

Media Release

Meat Industry Association of New Zealand (Inc)

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ETS threatens to wipe out sheep, beef and deer farming

Meat & Wool New Zealand, the Meat Industry Association and Deer Industry New Zealand have warned Parliament's Finance and Expenditure Select Committee that the Emissions Trading Scheme (ETS) in its current form threatens the sustainability of the sheep, beef and deer industry in New Zealand.

Meat & Wool New Zealand Chairman, Mike Petersen told the Select Committee yesterday that at a carbon price of \$25/t per tonne the ETS would cost the average sheep and beef farmer \$40,000 per year. With the average farm family only making a farm profit before tax, living expenses and drawings on average over the last 10 years of \$65,000 per year, it doesn't leave many businesses viable.

Payment for carbon emissions would become the biggest on-farm cost making up 25 per cent of total expenditure for the average sheep and beef farmer and costing on average \$9 per stock unit.

"New Zealand sheep and beef farmers recognise environmental sustainability is critical, but there is a balance that must be found so that the sector remains economically viable."

Mr Petersen said the price of carbon was an unknown factor that made the sheep, beef and deer industry very nervous.

"At a possible \$50/t the viability of the sheep, beef and deer industry would be seriously questioned even with an allocation of 90 per cent of New Zealand Carbon Units."

Mr Petersen said those who suggested sheep and beef farmers plant trees to off-set their on-farm emissions were being too simplistic.

"There is still plenty of debate surrounding how much land farmers would need to plant—some say 10-20% of the farm.

"Of major concern to me is if large areas of farmland are planted in trees to gain credits, it is going to have a negative impact on the economy as a whole as agricultural production decreases, and simply shifts the emission problem overseas, where our lost production will be replaced by our competitors.

“And planting trees only buys time before the issue of emitting carbon has to be addressed and misses the point of solving carbon emissions from livestock and other emitting sectors.”

Meat Industry Association Chairman, Bill Falconer told the Select Committee that the point of obligation for agricultural emissions in the ETS needs to be at the farmer level to encourage farmers to mitigate emissions. If processors were made the point of obligation it would be impossible to have a scheme that provided a clear market signal to farmers.

Mr Falconer said the ability to pass on the carbon costs to customers is nearly non-existent, given 90 per cent of production is exported and no other international competitors are placing a price on agricultural emissions.

“If all of the carbon costs were passed on to the domestic market at \$25/t the retail price of red meat would increase by 180 per cent”.

Deer Industry New Zealand Chairman, John Scurr said his organisation did not support the inclusion of agricultural greenhouse gases in an ETS until practical tools have been developed to allow behaviour change. The ETS will result in a reduction in international competitiveness, carbon leakage and ignores the rural community's economic and social well being.

“The Government and industry need a laser-sharp focus on the development of tools to reduce methane and nitrous-oxide emissions from animals. It is a huge challenge, but would make a real contribution to the reduction in global emissions”.

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