

55 Years in Agribusiness – challenge, opportunity and change

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Ko Kohokete te maunga

Ko Kaikoura ki Tutaekuri te awa

Ko Te Whanganui a Orotu te moana

Ko Ngāti Hinepare, Ngati Maahu, Ngai Tawhao nga hapu

Ko Wharerangi te Marae

Ko Ngāti Kahungunu te Iwi

Ko Takitimu te waka

Ko Robert Cottrell ahau

Kia ora tatou,

It is indeed an honour and privilege to be asked to deliver this year's Sir Bruce Levy oration. While I was not an evangelist of Sir Bruce Levy's writings, as students of the 1960's we were well aware of the significant influence his work played in shaping the grassland systems of New Zealand farming. By the time we graduated in the 1970's Sir Bruce's ideas and Grassland DSIR were well advanced in breeding grasses and legumes that fitted with intensive grazing systems across the country. His legacy still prevails today in our modern grassland systems.

My topic for today is "55 years in Agribusiness – challenge, opportunity and change". It poses a few anecdotes of my journey and experiences, challenges and learnings through the period of the 1970's to 2023. I will also touch on some observations within the Māori agriculture sector during this time and the challenges and opportunities that lay ahead. And finish with some thoughts for the future.

I was brought up on a small 80 ha Hawkes Bay Dairy farm at Wharerangi just out of Ahuriri (Napier). Our whanau milked a few cows, ran some pigs to take care of the skim milk and about 200 ewes to cope with hills. Our farm was mostly leasehold Māori land with a small portion (13ha) owned by my father. My parents were my first big influencers instilling characteristics like work ethic, integrity and respect.

While in an economic sense the post war 1950's and early/mid 1960's were some golden farming years the scale of our whanau land was a very marginal farm. I was the 4th of 7 children, and we all contributed to the farm and family chores. Our childhood was full of love, encouragement and support and we had this large playground to enjoy our country upbringing.

Leaving Secondary school at the end of 1965 with University Entrance I went shepherding on a large Sheep and Beef station an hour from home. I wouldn't say I

was passionate about farming at this point, but farming was all I knew. I headed to Lincoln College in 1968 to complete a Diploma in Agriculture. Completing a Dip Agriculture in 1969 and then VFM in 1970 opened up a whole new world for me. Something valuable we learned was to think for ourselves. A quality I find short today.

Some wise words from lecturers at the end of VFM guided me through the rest of my life. "*We have provided you all with some tools to assist you through life. Now go out and start learning*". I never forgot those words and continue learning to this day.

Between 1971 and 1979 I worked in the Stock and Station industry (Dalgety NZ Ltd) across 3 different regions (Southland, Hawkes Bay and Northland). These formative years in the farm servicing sector exposed me to broad networks and skills across all the departments of the company. I started as Field officer with finance and lending my primary responsibility. The 70's were turbulent and challenging times for farming.

Throughout this period, we dealt with falling farm incomes and many farmers were under tight budget controls. Two changes in government, two oil price shocks in 1973 and again in 1978/79. Both these events impacted farm costs and farm incomes. There were multiple government interventions to shore up the struggling agriculture sector. Price stabilisation schemes, Supplementary minimum price schemes, Livestock Incentive Schemes, Fertiliser and lime subsidies and Land Development Encouragement Loans. All were targeted at encouraging farmers to increase production from land development. Results were mixed. While farmers with underdeveloped productive lands and constrained cash flows benefited from many of these initiatives' others were encouraged to develop marginal land where there was minimal upside benefit. Many farmers took advantage of these opportunities at the time.

During this time, I also got married to Lesley (the best decision I have ever made), bought a house, started a family and purchased a small 10 hectare bare land block in Hawkes Bay and leased a further 15 hectares on which we grew maize and pumpkins.

I learned a lot about life, business and farming through this period and across regions. After a short burst of inflation increased the value of our first home in Invercargill by almost 50% residential properties stagnated in the mid/late 70's. Farmland prices on the

other hand lifted on the back of government assistance packages and subsidies.

On a personal business note growing pumpkins in 1974 was a lesson not forgotten. Making a quick buck didn't eventuate due to a glut in the market that year. Growing maize proved the opposite. A quick lesson in business – ***“know something about the industry you participate in and get good advice”***. In 1975 only maize was grown. After all I was working in a company with experts in the Grain and Seed industry.

There are a number of decisions you make in life that shape how your life's path might evolve in a positive way. The old saying ***“the harder I work the luckier I get”*** still holds sway with me today. Aligned with this are the choices and decisions you make on that journey.

Investing in your continuous learning is important whether the employer pays or not. Building positive networks of peers, neighbours, advisors, mentors, whanau and friends have helped me develop and critique new ideas, enjoy the good times and balance life in tough times. Most importantly spending quality time with my whanau.

“Life is a journey, not a destination”. I had learned to be adaptable to most situations and had observed others who were not afraid of change direction and prosper. Our next decision was not universally expected from others of our friends and whanau.

In 1979 I left Dalgety's to go farming and for 2 years I managed a farm near Whangarei for a group of Auckland businessmen. The opportunity to go farming and be self-employed was greater than pursuing a corporate executive career in a large company. The Lands and Survey farm ballot system beckoned. I needed another 2 years of practical experience in farming to qualify for the ballot system. My new salary was half my previous wage. But there was also the objective to own our own farm. I had a strategy I hoped would secure a farm in my first year of balloting. ***“Sometimes you need to be flexible in pursuit of a goal”***. My new employers were amazingly generous people. They became some of my most valuable business mentors on areas outside farming. We managed their hard hill country property for 2 years.

Drawing a ballot farm

Fortunately, and with some luck my strategy worked, and we struck a ballot farm on our first attempt in late 1980. We started farming on the western shores of Lake Taupo in March 1981 in an area that was predominantly farmed by large Māori Incorporations and Trusts. A 270 hectare 2,600 stock unit property with 13 paddocks and a house, 3 haybarns and no stock handling facilities. The neighbour's woolshed, sheep yards and cattle yards had to suffice in the short term. For Lesley and me this was like winning the lottery.

With a young family and only 15% equity but armed with raw enthusiasm, energy and a bold plan we embarked on making this property a home and business we could be proud of. In 1981, 1982 and 1983 we focussed on development – subdivision, water reticulation, increased livestock and fertiliser, in that order. These were very good years for us. The National government was still encouraging production gains with schemes like the livestock incentive scheme. Farming was still supported by price support mechanisms, subsidies on key inputs like fertiliser and lime and an enthusiastic discussion group. There were tax relief schemes like Income equalisation and nil standard values. We made the most of these opportunities.

In 1984 things changed dramatically. The incoming Labour government moved to deregulate the economy, remove price support mechanisms and subsidies to farmers. Our development programme had created a buffer for us. We now had 60 paddocks and a full complement of facilities. Stock units had lifted to 3,600 and lambing % had lifted through better feeding from 100% to 118% and our all-grass system was low cost. Between 1984 and 1988 we saw land prices drop significantly. Through 1985 and 1987 we had negative equity, but we remained cash flow positive and profitable. We purchased our first computer in 1987 to streamline our financial management.

We participated in farm discussion groups which flourished in the early 1980's while there was government support for these services. Post 1984 these services became user pay and many farmers withdrew from local groups. A few of us continued supporting and attending other farmer groups in the wider region. This was important. It expanded our network of progressive thinkers and professional experts where new ideas, and strategic thinking could be debated.

Unfortunately, the turmoil of Rogernomics, high interest rates and debt saw many farmers sell their properties in the late 1980's.

The need for change

One thing I have learned is that ***“the only constant is change”***. Through the 1980's and 1990's there were government lending policy changes, increased interest rates, shake ups in the farm service, meat processing and banking sectors. Relationships changed with financiers and key partners. We farmed in an endemic TB area which put pressures on our farm system. This forced a re-think on -3farm policy in 1988. Farmers were challenged to make change on many fronts just to survive. Those who could respond early and executed well fared best. The term ***“cash is king”*** holds as true today as it has at any time in my past. After refinancing our mortgage in 1988 we sold our beef cow herd and changed to a bull beef finishing system. By this time,

we had 120 paddocks and were still an all-grass system with pasture renewal steadily taking place.

Sheep numbers reduced slightly with the focus on ewe performance and lambing percentage. Wool was still a major part of our income in 1988 and beyond. A focus on wool weight kept this profitable for us through the 1990's although this was changing with competing synthetic fibres and changes in fashions.

Nationally though sheep numbers declined significantly through the turmoil of the 1990's. Dairying was expanding quickly, and land use change was an opportunity. Many farmers in dairying areas considered and then converted to dairying. Others sold to farmers who then converted these farms to dairying.

In 1992 I was asked to supervise the farming operation of Tarawera Station in Hawkes Bay. This 2,600-ha property had been returned to the Te Awahohonu Forest Trust management in 1987. With high interest rates Tarawera struggled to make any real progress productively or financially. Tarawera Station was my connection to our whenua. My father and other of our kaumatua had fought hard to get development started on their land in the 1960's. He was also the original Chairman of the Trust until he passed in 1983. It was time for me to start giving back. I continued this role until October 2023.

This role and other smaller projects with Māori entities locally started to take me off farm on a more regular basis. I also joined the Federation of Māori Authorities (FoMA) executive in 1997 and Awhina Group Collective in 2005. Both set up to support the sustainable economic development of their Māori members.

While our farm was performing well this change put greater responsibility on my wife Lesley and additional pressures on the business. I found myself off farm more than I had originally expected.

There are fine margins between being a really successful farmer and being average. Instinct plays a big part in being a successful farmer. Most successful farmers have this intangible trait. They notice small things that matter - but don't sweat the small stuff. They respond to situations earlier and make timely decisions. They control what they can control, execute well and mostly they achieve consistently good financial outcomes. They understand their businesses really well and use good objective data, gathered personally or from other trusted advisors, industry groups or specialist professionals. They usually are ahead of the game most of the time and are not afraid to embrace constructive change. They don't always follow the crowd.

With these changes in my life and off farm work competing with our farming business Lesley and I sold our property in 2001 and relocated to Taupo.

I became a trustee on Te Awahohonu Forest Trust

in 1998 and Chairman in 2015 while continuing in my role as the Trust's Farm supervisor/consultant for Tarawera Station. The Trust was now in the last stages of negotiating the purchase of a 50% share of their 5,800 ha Te Awahohonu Forest from the government. A transaction that would change the trajectory of this organisation (*"sometimes you need to be brave and take calculated risks"*).

Te Awahohonu Forest Trust purchased Gwavas station in Hawkes Bay in early 2011 as a finishing unit for Tarawera station. The rapid rise in lambing percentage through 2001-2007 saw large numbers of store lambs sold. A decision in 2007 to purchase finishing land did not eventuate until 2011, deep into the Global Financial Crisis fallout. The new property was completely redeveloped between 2011 and 2014. We now finish over 17,000 lambs and 1000 prime cattle on this dryland property.

I retired from both the board and my advisory responsibilities in October 2023. It was time to implement the farm succession planning we started in 2019.

The start of water quality regulation

In 2000 Environment Waikato proposed a Plan change to protect water quality in Lake Taupo. The proposed Plan change - Variation 5 saw farmers in the Lake Taupo catchments faced with restrictions to farming as they had known it. This was a *"grand parenting regime with Nutrient CAPs and Trade opportunities"*.

Some farmers and Māori entities fared better than others, but many Māori were disadvantaged by this regime due to their stage of development and land class. To comply there were challenges to overcome and opportunities to explore. Many non-Māori farmers sold to avoid the changes and restrictions that lay ahead. Māori on the other hand could not sell and Lake Taupo was their taonga. There were complex decisions to be made. Māori land is intergenerational, and governance decisions needed to consider the impact on future generations. Some optimised their farm systems. Others with low nutrient allocations had to look at ways to optimise land classes and farm systems. The decisions for many were difficult and will have long term implications.

A small group of us led the consultation process with Environment Waikato to find equitable solutions for landowners, many of whom were Māori Trusts and Incorporations. With Māori farmer trustees well represented in these discussions I think there was a far better outcome for everyone than may have been the case had they not been well represented. Like everything though some entities fared poorly in the outcome and some of these were underdeveloped Māori farms. Eventually there was a Nitrogen reduction

package agreed with Government for \$83m to assist farmers manage their transition to the new regulation.

Māori farming challenges

Māori have been on the back foot for generations. There was the loss of their most productive land across regions over the last 180 years, uneconomic and multiple owned land titles, low productive remote land, lack of financial resources, wars, and urbanisation and succession challenges.

My personal journey started to change in the early 1990's. Multiple Māori entities were struggling to prosper following the deregulation of the 80's following the hand back of large farming blocks to new Māori governed entities. While these entities faced similar issues to other farmers, they also had complex capability, administration and management issues to deal with. There was a lack of business and finance knowledge, risk aversion fearing further land loss, dependency on third party management and advisors, big gaps in governance capability and regulatory and legislative challenges. Most farms were underperforming relative to their potential. Different entities were at different stages of development. This all played a part in decision making, farm strategies and where best to allocate capital to ultimately improve farm performance. Alongside these skill set deficiencies the tiered system from trustees to management did not lend itself to best practice governance oversight. Farm performance was often well below the potential of their landholdings. Most had underdeveloped land, poor management and governance capacity with limited capital resources.

I witnessed first-hand the disadvantages Māori faced in getting the assistance and support they really needed to be successful. There were a few well run organisations but in many instances Government processes and regulations were setting Māori up to do poorly or potentially fail.

The impact of further regulation

Over the last few years farming has faced a barrage of regulation upheaval with freshwater management and GHG emissions creating real concern for the farming community. The impacts of all these challenges will be greater than deregulation in 1984 if they are not addressed equitably across the sector.

Climate change is definitely in play and farmer landowners need to play their part. The solutions for farmers and Māori are complex and a one size fits all model will *not* deliver equitable outcomes for everyone. Pricing of farm emissions is coming, and a high percentage of Māori and non-Māori owned farmland is again under threat from pricing

mechanisms yet to be agreed. Many Māori and non-Māori landowners are already playing their part with on farm environmental initiatives. Māori initiatives can be evidenced by the high value placed on this judging criterion in the Ahuwhenua competition. Decisions around biodiversity relief from the high percentage of managed undeveloped land in Māori ownership remains unresolved. How do we equitably deal with these complex issues? There needs to be flexibility and equity in how new regulation is applied.

There are increasing examples of land retirement and planting, large riparian protection areas, wetland protection and restoration, and water and ecological monitoring using localised Mātauranga practices and western science criteria in tandem. Mātauranga Māori practices should be embedded in regulators thinking alongside western science concepts. The western science concepts alone are not a good reflection of how Māori view environment. Nor do they always reflect an equitable outcome for Māori landowners in the wider context of intergenerational landowners. There is room for both, and we should embrace the value each bring to developing best practice and sustainable outcomes.

Economic pressures

The economy is facing headwinds with high debt, high interest rates, cost inflation and falling commodity prices. These cycles are not unusual, but additional regulation costs and compliance will test the viability of many farms and farmers. Where will the smaller family farm be in 10 years?

Our licence to farm is being scrutinised both domestically and globally. There are multiple geopolitical risks around the world affecting supply and demand, global markets and the movement of critical resources.

Recovery from many recent climate events like Cyclone Gabrielle will strain farm, industry and government budgets in the medium term. There are competitors for our hill country land resources. Forestry and carbon farming becomes more compelling as carbon prices rise. The challenge of synthetic foods is real but there is still real demand for safe, quality animal protein.

Thoughts for the Future

Farming will remain our major export industry, but farmers will need to adjust in a new and hopefully flexibly applied regulatory environment. The increased frequency of climate shocks will require farmers to be even more efficient and adaptable.

We remain the most efficient producers of food in the world, but our target consumers are wanting more. Farm Assurance and traceability protocols will need to

be supported by practices protecting the environment and management of critical resources like soils, forests, water and air.

The whole world is in a high debt, higher interest, inflationary and recessionary cycle and there are major geo-political issues and intensive climate challenges to be dealt with. NZ has a new government with significant economic challenges to overcome. Growth will be slow for some time yet. Farm debt is still high and climate response costs and softer commodity prices will keep this elevated for longer. For farms to be more resilient there will need to be less debt in the system. Interest rates are more likely to stay at long term norms (7%-8%) over the longer term and lenders will weigh resilience and environment into their lending policies. The next 2-3 years will be tough for many farmers. Commodity prices are under pressure and look likely to remain soft while we work through supply and demand challenges.

Farmers will need to become conversant with new tools and new knowledge. Well facilitated farmer learning groups will become more normal. Objective data and information will drive decision making more than ever - ***“knowledge and information is power”***.

Farms will become larger and business structures more corporate to deal with the changes. This may challenge our talent pool. Farm Assurance, animal welfare, traceability, FEMPs and social responsibility reporting will become mandatory to access premium markets.

Māori farmers are the only truly intergenerational farmers and landowners in Aotearoa with growing shareholder communities and intergenerational responsibilities to consider. We need to ensure these

entities are not burdened with the inflexible and expensive regulatory compliance outcomes that have plagued Māori landowners in the past.

Finally, as I step back from my direct involvement with farming, I reflect on an industry that provided me and my family with opportunities I could not have envisaged when I left school. The business and career opportunities that education opened up to me allowed me to face and overcome many challenges, learn from many colleagues, employers, neighbours, friends and share and hopefully help others along the way.

Like my generation our new young farmers and leaders will step up and guide our industry through the next decade or two before handing on to others. For Māori the talent pool in our industry is still too shallow and needs to grow. In the meantime, Industry leaders need to engage, embrace and adopt more Māori principles across the agriculture sector and through the current regulatory processes.

From a Māori perspective we have some key objectives where our Taiao (Environment), Tangata (People) and Pakihi (Business) must all be in alignment for our society to prosper. That is the future I see. I hope others of you our current and future leaders see the same future.

I challenge our leaders to engage more with our Mana whenua entities and Māori leaders to help shape a sustainable long-term vision for the industry and Aotearoa.

Thank you again for the privilege of speaking today.

No reira, Tena koutou, tena koutou, tena tatou katoa