

Before the Independent Hearings Panel

under: the Resource Management Act 1991

in the matter of: Submissions and further submissions in relation to the proposed Otago Regional Policy Statement (Freshwater parts)

submitter: **Fonterra Limited**
Submitter ID FPI019

Statement of Evidence of Suzanne Patricia O'Rourke

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STATEMENT OF EVIDENCE OF SUZANNE PATRICIA O'ROURKE

INTRODUCTION

- 1 My full name is Suzanne Patricia O'Rourke.
- 2 I hold a Bachelors of Arts (Honours) from Canterbury University and a Postgraduate Diploma in Resource and Environmental Planning from Waikato University.
- 3 I have been working in the resource management field for 23 years.
- 4 I joined Fonterra as the National Environmental Policy Manager in November 2021. My role is to manage Fonterra's environmental policy portfolio for its manufacturing and logistics activities across New Zealand and lead its involvement in Central government, Regional and District policy and planning development processes.
- 5 Prior to this I was employed for six years as the Team Leader, Coasts & Inland Waters at Waikato Regional Council with responsibility for reviewing and approving resource consent applications within the Coastal Marine Area under the Waikato Regional Coastal Plan and in waterways under the Waikato Regional Plan. I also oversaw monitoring, compliance, and enforcement functions for all activities within these environments. For 10 years before this I was the Consents Team Leader at Waipa District Council reviewing and approving District Council resource consent applications.
- 6 I also worked as a Consultant at AECOM for four years both preparing resource consent applications for private sector clients and territorial authorities and assisting various district councils including Thames Coromandel District Council, Hauraki District Council and ex-Manukau City Council with their duties including resource consents processing. I have worked as a Development Control Planner for the London Borough of Hammersmith and Fulham and as a Planner for Hamilton City Council.
- 7 I am a full member of the New Zealand Planning Institute.
- 8 I am a certified Resource Management Act decision maker through the Making Good Decisions programme provided by the Ministry for the Environment.
- 9 I am familiar with the proposed Otago Regional Policy Statement (Freshwater parts) (*PORPS-FPI*), the submission made by Fonterra Co-operative Group Limited (*Fonterra*) in November 2022 and Fonterra's further submission made in February 2023. I am not providing this evidence as an expert. I am authorised to provide this evidence on behalf of Fonterra.

SCOPE OF EVIDENCE

- 10 In my evidence I will provide or discuss:
- 10.1 an overview of Fonterra and its South Island and Otago operations;
 - 10.2 the broader strategic and legal considerations;
 - 10.3 Fonterra's freshwater strategy; and
 - 10.4 Fonterra's investment in its Stirling site.

OVERVIEW OF FONTERRA, ITS SOUTH ISLAND AND OTAGO OPERATIONS

Fonterra Overview

- 11 Fonterra was formed with the passing of the Dairy Industry Restructuring Act 2001 (*DIRA*) and a vote among farmer members of the New Zealand Dairy Board, New Zealand Dairy Group and Kiwi Co-Operative Dairies to manage those entities.
- 12 Fonterra is New Zealand's largest company, and a significant employer, with more than 11,000 New Zealand based staff and more than 7,500 employees based overseas. Fonterra owns 28 manufacturing sites, 5 brand sites and 3 logistic/distribution sites in New Zealand.
- 13 In 2022 Fonterra was one of the top six dairy companies in the world with a turnover of around \$24 NZD billion annually¹. Fonterra is owned by over 9,000 New Zealand dairy farmers who supply more than 16 billion litres of milk each year. Our global supply chain stretches from farms all over New Zealand to customers in more than 130 markets worldwide.

Fonterra's South Island Operations

- 14 Fonterra owns and operates 28 dairy manufacturing sites throughout New Zealand (refer to **Attachment 1**). Nine of these sites are located within the South Island.
- 15 The South Island sites are a mix of small and large sites and include some of the largest Dairy Manufacturing sites in the world at Clandeboye, Edendale and Darfield.

Otago Region

- 16 Fonterra's activities in Otago span the dairy supply chain. They include:

¹ [502210 Rabobank Global-Dairy-Top-20-2022 Ledman Aug2022.pdf](#)

- 16.1 the on-farm production of milk by Fonterra's farmer shareholders;
 - 16.2 the milk's subsequent processing at Fonterra's Stirling milk processing site near Balclutha; and
 - 16.3 the transportation of finished products to the Mosgiel Distribution Centre, from where they are sent to the Port of Otago for export to domestic and international markets.
- 17 In the 2021 / 2022 season there were 393 active dairy farms in the Otago region. This means there are a large number of people employed in the dairy industry in Otago. Dairy industry employees include people working in various areas from on-farm production of milk, to advising farmers on management and sustainability, to processing, services and logistics. Of the 393 active dairy farms in Otago, 78% hold a Farm Environment Plan (*FEP*) with Fonterra. Helping its farmers set up *FEPs* to document and deliver good farming practices continues to be a key priority for Fonterra.
- 18 In the 2021 / 2022 dairy season, the Otago region's dairy farms produced a total of 92.5 million kgs of milk solids. This contributed in the order of \$360 million to the regional economy with much of this entering the Otago economy. Dairying represents a very significant part of the Otago (and wider New Zealand) economy.

Stirling

- 19 Fonterra has two key assets in the Otago region, being the Stirling dairy manufacturing site near Balclutha, and a distribution centre at Mosgiel. The Mosgiel site, being a distribution centre, does not discharge to water and this is not addressed further in my evidence.
- 20 The Stirling site is an important site for Fonterra and the Otago Region. To enable the continuation of Fonterra's milk processing operations it has undertaken significant continued investment at the site. In 2007, Fonterra upgraded the wastewater treatment plant at a cost of approximately \$10 million. More recently, the site transitioned from using a coal fired boiler to a biomass boiler and is now operating fully on renewable wood biomass energy. This new infrastructure will contribute more than \$13.5 million to the local economy. I discuss this project further in paragraphs xxx – xxx below.
- 21 There is an extensive regime of resource consents that enable activities at the site. This includes ten resource consents held with Otago Regional Council, including eight consents for discharge activities (two to discharge to water, two to discharge to land and four to discharge to air), a consent for a water take and a consent for works on contaminated land. Further consents have been granted by Clutha District Council to accommodate land use

activities including activities enabling expansion at the site. Fonterra's consenting programme initiates re-consenting of activities at all its sites five years before the expiry of resource consents. This ensures that site activities can continue to operate lawfully and provides certainty to Fonterra that sites such as Stirling will be part of its ongoing operations. Stirling site operations and its associated discharges are discussed further in the evidence of **Mr Watt**.

Environmental performance and continuous improvement

- 22 Fonterra is committed to increasing efficiencies and reducing emissions and effects associated with milk collection and its subsequent processing.
- 23 A key method for achieving this is through the certification and implementation of an environmental management system (*EMS*), which is certified to the ISO 14001:2004 standard. The ISO standard provides the framework for improving environmental performance over time. It does this by, amongst other things, embedding an ethos around continuous improvement (plan-do-check-adjust cycles) into the company's systems and culture, considering a life-cycle perspective, and ensuring that the site understands the needs and expectations of its stakeholders and community.
- 24 Fonterra is also committed to reducing its environmental footprint, and has over the years introduced a number of initiatives including:
- 24.1 measures to reduce water use across our sites by ensuring it is as efficient as possible;
 - 24.2 committing to a 30% reduction in manufacturing emissions by 2030 and aspiring to net zero emissions for our manufacturing sites by 2050; and
 - 24.3 transitioning our manufacturing sites which use natural gas to more sustainable sources such as biomass, biogas and electricity from renewable sources.

STRATEGIC AND LEGAL CONSIDERATIONS

- 25 Fonterra was established with the passing of the Dairy Industry Restructuring Act (*DIRA*).
- 26 The *DIRA*, amongst other things, requires Fonterra to:
- 26.1 pick up and pay for milk from farmers who hold shares in Fonterra;
 - 26.2 accept all applications to become a shareholding farmer; and

- 26.3 accept all participants to increase the volume of milk supplied by a shareholding farmer.
- 27 Accordingly, as milk supply grows through either increased production at an existing farm, or through the conversion of other forms of agriculture to dairy, Fonterra is obliged to collect, pay for and process that milk, if an application is made to it to do so.
- 28 The only ability Fonterra has to reject 'new' or 'increased' supply is under sections 94 and 95. These sections allow for rejection if the supply of milk is less than 10,000 kilograms of milksolids or if the cost of transporting the milk of the new entrant exceeds the highest cost of transporting another shareholder farmer's milk. This means that Fonterra (in principle) needs to ensure that it has enough capacity across its manufacturing network to process all the milk supplied to it on any one given day. Milk not collected due to a lack of processing capacity would need to, at worst, be discharged on-farm, which can potentially have both environmental and economic consequences.
- 29 Fonterra is also required to supply to its competitors up to five percent of milk collected for processing. A competitor can choose to take this milk one day, but not the next. Fonterra, therefore, needs to ensure that it has milk processing capacity for all milk that can potentially be supplied to it including the five percent that may or may not be taken prior to processing by its competitors on a daily basis. The effect of this legislative requirement is that Fonterra must ensure that it has surplus processing capacity at each of its sites.
- 30 The processing capacity required by Fonterra is based on the projected maximum volumes of milk produced on-farm at any one time. This generally occurs over what is called the 'peak milk' period between September and November each year. This period coincides with the return of cows to milking post-calving (noting that calving is earlier in the North Island (around June/July) compared to the South Island (around July/August) due primarily to climatic conditions that stimulate spring grass growth).
- 31 Amplifying the importance of Fonterra's ability to maintain an interdependent manufacturing network is that often on-farm milk production in the North Island (which commences before the South Island) exceeds processing capacity during the peak-milk period. Consequently, in some years Fonterra transports large volumes of milk from the North Island by rail to its southern sites for processing. South Island manufacturing sites, including Stirling, are therefore critical in ensuring that all milk provided to Fonterra is able to be processed. This noting that in recent years on-farm milk production in the South Island has also exceeded processing capacity, and milk has consequently been transported to the North Island.

- 32 A current strategic goal for Fonterra includes maintaining a strong focus on delivering value from New Zealand milk while recognising that future milk growth is expected to be flat to declining. Annually, Fonterra reviews its strategic focus and also revises its asset plans to respond to changes in the business's focus.
- 33 Fonterra has a focus on replacing aged assets with new assets that can increase value from the milk, along with replacing boilers and wastewater treatment plants to support its sustainability ambitions. These works will generally be completed on current brownfield sites but at times may need to be outside the existing footprint.
- 34 Fonterra is seeking a policy and rule framework that enables the protection of existing industries, such as milk processing facilities in rural areas, whilst allowing for some flexibility particularly to accommodate sustainability and innovation initiatives.

FONTERRA'S FRESHWATER STRATEGY

- 35 Fonterra has developed an internal 'Freshwater Policy' (*FWP*) to ensure there is a consistent approach to freshwater policy matters at a national, regional and local level.
- 36 The policy states that Fonterra will participate in all freshwater planning processes, such as the Otago Regional Policy Statement Freshwater plan process, and take an approach that seeks to recognise and provide for the activities necessary to enable Fonterra's milk processing operations.
- 37 In terms of wastewater discharges more specifically, the *FWP* sets out that Fonterra's preference is to discharge wastewater to land. However, the *FWP* also recognises that there may be practical and operational limitations such as land availability, climatic conditions, topographical constraints and food quality requirements that mean discharges to land are not always practicable.
- 38 The Stirling site is subject to some of these limitations. As explained in Mr Watt's evidence the discharge of wastewater to land is primarily constrained by the availability of surrounding suitable land and its topographical characteristics. For these reasons it is not practicable for the site to discharge its wastewater to land and requires the option to discharge wastewater to water to enable its operations to continue.
- 39 At a national level Fonterra is committed to increasing efficiencies and reducing emissions associated with milk collection and its subsequent processing. This means that when considering its water use and wastewater practices, Fonterra will continue to seek opportunities that are environmentally sustainable, deliver continuous improvement and reflect leading industry practice. The

requirement to deliver ongoing environmental improvements is endorsed through Fonterra's FWP.

FONTERRA'S INVESTMENT AT THE STIRLING SITE

- 40 Recent activity at the site involves the transition from using a coal fired boiler to a biomass boiler. In December 2021 resource consent was granted to establish the 1.5 megawatt biomass boiler, and to discharge associated air contaminants. Following commissioning the existing coal boiler will be decommissioned and the resource consent for this activity will then be surrendered.
- 41 Since 22 May 2023 Stirling has been using 100% wood biomass as renewable thermal energy. Fonterra is working with locally owned Pioneer Energy to source the wood biomass. Installation of the new infrastructure will contribute more than \$13.5 million to the local economy and support an estimated 10 jobs in the wood biomass industry. This change is part of Fonterra's strategic approach to replacing coal fired boilers at their remaining nine sites with biomass boilers by 2037. As a result, and based on a 2018 baseline, there will be a 30% reduction in emissions from manufacturing operations by 2030.

CONCLUSION

- 42 Fonterra is significant both nationally and to the people and communities of Otago. Fonterra makes a significant contribution to the economic and social wellbeing of the Otago region and to the sustainable management of natural and physical resources in Otago.
- 43 It is important that the PORPS recognises the continued investment that Fonterra makes at its Stirling site, to provide certainty for future operations and investment decisions.
- 44 The PORPS must provide appropriate direction in relation to situations where discharges to water may be better than land-based discharges.

Dated: 28 June 2023

Suzanne O'Rourke

Attachment 1

