

IN THE MATTER OF the Resource Management Act 1991

AND

IN THE MATTER OF resource consent applications by Southdown Holdings Limited to take and use water from Lake Ohau and the Ahuriri River (CRC040835, CRC040836, CRC041787, CRC041788, CRC073112, CRC073113, CRC073114 and CRC073115).

STATEMENT OF EVIDENCE OF RICHARD BRANDON PEACOCKE

Introduction

1. My name is Richard Brandon Peacocke and I am a director of Southdown Holdings Limited ("**SHL**") and Williamson Holdings Limited ("**WHL**"). As the Committee has just heard, SHL has applied for resource consent to take and use water in relation to two properties - Glen Eyrie Downs and part of Killermont Station.
2. I am also a director of Mackenzie Irrigation Company ("**MIC**") which negotiated an agreement with Meridian Energy that provided water for irrigation in the Mackenzie Basin.
3. My role in the Waitaki consent process expanded in early 2007 when, as a director of MIC, it became apparent that leadership was needed in order to assess the effects of irrigation on a cumulative scale across the basin. Because of the diversity of interest groups in the Basin if the process was not driven by someone then it was clear that nothing would be done on this large scale.
4. This need to look at the larger picture led to Mackenzie Water Research Limited ("**MWRL**") being set up. SHL, Five Rivers Limited and Simons Pass Limited as shareholders in MWRL, made a commitment to fund up to \$1 million to have GHD undertake the Water Quality Study. I have spent over 1,000 hrs per annum for 2 years along with Murray Valentine of Simons Pass and Kees Zeestraten of Five Rivers Ltd driving this process.

Background of SHL and WHL

5. SHL was formed in 2006 to buy the interests of WHL and to provide an investment opportunity in agriculture for a group of New Zealanders based in Australia.

6. WHL has a contract to purchase part of Killermont Station Limited, and will settle the purchase on gaining the consent to take water for the purpose of irrigation.

Current applications

Glen Eyrie Downs application

7. Glen Eyrie Downs is a 2,135 ha farm located to the south of Lake Ohau. When SHL purchased the property it was in a semi derelict state with little infrastructure and over half of the property (1,200 ha) was covered in wilding pines. The natural cover of the land had been long eroded by overgrazing and now comprises mainly browntop and hieracium (a destructive flat weed) with some small surviving tussocks around the limited wetland areas.
8. SHL removed 1,200 hectares of wilding pines from the south and western areas of the farm commencing in September 2007 and concluding in February 2009. These trees ranged in size from 1 - 25 metres. Removing the wilding pines had a cost that approached \$2 million however it has significantly improved the farm, both in terms of viability, and because wilding pines are considered a pest and a significant threat to the Mackenzie Basin.
9. There is no stock presently being run on the property but historically the farm was utilised as a wintering block for merinos that were farmed on the Quailburn Run some 5 - 10 km to the southwest during the summer season.
10. The ongoing damage to the soil as a consequence of wind blow in the Mackenzie Basin is very significant. In a dry land farming situation the depleted and fragile soils are only partially covered with hieracium and browntop and as a consequence of frost heave in the winter the exposed soil blows away in the windy spring weather. The Department of Conservation advised that this soil loss is in excess of 2 tonne per hectare per annum. Inevitably some soil ends up in the streams, rivers and lakes in the Upper Waitaki Basin. Glen Eyrie Downs has recently suffered a significant soil loss event as a consequence of ground being exposed to wind blow following the removal of wilding pines and the late planting of cover crops by the tenant responsible for the farm.

Proposed development

11. SHL has been through an extensive process to determine the most viable farming operation for Glen Eyrie. As a consequence of an initiative of Solid Energy NZ Ltd it was agreed in March 2008, pending determination of the applications to gain consent to irrigate the land, that the property be leased to a Solid Energy NZ Ltd subsidiary,

Biodiesel New Zealand Ltd ("**BDNZ**"). BDNZ have since cultivated the property for the purpose of growing canola and other crops. The 2,135 hectare property now consists of 2,038 hectares which is either in crop or fallow in preparation for spring planting.

12. For some years WHL had researched and explored the potential productivity of the land, it was concluded that the best return on the land would come from converting the land into an irrigated dairy farm and accordingly in 2004, WHL applied to Environment Canterbury to take water from Lake Ohau to irrigate around 2000 hectares on Glen Eyrie and in 2005 to take water from the Ahuriri to irrigate part of Killermont Run.
13. Irrigation is the one essential ingredient to successfully undertake the establishment of dairy farming in the Mackenzie Basin. Without irrigation the ability to grow the necessary quantities of grass would be impossible and the alternative of conventional sheep farming on the exposed depleted soils would be marginal at best even with intensification of such farming practice.
14. SHL has developed, with its team of experts, a highly innovative large scale dairy farming operation model. SHL's comprehensive farm management plans, which will be discussed in further detail by Dr Robson, includes the housing of stock in the winter for a period of 8 months. It is proposed that there would be 6 individual farming management units each employing 3 - 4 permanent staff with appropriate infrastructure being established on each farm.
15. The construction of cubicle stables to house the dairy cows has huge environmental benefits. With cows being kept off pasture during the critical months of the year nutrient run-off into waterways, which is usually associated with a typical a dairy farm operation in New Zealand, will not occur.
16. There is considerable opportunity using existing technology to harvest the methane produced in the cubicle stables and recycle it to store for future use as fuel for plant, heating and vehicle fuel. This process would require that the air be extracted from the ceiling of the stables, the methane be extracted and stored in the covered sewerage ponds adjoining the stables. There are technical and cost issues to yet be considered but the potential is definitely under consideration by SHL.

Killermont Station application

17. As I mentioned above WHL has a contract to purchase a 1,200 ha block of land on Killermont Station if it obtains resource consent to take water from the Ahuriri River to irrigate the land.

18. At present the land is in a depleted and distressed state. It has no grass apart from hieracium and brown-top. It has never been fertilised and according to the Department of Conservation loses 2 tonnes per annum of topsoil from windblow. Irrigation of the land would provide the ability to almost totally cancel this annual loss. The increase in grass root mass and build up of humus would provide protection from the damaging spring/summer winds and the ground cover in winter would provide protection for the soil and limit frost heave.

Proposed Development

19. WHL has gone through a similar process to develop its farming system on Killermont Station. WHL intends to irrigate 1,100 ha of this property, constructing cubicle stables to house and milk 3,850 cows.
20. It is proposed that three separate viable farming units will be developed which will employ some 12 people on a permanent basis each with their own infrastructure.
21. SHL and WHL recognise the natural beauty and flora and fauna of the Basin and are keen to ensure that this environment is maintained and improved. As a consequence, SHL and WHL appreciate that the proposed development cannot proceed in the Mackenzie Basin without the most stringent and careful mitigation measures. We believe that the management of nutrient discharge available in the control and monitoring mechanisms proposed will enable dairy farming on this scale to be possible in the Basin. SHL and WHL recognise and are respectful of the special cultural values held by Ngai Tahu and the local iwi regarding the Upper Waitaki Basin and their historical association with this traditional landscape
22. Farm Environmental Management Plans have been developed by Dr Robson which include a series of mitigation measures that will ensure SHL remains below its Nutrient Discharge Allowance. These measures include:
- (a) Ensuring that all streams are fenced off and planted with a 5m riparian margin.
 - (b) Continue to ensure that the QEII and DOC conservation area are maintained. Controlling pests.
 - (c) Undertaking strict monitoring regimes to ensure that the thresholds are not exceeded ie. using lysimeters to monitor the ground water leaving the farms and by monitoring of waterways.

Capital Investment, Practicability, Viability

23. I have direct experience of running large scale farms and the economics of farming. I grew up on a Sheep and Cattle farm in the Waikato, and additionally milked cows on a family farm for 3 seasons during which time I also owned and successfully ran a large agricultural contracting business. Between 1971 and 1978 I part owned and ran a 400 hectare farm running 3,500 sheep, 1,200 cattle and grew 80 hectares of grain and winter crops. Between 1978 and 1990 I developed, owned and managed in conjunction with partners a horticultural operation of 200 hectares, developing it from bare ground, employing 180 permanent staff, up to 800 casual staff during the 20 hour day packing season and produced in excess of 1 million trays of kiwifruit per season. In 1990 I moved to Auckland where I worked for and with highly skilled and demanding companies undertaking development projects of scale. From this I have experience in successfully developing and managing large scale projects, and employing professional consultants who are charged with working within tight financial and time constraints to deliver predetermined outcomes. I also have extensively researched and identified the people and farm management systems we will need to employ, especially in relation to such things as nutrient management, given the critical importance of those systems to the viability (economically and ecologically) of the farms.
24. We are fully cognisant and aware of the risks to management due to the scale of the operations we propose to undertake in the development and operation of the farms. This is particularly topical at this time due to publicity of the risk of failure of large scale farming if the correct management procedures are not adopted. We have the core team of development experts ready to commence work once the outcome of our water applications has been determined.
25. In terms of the practicability of the proposed intensive farming and the associated mitigation measures required, I accept that our proposals are heavily capital intensive and require a very significant upfront investment in infrastructure and mitigation (irrigation infrastructure, cubicle stables, riparian planting). It is for this reason that we need to intensively utilise the farm as a whole. But in reality, this package, which ensures a very high level of nutrient management and therefore avoidance of effects, makes economic sense.
26. Mr Engelbrecht will expand on this. In short, the point is that the nutrient management systems proposed by us bring with them significant improvements in productivity. We are also exploring biological fertiliser options which we believe may further enhance nutrient management and therefore improve our efficiency and ability to avoid the effects ordinarily associated with intensive dairy farming. These measures fundamentally focus

on the further development of humus and root depth using deep rooting plant species and soil biology.

27. I also understand the Committee's concerns about the ability to respond to unanticipated monitoring results. But this does not present as a significant hurdle in the case of the farm management system proposed. We can directly manage the primary cause of nutrient loading through our effluent management systems, including if necessary through offsite disposal. We can also house cows in the dairy units for a longer period. Given the significant investment that will have been made by this point, we will be highly incentivised to respond swiftly and appropriately.

Overall benefits of the operations

28. In my view, both farms will benefit greatly from irrigation. It will stabilise the soil and assist in the establishment of grasses, prevent wind blow, prevent the re-establishment of wilding pines (due to intensive management) and contribute significantly over a very short time to the economic wellbeing of the Mackenzie Basin.
29. Glen Eyrie Downs has in the past run stock in the winter period only and anecdotally we understand ran 2,000 wethers that in turn were fed hay and grain/meal for the period they were wintered on the farm. No significant stock numbers can be carried during the summer period due to the eroded nature of the soil and the lack of moisture. With irrigation and modern farming practices, SHL proposes to farm 7,000 cows on Glen Eyrie Downs lifting the carrying capacity from 0.2 to 20 stock units per hectare making it a much more efficient and viable operation.
30. The benefit for WHL Killermont will be a similar increase in productivity. Both farms will capitalise on the steep pasture growth curve and shorter growing seasons by harvesting and storing the grass in the form of silage/balage during times of excess growth, carting it to concrete storage pads adjoining the cubicle stables and feeding the stock from that source.
31. In the event that SHL and WHL are not successful in gaining consent to take water, we would have expended considerable capital and the farms will be in a difficult position. WHL would not purchase the Killermont land and as a consequence it will remain a depleted and distressed landscape with hieracium blocking out more productive plant species and wind blow continuing to erode the remaining soils. There is no opportunity for intensive dryland farming on WHL Killermont due to limited area scope. The future for growing oil seed rape on Glen Eyrie Downs as a dryland crop is limited due to low natural fertility, fragile soils and the lack of viability of the industry at this time, due to a

significant reduction in world oil prices and the major change in Government policy regarding blended biofuel use in vehicle fuel.

32. The future for the Glen Eyrie property without irrigation would likely be in amalgamation with adjoining farms to enhance scope and overall viability or reversion to forestry which based on recent history with wilding pines would appear to be a realistic fall back position.
33. Granting of these resource consents presents a unique opportunity to make these land blocks highly productive and create a positive economic benefit to SHL, WHL and the District.

Consultation

34. We have engaged in extensive consultation with key stakeholders including Ngai Tahu, the DoC, LINZ, Fish and Game, Kai Tahu and the QEII Trust to help understand the concerns they have regarding the plans to irrigate Glen Eyrie and Killermont Stations. I have personally been involved in consultation with DoC, Ngai Tahu and QEII Trust. We first consulted with DoC in relation to wildin pine removal on Glen Eyrie. They were very supportive of our proposal to remove the wilding pines and active in the implementation from a fire risk perspective. They recognised the benefits to the Mackenzie Basin in the removal of this large and ever increasing seed source as wilding pines grow 1 metre per annum and start seeding at the age of 4 years. That relationship has continued through the current consenting process with frequent visits to the property by DoC staff as they travel to their conservation.
35. On 13 August I met with 5 Ngai Tahu representatives and showed them around Glen Eyrie, Killermont and Ohau Downs. I took them to all relevant sites on the farms including the take points on the Ahuriri River. They did not wish to view the take points on Lake Ohau. Their main concerns were around the protection of waterways and flora and fauna in the vicinity of the streams and river, so I explained the mitigation proposals for the management of effluent and waterway protection that SHL and WHL were proposing. In the course of the site visits the Ngai Tahu representatives did not identify any wahi tapu or mahinga kai sites.
36. I have recently made contact by email with one of the Ngai Tahu representatives to enquire whether there is any particular issue that SHL could address that may have arisen out of the visit. I also advised that I was willing to continue to consult with Iwi and would welcome the opportunity to meet again on a suitable occasion if they felt the need. I have not however had a response to my email.

37. We have also consulted the QEII Trust in relation to the part of the Glen Eyrie Downs that is subject to a QEII covenant. These discussions have been positive and we have been advised by Dr Brian Molloy that the QEII Trust will be withdrawing their submission relating to Glen Eyrie Downs.
38. We have attempted to consult with the Blue Family in relation to their submission on Glen Eyrie Downs via our on farm manager and Mr John Ryan, farm management consultant for Ribbonwood and Shelton Downs adjoining Glen Eyrie, but without result to date. We will continue to try to meet in order to understand and, if possible, address their concerns
39. You will also hear from our team of consultants about the consultation that has been undertaken with other parties including DoC, Fish and Game, LINZ, NZTA and Kai Tahu.

Conclusion

40. The directors of SHL and WHL have invested 6 years and several million dollars purchasing land, researching, planning and evaluating the feasibility and potential of establishing a large dairy operation in the Mackenzie Basin. The proposal as set out in our on farm management plans, supported by detailed financial analysis, will in our view provide the essential checks and balances to manage nutrient discharge to the environment. We have taken an active role in supporting other farmers in the Mackenzie Basin by my accepting a directorship role on Mackenzie Irrigation Company and our company assisting to pay a large portion of the cost for the Water Quality Study recently presented to the Commissioners.
41. If we are successful in gaining consent to irrigate our land we will provide significant financial benefit to the community by providing enhanced employment opportunities and increased development spend and resultant economic benefit to the region.