

UNDER THE RESOURCE MANAGEMENT ACT 1991

IN THE MATTER OF an application for resource consent by **FONTERRA FARM SOURCE** to establish and operate a rural supply store and undertake a two Lot subdivision at 2475 South Road, Okato.

Council Ref: LUC18/47378 and SUB18/47165

**STATEMENT OF EVIDENCE OF ANNE DOUGLAS ON BEHALF OF FARM SOURCE
(BEING THE TRADING NAME FOR RD1 LIMITED, A WHOLLY OWNED
SUBSIDIARY OF FONTERRA CO-OPERATIVE GROUP LIMITED).**

28 March 2019

INTRODUCTION

1. My full name is Anne Judith Douglas, I am the *Director – Marketing* for Fonterra Farm Source and was appointed to this role on 11th March 2019. Previous to this I was the *General Manager – Category Strategy and Retail Development* for 3½ years and *General Manager - Human Resources* for 1 year for Fonterra Farm Source. Prior to that I worked in the UK for ten years primarily with *Land Securities*, the UK's largest Real Estate Investment Trust. In addition, during my time in the UK, I worked as part of the core start-up team establishing a new furniture retail company across three locations in the UK.
2. My qualifications include: Masters of Science (Industrial and Organisational Psychology); Bachelors of Commerce/Bachelors of Science conjoint degree (Psychology, Management and Economics).
3. In the matter of the present application I act on behalf of Farm Source as Applicant Representative.

ABOUT FONTERRA FARM SOURCE

4. Fonterra Co-operative Group is a global dairy nutrition company owned by around 10,000 New Zealand farmers and their families, united by a fundamental belief in the power of dairy to make a difference to the world. We work together with farmers to unlock every drop of value from the milk they produce and share its goodness with the world. Fonterra was formed in 2001, but through our legacy co-operatives, we've been in this together with generations of Kiwi dairy farmers since 1871. Our Co-op's strength lies in the fact we are a business owned and controlled by our farmers, with a common goal to produce the best milk and secure the best returns, while maintaining our commitment to sustainability and our communities. We fly the flag for New Zealand in more than 100 countries and deliver dairy to more than 1 billion people across the world.
5. Farm Source is a business unit of our Co-op, which represents our commitment to our farmers. From 69 stores around New Zealand to numerous other services, Farm Source brings the collective strength of our Co-op to the regions where our farmers live and work. It provides a powerful support role for day-to-day operations on dairy farms. Our Farm Source regional teams bring a blend of specialist dairy knowledge and product expertise to ensure the best possible solutions are available to individual farms.
6. The collective buying power of our Co-operative comes into play in our stores, helping to lower the cost of rural supplies for all our customers. Our stores also offer a range of complimentary facilities where farmers and the wider community can meet to do business or just catch up over a coffee. With access to in-store deals and partner discounts, our Farm Source offering easily

add ups and brings real value for our customers. For example, in the 2018 financial year, Farm Source provided \$19.3 million in discounts for everyday farming supplies. That included \$6.7 million saved on fuel and \$1.5 million saved on power. A deal with Mazda saw our farmers buy 208 vehicles purchased with a combined discount of \$2.9 million.

7. Given our commitment to our shareholder farmers and our commitment to invest in rural communities across New Zealand, Farm Source has been focused on transforming our offering to farmers and customers. The transformation is about delivering more value in an increasingly competitive retail environment by not only providing a comprehensive retail offering but also facilities that farmers and customers can use for meetings, access to support and advice, financial tools, online services and a loyalty scheme. In the 2018 financial year, our strategy helped deliver savings of around 10c/kg milk solids for an average sized Fonterra farm purchasing farm supplies exclusively from Farm Source.
8. Farm Source also has an extensive store development programme designed to transform and enhance our rural supplies store footprint across 69 locations in New Zealand. We are rebranding, refreshing and updating our stores to deliver better services and better value for our customers. This programme has been a core component of the Farm Source strategy since its rebrand (from the previous "RD1" brand) in 2015. To date, we have completed new store developments and existing location store refurbishments for 44 of our stores across New Zealand.
9. Following our new development in Inglewood (which opened in October 2016), we announced the Co-operative's intentions to specifically invest in the Taranaki region, an important region for dairying in New Zealand since the 1800's. Today, dairying is still an important contributor in Taranaki. NZIER have recently reported that over 4,300 people are employed in the dairy industry, dairy farming supports approximately 950 jobs in other sectors (such as agricultural equipment, forage crop production, fertilizer production and support services) and dairy processing supports a further 90 jobs (approximately) in other sectors (including railway, freight services, R&S, manufacturing, storage and warehousing) in the Taranaki region. Dairying is estimated to account for 11.1% of Taranaki's economy (\$975 million in 2017) and is the top income generator in Taranaki ('How does the dairy sector share its growth?' NZIER Report, October 2018).
10. This investment is about bringing the full value of Farm Source to the very heart of the farming communities in the Taranaki region through developing five new stores (Inglewood, Stratford, Kaponga, Waverley and Okato) and three refurbished stores (Waitara, Hawera and Opunake). We have completed our stores at Inglewood, Stratford, Kaponga, Waitara, Hawera and Opunake. We have resource consent for our development at Waverley and are planning to commence work in August 2019. The only outstanding development from a resource consent approval point of view is Okato.

PROPOSAL AND SITE

11. Following our announcement of the proposed investment in the Taranaki region, we commenced investigations to secure an appropriate location in coastal Taranaki (the catchment between Oakura and Pungarehu). As part of this process, as is standard in our normal business case work, we mapped out the location of all our existing customers and Fonterra shareholders. This mapping process helps us identify suitable locations in the heart of our farming communities that are optimal for all shareholders and customers.
12. Our investigations identified Okato as the most suitable location when factoring in milk solids, travel distances, suitable land use, space on the outskirts of town, and the opportunity for our investment to add value to a rural community.
13. Having identified Okato, we engaged both CBRE and Livingstones to investigate potential sites for our development. It has proved very difficult for us to identify suitable land even when we extended our search beyond Okato through coastal Taranaki. However, given our commitment to rural New Zealand, as the leading rural supplies company, we remained committed to investing and have taken our time to find an appropriate site. After 12 months of investigating various potential sites, we were pleased that this location received positive endorsement from New Plymouth District Council (NPDC), New Zealand Transport Agency (NZTA) and the vast majority of our rural community. We have no identified alternative location.
14. Farm Source is now seeking Resource Consent to develop our new store in Okato. The projected development costs related to this project is approximately \$2.5m, representing a significant investment in coastal Taranaki.
15. We know from our extensive experience of developing new stores in New Zealand, and especially in Taranaki, that we are creating safe and attractive community spaces that are highly valued by our customers. The sign on the side of our store says that this is 'Our Place' which reflects the aspiration and reality of the impact that our stores have in their local communities. It is clear that our customers really appreciate the fact that our stores go beyond just helping them with their day-to-day retail needs but also play a role in creating a social hub and sense of community. *"They've actually been really good with community stuff and just bringing people together over the last month, I'd like to see them continue to do that, supporting farmers."* and *"I'm happy with [Farm Source]. I'm happy with the more community minded way they operate."* (Verbatim feedback from our independent monthly customer experience survey in 2018, completed by The Research Agency).
16. Farm Source has provided the information included in the application on staff numbers and existing and proposed traffic generation figures and considers these figures to be accurate

given our in-depth knowledge of the day-to-day operations and comparable existing rural supply stores in Taranaki.

POSITIVE EFFECTS

17. Our development programme is a significant investment in Taranaki and specifically in Okato, which Farm Source expects to result in numerous positive effects for the local community and the wider District. Some of these positive effects include the following:

- (a) There are a range of economic benefits associated with Fonterra's development in Okato:
 - a. During the development, we have committed to using local contractors and estimate that this development will create six months of work associated with the construction program in the Taranaki region with a total development value of \$2.5m. Further, the Farm Source retail operation itself currently employs 55 FTE (full time equivalent) roles in Taranaki with 7 FTE's dedicated for the proposed Okato store (an increase from the number of staff currently operating our Pungarehu store).
 - b. Through the operation of our retail business, we know that we generate business for other local entities through our daily retail operations, meetings and events hosted at our stores (cleaning, catering, maintenance, accommodation and the like). For example, in the twelve months following the opening of our Inglewood store we generated \$41,000 spend in the local community. In Okato, we expect there to be direct positive benefits for the Hotel and Service Station specifically.
 - c. As Fonterra is a New Zealand owned co-operative, the money our farmers are paid for their milk and the profits their Co-operative makes, remain in New Zealand. Much of this goes back into our rural communities, where our farmers spend roughly 50 cents of every dollar they earn.

- (b) Supporting our local communities is a critical component of how we do business as Fonterra and Farm Source. In fact, our purpose as a retail business is to be "Local people, making farming easy". As such, there are significant and multiple community benefits from our investment:
 - a. Fonterra leads several valuable community initiatives within Taranaki – for example there are 57 schools currently taking part in our Milk for Schools programme (around 70% of the schools in the region) and 37 schools receive a KickStart Breakfast as a result of our partnership with the Ministry of Social Development, Sanitarium, and local community volunteers. Further, in 2018 through our Fonterra Grass Roots Fund, we supported 18 community groups in Taranaki to deliver projects, ideas and initiatives that bring our rural communities together and make them better, safer, more vibrant places to be.

- b. Farm Source has also significantly contributed to our local communities through sponsorship and other support. We actively support local initiatives in Taranaki with recent examples including: \$10k seasonally of sponsorship value for the Coastal Rugby Club based at Okato and Rahotu; \$10k seasonally of sponsorship value to the Taranaki Rugby Trust; \$5k of sponsorship value to Inglewood Netball Club and \$2k to Opunake Premier Netball; \$3k Restoration of Opunake "Everybody's Theatre"; product donated to Rahotu / Okato Farmer welfare support concert during the drought in January 2018; and provision of road safety training and safety vests for local school children at Kaponga. The Fonterra Grass roots fund approved three Coastal Taranaki grants in the last 24 months: Coastal Taranaki Health Care – support of community generator; Okato Paly Centre – Vegetable gardens; and Opunake Community Kindergarten – sunshade for children. We are also actively involved in community events such as A&P shows, calf clubs and Community Christmas parades.
- c. In addition, we actively support a number of our employees in their desire to make broader personal contributions to the local community – we support this through the donation of work hours to fulfil these community roles. Examples on the coast include: A Sales Assistant at Pungarehu has been a support worker with Rural Support Trust which has involved supporting many coastal farming families during weather events and economic hardship. Farm Source has supported this employee by providing time off to attend training meetings as well as to execute support in the community as the role demanded; A Store Manager at Punagrehu is an active member of Cape Egmont Sea Rescue Trust, which involves many hours of training and responding to events around the Taranaki coast. This Store Manager is also an Ambulance Officer /Paramedic with St Johns Ambulance service and a past member of the Rahotu volunteer fire brigade. These community roles have been supported by Farm Source with time off during working hours to train and execute community duties as required.
- d. There is also the role we play in response to difficult times in the community as evidenced by our active involvement during recent natural disasters (e.g. Kaikoura Earthquake, Cyclone Gita, Taranaki Tornados and Cyclone Debbie Bay of Plenty Floods) and the ongoing support we provide during droughts, floods and other significant weather events in the region. Following the Kaikoura earthquakes Culverden Farm Source Hub became the operations hub for EQ support, Farm, Source staff donated over 400 hours sourcing necessary provisions such as food, water, and survival equipment, organizing deliveries into Kaikoura, supporting farmers to find and move stock, and checking bridges, culverts and roadways to ensure safe access into remote areas. Following Cyclone Gita, Fonterra donated over 1000 hours of work in the community and over 650 hours in the South Taranaki Tornados 2018. Similarly, following Cyclone Debbie which caused severe flooding in Edgecumbe, and damage in Te Puke, Galatea and Reporoa, Fonterra provided over 1000 hours of work and support in the local community.

- e. Finally, our stores are specifically designed to create a safe place for people to connect in the community. This includes the everyday complementary access we provide to the additional facilities we offer (meeting rooms, wifi and coffee).

CONSULTATION, NOTIFICATION & SUBMISSIONS

- 18. Farm Source with the support of our local consultants, engaged with NPDC to ensure that we understood the process and requirements of any such building activity in this specific location. We have listened to and taken on board any issues raised by NPDC, both prior to and post our resource consent lodgement. This resulted in our initial design for the resource consent application being amended. Specifically, we have adjusted our landscape design, color scheme for the roof and concrete hard fill areas, and the exterior lighting.
- 19. We have engaged with and received approval from NZTA (as the government authority governing the New Zealand state highway network) for our SH45 access configuration.
- 20. We have also engaged with the affected parties identified by NPDC to understand any issues and/or concerns they may have had regarding our development.
 - 20.1. The Barron's, as Owners/Occupiers of 2475 South Road (subject site) have supported our application.
 - 20.2. We have also had endorsement from the Owners/Occupiers of 2 Upper Kaihihi Road (Okato service station) and Owners/Occupiers of 2502 South Road (Land owners/operators of Stepping Stones Childcare Centre and Stony River Hotel).
 - 20.3. Consultation with the owner of the vacant 278m² property on the corner of South and Kaihihi Road, Vivian Martin had not occurred until after a submission from Ms Martin was received. This is because the owner on the title is 'Parawai' and it was not clear that Ms Martin was in fact the owner as Parawai's (her Kuia's) only daughter. Ms Martin since has taken the time to help us understand her historical and cultural connections to this small 278m² adjoining vacant property (this is explained in more detail within the planning evidence provided by Mr Brophy). Ms Martin has made it clear that the preference is for her to sell the vacant site to Farm Source. At this point in time Farm Source is actively progressing a sale and purchase agreement process with Ms Martin.
 - 20.4. We have met with Mr Looney who has confirmed that he supports our development and wants the resource consent to be granted. We appreciate the concern he has for safety on the State Highway, but have acknowledged with him that traffic engineering experts (Mr Steele, NZTA and NPDC) that have reviewed the proposal have confirmed that the proposed development will not worsen the existing situation.

- 20.5. Consultation meetings have been held with James, Robert and June Dinnis to better understand their issues with the proposal, and identify whether any mitigation measures can be developed to address their concerns. The key concerns that have been raised relate to the loss of visual open space and with regard to traffic safety. We have commissioned suitably qualified and experienced planning, landscape architect and traffic engineering experts that have reviewed their submission. There is a general consensus and acknowledgement that the development will be a change for the Dinnis family, although potential environmental effects resulting from the proposal are able to be effectively avoided or mitigated. Our consultant planner and relevant experts address their specific concerns in more detail their evidence.

NPDC OFFICERS REPORT

21. I have reviewed the outcomes of the section 42a report produced by NPDC. The report is comprehensive and is supportive across the board of this proposal. I strongly support the processing planner's recommendation that this subdivision/land use resource consent application be granted.

CONCLUSION

22. Our proposed development at Okato forms part of a significant transformation programme for Farm Source, is a significant investment by Fonterra in the Taranaki region and is critical for supporting our local farmers in coastal Taranaki.
23. The development will result in several positive economic and social benefits for the local community and the wider region.
24. Farm Source has always been a good neighbor and community citizen in the places where we operate - both in Taranaki and across key rural communities in NZ. We look forward to being an integral part of the Okato community.
25. We have liaised with NPDC, NZTA and affected parties, understanding any concerns and incorporating these into the project design where appropriate. Farm Source considers the impacts of this proposal as positive for Okato and the surrounding farming community and requests that our consent submission be approved.