

Waimakariri Irrigation Ltd

Winter 2017 Newsletter

Introduction

On 10 February 2016, WIL was issued with a five-year consent to Discharge Contaminants to Land, and a replacement Water Take consent that expires in 2031. In summary, the discharge consent removes the obligation for shareholders to obtain and hold their own land use consents for farming, which would otherwise have become a requirement for orange zone farmers by 1 January, 2016 and red zone farms by 2017. We will need to apply for a replacement discharge consent in 2021. The journey leading up to the issue of the discharge consent, and why shareholders supported a scheme-lead approach, is well chronicled in documents held on the WIL website.

While some of the discharge consent conditions might seem onerous and invasive, they are nothing in comparison to the conditions, costs, effort and time that would be required by a farmer if they were administering an individual consent. This is assuming farmers are able to obtain an individual consent in the first place without very restrictive conditions being applied. Initially the idea of having to complete farm environment plans (FEPs) and audits was seen by many shareholders as the first step towards the erosion of their rights to farm the way they wanted. Even further, the requirement to provide data and information would give the regulator the means by which to impose future restrictions. Almost the complete opposite has happened, with shareholders viewing the FEPs as a management tool and a means of tracking improved performance in terms of farming practise, profitability and environmental outcomes.

The Journey to GMP by 2020

Essentially the discharge consent puts WIL shareholders on a five-year journey. The initial step was the requirement to complete a FEP by September 2016, and have these audited by September 2017. Step two requires that all farmers meet Good Management Practise (GMP) by 2020 as per the Land and Water Regional Plan. By 2021, we want to have established a solid data and performance platform that will assist in the renewal of the discharge consent.

FEPs and the audit process

Shareholders achieved a significant milestone in September 2016 when in total 105 FEPs were completed for properties or enterprises over 20 hectares, and a further 84 properties of less than 20 hectares using the Environment Canterbury (ECan) Small Block Management Plans. At the time of writing, we are 75 percent through completing audits for the FEPs, a requirement by September this year.

Overall, shareholders can be very proud of their on-farm efforts and approach to environmental stewardship. This was reinforced in a meeting that several Directors attended last week, during which ECan, and a number of Government agencies, congratulated WIL on being leaders at the forefront of adopting technology to refine on-farm systems to achieve improved environmental

outcomes. It was well recognised and appreciated that as a collective, WIL shareholders have spent their efforts towards finding and implementing solutions, rather than ‘fighting against the system’, knowing that the inevitable will happen regardless.

What is GMP?

We are now 16 months into the five-year journey and with the initial FEP and audit process being in near completion, our focus is now on meeting GMP by 2020. Most shareholders are well on their way, with the actions required to meet GMP documented and outlined in their FEP.

There are numerous interpretations of GMP, with some taking a strict ‘numbers approach’ by using Overseer and the ECan Farm Portal as tools to measure compliance.

WIL’s interpretation of GMP (often referred to as GMP booklet) takes a very practical approach and focuses on the following on-farm practices to ensure nitrogen losses are reduced to acceptable levels:

- Only irrigate when needed, this is achieved through active scheduling using inputs from soil moisture monitors, flow meters and weather forecasting.
- Make sure your irrigation system is working properly, this is achieved through regular inspections, maintenance and calibration.
- Ensure effluent is stored, managed and applied properly.
- Manage the amount and timing of fertiliser inputs.
- Manage farming operations to minimise direct and indirect losses of nutrients and sediment into water. This includes the fencing off of water ways and springheads.
- Identify Whole Farm characteristics using the FEP and maintain accurate and auditable records of annual farm inputs, outputs and management practices.
- At a scheme level, increase reliability through storage.

So essentially, rather than spending our efforts debating the Overseer and Portal numbers, which are in the long term important, we are encouraging shareholders to focus on improving farm practices between now and 2020. By achieving the outcomes listed above, nutrient losses will reduce significantly and we expect that the ‘compliance numbers’ will be met by default.

As mentioned earlier, WIL’s environmental team of Paul Reese and Dugald McLean are 75 percent of the way through auditing the 105 FEPs. On all properties, there are areas where improvements can be made, but, on the whole, farm practices are very good. Most importantly, in the few instances where they are not, there is an overall willingness and desire to get things right. Interestingly enough, shareholders are starting to share and compare audit results with each other, and being naturally competitive by nature, many are benchmarking themselves and actively taking steps to make improvements. This ‘default position’ alone will drive on-farm and environmental improvements well beyond any regulatory intervention, and the Directors of WIL have made this fact very clear to ECan Councillors.

The political environment

While the rate of on-farm and scheme change over the past 16 months has been phenomenal, the political environment in which we operate is still a 'hot bed of coals'. There is rarely a day that goes by without the issue of water or irrigation being at the forefront of media attention. This is even more so in the Waimakariri as we enter into our sub-regional planning phase.

Many of you will have attended a recent series of meetings during which the Zone Committee and ECan presented the results following the past 18 months of scientific research. One area of major concern is the rapid increase of nitrate levels in the Silverstream catchment. The science is indicating that one of the contributing factors to increased nitrate levels is the nitrogen leaching from the light soils up gradient of Silverstream and to the south of the Eyre River. The Eyre catchment area, as it is often referred to, covers a large part of the WIL scheme, so the issue of rapidly rising nitrates in the lowland streams is of significant concern to the scheme.

Zone Committees are made up largely of community representatives with a diverse range of interests, backgrounds and views. For some, their views do not necessarily align with farming interests, and, through the sub-regional planning process, are suggesting land-use change as a solution to improving environmental outcomes. If this were so, it could have significant social and economic impact on the farming community. There is not one WIL shareholder or farmer in this catchment who wants to see, or be responsible for, increased nitrate levels in the lowland streams. We have to be able to demonstrate to the community, and equally ourselves, we are making every effort to reduce nitrogen leaching.

Put bluntly, we are staring down the 'barrel of a gun'. As a scheme, we have two options. The first is to demonstrate to the community and regulators that we are taking every practical step to reduce/eliminate nitrogen leaching caused through irrigation, by adopting a programme of farmer-led initiatives, which will require effort, resources and leadership. Our second option is to do nothing and have the regulator dictate to us, and some of the extreme thinking coming out of the Zone Committee is that current farming production levels must cease in the Eyre catchment. The latter alternative is clearly not an option.

Company responsibilities

WIL as a company has a number of responsibilities to its shareholders and regulators. A major responsibility is securing future water consents by ensuring the company and shareholders are meeting the requirements of the numerous conditions for the existing discharge and water take consents, and reporting against these. The company also has a responsibility to ensure the race network and assets are fit for purpose and maintained accordingly to deliver shareholder water when and where required.

Most importantly the company is here to support shareholders and, when possible, look at ways of 'taking the headache' out of some of the challenges you face, particularly around FEPs and meeting GMP.

The company, through its shareholders, must take a leadership role in anticipating some of the actions that might be borne out of the sub-regional planning process.

One of the key findings through the audit process has been that improvements to irrigation scheduling are needed, justifying each irrigation event and record keeping. Each of the activities requires considerable time and effort, but they are critical to achieving GMP. We have had a lot of feedback from farmers, mostly highlighting their frustration around spending more time and money record keeping than being out on the farm trying to do things right.

What role can WIL play in providing a solution?

We believe there are advantages to finding a unified solution and using a common hardware and data platform to guide on-farm irrigation decisions.

At the 2016 AGM, Gavin Reed introduced the concept of providing scheme-led solutions for hardware delivery and data services, particularly around water management and irrigation scheduling. While there was general support for the idea, several shareholders drew our attention to the fact that some of them have already invested in equipment, and if the scheme was considering a unified solution it must find a way to ensure legacy equipment is retained and utilised.

Following the AGM, we issued a request to providers in the sector to put forward proposals on how they would work with us to meet the challenge of achieving GMP by 2020. After a formal, and competitive tender process, including an independent review of each proposal against a set criteria, the Board approved that the contract be awarded to a consortium led by Regen, including DataCol and AgriOptics. The contract includes the installation of flow meters, telemetry, soil moisture probes and an irrigation scheduling service on-farm along with a weather station network.

Proposals and bids were also received from Aqualink/Hydroservices, Aquamonix and NIWA.

The Regen solution will ensure that every farmer in our scheme has the tools and information to operate at GMP, and that standardised data is collected across the scheme, ensuring consistent reporting to meet the schemes consent requirements.

Implementation of the project is in the detailed planning phase now. Briefly it will be completed over the coming 18 months. Shareholders operating south of the Eyre River will be included in the first phase to be rolled out between now and the commencement of the coming irrigation season. The immediate prioritisation of this group of farms is very important. Current thinking is that GMP will be sufficient to meet required environmental outcomes for farms north of the Eyre River, but that something more will be required in the south zone, where, in areas like Silverstream, nitrate levels exceed accepted limits. Therefore, it is important that farms south of the Eyre River meet GMP as soon as possible.

What does investment in this project mean for shareholders?

- To meet GMP and regardless of the system adopted, all farmers will need to invest in flow-metering, soil moisture monitoring, telemetry, and demonstrate and record that each irrigation event has been justified. This scheme-led project provides the solution.
- We recognise this is not a one-size-fits-all solution and, following a detailed on-farm audit of existing equipment and systems that will be completed in July of this year, each farm will have its own customised package and install.

- A weather station network will be installed across the scheme in stage one, thus providing all shareholders with some level of service from day one. WIL invests and pays for the weather station network.
- Each farmer pays for their own on-farm equipment, install and service costs. No group or individual will be receiving a benefit (other than that provided to all shareholders via the scheme) other than what they have paid for.

This is an exciting time for shareholders and the scheme, and while not minimising the effort and resources we will be expecting shareholders to invest, we are confident we have chosen a solution that is proven in the market, cost effective and has an economic benefit for all shareholders taking on the system. The last thing we want to do is interfere with your day-to-day operations or choices, instead we are offering shareholders a solution that should be compelling enough and stand on its own feet in terms of competitive pricing and the level of service offered. There are already a large number of shareholders with Regen services on their property so this is essentially an extension of an existing service.

We would like to provide more detailed information and we intend on holding a series of meetings planned for the 22 and 28 June, 2017. There will be an evening meeting and two scheduled for the daytime, which will allow shareholders to work around their farming schedules.

The shareholder information meetings are as follows, these will last 1 to 2 hours each:

Thursday **22 June – 1.00pm** A&P Room Oxford Town Hall (30 Main Street)

Wednesday **28 June – 1.00pm** Oxford Jaycee Hall (56 Main Street)

Wednesday **28 June – 7.00pm** Oxford Jaycee Hall (56 Main Street)

For those shareholders who are south of the Eyre River, we will contact you individually by email and/or phone and provide you with additional information.

The overarching principle is that we want all shareholders to participate in this project as the benefits and value sit within the farm, but also uniquely extend well beyond the farm gate. The benefit of ‘big data’ should not be underestimated, meaning that the cooperative principle of ‘all in’ should ideally apply.

As we did with the nutrient management policy (NMP) and other projects, we always take shareholders on the journey with us. With this project, we want to give you the same opportunity and we urge you to attend the meetings next week.

Wrights Road Storage Project update

As previously reported, the Environment Court process is currently in adjournment. In September 2016, the Court issued an Interim Decision indicating that the Court was not in a position to make a final decision as it considered there were still a number of outstanding matters to be addressed.

Of the outstanding items, a few related to engineering matters that required points of clarification rather than anything of material concern, noting that the design has already gone through exhaustive reviews (including that of an independent peer-review panel). The key item the Judge

wants addressed before the Court resumes is the preparation of a close-to-final emergency evacuation plan (EEP). This is an activity that is normally addressed as part of a consent condition, with most EEPs on other dam building projects being prepared just prior to the filling of the dam. Due to the concerns raised by ECESS, the Judge has taken the view that this matter should be addressed in advance of its decision to grant consent or not.

WIL has engaged GNS to prepare the EEP, which has turned out to be a very involved and multi-staged process as it requires considerable consultation with the community. Initial consultation meetings were held in September and again in February of this year. It is anticipated a final round of consultation meetings will occur in late July or early August. The next step in the Court process is a further exchange of evidence, with the presiding Judge approving the following timetable:

- WIL will circulate its evidence in chief by 18 August, 2017;
- the Appellant (ECESS) will circulate its evidence by 15 September, 2017; and
- WIL rebuttal evidence and evidence from the respondents (ECan and Waimakariri District Council) will be circulated by 29 September, 2017.

The Court has not yet set a date for the resumption of the Hearing. The length of time this is taking is very frustrating, but we need to ensure that the EEP is properly integrated into a managed plan framework and existing Dam Safety Management System and documentation. WIL considers it very important that the best effort possible is put into both preparing the plans and consulting with the appellant and the local community on their content.

341 Litres Project and race upgrades

When the offer of 4,546 new water shares was made in October 2016 (referred to as 2016 shares or new water) it was made clear in the Product Disclosure Statement (PDS) that WIL might require the successful applicants to contribute to or meet the costs (including consultant and contractor costs) of any upgrade required to the Scheme to deliver the new water to the applicants. The quantum and timing of upgrade costs incurred by any one shareholder are to be determined on a case-by-case basis.

Following the issue of the shares, we were then able to determine where shareholders required the water to be delivered, and based on this information we engaged MWH and NIWA to assess existing race capacities and identify any upgrade work required to deliver the new water. This assessment and survey work is now complete. We now know that, in order to get new water to shareholders, certain work will be required across parts of the scheme; this work and associated costs have been split into three categories:

- Works that would normally be considered as part of WIL's annual maintenance programme, these costs will fall to WIL;
- general scheme upgrade work that would be required regardless of the new water, these costs will fall to WIL; and
- works that can be directly attributable to getting new water to the individual shareholder, in this instance the individual shareholder will meet the costs.

MWH is currently preparing cost estimates and in early July we expect to discuss this with the individual shareholders concerned.

The main works that will be undertaken this year include an upgrade to the Cust Pumps pipeline and the replacement of some large culverts along MR7 with bridges.

Rooney Earthmoving is currently preparing a design/build quote to fully line approximately 1000m of the Main Race immediately upstream of the Box Section cut. This section is regularly monitored for leaks and seepage. There is clear evidence that as flows increase along this section during high demand, seepage along discrete sections of the race increase accordingly. As part of our risk-prevention strategy, our engineers consider it prudent that this section of the race is lined. Ngai Tahu Farming will be meeting the majority of these costs in accordance with our Implementation Agreement. The most difficult part of the project is maintaining up to 2.1 cumecs of stock water flow through the works period.

2017/2018 water charges

In line with years prior to 2016/2017, the Board is announcing that the water charge is being increased by the annual CPI movement. This year the charge will increase 2.3% from \$17.55 per share (2016/2017) to **\$17.95** per share (2017/2018).

Schedule of requests to purchase shares

The company maintains a register of requests to purchase shares. If you are interested in purchasing shares, and to ensure our register is kept up to date, can you please advise the company of your intentions by sending an email to brent.walton@wil.co.nz

Feedback

In this newsletter, we have provided a summary of the key activities that will be happening over the next few months. If you have any questions or suggestions, please do not hesitate to contact me on 0220 869986 or at brent.walton@wil.co.nz

We look forward to seeing you at one of the shareholder engagement meetings next week.



Brent Walton
General Manager