

**BEFORE THE INDEPENDENT HEARINGS COMMISSIONER AT NEW
PLYMOUTH**

IN THE MATTER of the Resource Management Act 1991
AND

IN THE MATTER of an application under s88 of the Act by
B, M R Sim to the New Plymouth District
Council to undertake a boundary change
and five-lot subdivision, at 6 & 42 Leith
Road, Okato (SUB21/47781)

AND

of an application under s88 of the Act by
B, M R Sim to the New Plymouth District
Council for a side boundary setback
breach for a proposed dwelling on Lot 5
of SUB21/47781 and earthworks within
200m of Site of Significance to Māori and
Archaeological Site ID 197 (under the
Proposed District Plan) (LUC22/48312)

STATEMENT OF EVIDENCE OF JAMES KENNETH ALLEN

Managing Director, AgFirst Taranaki

24 January 2023

INTRODUCTION

1. My name is James Kenneth Allen.

2. EXPERIENCE

2.1. I am managing director of AgFirst Taranaki.

2.2. I have been working as an agricultural consultant since 1996. From 1996 to 2001 I was employed by the agricultural consultancy firm Agriculture New Zealand Limited. Since 2002 I have been self-employed with AgFirst.

2.3. I am also a director of AgFirst Manawatu-Whanganui and managing director of AgFirst Waikato (2016) Limited (AgFirst Waikato).

2.4. I am also CEO of AgFirst Consultants New Zealand Ltd.

2.5. The core base of my experience relates to farm management consultancy, in its wider context.

2.6. I hold a Bachelor of Agricultural Commerce (farm management and rural valuation majors) from Lincoln University, New Zealand, and a Professional Masters in Agribusiness, also from Lincoln University. I am a Fellow and registered member of the New Zealand Institute of Primary Industry Management, where I was national president for two years. I am also a director on the Nutrient Management Advisers Certification Programme Limited.

2.7. My relevant qualifications include accreditation in Farmax, intermediate and advanced Sustainable Nutrient Management, NZIPIM Dairy Farm Systems Certified Consultant, and a certified nutrient management adviser.

2.8. The nature of my work leads me to work across a wide range of issues in the primary sector. This includes, but is not limited to; farm management system design, farm investment advice, preparation and review of farm environment plans, economic analysis, on-farm financial management, reviewing nutrient budgets, greenhouse gas emissions reductions plans and advice on land use optimisation.

3. PURPOSE

3.1 The applicants, B, M and R Sim, have applied for a 6 lot subdivision and land use at 6 and 42 Leith Road, Okato, New Plymouth.

3.2 The consent application needs to take into account the National Policy Statement for Highly Productive Land (NPS-HPL). This evidence discusses the relevant issues pertaining to the NPS-HPL from a Land Use Capability perspective and a productivity perspective.

3.3 Although this is a Council level hearing, I confirm that I have read the Code of Conduct for Expert Witnesses as contained in the Environment Court Practice Note 2023, and I agree to comply with it in giving this evidence. I confirm that the issues addressed in this brief of evidence are within my area of expertise.

4. LAND DESCRIPTION

4.1. The property in question is located on the north-western corner of Leith Road and South Road (SH45). The proposed subdivision is outlined in the map provided by Juffermans surveyors, attached in **Appendix One**.

4.2. A land use capability (LUC) map provided by the NZLRi portal attached as **Appendix Two** suggests the land subject to the subdivision proposal is classed as LUC 2c1 and also LUC 5e1. A site visit was undertaken by a staff member of AgFirst on the 19th December 2021. Whilst this site assessment did not involve a formal LUC assessment of the land, it broadly confirmed that the proposed subdivided lot sites 1-5 were on LUC2 land. Proposed Lot 6 contains a mixture of LUC2 and LUC 5 land, thus a mixture of highly productive land and non-highly productive land.

4.3. Based on the NZLRi portal information, I estimate that of the 46.6ha, approximately 14.9 ha is classified as LUC5 (non-highly productive) and 31.7ha is LUC2 (highly productive) land.

4.4. The NPS-HPL defines LUC 1-3 as highly productive. My assessment is that some of the land in question is captured under this definition as highly productive.

4.5. For context, the current land use on the flatter areas of the property (the LUC2 areas) is maize cropping. In between the maize crops it is understood that annual ryegrass is grown and harvested as silage. The steeper areas of the property (LUC5) which are unsuitable for growing maize, are in pasture and being grazed by cattle.

5. PRODUCTIVITY ASSESSMENT

5.1. Land use options

It is understood that land in question was previously run as a dairy farm, until ceasing dairy supply in 2021. Subsequent to the cessation of the dairy unit, the flatter proportions of the property are being used to grow maize silage followed by annual ryegrass silage, and the steeper areas are grazing cattle.

5.2. Given the relatively small size of the property (46.6ha) it is highly unlikely that the property will ever return to being used as a dairy farm in its own right. The cost of cowshed upgrades and meeting compliance requirements to supply for a smaller property would make it cost prohibitive.

- 5.3.** The LUC 5 portions of the property are most likely suitable for grazing sheep or cattle. There are some areas of this LUC 5 land that may be better suited for retirement into forestry or riparian margins.
- 5.4.** With regard to the areas classified as LUC 2, typically the flatter proportions of the land, are suitable for a variety of agricultural and horticultural options. However, the class of land and suitability of the soils is merely one factor in determining the productivity for the property. Other factors include climatic suitability, profitability, access to labour, infrastructure requirements, access to market, and post-harvest facilities.
- 5.5.** In theory this land could be used to grow grain crops such as maize, wheat or sorghum; or some vegetable crops.
- 5.6.** However, vegetable crops have not been considered as a viable option, given the lack of localized post-harvest infrastructure.
- 5.7.** Kiwifruit is not considered to be a viable crop for this location due to climatic suitability.
- 5.8.** Taking all factors into account, I consider the most likely land use options for this block are similar to the existing land use, i.e. a mixture of maize and rye grass silage, and grazing livestock on the less productive areas of the property. This productivity is quantified below.

If a prudent operator was to consider growing a crop of maize silage and annual ryegrass silage on the LUC 2 areas of the land, the likely net returns are in the range of \$2,000-\$3,000 per ha, depending on yield and input cost fluctuations. Maize silage yields would be in the range of 15-20t Drymatter (DM) per ha per annum.

For the LUC5 areas, likely running beef or sheep, the Beef and Land New Zealand (BLNZ) economic survey reports the ten-year average earnings before interest and tax (EBIT) per ha for Northern North Island hill country land is \$428 per ha¹. This land is likely to be running around 10 stock units per ha.

¹ <https://beeflambnz.com/data-tools/sheep-beef-farm-survey>

Table 1: Estimated profitability before interest and tax

LUC	Area (ha)	Land Use	Gross Margin/EBIT per ha (per annum)	Total
2	31.7	maize silage/annual ryegrass	2500	\$79,250
5	14.9	Cattle	428	\$6,377
Total	46.6			\$85,627

The figures shown above in **Table 1** represent indicative profitability before the cost of capital is taken into account. A prudent investor needs to account for the cost of capital, whether that be debt or equity. In theory the cost of equity should be higher than the cost of debt. At present most banks are using a long term debt financing cost of 6.5% per annum for planning purposes. As of January 2023, it was reported that banks will be using a figure of 8% per annum for 'stress-testing' loan viability.

For the purposes of illustrating the cost of capital, I have assumed a cost of debt at 6.5%, and a cost of equity of 8% per annum. Assuming of typical debt loading of 30%, this equates to an average cost of capital of 6.95% per annum. The 2019 rateable value for this property was \$2.275m or approximately \$48,800.00 per ha.

After deducting a cost of capital of \$158,112.00 per annum (\$2.275m x 6.95%), it becomes apparent that the block does not cover the cost of capital and thus is not sustainable in the long term in its current form. This is shown in **Table 2**.

Table 2: Estimated returns after deducting a cost of capital

Gross Margin per ha (per annum)	\$85,627
Cost of Capital	\$158,112
Net return after cost of capital	-\$72,485

5.9. When I assess the likely impact of the subdivision as originally proposed on productive capacity of the land, I make the following comments:

- Lot 1 (2.924ha) is of sufficient size to continue the current cropping regime (maize silage), and thus there would be minimal impact on productivity, with the exception of any area used for a house and surrounds, which would support the productive activities. For the purpose of this exercise, I have assumed a house and curtilage might occupy 0.25 ha.
- Lot 4 (0.4271ha) has an existing dwelling and curtilage, plus an additional area of land between the existing dwelling and SH45. The additional land included with lot 4 could be used for land based production, but is small. The land not used for the dwelling could be used for grazing sheep or cattle.

- Lots 2 and 3 may be too small to efficiently crop maize on the blocks. On the assumption there is a dwelling (and associated surrounds) constructed on each lot, there should be sufficient surplus area to graze 1-2 cattle or 5-10 sheep on each of the blocks. They are clearly 'lifestyle block' size.
- Lot 5 has an existing dwelling and curtilage placed at the rear of the site. The balance of the area, approximately 0.75ha, is of sufficient size and in an appropriate location to continue with a maize cropping programme . Thus, there is no loss of productivity as a result of this lot.
- As such, when assessing the cumulative likely net impact of lots 1, 2, 3, 4 and 5 on land productivity, it is likely to be in the vicinity of around 2.0-2.5 ha of land lost from potential maize cropping, of which 1.0-1.5 ha could be subsequently used for grazing sheep or cattle for example; and, therefore, would still have potential to support land-based primary production in the context of agri-business.
- I conclude however that 1.0 – 1.5ha of land would no longer be available to support land based primary production, and would reduce the productive capacity of the land.

5.10. Based on my findings above, and those of Ms Hooper, the applicant has accordingly revised their original proposal, and a scaled back proposal is presented by Ms Hooper as Appendix B to her evidence.

5.11. This scaled back proposal removes proposed lots 2 and 3, and reduces proposed lot 4 to the dwelling and curtilage only. It addresses the concerns raised above by returning proposed lots 2 and 3 to the balance where they will be secured for land-based production, and reduces lot 4 to an area that is already unproductive, being the existing dwelling and curtilage, returning the additional land to the balance also.

5.12. With these changes, the productive capacity of the land is retained by retaining the productive land either with the balance, or on lots that are of sufficient size and layout to allow for land based production.

6. SUMMARY

6.1 My assessment analyses the existing productive capacity of the subject land so that an overall comparison between existing and proposed can be made.

6.2 In terms of productive capacity, the original proposal will result in 0.5 – 1ha of land no longer being available to support land based primary production, which is inconsistent with the NPS-HPL.

6.3 This is addressed in the scaled back proposal put forward by Ms Hooper, and I confirm that, with these changes, overall long-term productive capacity of the land is retained - which is consistent with the NPS-HPL.

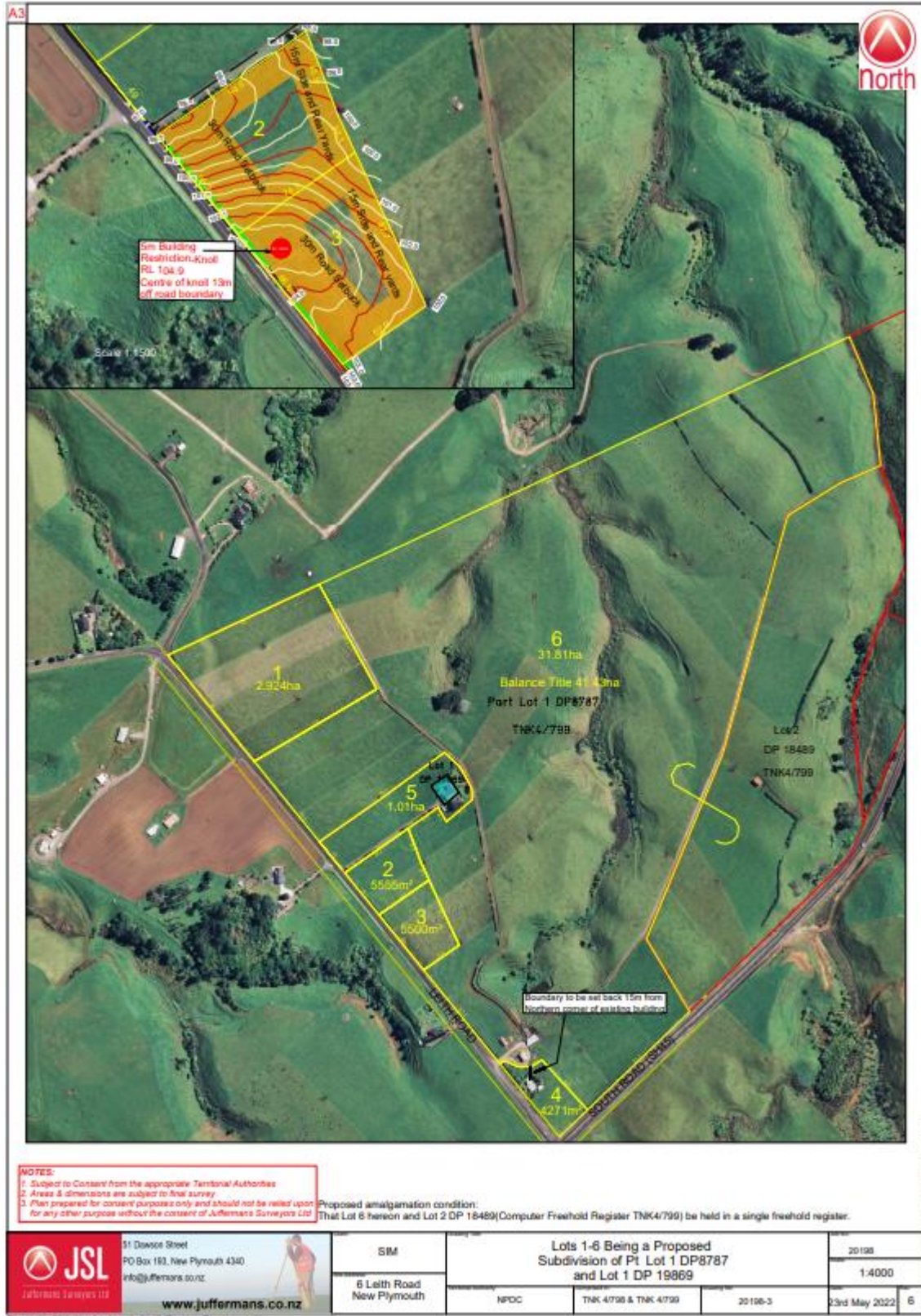
Signed this 24 day of January 2023

A handwritten signature in black ink, appearing to read 'JKA', written over a light blue rectangular background.

JAMES KENNETH ALLEN

APPENDICES

Appendix 1 Original Scheme Plan

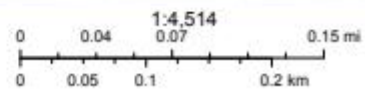


Appendix 2

LocalMaps Print



December 7, 2022



- Addresses
-  Taranaki Regional boundary
- Road Names
-  Railway
-  PropertyRating

LINZ, CORAX, LINZ, Eagle Technology, Land Information New Zealand, GEBCO, Community maps contributors