its contents.

"There's no doubt in my mind we've been ambushed here and become party to something we shouldn't have," said Cr David Meads.

He said environmental compliance was an issue between dairy farmers and the council, not Fonterra and the council.

Chairman Chris Lester said shortly before the document was about to be signed he expressed concern to Local Government New Zealand about how it was being signed on behalf of the council when it hadn't seen a final copy.

"We were involuntarily agreeing with an accord that we knew very little of and had little involvement in the development of," he said. He said soon after he made his concerns known he received an electronic version that had substantial changes to an earlier version.

Group manager resources Michael McCartney said he had met with Fonterra. It had acknowledged that consultation with the regional council was not as good as it could have been.

He said the accord document was in no way legally binding. Where it was consistent with council policy there would be co-operation.

Exhibit 2
Ministry for the Environment File Note, 22 September 2003.

Group Leaders Meeting

Subject: Update on Fonterra Clean Streams Accord

Progress:

The implementation of the Accord at regional level depends on the development of Regional Action Plans (RAPs) by Fonterra and the local regional council. Fonterra has discussed the development of these plans with senior staff in all relevant regional councils. Federated Farmers are participating in the development of all the RAPs, and Fish & Game representatives are participating in some.

Good progress has been achieved with most RAPs – draft plans have already been completed for Taranaki and Waikato. Fonterra hopes that most plans will be completed by the end of this calendar year... We note that Horizons, which originally showed some scepticism about the Accord, is now co-operating fully with Fonterra in the preparation of a RAP.

...

In the first sample of 447 farms [assessed by Fonterra], three quarters received a grading of "A" and approximately 10 percent had stock access to waterways. As most of these farms are in Northland and the Waikato, it is probably that this sample reflects a relatively high compliance rate.

We had originally envisaged that we would need to provide technical and/or staff assistance to Fonterra in the refining of its Assessment Protocol and in the preparation of Regional Action Plans. This does not appear to be necessary – good progress is being made by those agencies responsible for the development and implementation of regional actions. Instead, we are identifying ways in which we can provide information to farmers on key issues, such as stream crossings and bridges, to complement earlier work on rural stream management.