



# **Rural Development Strategy**

## **Rural Commerce, Industry and Economy: Issues and Options**

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## 1 Introduction

The strength of the rural economy has historically underpinned the development of Whangarei District. However, in recent years, as the local economy appears to have diversified, the contribution of the rural economy to the wider economy has fallen as a proportion. Despite this relative fall, Whangarei District Council has a substantial component of its population living in the rural environment, many of whom work within the other industries located in Whangarei City. The purpose of this background report is to identify those aspects of the rural economy that are important to the Rural Development Strategy.

## 2 State of the rural economic environment

This section of the report provides a general overview of the make-up of Whangarei's rural economic environment. Many of the facts and figures have been derived from the background reports to the recently adopted Growth Strategy: Sustainable Futures 30/50.

### 2.1 Scale and size

Pastoral farming (including sheep and beef) covers nearly 40% of the District's land area whilst dairying and forestry each cover around 21%. These figures suggest that approximately 82% of the District's land area is used for agricultural purposes, although the forestry percentage does include indigenous forests.

Agriculture, forestry and logging combined, contributed 7.5 % to Whangarei's 2010 GDP<sup>1</sup> which is the 6<sup>th</sup> largest contributor out of a total of 17 industries identified for the District as a whole (Infometrics, 2010). Another industry often associated with the rural economy, mining, contributed only 0.3% to the GDP, ranking it 17<sup>th</sup> in the list of industries contributing to the District's GDP (ibid). Table 1 illustrates these details.

**Table 1 Broad industries ranked by contribution to GDP (2010)**

Rank		Whangarei		New Zealand
		GDP (\$m)	% of total	Share of total
1	Manufacturing	397	21.6%	12.4%
2	Business and property services	204	11.1%	14.7%
3	Wholesale and retail trade	184	10.0%	13.0%
4	Ownership of owner-occupied dwellings	175	9.5%	6.8%
5	Health and community services	169	9.2%	5.6%
6	Agriculture, fishing and forestry	138	7.5%	6.3%
7	Government administration and defence	98	5.3%	5.1%
8	Finance and insurance	74	4.0%	7.5%
9	Construction	71	3.9%	4.1%
10	Electricity, gas and water supply	64	3.5%	2.0%
11	Education	62	3.4%	3.3%
12	Transport and storage	58	3.1%	4.5%
13	Unallocated	47	2.6%	2.6%
14	Cultural, personal and other services	36	2.0%	3.1%
15	Communication services	35	1.9%	6.3%
16	Accommodation, restaurants and bars	25	1.3%	1.5%
17	Mining	6	0.3%	1.2%
<b>Total</b>		<b>1,843</b>	<b>100%</b>	<b>100%</b>

Source: Infometrics, 2010 Annual Economic Profile Whangarei

<sup>1</sup> Gross Domestic Product or GDP is a measure of economic output. It is equal to the sum of the value added at every stage of production by all the industries. (Infometrics, 2010).

In terms of secondary industries, producing goods from raw materials directly derived from the primary sector such as food and wood manufacturing, contributed 6.6% to the 2010 GDP (see table 2 below) (ibid).

**Table 2 Detailed industries ranked by contribution to GDP (2010)**

Rank		Whangarei		New Zealand
		GDP (\$m)	% of total	% of total
1	Petroleum, chemical, plastic, rubber manu	203	11.0%	1.2%
2	Ownership of owner-occupied dwellings	175	9.5%	6.8%
3	Health and community services	169	9.2%	5.6%
4	Business services	122	6.6%	9.0%
5	Retail trade	121	6.6%	6.0%
6	Agriculture	88	4.8%	5.0%
7	Property services	82	4.5%	5.7%
8	Finance and insurance	74	4.0%	7.5%
9	Construction	71	3.9%	4.1%
10	Electricity, gas and water supply	64	3.5%	2.0%
11	Wholesale trade	63	3.4%	7.1%
12	Central government admin and defence	62	3.4%	3.7%
13	Education	62	3.4%	3.3%
14	Transport and storage	58	3.1%	4.5%
15	Wood and paper product manufacturing	56	3.0%	1.7%
16	Forestry and logging	49	2.7%	1.2%
17	Unallocated	47	2.6%	2.6%
18	Machinery and equipment manufacturing	38	2.1%	1.7%
19	Local government administration	36	2.0%	1.4%
20	Communication services	35	1.9%	6.3%
21	Food, beverage and tobacco manufacturing	33	1.8%	4.4%
22	Non-metallic mineral products manufacturing	30	1.6%	0.5%
23	Personal and other community services	26	1.4%	1.4%
24	Accommodation, restaurants and bars	25	1.3%	1.5%
25	Metal product manufacturing	18	1.0%	1.2%
26	Printing, publishing and recorded media	12	0.6%	0.9%
27	Cultural and recreational services	10	0.5%	1.7%
28	Mining	6	0.3%	1.2%
29	Furniture and other manufacturing	4	0.2%	0.3%
30	Textile and apparel manufacturing	3	0.2%	0.5%
31	Fishing	1	0.1%	0.1%
<b>Total</b>		<b>1,843</b>	<b>100%</b>	<b>100%</b>

Source: Infometrics, 2010 Annual Economic Profile Whangarei

As a contributor to growth, agriculture has declined its overall importance in recent years, whilst it appears that the forestry industry, both primary and secondary, is growing in importance (Infometrics 2009). However, given that most recent activity was in the midst of the global financial recession, and the increase price in commodities across the board, this period of decline may be arrested. In the recent update by Infometrics, the contribution to GDP appears to be increasing, although there is no parallel growth in the labour force.

In terms of employment in the rural economy, it appears that there has been a long term decline in the overall workforce employed within the Whangarei rural sector. Over time across New Zealand, there has been an increase in so-called off-farm employment or multiple job holding where family members take work off the farm as well as an increase in non-farming activities such as rural tourism (Robertson et al 2007). Whilst some of this off-farm employment occurs in rural areas, much of this off-farm work is undertaken in the urban areas.

As well as the overall quantum of gross domestic product, it is also possible to look at how the money is spent, in terms of tracking the flow of a dollar spent in an industry, and how often it is spent locally. Of note are the economic figures taking into account the multiplier effect<sup>2</sup> and weighted impact<sup>3</sup> which indicate the importance of forestry and logging (weighted impact 198.46) and wood product manufacturing (weighted impact 125.19) with 1<sup>st</sup> and 7<sup>th</sup> place respectively in a list of 53 sectors (see Table 3) (Infometrics, 2009).

Meat and dairy manufacturing (weighted impact 99.11) and dairy and cattle farming (weighted impact 66.77) take 11<sup>th</sup> and 14<sup>th</sup> place respectively (ibid). Overall, it suggests that in the forestry sector, the dollar flows locally, whilst in terms of the dairy and cattle farming sectors, more of the dollar flows outside of the local economy, possibly in the form of purchasing new technology.

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<sup>2</sup> Multiplier – is an estimate of the induced impact of activity in one sector on economic activity in the whole of the study area; or the extent to which an activity will stimulate further activity within the area. The higher the multiplier for a given sector, the more this sector will generate further economic activity with the area, thereby contributing to the economic growth of the area.

<sup>3</sup> Weighted impact refers to the adjustment of the multipliers depending on whether the area has the opportunity to exploit the growth propensity within the given sector.

**Table 3 Multiplier analysis - Whangarei**

	No.	Industry	Weighted impact
1	6	Forestry and logging	198.46
2	32	Retail Trade	178.51
3	43	Ownership of owner-occupied dwellings	151.08
4	51	Other health and community services	149.99
5	9	Oil and gas extraction & distribution plus petrol refining ar	149.22
6	29	Other Construction	147.66
7	14	Wood product manufacturing	125.19
8	46	Central government administration and defence	112.06
9	30	Wholesale trade to non trade sectors	99.64
10	45	Other business services	99.57
11	10	Meat and Dairy Manufacturing	99.11
12	41	Real estate	95.91
13	25	Electricity generation, transmission and distribution	86.47
14	3	Dairy and cattle farming	66.77
15	50	Hospitals and nursing homes	63.58
16	48	Pre-school, primary and secondary education	62.54
17	47	Local government administration	61.99
18	34	Road freight transport	56.44
19	38	Finance and Banking	52.60
20	37	Communication services	51.24
21	28	Residential Construction	45.80
22	40	Services to Finance & Insurance	42.40
23	33	Accommodation, restaurants and bars	41.68
24	19	Non-metallic mineral product manufacturing	38.38
25	21	Structural, sheet & fabricated metal product man.	32.88
26	5	Services to agriculture, hunting and trapping	32.41
27	23	Machinery and other equipment manufacturing	31.78
28	36	Rail, water & Air Transport and Transport services	30.74
29	2	Livestock and cropping farming	30.67
30	53	Personal and other community services	29.35
31	44	Scientific research and computer services	29.28
32	22	Transport Equipment Manufacturing	28.80
33	31	Wholesale trade to trade sector	28.26
34	1	Horticulture and fruit growing	27.29
35	11	Other food manufacturing	25.98
36	42	Equipment hire and investors in other property	22.04
37	49	Other education	20.87
38	52	Cultural and recreational services	20.31
39	35	Road passenger transport	17.51
40	27	Sewerage, drainage and waste disposal services	15.37
41	16	Printing, publishing and recorded media	14.88
42	18	Rubber, plastic and other chemical product man.	13.44
43	4	Other farming	13.23
44	39	Insurance	8.02
45	7	Fishing	7.39
46	8	All non-oil&gas mining, plus services to mining	7.36
47	24	Furniture and other manufacturing	5.98
48	13	Textiles and apparel manufacturing	5.59
49	26	Water supply	4.69
50	12	Beverage, malt and tobacco manufacturing	1.02
51	15	Paper and paper product manufacturing	0.64
52	20	Basic metal manufacturing	0.35
53	17	Chemicals incl fertiliser, ind chem and personal chem	0.00

Source: Infometrics, Drivers of Economic Growth in the Northland Regional Economy

On a forward looking basis, the growth potential of a sector in terms of the extent the sector contributes to **extra** growth in the area, is denoted from the marginal impact which, for Whangarei, again indicates the importance of wood product manufacturing (marginal impact 2.57) as being 1<sup>st</sup> on the list of 53 industries, and forestry and logging (marginal impact 1.81) being 4<sup>th</sup> on the list (see Table 4) (ibid).

**Table 4 Marginal Impact – Whangarei**

	<b>No.</b>	<b>Industry</b>	<b>Marginal Impact</b>
1	14	Wood product manufacturing	2.57
2	51	Other health and community services	2.07
3	29	Other Construction	1.81
4	6	Forestry and logging	1.81
5	45	Other business services	1.39
6	41	Real estate	1.29
7	32	Retail Trade	1.27
8	46	Central government administration and defence	1.01
9	40	Services to Finance & Insurance	0.71
10	47	Local government administration	0.70
11	34	Road freight transport	0.61
12	25	Electricity generation, transmission and distribution	0.59
13	50	Hospitals and nursing homes	0.50
14	23	Machinery and other equipment manufacturing	0.47
15	28	Residential Construction	0.47
16	18	Rubber, plastic and other chemical product man.	0.46
17	44	Scientific research and computer services	0.44
18	19	Non-metallic mineral product manufacturing	0.42
19	38	Finance and Banking	0.41
20	21	Structural, sheet & fabricated metal product man.	0.36
21	33	Accommodation, restaurants and bars	0.34
22	27	Sewerage, drainage and waste disposal services	0.33
23	53	Personal and other community services	0.27
24	52	Cultural and recreational services	0.26
25	48	Pre-school, primary and secondary education	0.22
26	3	Dairy and cattle farming	0.22
27	30	Wholesale trade to non trade sectors	0.18
28	22	Transport Equipment Manufacturing	0.17
29	43	Ownership of owner-occupied dwellings	0.15
30	16	Printing, publishing and recorded media	0.14
31	49	Other education	0.11
32	4	Other farming	0.09
33	26	Water supply	0.06
34	39	Insurance	0.04
35	15	Paper and paper product manufacturing	0.02
36	5	Services to agriculture, hunting and trapping	0.01
37	42	Equipment hire and investors in other property	0.01
38	20	Basic metal manufacturing	0.01
39	12	Beverage, malt and tobacco manufacturing	0.00
40	35	Road passenger transport	0.00
41	17	Chemicals incl fertiliser, ind chem and personal chem	0.00
42	24	Furniture and other manufacturing	-0.03
43	36	Rail, water & Air Transport and Transport services	-0.05
44	13	Textiles and apparel manufacturing	-0.09
45	11	Other food manufacturing	-0.10
46	1	Horticulture and fruit growing	-0.15
47	8	All non-oil&gas mining, plus services to mining	-0.20
48	31	Wholesale trade to trade sector	-0.39
49	37	Communication services	-0.47
50	7	Fishing	-0.47
51	2	Livestock and cropping farming	-0.54
52	10	Meat and Dairy Manufacturing	-0.64
53	9	Oil and gas extraction & distribution plus petrol refining ar	-0.99

Source: Infometrics, Drivers of Economic Growth in the Northland Regional Economy

Whilst the multiplier effect gives a mixed bag of results in terms of primary production, the agricultural industry is important in terms of ‘spillover’ effects. A spillover effect is when the growth in one industry spurs growth in other industries locally, even though there may not be any direct connection. The growth potential from agriculture is significant, as is the growth potential from wood and paper product manufacturing (ibid),



amongst the highest in the district figures. A positive primary production sector thus translates into more positive growth prospects in other industries.

When GDP is expressed as a percentage of gross output, it is possible to get an idea of which industry/sector returns more value for money. Based on 2008 figures for the whole of Northland, horticulture and fruit growing earned the best bang for buck within the agricultural sector, after services to agriculture, such as hunting and trapping (see Table 5). Overall, the service industries have higher GDP as a percentage of gross output than primary and secondary industries, reflecting the general pattern in New Zealand.

**Table 5 GDP and gross output by industry, 2008**

Detailed industry	GDP (\$m, current prices)	Gross output (\$m, current prices)	Share of total gross output	GDP as % of gross output
Horticulture and fruit growing	147.2	331.0	3.5%	44%
Livestock and cropping farming	101.9	290.5	3.1%	35%
Dairy and cattle farming	208.4	480.3	5.1%	43%
Other farming	21.9	79.3	0.8%	28%
Services to agriculture, hunting and trapping	95.4	205.3	2.2%	46%
Forestry and logging	96.4	307.8	3.2%	31%
Fishing	24.4	91.6	1.0%	27%
Mining and quarrying	22.6	53.2	0.6%	43%
Oil and gas	245.3	489.5	5.2%	50%
Meat and Dairy Manufacturing	94.3	450.9	4.8%	21%
Other food manufacturing	20.4	69.1	0.7%	29%
Beverage, malt and tobacco manufacturing	3.9	7.0	0.1%	56%
Textiles and apparel manufacturing	6.1	17.4	0.2%	35%
Wood product manufacturing	106.1	341.0	3.6%	31%
Paper and paper product manufacturing	1.0	3.0	0.0%	34%
Printing, publishing and recorded media	20.9	48.9	0.5%	43%
Chemicals incl fertiliser, ind chem and personal chem	31.7	105.0	1.1%	30%
Rubber, plastic and other chemical product man.	42.2	130.4	1.4%	32%
Non-metallic mineral product manufacturing	36.3	90.6	1.0%	40%
Basic metal manufacturing	0.1	0.2	0.0%	47%
Structural, sheet & fabricated metal product man.	31.7	89.6	0.9%	35%
Transport Equipment manufacturing	33.4	81.7	0.9%	41%
Machinery and other equipment manufacturing	35.0	93.6	1.0%	37%
Furniture and other manufacturing	13.3	34.6	0.4%	38%
Electricity generation, transmission and distribution	108.8	372.2	3.9%	29%
Water supply	7.8	15.2	0.2%	51%
Sewerage, drainage and waste disposal services	25.3	49.3	0.5%	51%
Residential Construction	37.0	196.5	2.1%	19%
Other Construction	168.6	508.0	5.4%	33%
Wholesale trade to non trade sectors	81.9	212.3	2.2%	39%
Wholesale trade to trade sector	25.5	67.1	0.7%	38%
Retail Trade	278.9	535.5	5.7%	52%
Accommodation, restaurants and bars	89.3	194.9	2.1%	46%
Road freight transport	43.6	93.5	1.0%	47%
Road passenger transport	19.6	43.6	0.5%	45%
Rail, water & Air Transport and Transport services	24.0	68.9	0.7%	35%
Communication services	41.5	70.9	0.7%	59%
Finance and Banking	88.6	139.1	1.5%	64%
Insurance	9.0	23.0	0.2%	39%
Services to Finance & Insurance	51.1	95.8	1.0%	53%
Real estate	293.5	424.1	4.5%	69%
Equipment hire and investors in other property	49.5	96.7	1.0%	51%
Scientific research and computer services	45.7	81.7	0.9%	56%
Other business services	191.4	364.8	3.9%	52%
Central government administration and defence	164.5	310.1	3.3%	53%
Local government administration	84.3	180.8	1.9%	47%
Pre-school, primary and secondary education	150.3	193.3	2.0%	78%
Other education	32.4	52.6	0.6%	61%
Hospitals and nursing homes	82.5	120.6	1.3%	68%
Other health and community services	241.3	408.9	4.3%	59%
Cultural and recreational services	44.1	93.3	1.0%	47%
Personal and other community services	60.0	113.7	1.2%	53%
Imputed rent	365.4	455.2	4.8%	80%
<b>Total</b>	<b>4,469.9</b>	<b>9,473.3</b>	<b>100.0%</b>	<b>47%</b>
Tourism	260.1	671.8	7.1%	39%

Source: Infometrics, Historical Performance of the Northland Regional Economy

## 2.2 Types of business in rural areas

The primary sector of our District would be unable to function properly without the support of the many service companies that exist, and vice versa. These companies are mainly found in the different urban centres of the District, in places like Kamo, Hikurangi, and Waipu, and in the small contracting and engineering firms found scattered within the rural sector.

Activities typically carried out are:

- Engineering Workshops/Mechanics/Service Station
- Transport and Storage Depot
- Quarry
- Processing Plants – Fruit Packing/Dairy Factory/Meat and Fish Processing
- Landfills
- Services to the primary production sector.

It should also be noted that schools, and other public services, also play an important role in the rural sector, not just in being the heart of the community, but also in providing a substantial component of the off-farm employment. In some locations, the school is the biggest local employer.

Other businesses contributing to the rural economy are retail services and visitor accommodation, as well as artisanal handicrafts and handcrafted foods, often associated with small-holders. Many, but not all of them, can be treated as home occupations. It is important for Council to ensure these types of business are properly provided for so as not to unnecessarily hinder development in the rural areas.

## 2.3 Scale of off-farm economy

Apart from primary industry, rural areas also provide for a substantial amount of residential living. Since 1972, the total number of farms nationwide has declined from about 220000 to 160000 in 2006 (Mulet-Marquis & Fairweather 2008) across most types of farming. This decline in numbers was due to both agglomeration of farm size and an increase in lifestyle blocks nation-wide.

The last decade has seen a proliferation of lifestyle blocks in Whangarei's Countryside and Coastal Countryside Environments. According to 2006 census data, 5,013 people, or 22% of the District's total employed population, live rurally but work in the urban area. Many of the owners and residents rely on income derived from full-time jobs in the city or city-fringes, with women often being the main off-farm income earners (OECD, 2009).

It is difficult to get a handle on the off-farm economy, especially as Whangarei District is generally contained within Northland estimates, but has a more diversified sub-economy (Infometrics 2009). Although small holdings often contribute to the rural economy by selling artisanal handicrafts and handcrafted foods, it is difficult to analyse their income in terms of the rural economy. More often than not, the land areas associated with them are not large enough to earn a full time living, thereby increasing the need for off-farm employment (Cook & Fairweather 2005). In the rural sector, multiple job holding has become an important aspect within the rural economy (Robertson et al 2007).

## 2.4 Infrastructure

Integral to the smooth running of the rural economy is the provision of appropriate infrastructure such as roading, electricity, telecommunications and water supply. However, the provision of such infrastructure can impose restrictions on some land use activities, such as when separation distances are required. Conversely, some land use activities can constrain the efficient provision of some utilities such as when structures and or trees are established, or when earthworks are carried out near supply lines.

It is important to balance provisions for all activities as they are all interdependent. Furthermore, climatic events such as storms and floods are able to significantly impact on infrastructure. Interruptions such as roads and bridges being washed away, fallen trees and power lines taken down are common occurrences during such events. Having to halt certain activities due to these disruptions has direct consequences for the economic situation. The repair and restoration of this infrastructure only adds to this economic impact.

In terms of water and waste water supply, only a small number of settlements benefit from reticulated services. In the majority of cases, rural landowners need to provide for their own supply. Often large dams are established to provide for stock drinking water or irrigation purposes. Although this is a solution of sorts,

such systems do have constraints, are vulnerable to climatic events such as droughts, and are quite resource intensive.

## 3 Policy Framework

### 3.1 National Level

#### The Local Government Act

The Local Government Act 2002 (LGA or the Act) provides a broad mandate for local authorities to involve themselves in economic, social, environmental and cultural issues. In section 3, the purpose of the Act is explained, including that it 'provides for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach.' This provision in section 3 is reinforced in section 10 which stipulates the purpose of local government as being 'to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future.'

The LGA introduces mandatory long term strategic planning in the form of Long Term Plans (LTPs). This kind of strategic planning enables local authorities to develop and realise visions of a sustainable future.

#### Resource Management Act

Section 5 of the Resource Management Act (RMA or the Act) clarifies the purpose of the Act as being: 'to promote the sustainable management of natural and physical resources'; with sustainable management meaning: 'managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety while...'

The RMA establishes a hierarchy of policy documents from national instruments to regional policy statements, and regional and district plans. This 'hierarchy' and requirement to ensure consistency between plans, is to promote sustainable management and ensure integrated management of natural and physical resources at a national, regional and local level. The majority of these plans provide direction about what kind of activities may be undertaken in certain environments depending on the related effects, thereby impacting upon land use activities in rural areas.

#### Regional Level Policy

Despite the broad mandate in the LGA for local authorities to involve themselves in economic issues, Northland Regional Council does not have a strategy or plan for the economic well-being of the region. The Regional Policy Statement and the various Regional Plans developed under the RMA, outline objectives, policies and rules in relation to the natural environment, such as water, air, and soil, which may impact upon economic activities undertaken within the region.

### 3.2 District Level Policy

The Long Term Council Community Plan lists as one of its community outcomes 'a vibrant and growing local economy'. To support this outcome, Whangarei District Council is planning on developing a District Economic Development Plan.

In relation to the RMA, the Whangarei District Plan contains objectives, policies and rules regulating the effects of subdivision and land use changes in, among other areas, the Countryside and Coastal Countryside Environments. The District Plan is not a document that proactively seeks to stimulate economic activity within the District. That is not its role. However, the regulations contained within it may influence the type of activities that take place within these Environments.

For example, the current rules permit certain commercial and industrial activities provided that the gross floor area does not exceed 500m<sup>2</sup> and it does not involve:

- Factory farming
- Wool scouring
- Rendering
- Motor vehicle manufacture and dismantling
- Rubbish disposal or landfills
- Sewage collection/disposal or septic tank sludge disposal

and it is not within 100m of any:

- Residential unity on a separate site
- Open space environment

Any other commercial activity that exceeds a gross floor area of 500m<sup>2</sup>, or is located within 100m of a residential unit or Open Space Environment is a Restricted Discretionary Activity, with Council's discretion limited to effects on dust, odour and other nuisance, hours of operation, effects on existing residences and effects on landscapes, ecological and amenity values.

Any other commercial activities that do not comply with the Permitted and Restricted Discretionary Activities are considered Discretionary Activities. Any other commercial activities are Non Complying.

### **Rolling Review of Operative District Plan**

Under the RMA Council is required to monitor the effectiveness of the District Plan and complete a review of all District Plan provisions within any 10 year time period. Monitoring of the Whangarei District Council Operative District Plan has identified areas of inconsistency and ineffectiveness, and has examined what new issues have emerged since the District Plan was first devised.

The District Plan will become a live document, as council staff will review chapters of the plan every year, in what is called a "rolling review". The rolling review examines whether the current objectives, policies and methods in the plan are consistent with legislation, and are working the way the community needs and wants them to.

The review will update the District Plan to recognise the role different areas of the District will play in the future, given the population changes and estimated economic growth over the next 10 years. These tie in with Council's long-term planning project Whangarei District Growth Strategy: Sustainable Futures 30/50.

## **4 Tangata whenua**

Council's recently adopted growth strategy, Sustainable Futures 30/50, received considerable input from tangata whenua on the four aspects of sustainable development i.e. culture, society, environment and economy. The growth strategy highlights the significant development opportunities that may arise in the future when Treaty claims are settled. Given that a large proportion of Maori land is located in the rural area of the District, these settlements may have the potential to impact upon the development of the rural economy.

The current work being undertaken by a number of agencies, including Council, around the enabling of papakainga housing will go some way to provide for Maori development. However, there may be other, wider, opportunities available with spin-offs for the whole District. It is important to establish good relationships and dialogue with Maori in order to facilitate such opportunities.

## **5 Stakeholder Consultation**

Initial discussions with a couple of stakeholders have highlighted some interesting points which may be worth deliberating.

### **5.1 Fonterra**

The dairy industry in Whangarei is unlikely to expand substantially as most of the land suitable for this activity has already been converted, although some opportunity for intensification may still remain. It is also noted that in terms of the Fonterra factory, expansion in the future will be constrained by access to quality water for growth and processing purposes. Furthermore, earnings in the industry are very much dependent on the economic climate of the day, and tend to be tied to a boom and bust cycle. The boom and bust cycle evident in the Infometrics report was partially due to occasional drought conditions.

Fonterra also noted the high cost to the company in terms of wear and tear on truck tyres due to the seal condition of our roads, in comparison with other regions around the country. This may have an impact on the cost-effectiveness of accessing some isolated areas.

### **5.2 Ministry for Agriculture and Fisheries (MAF)**

Looming changes to the Forestry Act should see more flexibility for farmers, Maori land owners and owners of native bush to derive a revenue stream from native trees. Amendments to the Act may enable the export of more indigenous timber, not only finished products, as is currently the case. Facilitating the export of manuka/kanuka chip is also envisaged.

The introduction of the Emissions Trading Scheme (ETS) is seen as providing another revenue stream for farmers, especially for land that is marginal, such as steeper, erosion prone hills. Instead of incurring costs to spread fertiliser, income can be derived from planting trees.

MAF has identified a large potential for totara production in Northland. Although rotations are longer than for pine, totara is a much higher value species, fetching prices of around \$1000/m<sup>3</sup> at the moment.

## 6 Observations, questions and issues to consider

### 6.1 Observations

- 1 Although the rural land area of the District is very large (approx. 82%), its relative contribution to the overall local economy is small (7.8 % of GDP).
- 2 There is little diversity among the larger agricultural land uses with the main players being dairy, meat and forestry, although this does not adequately capture small-holder activities
- 3 Although agricultural activities make a large contribution to local growth, expansion of the dairy industry is constrained by the availability of suitable land, the vast majority of which has already been converted.
- 4 In order for the Fonterra plant in Kauri to expand, it would have to bring in bulk milk from other regions and/or combine with the Maungaturoto plant.
- 5 There would appear to be a natural fit between the suggestion for growth potential in the forestry sector in the Infometrics reports, and the statements made by MAF for the large potential of production totara, and the emergence of the Sustainable Totara Working Group to facilitate this potential.
- 6 Within the agricultural sector, horticulture and fruit growing appears to have substantial earnings per ha, and that there is still potential for growth. However, the potential to exploit this is limited with only 1.8% of the District's land cover being classed as highly versatile and productive soils, and little of this is used for this purpose or is under threat. There is a need to commission research in terms of alternative crops potential, similar to the research carried out in North Kaipara and Southern Hokianga, to facilitate these opportunities and take into account climate constraints. Likewise, promoting food processing and export capacity would also appear important.
- 7 Other alternative crops and forms of economic activity are emerging, especially but not limited to the smallholder component of the rural population.
- 8 There have been differing levels of rural land development across the rural sector, with some locations receiving high levels of small-holder development, whilst other areas remaining relatively intact in terms of traditional production activities (e.g. Hikurangi, Hukerenui, Waiotira etc).
- 9 Impact of terrestrial agriculture on opportunities for aquaculture.

### 6.2 Questions

- 1 Is there potential to increase the earnings from forestry if growing higher value timber?
- 2 How much rural related industry occurs beyond the farm gate e.g. how much value added food production manufacturing within the Whangarei District or the creation of other products such as oils etc (e.g. Tatarol, Manuka Honey and Oils etc)? Are there opportunities to process seasonal food production of subtropical fruits and vegetables, or build a Whangarei/Northland brand in terms of agricultural products (Northland Volcanics)?
- 3 Should we explore the (financial) opportunities presented by emerging alternatives in crops and other forms of economic activity?
- 4 What opportunities for the local rural sector will emerge from population growth in Auckland?

### 6.3 Other general issues

- 1 Decreasing rural population who primarily work in the traditional productive sector and closure of agricultural support services
- 2 Lack of appropriate zones in the rural area for establishing support services.
- 3 Impacts of aging population on farm succession- especially the aging of farmers.
- 4 Agglomeration of farms and impact on wider rural community resilience.

- 5 Boom and bust cycle of current agricultural activities.
- 6 Vulnerability of current agricultural activities to climatic events such as droughts, floods and so on.
- 7 Lack of clear community focal points in the rural area – absence of ‘villages’ as both centres and service areas for social dynamics.

## **7 Options for consideration**

### **7.1 District Plan Implementation**

The provisions in the District Plan could be reviewed to ensure that the Plan facilitates the location of commercial and industrial activities directly associated with farming activities into the rural area, taking into account the potential for adverse environmental effects. Conversely, activities not complementary to primary production may be restricted. A variety of methods may be employed to achieve the desired outcomes, such as the introduction of objectives, policies, rules, new zones, and so on.

### **7.2 Rural Development Strategy Implementation**

Other, non-District plan methods may include Council facilitation of:

- 1 Scientific plant research for alternative crops (indigenous or exotic)
- 2 Sustainable native logging
- 3 The use of manuka and other indigenous species for productive purposes
- 4 Artisanal food production and markets
- 5 Emerging rural (eco)tourism

## 8 References

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