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Welcome to the Summer (and final) edition of *Rural eSpeaking* for 2025.

We hope you enjoy reading this e-newsletter, and find these articles both interesting and useful.

If you would like to talk further about any of the topics we have covered in *Rural eSpeaking*, or indeed in any other legal matter, please do not hesitate to contact us. Our details are on the top right.

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New Zealand's methane reset

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Ministers framed the change as aligning the law with the 'no additional warming' approach and recent science. Legislation amending the Climate Change Response Act 2002 (CCRA) is expected before the end of the year.

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Fonterra hands the reins to Lactalis

In August, Fonterra announced that it had agreed to sell its major consumer brands. The sale will see Lactalis take ownership of iconic New Zealand brands such as Anchor and Mainland; it comes as part of Fonterra's increased emphasis on its ingredients and foodservice businesses.

The deal brings obvious and substantial benefits to farmer-shareholders, but also raises questions about overseas investment into iconic Kiwi brands and the change of direction for New Zealand's most profitable company.

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Who is happy?

The farming sector welcomed the change as a return to what it called 'realistic' targets that recognise methane's short-lived nature. It follows the government's earlier decision to scrap the He Waka Eke Noa pricing pathway and to remove agriculture from the Emissions Trading Scheme. Farmers believe the lower range reduces existential pressure on farming businesses and allows focus on practical mitigations (breeding, inhibitors, feed tech, etc) instead of a levy.

But who is not pleased?

Climate scientists and environmental organisations criticised the reset as a retreat from ambition. The Climate Change Commission had advised tightening the 2050 methane cut to 35–47%, not weakening it, to keep New Zealand on a consistent path of 1.5°C, being the global climate goal of limiting average warming as set out in the 2015 Paris Agreement.

Critics also worry the government is leaning on the 'no additional warming' framing to justify slower cuts, which they say risks higher cumulative warming and undermines international credibility. Pacific climate officials also voiced disappointment, stressing regional vulnerability to warming-driven sea-level rise.

Economic ramifications

In the short term, the reset eases compliance and cost uncertainty for the primary sector, New Zealand's largest export engine, by removing an impending farm-level price and lowering the statutory target trajectory. It is supportive for farm profitability and investment confidence, especially amid tight margins and volatile commodity prices.

In the medium term, however, risk shifts to market access and brand value: key customers and trade partners such as supermarkets, financiers and governments increasingly require demonstrable progress on agricultural emissions. If the reset is perceived as backsliding, exporters could face stricter private sector standards or sustainability premiums that erode any domestic cost advantage.

The government points to increased funding for agricultural research and development, and on-farm tools to deliver reductions without pricing. However, the scale and pace of deployment will determine whether exporters can defend 'green' credentials in premium markets.

Legal and policy implications

Resetting the methane target requires amendment of the CCRA; it will then cascade into the emissions budgets and sector strategies. The government has also flagged wider CCRA changes (eg: industrial allocation processes and a framework for recognising non-forestry carbon removals), which could rebalance where abatement comes from across the economy.

The reset crystallises a familiar conflict in New Zealand politics – rural stability versus climate ambition. For the governing Coalition, the move bolsters rural support and answers long-standing grievances about 'unscientific' targets and levies.

For Opposition parties and many climate advocates, the reset is symptomatic of a retreat from climate leadership, handing them a clear attack line with urban and youth voters. Internationally, lowering the target while relying on 'no additional warming' accounting invites scrutiny just as New Zealand positions itself in trade-and-sustainability forums through to 2030–35.

The electoral stakes are therefore not only regional, but also reputational. Whether the government can prove real-world methane reductions, via technology and practice change, fast enough to neutralise claims of backsliding will likely feature in the next campaign cycle.

Bottom line

The methane reset reduces immediate regulatory heat on farmers but raises the bar on delivery; without a price, the credibility of New Zealand's climate stance now hinges on measurable, short-term cuts from innovation and extension on farm. Whether that happens quickly enough will shape export earnings, legal settings and the next election's climate battleground. +

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The importance of Fonterra

Dairy, and the agricultural sector more generally, remains as New Zealand's biggest export. With Fonterra's importance within the dairy industry, the financial health of Fonterra is inextricably linked to the health of New Zealand's economy.

Fonterra is the crown jewel of the New Zealand economy and, notably, dwarfs other Kiwi businesses in terms of revenue. Responsible for around 30% of global dairy exports, Fonterra reported NZ$26 billion in revenue for the 2025 financial year.

Due to Fonterra's importance within the New Zealand economy, a deal of this magnitude was always sure to raise eyebrows.

A benefit to farmers

Farmer-shareholders voted overwhelmingly in favour of the deal, with 88.47% of voters supporting the sale – enticed no doubt by the prospect of a sizeable $2.00-per-share capital return and a stronger balance sheet.

After a decade marked by fluctuating payouts, rising costs and global market volatility, many farmers welcome the opportunity to extract value from a sector that has struggled to consistently deliver strong returns.

For many farmers, especially those carrying high debt or facing rising on-farm costs (feed, fertiliser, labour, compliance, etc), the return paid to shareholders from the Lactalis deal offers a rare opportunity to reduce borrowings, reinvest in their operation and/or strengthen cashflow.

Loss of identity?

Brands such as Anchor and Mainland are more than commercial assets – they are cultural signifiers woven into the fabric of New Zealand households. The sale of these brands to an offshore owner revives an old debate about the country's willingness to let its most recognisable brands and assets slip beyond domestic control. For some, the sale is pragmatic. For others, it represents a quiet erosion of national sovereignty in the food sector.

Potential for vulnerability

Some commentators have pointed to the milk-supply agreement with Lactalis as a cause for concern. While the contract ensures continuity in the short term, it is a rolling three-year arrangement with a three-year notice period.

Industry observers worry that Lactalis, as a multinational with its own long-term strategy, may eventually choose to scale down supply from Fonterra or renegotiate terms. If that were to happen, farmers could face reduced demand for their milk and fewer avenues for profit. Fonterra's once-integrated chain – from farm to brand to consumer – will now rely heavily on the decisions of a foreign entity whose priorities may not always align with New Zealand's.

A change of direction

Strategically, the sale aligns with Fonterra's long-stated ambition to focus on ingredients and foodservice, areas where its scale, milk-sourcing strength and global relationships provide a genuine competitive edge. Analysts have long observed that the consumer division, despite owning some of New Zealand's most famous brands, tied up billions in capital while generating comparatively modest margins. From this perspective, the sale can be seen as a rational simplification – an attempt to double-down on the parts of the business that generate the highest and most stable returns.

The long-term implications are, however, far more complex. In shedding its consumer arm, Fonterra is effectively relinquishing brand ownership, one of the few buffers that insulated it from the cyclical brutality of the global dairy commodities market. Without the stable earnings and diversification provided by value-added consumer products, Fonterra becomes more exposed to commodity swings, geopolitical shifts and shifting global demand patterns – particularly in key markets such as China.

What is clear is that this transaction represents more than a balance-sheet manoeuvre. It is a redefinition of what Fonterra is, and what it aims to be. +

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Over the fence

New limits on farmland to forestry conversions

The amount of farmland being converted to exotic forestry and registered in the Emissions Trading Scheme (ETS) has been limited with the introduction of the Climate Change Response (Emissions Trading Scheme-Forestry Conversions) Amendment Act 2025. The legislation came into force on 31 October 2025.

'Farmland' is classified according to the Land Use Capability (LUC) scale. Classification is based on the farmland's long-term ability to support various productive uses. Features such as climate, soil, slope, vegetation and erodibility are taken into consideration. The classes include:

+ Classes 1 to 4 – arable land for a range of cultivations
+ Classes 5 to 7 – non-arable land suitable for pastoral farming and forestry, and
+ Class 8 – severe restrictions around land use.

Since 31 October, there are new limits on how much exotic forest can be registered on the ETS. The restrictions impact post-1989 forest land classified within LUC classes 1 to 6 that was not already forestry land on 31 October 2025, where the forest species on the land are mostly exotic. If one of the following exceptions apply, however, the land can still enter the ETS:

+ Indigenous forest land
+ Exempt as Māori land
+ High or severe erosion prone land in a regional or district plan
+ Crown afforestation land
+ Unmapped and not on the national LUC scale map
+ Unfarmed land, or
+ Classed as 7 or 8 on the LUC scale.

You can check your land's classification on the national LUC map or have your own LUC assessment completed.

If land is restricted from conversion to forestry under the Act you may still register up to 25% of restricted land on an individual farm in the ETS scheme. There is also a biannual national ballot for land classed as 6 on the LUC scale to allow a further 15,000 hectares annually to enter the ETS scheme. The 25% allowance is of your total land within the farm boundary including any non-restricted land.

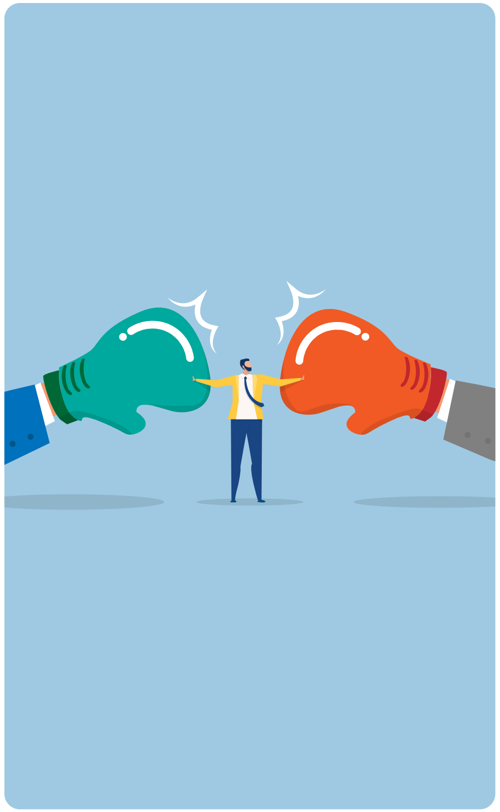
The new legislation aims to protect the future of New Zealand food production, while still allowing sustainable growth in the forestry sector. It also protects farmers' ability to diversify their farmland.

Increase in Disputes Tribunal jurisdiction

From 24 January 2026, the Disputes Tribunal's financial jurisdiction will increase from $30,000 to $60,000. These changes will improve New Zealanders' access to cost-effective justice.

Filing fee increase: The Tribunal's filing fees will also increase as they are set in tiers according to the amount in dispute. The filing fee for claims of $30,001 or more will be $468.

The tiered filing fee system reflects the amount of time taken to hear the dispute with larger claims assumed to take longer and have greater impact on the parties. While the new tier is higher than the current cost to file a claim in the District Court, the Tribunal does not charge additional hearing fees so access to justice is still improved.



Tribunal process: The Disputes Tribunal provides timely, low-cost, and accessible resolutions for many civil or contractual disputes. Hearings are run by a referee in an informal setting, unlike the formal court process. Lawyers are not permitted.

The Tribunal does not deal with undisputed debts, disputed debt valued over $60,000,

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Over the fence (continued)

employment issues, tenancy issues, social benefit disputes, wills or estate disputes, land disputes, intellectual property or family law. For these disputes there are other means of seeking justice such as the District or Family Court and so on.

Good for resolving contractual disputes: For farmers, this expansion provides a more accessible avenue for resolving contractual disputes. It offers a cheaper, faster alternative to the court system and avoids the common issue where civil claims between $30,000 and $60,000 are uneconomic to pursue. Previously, claims were partly abandoned to limit a claim to $30,000 and stay within the financial jurisdiction of the Disputes Tribunal. The ability to abandon part of a claim will still be available to bring larger claims down to $60,000 but, as before, one large claim cannot be broken up into multiple smaller claims.

Time limits: It is still important to be mindful of any applicable time limits involved in a claim. For example, some contract milking agreements require specific notice of disputes to be raised within 28 days of either becoming aware of the issue or the end of the season, whichever occurs earlier. While those clauses may not apply to claims before the Disputes Tribunal, it would be wise to ensure they are met to avoid any argument, especially if the Tribunal's jurisdiction will be exceeded.

Although we cannot appear at the Disputes Tribunal, if you would like some advice on a potential claim or defence we are happy to help.

Health and safety considerations for farm visits

With the growing popularity of farm visits and stays, it is important to understand the health and safety implications that come with hosting visitors on your farm.

Farm hosts must take all reasonably practicable steps to eliminate or minimise risks, considering the likelihood and severity of harm, what visitors can reasonably be expected to know, and the availability, suitability, and cost of the ways to eliminate or minimise those risks. All this comes under the Health and Safety at Work Act 2015.

Whether your farm guests are staying overnight or just visiting an operating farm or workplace, it is important to consider if they will be in a vicinity of animals, heavy machinery or hazardous substances. Procedures need to be in place to mitigate the risk of damage or harm to your visitors, other workers and animals. The legislation states that this responsibility falls to the person in charge of the business or undertaking (PCBU).

It is good practice to provide all your farm guests with health and safety information, and requirements before they arrive or, at the latest, on their arrival. Where possible, your guests should sign a written confirmation that they have been provided with the information and requirements. Warnings and prohibited areas should also be clearly displayed onsite, so it is clear to all visitors the immediate dangers present.

The PCBU must warn authorised visitors of any work-related, or out of the ordinary, hazards that may cause them serious harm. For many people who are visiting a farm the usual hazards that farmers would always avoid may not be immediately obvious. Examples of these are chemicals such as herbicides and pesticides, animals, machinery, and water hazards such as oxidation ponds and troughs.

This duty applies only to authorised visitors who have the farmer's or owner's permission to be on the farm. A PCBU will not be liable under the Act for harm suffered by people who enter your property *without* permission.

Visitors also have responsibilities. They must take reasonable care to ensure their actions, or lack of, don't put themselves or others at risk. They must also comply with any reasonable instructions given by the PCBU, as far as practicable.

If you are establishing a farm stay or walk over the summer, we're happy to help you set this up. +