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NEW ZEALAND CENTRE FOR POLITICAL RESEARCH

PROTECTING OUR FUTURE

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The latest data from Statistics New Zealand shows that over the first three months of this year our economy contracted by 0.3 percent, the first period of negative growth in two and a half years. If the economy shrinks in the June quarter, as is expected, then New Zealand will officially be in a recession.

The two main reasons given for the downturn are the slumping housing market and a 4.1 percent fall in agricultural production as a result of the drought. The impact of the drought is a stark reminder of just how important agriculture is to the New Zealand economy.

The primary sector remains the backbone of New Zealand's prosperity. Last year it earned 47 percent of the country's export returns of \$35 billion. Dairying was the single biggest export earner with receipts of \$7.5 billion, or 21.6 percent of the total. Meat exports ranked second with \$4.3 billion or 12.4 percent. In third place, wood exports were worth \$2.1 billion, or 6 percent.¹

The primary sector exports around 90 percent of all of the food produced in New Zealand. This is in sharp contrast to Australia, which only exports a quarter of its food production. An estimated 40 percent of New Zealanders are employed in the food industry.²

New Zealand's prosperity has, of course, always been dependent on farming. The reforms of the eighties were the catalyst in transforming an inefficient and highly subsidised industry into the world leader it is today. Whether it is through animal breeding or feeding, fencing, stock management, or technological advancements, the innovation and productivity increases that define the whole agricultural sector have enabled Kiwi primary exports to remain internationally competitive - in spite of the distance from our markets and entrenched trading partner protectionism.

That's why it is incomprehensible that a New Zealand parliamentary party is undermining the farming sector. The Green Party should be ashamed of itself for blaming farmers for increasing food prices, when farmers, like everyone other New Zealander, are facing rising costs caused by increasing fuel and power prices, higher mortgages, and an escalation in rates and other government charges.

In fact, it is Green Party policies like biofuels, emissions trading schemes, and an over-reliance on solar and windpower that are the cause of much of the cost pressure increases that are occurring in New Zealand and around the world. That is why their call for an inquiry into supermarket pricing smacks of hypocrisy and political game-playing -

especially in light of their opposition to the government's proposal to delay the entry of farming into the emissions trading scheme.

The government has estimated that at a conservative price for carbon of \$50 a tonne, under their proposed emissions trading scheme agricultural payouts will fall by 12 percent for dairying, 21 percent for beef, 34 percent for sheep and 43 percent for venison.³

Anyone who has even the most rudimentary understanding of our economy will realise that these charges will not only ruin the viability of the farming sector and cause food prices to escalate to unprecedented levels, but will further undermine the wealth of all New Zealanders.

Looking back to when New Zealand signed up to the Kyoto Protocol, it would be reasonable to assume that the government would have wanted to protect the critical agricultural industry from the cost of carbon pricing. Instead our government did the opposite and included agricultural

emissions in its Kyoto obligations making New Zealand the only country in the world to have agricultural emissions included as a part of its Kyoto Protocol commitments.

According to the Ministry for the Environment, in 2003 New Zealand's greenhouse gas emissions consisted of 46 percent carbon dioxide, 35.4 percent methane, 17.9 percent nitrous oxide, with Hydrofluorocarbons, Perfluorocarbons and sulphur hexafluoride accounting for some 0.5 percent of gross emissions. Agricultural emissions of methane from ruminants and nitrous oxide from fertilizer make up 48.5 percent of the total.

New Zealand's methane emissions are largely produced by ruminants as a by-product of enteric fermentation, which is the process of digestion that occurs within in their complex stomachs. Professor David Bellamy, this week's NZCPR Guest Commentator, in his article "Cows and Sheep May Safely Graze?" puts it this way:

"Cows and sheep are Mother Nature's own brand of internal combustion engines. They get their energy by "burning" cellulose the same stuff wood is made of... Both of these amazing mammals depend on teeming hordes of ever smaller, internal combustion engines, (mini beasts, yeasts and bacteria) that live within their complex stomachs. Chewing is not enough to crack open the tough cellulose packaging that wrap the goodies in each and every plant cell. To release the energy rich fuels, (sugars, proteins and fats) stored within the cellulose boxes that make up the grasses and herbs, they need

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the power of the digestive enzymes of all their internal helpmates. Without these, all cud chewing ruminants and non-vegetarian humans could not gainfully graze."

David goes on to explain: "Exhaust from these internal combustion engines both large and small contain carbon dioxide and methane and thereby hangs my tale. The molecules of carbon that make up their flesh, wool, hide, burps and farts is not fossil carbon. It was sequestered from their pasture rarely longer than a year and most within a few days before their release back into the atmosphere. Although somewhat modified by human influence they are part of the 97% of the main cycle of carbon dioxide that makes the living world go round. Not the 3% that the global warmers say are tipping the World, towards an omnivore driven Armageddon." To read David's article, see www.nzcpr.com.

Agricultural consultant Robin Grieve further analysed methane emissions in a recent article in Straight Furrow stating: "A milking cow each day eats 7kgs of carbon in the grass. 25kgs of CO₂ were removed from the atmosphere to produce that carbon (CO₂ is 28% carbon). Each day, she emits, as a byproduct 300 to 500gms of methane. Methane breaks down to CO₂ and water after eight to 10 years, so the methane a cow emits does not add to the methane in the atmosphere, it simply replaces it. The methane becomes CO₂, which becomes grass which the cow eats. It all goes around and around, so there should be no tax to pay. Even if we follow the Kyoto Rules and assign a value to methane emissions of 20 times CO₂ then the 300 to 500gms of methane equate to 6 to 10kgs CO₂. The cow has removed 25kgs of CO₂ from the atmosphere and emits 6 to 10kgs CO₂ equivalents in methane. She is in credit between 15 - 19kgs".⁵

So the question that needs to be asked is why are farmers going to be massively penalised by the government for the production of methane by their stock, when this is simply part of a natural cycle which ultimately results in more greenhouse gases being removed from the atmosphere than being put back into it?

The fact that this information is now only just seeing the light of day demonstrates the hasty thinking and shallow justification that underpins the whole politically driven

Kyoto Protocol process.

New Zealand farmers should not be penalised for the inadequacies of those who invented the scheme. They need political leaders who will question the legitimacy of these matters on their behalf, mindful of the fact that the only way that other countries have successfully reduced their emissions of methane is by reducing livestock numbers. To expect New Zealand farmers to follow this course of action and exacerbate the world food shortage crisis and destroy the backbone of our economy is lunacy.

Farming leaders have warned that the imposition of Kyoto taxes at the levels being talked about in the emissions trading bill, will critically damage the viability of our most important export industry. With world demand for dairy products and meat growing each day, not only as biofuels cause widespread food shortages, but as China and India increase their requirement for western diets, the outlook for New Zealand agricultural exports has never been brighter. Similarly, with the increasing price of oil impacting on the production of synthetic fibres and cotton, the future for wool exports is looking increasingly rosy.

To impose unnecessary political restraints on farmers at this time is foolish. Political parties should be looking at ways that they can encourage farmers to increase their production (in an environmentally responsible way, of course) so that the whole country can enjoy the benefits of a continuing agricultural boom.

This week's poll asks: Do you think that if the government's proposed emissions trading scheme goes ahead, agriculture should be excluded?

FOOTNOTES

1. Statistics NZ, Gross Domestic Product: March 2008 Quarter.
2. Charlie Pedersen, Emissions Trading <http://www.fedfarm.org.nz/n470.html>
3. Emissions Trading Bill.
4. Ministry of the Environment, New Zealand's Emissions Profile.
5. Robin Grieve, Greenhouse Gas Emissions in Balance.

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