



Beef + Lamb New Zealand Ltd 2023 Company Resolutions

RESOLUTION ONE (One farmer one vote)

That farmers consider and, if thought fit, pass the following ordinary resolution:

- That KPMG be appointed as B+LNZ's auditor for the year ending 30 September 2023.

Explanatory note

The Board recommends that KPMG continue in the role of auditor for B+LNZ.

The Audit & Risk Committee undertook a thorough tender process with potential audit service providers in 2021. After evaluating the proposals, the Committee agreed that KPMG offered a robust audit process, offered development opportunities to B+LNZ with respect to future reporting trends (Service Reporting and Sustainability Reporting) and remained competitive with their fee proposal. The tender period was for a period of six years.

The KPMG partner responsible for the annual audit has completed the seventh and final year of his rotation. The External Reporting Board (XRB) is the Crown Entity responsible for accounting and auditing and assurance standards in New Zealand and their maximum prescribed rotation period for large not for profit Public Benefit Entities is seven years. We are working with KPMG to identify our new partner for the 2023 audit.

FARMER PROPOSALS / REMITS (All weighted votes)

The following remits (known as proposals in the constitution) have been received by B+LNZ under Section 12.1 of the B+LNZ constitution. These remits are presented below with each remit proposed, the proposer's argument for and B+LNZ's response shown in the same order as on the voting paper.

A proposal, if passed is not binding on B+LNZ but is considered by the Board as an indicator of farmer sentiment.

FARMER PROPOSAL ONE

Proposer of remit: Hamish Carswell

The impact of the "weighted vote" on decisions is reviewed and reported back to farmer levy payers in order to understand how this mechanism influences outcomes and if on balance, it has a material influence that potentially leads to inequities in decisions. In particular the influence of the government-owned farms on voting outcomes must be reviewed and addressed. This may lead to a requirement for the B+LNZ Constitution to be amended to reflect the risk and inequity involved in weighted voting.

Proposer's arguments for remit

Within the B+LNZ constitution there are a number of significant decisions that are impacted by the "weighted" vote. This means that farm businesses which have more stock units have a proportionally increased voting impact. Whilst this is not unusual, there are concerns from many farmers, that the democratic process can disproportionately disadvantage farmers with smaller holdings. Of particular concern is the influence of government-owned farms (and others with significant resources available) in the democratic process, especially when government policy needs to be challenged on the farmers' behalf, which clearly is a conflict of interest.

This remit would require B+LNZ to review and report back to levy payers what impact the largest landholdings have (and have had previously) in the democratic process, and how much influence Crown-owned farming entities have in that process in the subsequent outcomes and decision-making. This would then require a change in this area of the constitution in order not to unduly sway votes by large entities to the detriment of small and medium levy contributors.

Beef + Lamb New Zealand response to remit

- No single farming entity holds a large enough proportion of stock numbers to influence B+LNZ decision-making and B+LNZ is not subject to any Government influence from the weighted vote.
- The livestock numbers declared by the ten largest farming businesses (including Pamu and others who own multiple farms) on the B+LNZ database equate to 3 to 4 percent of total sheep, beef and dairy cow numbers (at 30 June 2022 there were respectively 25.7 million sheep, 5.3 million beef [including dairy breeding bulls] and 4.8 million dairy cows and heifers).

- B+LNZ remains committed to ensuring it represents the views of as many of its levy payers as possible. We consistently ask farmers to get involved in feedback, consultations, Director elections and annual meeting processes. We also rely on input from Farmer Councillors and advisory groups and regularly receive individual contact from farmers and others involved in the sector. We also conduct regular independent quantitative research of the views of levy payers and on specific issues.
- There has been little difference in the outcomes between the one for one vote (which reflects individual farmers) and the weighted vote (which includes the largest operations, including Pamu) over the years. For example, in the 2021 Referendum support for the sheepmeat levy, beef levy and for the sheepmeat levy increase (from 70 cents to 75 cents) between both one farmer one vote and a weighted vote was:

| | One for One | Weighted |
|----------------------------|-------------|----------|
| Sheepmeat levy | 89% | 92% |
| Beef levy | 88% | 89% |
| Increase in sheepmeat levy | 68% | 70% |

FARMER PROPOSAL TWO

Proposer of remit: Hamish Bielski

B+LNZ will display the members of the B+LNZ Board and NZ Meat Board and their contact details on the B+LNZ website.

Proposer's arguments for remit

Leadership as a director in an elected role for a levy organisation is about service. Service to the farmers who put their trust in that leader – and to the organisation itself.

It is also about ongoing accountability.

In the interests of transparency and in the spirit of an organisation which goes by the mantra of “By Farmers, For Farmers”, it is important that farmer levy payers have the ability to contact their regional director and that director responds to the attempts of all farmers to engage.

Beef + Lamb New Zealand response to remit

- B+LNZ agrees with this remit and will add contact details for farmer-elected Directors to the website.
- Though the NZ Meat Board has many common directors to B+LNZ it is a totally separate entity and has its own website. This request will be passed on to the NZ Meat Board for consideration.
- Personal information was previously removed due to concerns about privacy, spam and the practice of contact details being ‘skimmed’ from websites to target people for scams, and we periodically review our approach in light of these concerns.
- All directors have now been furnished with a B+LNZ email address to allow extra security to be applied. Any director can be contacted by firstname.surname@beeflambnz.com

FARMER PROPOSAL THREE

Proposer of remit: Hamish Bielski

B+LNZ will clearly define and communicate the role of the Farmer Council and local Farmer Councillors and display the members of the B+LNZ Farmer Council, with their contact details on the B+LNZ website.

Proposer's arguments for remit

The B+LNZ Farmer Council is made up of around 100+ farmers from around the country. They are a highly valued and trusted group of volunteers who are passionate about the industry and to whom all farmers are grateful for their time and commitment.

The B+LNZ Farmer Council were traditionally a highly engaged and key conduit between the organisation and sheep and beef levy payers – specifically in the area of on-farm extension. Farmers used the opportunity to connect with their councillors in each of the 6 regions of the organisation at field days and workshops etc and were able to feedback any concerns or ideas for the wider organisation via their councillors.

Over recent years (exacerbated over the course of the pandemic) these field days and regional extension opportunities have contracted and the opportunity for farmers to engage with their local councillors (and directors) has greatly diminished. As a consequence, their regional presence and profile has reduced and grassroots farmers are now struggling to know who their local farmer councillor is and how they can engage and give feedback.

At the same time, farmers are increasingly questioning what the actual role of the Farmer Council is in 2022. Is it simply to design and “front” the regional extension activities? Or are they feeding into policy discussions and “representing” farmers in other areas? This is important because if there are wider policy conversations which affect all farmers, then this needs to be done in a deliberate, transparent and accountable way, with all levy payers having the opportunity to engage in the discussion – whether through their local farmer councillor, or as an individual farmer.

Farmer levy payers need clarity of the role and the mandate of the Farmer Council. This remit is asking the organisation to define and communicate the role, responsibility and accountability of farmer councillors so that levy payers can gain that clarity.

Beef + Lamb New Zealand response to remit

- The B+LNZ website <https://beeflambnz.com/your-levies-at-work/beef-lamb-new-zealand-farmer-councils> includes details on National Farmer Council Chairs and Deputies for each region, and sets out the purpose of the Farmer Council, which is to:
 - guide and advise the development and delivery of innovative tools and services to support informed decision making, and continuous improvement in farming systems
 - ensure that farmer needs are influencing B+LNZ research, development and extension activities
 - think strategically, encourage innovation and act collaboratively for both the short and long term future of the sheep and beef sector
 - support farmers to learn and use practices and methods that will support ongoing farm profitability and sustainability
 - add value and enhance the effectiveness of B+LNZ activities and programmes
 - act as a sounding board for the development of B+LNZ strategy and policy.
- B+LNZ will add extra information, to highlight the additional roles played by Farmer Council, including the Environment Reference Group (ERG) and Farmer Research Advisory Group (FRAG).
- Farmers can currently contact the Farmer Council Executive and their local Farmer Council members through the local B+LNZ Extension Manager.
- B+LNZ does profile Farmer Councillors regionally through social media and via e-diary. As the remit points out, there are greater opportunities to engage with Farmer Councillors at B+LNZ events and we encourage farmers to talk to them at these.
- Given Farmer Councillors are focused on connections at a community level and are a conduit between farmers and B+LNZ (rather than directly representing B+LNZ in the same way a staff member or Director does) we question whether all individuals' contact details are necessary however we commit to discuss this with each regional farmer council to increase exposure as requested in this remit.

FARMER PROPOSAL FOUR

Proposer of remit: Hamish Bielski

Where the B+LNZ Farmer Council and other Farmer Reference Group members are used by the organisation as the “voice” for grassroots farmer feedback, they are not constrained in any way by B+LNZ through non-disclosure agreements or any other type of policy which will result in their views being suppressed. In addition, B+LNZ should clarify by what means all farmers have to feedback to the organisation in a way that will allow their voice to be heard.

Proposer's arguments for remit

The “By Farmers, For Farmers” mantra has been promoted by the organisation for a number of years and it should be fundamental to the success of any farmer organisation. Farmer Councillors and other groups used as “experts” should be free to share information and views to other farmers in order to get their feedback without constraint, whilst still being conscious of the requirement for confidentiality in sensitive discussions.

At present, no B+LNZ Farmer Council member contact details are listed on the B+LNZ Website, with only regional and national chair names displayed. This prevents access for levy payers to their local B+LNZ farmer representatives, if that is indeed a role of the Farmer Council – to assist the B+LNZ Board members to gain a full and transparent understanding of farmer positioning through feedback.

To create a transparent feedback process, all farmers should be made aware of how “grassroot farmer feedback” was achieved in the design of the policy or position.

In order to remain an organisation with a culture that is authentic and aligned to its constituency, the Board must listen, consider and where appropriate act on those views put forward by these groups. And all farmers should have the ability to have their views heard and considered. This will ensure that the feedback loop is transparent.

In the same way, the organisation should clarify how any levy payer can feed their views and ideas back to the organisation and have confidence that they are genuinely considered.

Beef + Lamb New Zealand response to remit

- B+LNZ does have Terms of Reference (TOR) for the Farmer Council, the Environment Reference Group and the Farmer Research Advisory Groups. Within the TOR there are non-disclosure clauses that can be applied to ensure that sensitive information can be provided to and kept confidential to the group. For example, this could be an early policy draft from Government that they want early feedback on but is not yet public. We regard TOR as essential to ensure access to confidential information for these groups to fulfill their role.
- There is usually a Chairman/designated spokesperson for the specific groups as is standard practice. However, if group members want to promote contrary positions to the group or B+LNZ this is absolutely allowed, as many Farmer Councillors and members of some of these reference groups have done. They are just asked to make it clear they do so as an individual, not as a representative of a group aligned with B+LNZ and they do not compromise sensitive confidences extended to them through the process.
- With respect to the point about how levy payers can feed views and ideas back to B+LNZ, reference groups and the Farmer Council are two key avenues but outside of that there are mechanisms that vary from talking to staff and directors directly through to the various consultation processes from face-to-face meetings, webinars, on-line surveys, email, submissions etc.
- All views and ideas are given due consideration, positive and negative, and we welcome new ideas for making these processes more visible, and easy for farmers to participate in.

FARMER PROPOSAL FIVE

Proposer of remit: Graeme Gleeson

That Beef + Lamb New Zealand do not at any time commit to a policy and / or recommendation which may have significant ramifications* for levy payers without prior best-practice consultation with levy payers that would solicit and seek their agreement* to proceed.

To understand the full implication of a policy and / or recommendation this would require Beef + Lamb New Zealand to ascertain deep knowledge of subject and undertake rigorous modelling to project likely outcomes, all of which would require independent review. All such information to be available fully transparent to levy payers prior to and during consultation so they are fully informed.

Noting the importance of the need to undertake levy payer consultation there would be requirement to develop a best-practice methodology about engaging and consulting with levy payers when seeking feedback and to garner their support to proceed.

*‘Ramifications’ – the likelihood that farmers individually and / or collectively may incur costs which will directly reduce farm business profitability such that ongoing resilience and sustainability will be greatly compromised.

*‘Levy Payer Agreement’ – defined as an open and transparent feedback loop to gain a strong mandate (via the Farmer Council, Board Directors, reference groups of farmers who have no connection to the organisation and non-directive surveying on key issues).

Proposer’s arguments for remit

Over the last decade, the work of B+LNZ has evolved from specific workstreams which were positioned on farm (research and extension), in market (access and trade with some promotion), developing people and delivering information, to workstreams which are very policy heavy. This work has become necessary as the ever-increasing compliance and regulatory requirements have accelerated and these challenges are likely to increase. There has been some good advocacy work carried out by B+LNZ, however it is essential that B+LNZ’s advocacy work and subsequent agreements must not place farmers in jeopardy whereby there is a high risk some if not all of their levy payers whom they represent will be highly challenged to sustainably remain in business.

The HWEN partnership process is an example of gross negligence in advocacy where grassroots farmers have had little genuine input into the agreement that was delivered to government and has resulted in a potentially devastating outcome, particularly for the sheep and beef sector.

The 2-to-3-year design of the agreement was largely done behind closed doors and at the time of consultation the information “package” presented to farmers lacked the depth and breadth of data and outcome analysis that was realistically required. Farmer feedback has revealed that for the most part farmers did not understand what the impacts were likely to be.

In addition, the “sequestration” that was touted as the game-changer for sheep and beef farmers led farmers to believe that the financial impacts were unlikely to be significant and therefore having an on-farm “levy” was going to be the best option. This was further reinforced when farmers attended the “Know Your Numbers” workshops and were misleadingly told to include all their woody vegetation as an offset.

B+LNZ released the more robust impact modelling report after the consultation period had finished, which shows the harsh financial reality of the original HWEN plan, which was further displayed by the subsequent Government Emissions pricing proposal. This delayed report lacked any data which gave confidence or clarity around the eligible sequestration that was likely to be on existing farms.

In May 2022, the organisation signed the HWEN recommendations that went to Government. Farmers did not see that agreement – nor did they agree to it. And the impacts for sheep and beef farmers are potentially devastating.

This lack of accountability, transparency and visibility is unacceptable and if “best practice” consultation had been undertaken it is likely that farmers would not now be in such a precarious position, with a Government Emissions recommendation simply a reflection of a poorly designed original HWEN proposal, with some deviations.

B+LNZ must stay within the gamut of functions as legally set out by the Commodities’ Levy Act and as detailed in their own Constitution and operating documents such as the B+LNZ Farming Excellence Strategy where there is an established vision of ‘profitable farmers’.

Steps must now be taken to ensure that B+LNZ is not mandated to simply sign up to such significant policy on behalf of sheep and beef levy payers in the absence of a system with checks and balances and this remit is designed to insert some rigour into the process by which farmers are consulted and informed. Levy payers cannot afford to risk a repeat of the above process where B+LNZ (as a HWEN Partner) stepped outside their remit / mandate, resulting in a pending Emissions Pricing outcome that will be detrimental to a high number of levy payers, particularly so in the sheep, beef and low-intensity livestock sectors.

Beef + Lamb New Zealand response to remit

- We welcome feedback, and we agree that farmer consultation on any policy that significantly impacts levy payers is critical. B+LNZ is committed to continuously reviewing our consultation process, always seeking to learn and improve.
- This is the broad consultation process that we follow:
 - For major policy issues B+LNZ operates regional roadshows and webinars, email, website, farming press and social media platforms to provide farmers with information, seek feedback and answer questions. Recent examples have included roadshows on climate change, the eradication of *Mycoplasma bovis*, Government freshwater reforms and biodiversity policy. These engagements provide valuable feedback to inform Board decisions.
 - In each of these policy processes we try to be transparent about our policy thinking. We have released emails, factsheets and draft submission content with our interpretation of the implications of the policy announcement for farmers, that provide transparency about our thinking. We have used these during roadshows and other events which always generates feedback from farmers and has often highlighted things we may have missed or led to changes in our thinking.
 - Where possible and time allows we have sought to release our policy positions, including release of draft template submissions that farmers can use and we then publicly release the final copy of our submission to the Government.
 - Most policy issues will be discussed with Farmer Councils – at either national or regional level depending on the issue – or through subject-specific reference groups. Feedback from these bodies influences the decisions made by the Board.
 - All policy positions are taken following Board approval. This means decisions are made by farmer directors that other farmers have directly elected to represent them.
- Engagement on any given issue will be a mix of some or all of the above, depending on the time available to engage with farmers, complexity and extent of the issue, and practicality (including challenges posed by lockdowns in recent times).

With respect to the remit’s points about consultation on agricultural emissions pricing and the He Waka Eke Noa partnership’s recommendations and modelling, we acknowledge that this has been a complex, difficult and very fluid process for all involved, the following are responses to points raised.

- The key point is how farmers were informed and consulted. On this point, we note:
 - Through B+LNZ’s e-dairy on 34 occasions in the 2022 calendar year we communicated about He Waka Eke Noa with farmers including key issues, positions and initiatives. We know from our monitoring that each e-diary is distributed to 24,000 and is opened by approx. 10,000 and our click through rate to He Waka Eke Noa related information on our website has been very high.
 - Information about the initial He Waka Eke Noa proposals was provided to farmers as soon as there was tangible information – this was sent by mail to all farmers in December 2021 (including detail, summary and supporting documentation).
 - In February and March 2022 B+LNZ individually and with DairyNZ ran roadshow events at 30 physical locations around New Zealand and online via six national webinars, 15 regionally-focused webinars and further online meetings – feedback received from over 7000 people informed our work as part of the He Waka Eke Noa partnership in developing the recommendations to Government and changes were made to what was proposed to the Government in June.
 - Following the release of the Government’s response to those recommendations in October, B+LNZ informed farmers about this and how to make a submission on the Government’s proposals through five direct emails, at 21 face-to-face meetings and hui and nine joint webinars with DairyNZ, which were attended by around 1200 farmers – we also arranged several smaller ‘woolshed’ meetings across Southland, provided speakers at a range of meetings organised by other organisations such as District Councils and received a significant number of phone calls and emails from farmers. Emissions pricing or He Waka Eke Noa were mentioned in 62 posts across B+LNZ’s social media channels between October and December.
 - Over 3400 farmers downloaded the advice that B+LNZ provided on making a consultation submission on the Government’s proposals.

- Re: early discussions happening “behind closed doors” we appreciate this is concerning for some farmers but the nature of these highly detailed, sometimes contentious processes involving the ten sector groups, Federation of Māori Authorities and Government, means there are long periods where work has to happen behind the scenes and there is little concrete information available and a limit to what we can say publicly.
- Re: analysis and data accessibility, our first priority is to provide all farmers with access to digestible information but we also look to provide supporting analysis where possible and practical. Processes can sometimes move at pace with new proposals arising frequently, so robust and accurate analysis may not always be available immediately.
- Re: sequestration, at time of writing B+LNZ is still pushing hard for certainty about the emissions pricing system including a wide range of carbon-sequestering vegetation, so this is an ongoing issue. Noting that before B+LNZ embarked on the He Waka Eke Noa process there had not been any acknowledgement by government about recognising sequestration that sat outside current ETS regulations.
- Re: the impact of pricing, B+LNZ undertook additional independent modelling as the He Waka Eke Noa partnership’s modelling was not done at the level of specificity that truly accounted for the variability of sheep and beef farming systems. B+LNZ’s modelling illustrated the variation in impact of the absolute price and also the recognition of sequestration on different farming systems. We released this as soon as this modelling was completed in June 2022. The modelling reinforced calls from the He Waka Eke Noa partnership for a cautious approach to pricing, full recognition of sequestration and a relief clause for those farmers without immediate access to sequestration or mitigation technologies.
- As a result of our modelling (and the Government’s own modelling) the Government has agreed that a cautious approach has to be taken to pricing.
- Re: farmers not seeing the He Waka Eke Noa recommendations that went to Government. The recommendations, modelling and supporting information were all published on 8 June and are still available on the B+LNZ website, as is detailed information about the feedback we received as part of our February and March roadshows, showing the extent and nature of farmer input (see www.beeflambnz.com/emissions-pricing-consultation).

FARMER PROPOSAL SIX

Proposer of remit: Jane Smith

That Beef + Lamb New Zealand immediately engage an independent review analysing the process of how B+LNZ currently assemble a mandate that reflects the wishes of their levy payers’ along with the effectiveness and transparency of all advocacy that B+ LNZ undertakes in policy, on behalf of all B+LNZ levy payers’.

This will include full and transparent scrutiny on B+LNZ’s mandate gathering process and procedures – including interaction, collaboration or taking a segregated stance with other NZ agricultural advocacy bodies and will include a recommendation on best practice advocacy for B+LNZ.

This review would include the commissioning of a report (with full disclosure) back to farmer levy payers during 2023 by the independent reviewing body - during which time no further correspondence or undue influence by the B+LNZ Board, Farmer Council members or Management occurs.

The B+LNZ Board will hereafter take on the responsibility of report findings and recommendations during 2023 and beyond in order to gain positive, best practice advocacy outcomes on levy payers’ behalf.

Proposer’s arguments for remit

A full review of B+LNZ advocacy needs to be urgently conducted in order to prevent oppressive layers of detrimental authoritarian regulation being the default outcome for policy negotiations with Government. Levy payers will no longer accept outcomes of regulatory policies that will have major negative financial, social or intergenerational impacts for their sector in perpetuity, nor will they tolerate their levy organisation presenting a ‘Hobsons choice’ set of scenarios for them to select under duress, and without the opportunity for a full due diligence process including disclosure of both short and long-term consequences for their farming operation, community and sector.

Many of the positions that have been taken by B+LNZ on behalf of levy payers over the past three years have not first gained a full and transparent understanding by farmers of all potential impacts, and have included consultation processes with limited ability for levy payers to raise further questioning, to influence further discussion or to propose alternative pathways.

This independent review would methodically examine the process taken to derive a stance on issues by those that are elected to represent farmers within B+LNZ. This would include (but not be not limited to) an evaluation of current advocacy channels, policies, processes and authorisation levels utilised by B+LNZ in order to establish a mandate that genuinely reflects farmer sentiment.

This would also include case study assessments of recent advocacy outcomes (including the NPS Freshwater, NPS Biodiversity, HWEN, and Intensive Winter Grazing regulations). This would also encompass an assessment of B+LNZ’s ability to delineate sheep and beef advocacy from dairy advocacy when deemed necessary for specific policy advocacy. The review would include an assessment of both advocacy collaboration and discordance with other industry advocacy groups.

Beef + Lamb New Zealand response to remit

- B+LNZ welcomes scrutiny of its mandating and policy processes.
- If such a review was to be carried out there are a number of factors that levy payers should consider:
 - The first being scope. In asking for all advocacy on policy to be considered, while not an exhaustive list the following would need to be independently analysed: trade policy including free trade agreements, non-tariff barriers, government trade strategy, international trade issues; food safety, nutrition, agrichemicals and animal remedies; biosecurity, traceability; animal welfare; genetics; genetic modification; industry promotion; training and education; research and development; international and domestic climate change policy; farm planning; biodiversity; freshwater including quality and allocation; nutrient allocation; regional and district council submissions; soils; Resource Management Act; COVID regulations and decision making.
 - Secondly over what time period; the last five years, three years, or last year.
 - Ongoing or completed advocacy. The remit refers to NPS Freshwater, NPS Biodiversity, He Waka Eke Noa, and Intensive Winter Grazing regulations. None of these policy processes have been completed – how would levy payers want these issues approached in a review.
 - The remit calls for an independent review but also calls for no correspondence with directors, staff or the Farmer Council during that time. It is hard to understand how a review of the policy procedures and decision-making processes could occur without talking to the people in B+LNZ who actually carry out the role to best understand the approach taken.
 - In terms of cost we would estimate a review broadly in the scope suggested by the remit – ie work over a three year period (through this would not cover fully some policy processes because they have been longer) would be a minimum of \$500,000.
 - In addition levy payers would need to consider the time that staff and policy contractors would need to put into the review. It is estimated to cost a minimum of \$100,000 of staff time to gather materials for reviewers and undertake interviews and review as part of this report. During that time there is the opportunity cost of staff not being able to do other work.
- The Board instead recommends running a process with the Farmer Council using an independent facilitator to look at two key policy issues to see how these could have been done better and would be willing to open these reviews to all levy payers. This is estimated to cost \$100,000.

FARMER PROPOSAL SEVEN

Proposer of remit: Jason Barrier

B+LNZ exit the HWEN (He Waka Eke Noa) Partnership immediately in order to advocate for sheep and beef farmers to achieve a more sustainable and equitable emissions reduction proposal in an unbiased and unconstrained manner.

Proposer's arguments for remit

The outcomes (revealed in the modeling) of both the original and government HWEN proposals for extensive sheep and beef farmers are potentially devastating for the sector. What has been exposed through this process is the failure of Beef+Lamb NZ (BLNZ) to effectively position the sector in a way that will not only give their sheep and beef farming levy payers options to have confidence and certainty in the future viability of their businesses and communities but also to have the profitability required to continue to invest – particularly in environmental work on farm.

The HWEN Partnership has functioned in a near-complete absence of genuine farmer engagement for the past three years. The closed nature of HWEN decisions and the fact that the model framework was entirely developed prior to farmer engagement has deeply undermined the ability of the grassroots farming community to have input into the system and prevented the pastoral sector from developing a strong understanding of the proposals and the consequences thereof, at a farm level.

What has become clear from the outcomes for sheep and beef farmers, is that BLNZ was put into a position where this became unachievable and the resulting industry HWEN Proposal reflects this. B+LNZ should have withdrawn from the HWEN Partnership and communicated to their levy payers and the government the reasons for doing so. By exiting the partnership, even after the fact, it will demonstrate to levy payers that B&LNZ is courageous enough to stand up for the sector.

Beef + Lamb New Zealand response to remit

- At this stage, B+LNZ is not intending to withdraw from the He Waka Eke Noa partnership because we believe the downside risks to our sector of withdrawing are greater. However the Board is constantly reviewing how we get the best result for our farmers and reserve the right to exit He Waka Eke Noa if we believe that course of action will deliver the best long-term result for our farmers.
- The Government has legislated to implement a pricing framework which initially included putting agriculture into the ETS.
- B+LNZ believes that the sheep and beef sector would have been the most vulnerable sector under an ETS scenario.
- Over 90% of farmers during B+LNZ and DairyNZ engagement in early 2022 indicated that they do not want to enter the ETS.
- As a result of the He Waka Eke Noa process the Government has agreed that agriculture should not go into the ETS, which is a major win.
- While the current Government pricing proposal is not acceptable to the He Waka Eke Noa partnership (B+LNZ has been very vocal on this point) the Government has indicated a willingness to improve it.
- If we pull out now, we risk not getting those improvements and Government implementing something that is worse for our farmers.
- We understand and share farmers' concerns about the potential impacts of agricultural emissions pricing but believe our greatest chance of a workable, fair and equitable system will be achieved by remaining in the partnership.
- We will not agree to a pricing framework that puts the viability of sheep and beef farmers at risk. In parallel, we will also be working to get the methane targets adjusted and calling on the Government to put limits on forestry offsets as these two issues are interrelated.
- Regarding farmer engagement. There has been significant farmer engagement since the end of 2021, when concrete information became available – see B+LNZ's response to Proposal Five for more information on the method of engagement and the number of farmers that provided input.
- Farmer engagement resulted in changes to what the partnership originally proposed to the Government in December 2021 (B+LNZ emailed all its levy payers about this on 8 June 2022 and this email is available on our website – changes included: effectively moving the sequestration baseline; greater emphasis on addressing concerns about costs and impacts on profitability and viability; more principles for setting prices and incentives to ensure that different farming systems and sectors are treated equitably; options for potential price relief; integrating with IRD and other farm systems and a simplified calculator to become more sophisticated over time).

FARMER PROPOSAL EIGHT

Proposer of remit: Roger Dalrymple

That B+LNZ commits to ongoing unrelenting advocacy for a different pricing mechanism to what was recommended in the 'HWEN' proposal (and the subsequent response to government) whilst ensuring the following principles are upheld in full:

- Pricing is at only at the margin and aligns with accepted “no additional warming” science.
- Sectors are responsible for their own targets and trajectory towards targets.
- Equity – there is no sector cross-subsidization and more extensive farming systems do not bear the brunt of meeting the target.
- Low administrative burden and cost.
- Sequestration is dismantled from the taxing system and recognised and rewarded elsewhere (not paid for by farmers).
- Certainty on pricing and timeframes and target trajectory.
- Costed and robust research and development strategy which is funded by a separate and transparent levy and where the levy bodies are accountable for reporting and delivery.
- No modelled additional emissions leakage.

Proposer's arguments for remit

The proposal that BLNZ agreed to via the HWEN partnership deviated from many of the principles initially outlined in the framework. As a result, the partnership recommended a system which has created an enormously expensive and bureaucratic administration (\$68-\$84m per annum), uncertainty by means of “negotiated” price, reductions towards the target which will largely come from the sheep and beef farming community as intensive farming systems will simply pay the tax, and where any farmer funds that may be left at the end of the money-po-round will contribute to research and development.

Until there are actual mitigations able to be employed, it is a wasteful use of farmer funds to create and administer a system where there are few options other than planting with subsequent stock reductions. In addition, this system, as delivered by the partnership, becomes a tax (or levy) in perpetuity where farmers can never achieve “success”.

Creating a “levy” to pay for sequestration (nitrous oxide), administration and incentives (methane and nitrous oxide) where there are no current or impending mitigations is a wasteful use of farmer funds and means that the levy price cannot be reduced from that which has been proposed because the “system” needs to fund itself.

All existing native and other woody vegetation (not currently in the ETS) could be accounted for and recognised as an offset to sit within a different system (eg a broader ETS or a biodiversity credit regime) and where this recognition and reward is funded not by farmers but by NZ Inc.

The government picked up much of what was delivered by the partnership in the recommendations and whilst they did make some important changes, the platform that the partnership gave them in the form of the recommendations meant it was flawed from the outset. Whether this was because the government membership within the partnership meant that they were constrained from exploring a much more innovative, effective and equitable mechanism or whether it was for some other reason, we do not know.

Whilst this remit is being presented to the Board after the process has concluded, it emphasises that farmers do not accept what was agreed to in the first instance, and gives BLNZ clear principles in any future discussions from which there should be no deviation.

Beef + Lamb New Zealand response to remit

- B+LNZ agrees with and has advocated for (and continues to) the following:
 - What farmers are asked to do should be fair and equitable, shouldn't threaten farm viability or result in emissions leakage.
 - The Government has recognised the disproportionate impact on sheep beef and deer farmers of its earlier proposal and committed to ensure that the impacts are equitable across sectors – we're working to ensure it's fair across sectors.
 - The latest pricing proposal (released prior to Christmas) committed to track emissions reductions progress by each agricultural sub-sector to ensure that no one sector is bearing too much of the burden and changes could be made to pricing as a result.
 - We have sought to apply an approach where pricing is at the margin (without using Grandparenting) and have tried to seek certainty on the price that farmers will face. The Government in their latest statement before Christmas committed to applying the lowest price possible. We are advocating for the price to start no higher than 5c per kilo of methane.
 - Any administration must be the most efficient and using synergies with any existing systems and processes eg IRD.
 - A major achievement in this process has been to get greater recognition of the vegetation on sheep and beef farms that is sequestering carbon. This does not go far enough, but is a platform to build off. If farmers are to face a price for their emissions they have to get proper recognition of their sequestration. Our ultimate objective is for these categories of vegetation to be included in the ETS, because then it will be paid for by all tax payers, but the Government has indicated it could not do this by 2025. Therefore, we have sought to include this sequestration in the initial pricing framework and over time we will transition this sequestration to the ETS.
 - We agree there needs to be a robust and transparent research and development strategy. B+LNZ along with DairyNZ has played a key role in developing this strategy with Government, researchers and Māori – it was released prior to Christmas – the ongoing governance of this strategy is currently being developed.
 - We agree that there should not be emissions leakage as a result of this pricing framework. Any price on emissions should be very low until there are technologies that farmers can use to reduce their emissions without having to reduce livestock numbers. As demonstrated by Life Cycle Analysis that B+LNZ released late last year we are one of the most efficient producers of lamb and beef in the world and it makes no sense for the planet to reduce our production if this gap is filled by less efficient producers.
 - The framework reflects the fundamental science of methane being a short-lived gas. Methane is not in the ETS, has a separate price and there is no use of GWPI00. While a separate process, we are seeking for the methane targets to better reflect the science. The Government acknowledged late last year that GWP* would be considered in the review of the methane targets in 2024.