

## McCain Foods, Timaru 20<sup>th</sup> October ECan PC7 Hearing

### 1. McCain Operation in Canterbury – plant, products, growers

The McCain Foods potato French Fry plant in Timaru started production in 1993/94<sup>Season</sup>. With 7 potato growers supplying 14,000 tonnes of potatoes. This has steadily grown to process 30% of NZs potato crop, 140-150,000 tonnes of potatoes now with 12 growers. Most of the original farming families still supplying / growing potatoes on the Canterbury plains from Timaru to north of Rakaia. This equates to over \$40 million paid to these families and farming communities for potatoes annually, which in turn then flows through the local economy.

McCain directly employs 150 permanent employees plus seasonal and casual employees, with the growers employing 100 permanent employees<sup>IN EXCESS OF</sup> for potato production themselves, plus over 100 seasonal casual employees. In addition to this McCain supports all of the other upstream and downstream local suppliers, service providers, logistics into and out of the factory on truck and rail to NZ and international destinations.

McCain supplies French fries to all of the major Quick Serve Restaurants customers in NZ, as well as Retail and Food Service to NZ, Australia and South East Asia. 30% of McCain Timaru's production is for domestic consumption and 70% for export markets.

The McCain factory has numerous audit and management systems including environmental management system ISO14001 accreditation. All of our growers are required to have either GlobalGAP or NZGAP (Good Agricultural Practise) accreditation

McCain support commercial vegetable growing operations to operate at good management practise to protect our environment.

## 2. Relationships with growers, processing, investment, agronomy, R+D, and MGUS

McCain have a strong relationship with all their 12 growers, who have averaged over 20 years supplying potatoes to McCain. All growers are contracted 100% for certainty of supply and quality and to minimise waste. McCain's global focus on agronomy is extremely important, and we have always employed agronomists to work extensively with growers for best practise and technology uptake to reduce our environmental footprint.

McCain along with all of our growers invest in Research and Development through a fund, with each contributing equally and funding for production improvement and best practise across the supply chain in all aspects of potato production including environmental sustainability. Sitting on this committee are McCain agronomic employees, potato process growers, independent industry agronomists and potato seed representatives showing the unity and drive of our group and industry for improvement and sustainability.

McCain globally has just launched a McCain sustainability strategy, with targeted commitments - the pillars of Smart and Sustainable Farming, Resource Efficient Operations, <sup>Strong Ethics,</sup> Good Food, and Thriving Communities.

McCain is also a founding member of like minded industries who have formed the OP2B (one planet business for biodiversity) strategy to increase regenerative farming including soil health and increasing biodiversity across the globe. Our global CEO, Max Koeune, said recently "the benefit of having scale. As you put all those 18 companies together, we have about \$500 billion in revenues. When we decide to do something, we can get the ball moving a little bit". *hence Governments take notice.*

The rotation of land is vitally important to maintain the soil health, soil structure, water and nutrient holding capacity. Therefore maintaining the environmental improvements and increasing sustainability. In 2012 a project (Report Number PFR SPTS No 8706&8620) was initiated and funded by McCain, our growing community and others with Plant and Food Research as a research facility and provider to investigate yield limiting factors in potato crops including looking at fertiliser use, irrigation, soil structure, pests and diseases. The outcome of this research illustrated that farmers were using an adequate amount of fertiliser to match the potato yield they are targeting to produce, and the focus to make improvements was to improve soil structure and soil health by increasing potato crop rotation. In subsequent years projects (PFR SPTS No 10111&11950) then focussed on soil health and showed that the main factors limiting yields are

the presence of soilborne diseases, inadequate irrigation management and compacted soils.

This led to the extension of growers target <sup>a</sup> minimum <sup>of</sup> 7-8 year rotations between potato crops. Other crops in the rotations include wheat, barley, oats, processes peas, livestock (grass production), ryegrass, brassica and other small vegetable seed production, clover, carrots or onions, plus others.

Therefore the ability for growers to move between nutrient allocation zones to access this land is vital for a sustainable industry and farming community. And as shown has resulted in increased potato yields over time.

The alternative to long rotations is shortening rotations and going down the path of soil fumigation as happens in other parts of the world which leads to degradation of the soil biological health.

A tailored approach is required for commercial vegetable production. If land with high production value is to be realised for its food production purpose, while achieving catchment wide water quality improvements and other environmental benefits in the longer term. We support a sound scientific process to be used in the establishment of any assessment of nutrient losses on the Canterbury plains.

If you have low yielding potato crops through limited water availability or short crop rotation length, you therefore need more area of land to produce



the same volume of potatoes with the same inputs therefore a larger environmental footprint would occur.

An example of water requirement by crop:

- 1kg of potatoes requires 287 Litres of water
- 1 litre of milk requires 1,020 Litres of water
- 1 kg of beef requires 15,415 Litres of water
- 1 ha of potatoes can yield 3-5 times the quantity of grain crops
- Potatoes are the fourth most important food crop in the world after Maize, rice and wheat in terms of food consumption.

Growers are contracted to McCain on raw tonnage (volume) therefore the area of potatoes grown is controlled relative to investment and expansion of processing facilities if this occurs.

We support a collective consenting model for processing potatoes in the Canterbury region due the cohesive nature of our grower group and the fact that we have a data base on the soil types, fertility, fertiliser and water usage applied seasonally to the cropping area linked to GPS locations, and therefore historical records for future use.

3. A cap in the production area would mean NZ Potato production would become open to more competition from around the world, and the global market and would become reliant on a level of imports.

4. A cap on a future increase in growing area would mean a halt on investment in capital for expansion of the Timaru plant and weaken our global competitiveness.

The graph shows our increased volume and area over the last 10 years, increasing by 25%.

McCain Foods Timaru is part of a global network of 51 plants, a family business owned by the McCain families. To remain efficient and to compete globally for market share we will need the ability to expand our factory for volume and high yielding/competitively priced potatoes, and to ensure that continual capital expenditure occurs in Canterbury for the benefit of the business, our farmers and community.

*Just to get Canterbury's Potato Production in perspective.*

A Comparison of Potato Production in NZ to the Netherlands;

Netherlands – 41,500 Sq kms      Canterbury Region – 45,000 Sq Kms

Netherlands Arable Land – 1.3 million hectares      Canterbury Plains – 800,000 hectares

So the Canterbury Plains arable land is 2/3's the size of the Netherlands equivalent.

Netherlands - 1.6 million dairy cows - Canterbury 950,000 cows

so reasonable balanced Canterbury at 2/3's would be 1.1 million

Netherlands 164,000 hectares in Potatoes - Canterbury 7,000 hectares

So Canterbury is 6.5% by area comparison

*Netherlands have short crop rotations by comparison and hence the graph shows declining yields.*

Netherlands 7 million tonne total annual Potato crop - Canterbury 320,000 tonne. So Canterbury is circa 7% by volume comparison.

*Commitment 8.*

An example of our investment in sustainability is the new solar array at the McCain factory in Ballarat where construction of a renewable energy system that will reduce emissions from the Ballarat food processing facility by more than 27,000 tonnes of CO<sub>2</sub> per year. The project, which will house Australia's largest "behind-the-meter" renewable energy system, will subsidize McCain's energy consumption in Ballarat by 39 per cent. The 8.2 megawatt (MW) system plans to utilize a combination of solar and co-generation technology.