

**IN THE MATTER**

of the Resource Management Act 1991

**AND**

**IN THE MATTER**

of the application by Jerome Luiten to subdivide an existing 3.2083ha property located at 561 State Highway 1, RD1 Kauri into three lots being: Lot 1 (1.76ha); Lot 2 (0.87ha (0.69ha net site area)); and Lot 3 (0.61ha)

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**STATEMENT OF EVIDENCE OF ROWAN HARTIGAN ON BEHALF OF  
FONTERRA LIMITED**

**CORPORATE**

**1 FEBRUARY 2018**

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## 1. INTRODUCTION

- 1.1 My name is Rowan James Hartigan.
- 1.2 I am the Operations Manager for Fonterra Limited's ("**Fonterra**") Kauri Milk Processing Site ("**Kauri Site**"). The site is located at 560 State Highway 1, Kauri, just north of Whangarei. In this role, I am responsible for managing the operational aspects of the Kauri Site, and its associated activities. I am authorised to give this evidence on Fonterra's behalf.
- 1.3 My career at Fonterra and its legacy companies has spanned 22 years with me starting as a mechanical engineer originally. I am a qualified tradesman, have a diploma in manufacturing management and have spent the last 9 years working in operations within the business, upskilling and developing my career towards operations management. I have been an operations manager for the past 5 years, having joined Kauri Site earlier this year.
- 1.4 I have worked at the Kauri Site on and off since joining Northland Dairy Cooperative originally in 1995, but have also spent time at Fonterra's Edgecumbe, Hautapu and Maungaturoto sites throughout my career in engineering management and operations management roles. When the second drier at Kauri and the Fractionation butter plant was built in 1998 I worked as a project engineer supporting the building and commissioning of those plants so am familiar with the site operation.
- 1.5 I am familiar with the application made by Mr Luiten to subdivide his property at 561 State Highway 1, Kauri into three rural residential lots ("**application**").

### **Scope of evidence**

- 1.6 This statement of evidence addresses Fonterra's submission in opposition to the application, including:
- (a) a brief description of Fonterra, including an overview of its requirements under the Dairy Industry Restructuring Act 2001;
  - (b) a description of Fonterra's Kauri Site including its strategic importance for Fonterra's operations; and
  - (c) an overview of Fonterra's key concern with the application – which I understand are called reverse sensitivity effects.

## **2. FONTERRA'S OPERATIONS**

- 2.1 Fonterra is one of the top six dairy companies in the world by turnover, the leading exporter of dairy products, and is responsible for more than a third of international dairy trade. Fonterra is owned by approximately 10,600 New Zealand dairy farmers, who supply more than 15 billion litres of milk each year. Fonterra's global supply chain stretches from farms all over New Zealand to customers and consumers in more than 140 countries.
- 2.2 Fonterra is New Zealand's biggest company, and a significant employer, with around 22,000 people employed around the globe. It owns 30 manufacturing sites within New Zealand and processes 84 percent of New Zealand's total milk production (2015/16 season). Last season, Fonterra exported from New Zealand 2.5 million metric tonnes of dairy products to international markets.
- 2.3 Fonterra is committed to operating sustainably and contributing to communities, aiming to produce the most nutrient dense food with the least environmental impact. This involves using our resources responsibly across the dairy value chain and tracking our performance with regard to water, carbon, energy use and waste.

### **Fonterra's obligations under the Dairy Industry Restructuring Act**

- 2.4 Fonterra was established in 2001, with 84% of New Zealand dairy farmers voting to confirm the merger of the New Zealand Dairy Board, New Zealand Dairy Group and Kiwi Co-operative Dairies and the passing of the Dairy Industry Restructuring Act 2001 ("**DIRA**").
- 2.5 The DIRA requires Fonterra to (amongst other things):
- (a) pick up and pay for milk from farmers who hold shares in Fonterra;
  - (b) accept all applications to become a shareholding farmer; and
  - (c) accept all applications to increase the volume of milk supplied by a shareholding farmer.
- 2.6 Accordingly, as milk supply grows through either increased production at an existing farm, or via the conversion of other land to dairy, Fonterra is obliged to collect, pay for and process that milk.
- 2.7 Fonterra needs to ensure that its milk processing facilities operate efficiently and can process all milk supplied. The efficient operation of Fonterra's

manufacturing sites, without undue constraint, is therefore essential to Fonterra's business.

### **3. FONTERRA'S INTERESTS IN THE WHANGAREI DISTRICT**

3.1 Fonterra's key operational interest within the Whangarei District is the Kauri Milk Processing Site ("**Kauri Site**") located on State Highway 1 at Kauri, 10km north of Whangarei.

3.2 The Kauri Site was established in 1989 by the Northland Dairy Company, with a single drier and one anhydrous milkfat plant. By 2001, when Fonterra was formed, the Kauri Site had expanded to include an additional four plants and a second drier. One of the driers was upgraded in 2006 to allow for the processing of nutritional products (for example, infant formulas). The Kauri Site is one of only two plants in New Zealand capable of producing such products.

3.3 The Kauri Site is essential to Fonterra's milk processing capacity in the Northland region. Given its location, the Kauri Site can receive milk from any Fonterra supplier farm north of Auckland. It processes up to 3 million litres of milk per day and operates 24 hours a day for 47 weeks a year. In addition to nutritional products, the Kauri Site produces whole milk powder, skim milk powder, speciality powders, butter, anhydrous milk fat and speciality milkfat products. In the 2016 / 2017 season the site produced 123,000 tonnes of product.

3.4 The Kauri Site employs approximately 380 people, as well as providing direct and indirect employment for contractors and other businesses in and around Whangarei District.

3.5 Fonterra has worked closely with Whangarei District Council to ensure that the operation of the Kauri Site is protected into the future. As explained in Mr Chrystal's evidence, Fonterra participated in the recent rural plan changes to the Whangarei District Plan for this very reason.

### **4. FONTERRA'S PRIMARY CONCERN – REVERSE SENSITIVITY**

4.1 Fonterra's key concern is the potential for reverse sensitivity effects. That is, the potential for incompatible sensitive activities to locate near Fonterra's existing industrial operations. Allowing sensitive activities to establish can result in limitations on Fonterra's existing operations, or prevent it from

expanding in the future. Reverse sensitivity effects are addressed in detail by Mr Chrystal. However, I consider it is worth pointing out that Fonterra often receives complaints about aspects of its operations, even in complying situations. Recent examples include complaints about the operation of Fonterra's sites at Culverden (Hurunui), Te Rapa (Hamilton) and Mosgiel (Dunedin).

- 4.2 The application proposes to create two new rural residential lots, directly across the road from the Kauri Site. The application will ultimately bring two new households into close proximity of the Kauri Site, where no such sensitive activities currently take place. In other words, the application will result in two new households closer to the main body of the Kauri Site than any other existing residential activity.
- 4.3 Of significant concern to Fonterra, is that the application would bring those two new households into the Site's Noise Control Boundary. As explained by Mr Chrystal's evidence for Fonterra, the Kauri Site is lawfully able to generate 55dB of noise between 7am and 10pm and 45dB of noise at night time at the edge of the Noise Control Boundary. Because the application's subdivided sites will be within the Noise Control Boundary (that is, closer to the Kauri Site than where the limit applies), those sites could be subject to even greater levels of noise.
- 4.4 While the Kauri Site's other potential effects (odour, traffic or visual effects) may be less significant, there is still potential for complaints to occur, resulting in constraints on the Kauri Site over time. My experience is that different people have different levels of tolerance to adverse effects. What one person finds acceptable may be intolerable to someone else. This is particularly the case given that the two proposed subdivided sites will be the closest residential lots to the Kauri Site.

## **5. CONCLUSION**

- 5.1 The Kauri Site is a critical part of Fonterra's upper North Island manufacturing infrastructure and constraints on the Kauri Site could have significant impacts on Fonterra's business. Fonterra considers that the application has the potential to cause significant reverse sensitivity effects on the Kauri Site.
- 5.2 Fonterra therefore asks that the application be declined.

**Rowan Hartigan**  
**1 February 2017**