Taxing questions

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Travelling across the Canterbury Plains the centre-pivot irrigators certainly make a statement. Dairying is now well established and will be a staple part of the region's future economy, just as it traditionally was in Waikato and Taranaki.

But those who subscribe to this view will be bemused by the revelation that in 2009 dairy farms on average paid just $1506 a year in tax. In total the tax take from the dairy industry was just $26 million, which is less than the value of the Government's irrigation funding package.

Presumably the reason for the low amounts being paid by many dairy farmers is their high level of indebtedness, which is something concerning the Reserve Bank, and other farm costs. Farmers also argue that 2009 had not been a profitable year for the industry, although many farmers will ultimately benefit when they sell their properties.

But New Zealanders who have been told for some time of the economic gains of this growth industry are still entitled to ask what the real economic benefits of dairying are.

Even before the tax figures were revealed the dairy industry had a perception problem, notably for environmental reasons. Many farmers have made positive progress in fencing waterways to prevent the degradation of streams and rivers.

Yet major questions still exist over dairying's seemingly insatiable demand for water. This is a major issue in Canterbury given huge irrigation proposals such as Central Plains Water and the implications, critics say, for such schemes on river flows, aquifers and water quality.

The tax news will add to this negative perception and is something which the dairy industry must address.

On the face of it dairying is positive for the New Zealand economy. Dairy products account for about one quarter of this nation's overseas merchandise trade. Regional contractors and freight haulers also will have benefited from the pace of dairy conversions.

But ordinary New Zealanders are still entitled to question why, if this industry is such a boon for the nation, the average tax take from dairy farmers is less than a couple on the pension or on the average wage is paying to the Inland Revenue Department.

Struggling Kiwi households will also reflect on the fact that even as they attempt to reconcile the profits earned by marketing giant Fonterra with the low tax take from farmers, they are forced to pay internationally aligned prices for their milk and cheese.

And their taxes contribute to the roads and other rural infrastructure from which the dairy industry benefits.

This perception issue about dairying is also a problem for the Government. The industry's tax figures were released by Labour in a blatant political ploy. The release came just ahead of today's Budget, which will make savings from KiwiSaver, change Working for Families as well as the tertiary loans scheme and announce further public service austerity measures.

Labour's clear message is that while low and mid-income households will suffer, National's dairy farmer constituency is shirking on what it contributes to the tax take.

This places an added imperative on the industry and the Government to clearly explain why the dairy tax regime is fair to all New Zealanders and how dairying really does benefit the nation.