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HD Key catches drift on waterways

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Govt spells out tentative plan to clean up dairying's act as PM finally acknowledges there are limits to growth

The Prime Minister has finally acknowledged the political reality that there are limits to growth as his Government takes a tentative step towards ensuring dairy effluent doesn't continue to despoil our major waterways.

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Dairy has been the major export driver for New Zealand ever since the White Gold Rush sparked a surge of investment in dairy farms and farm conversions.

It's contributed greatly to New Zealand export returns with demand out of China, in particular, sparking growth.

But it's come at a cost for New Zealand's waterways.

During the election campaign John Key appeared to demonstrate a tin ear on this score. But it is an issue that polarises New Zealanders and one where there needs to be a much stronger Government-led balancing act to ensure the realities of dairy industry expansion are balanced against the clean waterways that should still be New Zealanders' birthright and also underpin our major tourism industry.

The Key Government has been pumping out projections to show a massive forecast growth in agricultural revenues from investing in more irrigation projects.

Problem is that much of the forecast growth has been predicated on a continuation of the rate of dairy conversions and the intensification of dairy on existing farms. It doesn't take Einstein to work out that dairy effluent is a major contributor towards the despoiling of NZ's rivers and lakes.

In yesterday's Speech from the Throne, which sets out the Key Government's third parliamentary term agenda, the proposal to exclude dairy cattle from waterways by July 1, 2017 was reconfirmed.

It's hard to fathom why it will take nearly two years for dairy farmers to complete the process of fencing off waterways. The issue has been bubbling for years. A bit of pressure on farmers to finish the job is long overdue.

But what is interesting is the move by the Government to set aside $100 million to "voluntarily buy and retire areas of selected farmland next to important waterways to create an environmental buffer".

This is $100 million the Government doesn't need to spend.

This is releasing farmers from the moral hazard of intensifying agricultural production in areas which arguably should not have been farms in the first place, or where intensification has taken place without a view to the environmental consequences.

Irrespective, the Government has confirmed that investment in regional water infrastructure will continue.

It believes new water storage and irrigation projects can make land more productive and boost exports, while at the same time providing positive environmental outcomes.

It notes that water reform will continue through advancing the recommendations of the Land and Water Forum.

The focus on agriculture expansion (via increased irrigation and water storage) comes at a time when it is obvious that for New Zealand to achieve its export goals there needs to be a much broader base of exporting success — particularly to **China**.

As NZIER reported this week in a project for the NZ **China** Council, New Zealand needs to nurture its strengths in **dairy**, meat and forestry, but also "catalyse growth in other sectors".

Says NZIER: "While export prices have been favourable, much of the increase has been driven by the volume of exports. New Zealand is a price taker in global markets — so that can be a risk to export revenues."

The "concentration in our basket of commodities means that a few commodities have grown very fast in recent years. **Dairy**, meat and forestry drove nearly 80 per cent of the doubling in exports. In a diversified basket the risk from one-off events that may impact one or two commodities does not feature as largely".

The realities of the **China** trade illustrate why the Government intends to continue to provide incentives to increase **business**-led research and development, with a goal of raising this to 1 per cent of GDP by 2018.

Cabinet Minister Steven Joyce has indicated more cash will be provided for the R&D grant programme. Joyce will also be expanding the **Business** Growth Agenda programme.

The overall agenda is not surprising. There will be job fairs for New Zealand employers in Sydney, Melbourne and Brisbane, to recruit skilled expatriate New Zealanders to return home and work in areas where there are shortages.

Free-trade deals — which are taking a very long time to notch — will continue to be pursued. NZTE will get a budget boost to help more businesses.

ACC levies will be reduced next year.

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