Before the Selwyn District Council

under: the Resource Management Act 1991

in the matter of: Proposed Private Plan Change 80 to the Operative District Plan

and: **Two Chain Road Limited**
Applicant

Summary of evidence of Mark Everest (agriculture and primary industry)

Dated: 20 October 2022

Reference: JM Appleyard (jo.appleyard@chapmantripp.com)
LMN Forrester (lucy.forrester@chapmantripp.com)

chapmantripp.com
T +64 4 499 5999
F +64 4 472 7111

PO Box 993
Wellington 6140
New Zealand

Auckland
Wellington
Christchurch

chapman tripp

SUMMARY OF EVIDENCE OF MARK EVEREST

1 My full name is Mark Rutherford Everest.

2 I hold a Bachelor of Agricultural Science (Hons) from Lincoln University and a certificate in Advanced Sustainable Nutrient Management. I have been working as a farm consultant at Macfarlane Rural Business (*MRB*) since January 2010.

AMENDMENTS TO EVIDENCE SUBMITTED

3 Since evidence in chief was submitted on 5 October 2022, I have received an update of the cost of obtaining water for irrigation from Central Plans Water Ltd (*CPWL*).

4 In my evidence in chief, paragraph 13, the water supply connection point was advised as being 3,780 metres from the property boundary, this was the location of the nearest CPWL pipeline. CPWL Engineering Manager Andrew Broughton has assessed the nearest water line with available supply capacity to be between 10,000 metres and 12,000 metres from the property.

5 In my evidence in chief, paragraph 15, I noted the cost of conveying CPWL water to the property estimated at $19,806 per irrigated hectare. With revised cost estimates from CPWL, the cost to convey CPWL irrigation water to the property is now estimated to be at least $28,419 per hectare. Revised Table 1 below shows the total estimated cost of conveying water to the property is $2,500,925. The revised capital cost of CPWL irrigation water supply of $28,419 per hectare is derived by dividing the total water supply cost of $2,500,419 over the likely 88ha irrigated (as per paragraph 15 of my evidence in chief).

6 I have also revised the 'Turnout Connection' based on information provided to me by CPWL.

Table 1: Costs of Irrigation Water Acquisition (Revised)

Convey water to farm gate (estimate)	12,000m	$2,125,000
Turnout Connection	1 unit	$4,000

Consenting and easements	PC sum	$150,000
Water Shares	88ha	$221,925
Total Cost		$2,500,925

7 In my evidence in chief, paragraph 33, Table 2, the Return on Capital (ROC) was calculated based on lower cost of capital irrigation water and lower CPWL annual running charges. I provide a revised Table 2 below with amended irrigation water capital and amended annual CPWL charges. In my evidence in chief I had assumed an outright water purchase option and lower annual charges for the supply of water, however, CPWL have confirmed this purchase option is not available. The supply option available is lower capital cost ("Water Shares" in Table 1) for shares but increased perpetual annual charges, which are included in the Cash Expenses.

8 In my evidence in chief, Table 2, there was no row titled "Pro-Rata Owner Remuneration Target". I have amended the table to include this row as it gives an indication of the level of remuneration the block of land would be expected to generate to satisfy business viability objective as set out in paragraph 30.1 of my evidence in chief. Where the "Owner Remuneration" exceeds the "Pro-Rata Owner Remuneration Target", in Table 2 (revised) the profitability of the farm system option meets Objective One as set out in paragraph 30.1 of my evidence in chief.

Table 2~~2~~: Financial Analysis of Farm System Options (Revised)

	Irrigated Trading Livestock and Arable	Apples	Grapes	100% Dryland Livestock and Arable
Operating Budget				
income	$5,255 /ha	$54,945 /ha	$19,425 /ha	1780 /ha
Cash Expenses	$4,424 /ha	$41,966 /ha	$14,773 /ha	$830 /ha
Depreciation	$677 /ha	$3,640 /ha	$2,157 /ha	$135 /ha
Total Expenses	$5,101 /ha	$45,606 /ha	$16,930 /ha	$965 /ha
Earnings Before Interest and Tax (EBIT)	$154 /ha	$9,340 /ha	$2,495 /ha	$815 /ha
EBIT/18ha	$2,772	$168,111	$44,918	$14,676
EBIT/98ha	$15,092	$915,271	$244,554	$79,903
Pro-Rata Owner Remuneration Target	$33,108	$33,108	$33,108	$22,072
Owner Remuneration	$15,092	(contract labour)	(contract labour)	$79,903
Capital				
Land (Rating Valuation)	$226,588 /ha	$226,588 /ha	$226,588 /ha	$226,588 /ha
Irrigation Water	$28,419 /ha	$28,419 /ha	$28,419 /ha	0 /ha
Land Improvements	$8,000 /ha	$141,667 /ha	$95,667 /ha	$4,000 /ha
Plant and Machinery	$2,500 /ha	$2,092 /ha	$2,092 /ha	$1,500 /ha
Total Capital	$265,507 /ha	$398,766 /ha	$352,766 /ha	$232,088 /ha
Return on Capital	0.1%	2.3%	0.7%	0.4%

9 In my evidence in chief, paragraph 38, I note that all farm system options would meet the pro-rated remuneration target of $67,567 p/a. The amended analysis after considering revised CPWL capital and operational costs indicates that only a dryland farm system or high-value horticultural crops farms could meet the remuneration target. Increased costs of irrigation water and capital infrastructure result in the "Irrigated Trading Livestock and Arable" option meeting neither the RoC objective of greater than 4.0%, or the pro-rata remuneration objective of $33,108.

10 In my evidence in chief, paragraph 39, I note apples generate the greatest RoC at 2.8%. With revised capital and water operational costs, apples generate only a 2.3% RoC.

11 As a result of amending the costs of irrigation, both capital and operational, my conclusions regarding economic viability do not change. With the most profitable land use option not fulfilling the minimum capital cost allocation requirement of 4.0% RoC, the LUC3 land could not be considered as land that would be economically viable for land-based primary-production (whether or not the LUC4 land is included). With no higher-value land use alternatives emerging, and a history of erosion of real profits, I cannot say that the economic viability of the LUC3 land for land-based primary-production will change for at least 30 years.

SUMMARY OF EVIDENCE

12 The National Policy Statement for Highly Productive Land, Section 3.6(1)(c) permits the re-zoning of highly productive land if, among other factors, the environmental, social, cultural and economic benefits of rezoning outweigh the costs of losing highly productive land to land-based primary production.

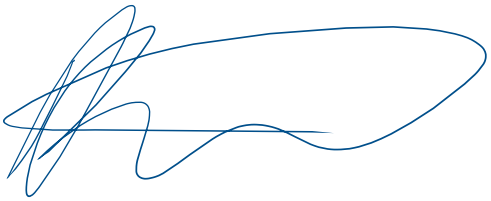
13 I believe that retaining the LUC3 land as highly productive agricultural land will result in increased nutrient loss to the catchment. The nutrient loss and water volume allocated to making the LUC3 land sufficiently productive could enable an area of LUC1 or LUC2 land 13-25% larger to increase intensity of similar scale. In this catchment which is over-allocated for nutrient and water, allowing the LUC3 land to be re-zoned as industrial would result in higher environmental, cultural and productive outcomes for the Selwyn-Te Waihora catchment, by releasing water and nutrient allocations to be used on more productive soils elsewhere in the catchment.

14 While the land units (LUC3 on its own or LUC3 and LUC4 run contiguously) can theoretically generate sufficient cash surpluses to provide the owner adequate remuneration for their efforts in some instances, the return on capital of any assessed productive farm system options fail to meet the 4.0% RoC threshold. I therefore do not consider productive agriculture to be an economically viable use (having considered this over a 30 year timeframe) of the LUC3 land in the PC80 site.

15 Over time agricultural profitability has steadily declined relative to costs of living, despite productivity gains. As real profitability has diminished, the scale of farms has needed to increase to remain viable. Marginally viable agricultural land options available currently are unlikely to remain viable in 30 years time. As the productive agriculture options assessed are marginally viable currently, I do not consider productive agriculture to be an economically viable use of the LUC3 land in the PC80 site.

16 The rezoning of proposed PC80 from agricultural land to industrial will have positive economic, social and environmental impacts on the local community and catchment.

Dated: 20 October 2022



Mark Everest