

4.14 MIRO-MEIHANA KOATA BERRY FARM

PGF Application		For: Approval	
Applicant:	Meihana Koata Trust	Pipedrive ID #	Commercial
Entity Type:	Trust	PGF Funding Sought:	Up to Commercial% of \$ Commercial (\$2,125,000)
Region	Bay of Plenty	Total Project Value:	\$ Commercial Information
Tier:	2 - Sectors	Co-contribution rate:	Commercial%
Sector:	Primary Industry	Funding Structure:	Whenua Māori Commercial Information Loan

We recommend that the IAP support the recommendation to:

- a) **Approve** up to \$2.125m from the PGF fund towards the Miro-Meihana Koata Berry Farm because it will allow the Ahu Whenua Trust to gain a stake in a berry farm development (via an LP arranged by Miro LP) on its land and improve/accelerate the likelihood of the project occurring, subject to:
- Confirmation of co-contribution from the Miro Meihana Koata LP towards the farm development.
 - The trust being successful in receiving a Commercial% holding on the same terms as other investors.
 - The PDU reviewing and being comfortable with the “new” Miro Meihana Information Memorandum.
- b) **Note** this project will create employment in a historically disadvantaged area and employ local people who are unemployed (works with MSD). In addition the benefit of this investment will flow to a wide range of beneficiaries through the Miro-Meihana Koata Trust. As a result, this project meets the criteria for Whenua Māori and a Whenua Māori Commercial Information Loan with Commercial Information during the build stage is recommended by the PDU.
- c) **Note** Miro LP has a Commercial year Commercial Information) lease over the Meihana Koata Trust’s 28.8ha parcel of land in Te Teko from Commercial Information and proposes developing Commercial ha of this initially.
- d) **Note** Commercial Information

- e) **Note** Commercial Information

Commercial Information		
f) Note the high level of co-contribution expected from Commercial Information and external capital providers (via the Commercial Information). Commercial Information		
g) Note all consents for development and water are in place.		
h) Note MPI and TPK are supportive of the project. In addition, MPI is comfortable with the approach to production and that there is a market for the future sale of Blueberries.		
Proposal:		
<p>The Meihana Koata Ahu Whenua Trust is seeking to take an equity stake in the development of blueberry orchards on its land, via a joint venture (LP) arranged by Miro LP. The land (Commercial Information ha with Commercial Information ha developed initially) has water supply suited to high value horticulture and is currently being leased to Miro Trading LP for Commercial Information years (with an option for an additional Commercial Information years). Miro started clearing the land and purchased plant stock for the first Commercial Information ha earlier in 2019 (currently being “double bunked” on Miro’s existing Fort Block site). The development of the site was halted pending Miro’s application, but has now started to move ahead slowly as Miro prepares to generate funding to develop it.</p>		
Commercial Information		
In addition		
Miro’s hiring practices target local, usually Māori communities often being supported by MSD, and so this will have a more direct community benefit than typical agricultural ventures.		
Assessment against the PGF criteria:		
Eligibility Criteria		
This application is eligible for PGF funding.		
Productivity Potential		
<p>The expansion of the orchard Commercial Information ha will provide roughly Commercial Information FTEs, Commercial Information being seasonal (increasing to Commercial Information when the full Commercial Information ha is developed). In addition, Miro’s approach is to offer employment to local people with a preference for helping local Māori secure employment. On the existing site Miro has invested in training staff and has also worked closely with MSD and as a result, this is expected to deliver significant improvements to regional productivity potential.</p>		
Policy objectives and regional priorities		
This application aligns with the criteria for Whenua Māori and improving the value of underutilised Māori land.		
PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)

Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> The full development estimated to create ^{Comm} FTEs, ^{Comm} being seasonal in Te Teko, although there will be an element of seasonality for many of these opportunities (approximately ^{Comm} permanent opportunities). Longer term plans also exist for a pack house in Te Teko that would lead to more dependable employment. 	✓✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> Miro targets local people and often these are reliant on MSD support. The approach taken provides for multi skilled employment with training and opportunities for further study. 	✓✓✓✓
Increased utilisation and returns of Māori asset base	<ul style="list-style-type: none"> This project is for the development of underutilised Māori land. In addition, Miro's employment strategies specifically target Māori. 	✓✓✓✓
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> This results in better use of land with water specifically suited to high value horticulture. 	✓✓✓
Mitigation of climate change effects	<ul style="list-style-type: none"> N/A 	
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> The project leads to a better use of land to cultivate a crop that delivers significant returns to investors. 	✓✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> The combination of hiring and training practices, and development of underutilised land, should provide a meaningful contribution to improving productivity potential in the region (together with Miro's adjacent Fort Block). 	✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> High value horticulture on Māori land is one of the key aspirations of the Toi Moana Bay of Plenty Action Plan. 	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> The project has strong regional, council and iwi support. 	✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> Project management and governance is considered good, with external oversight from other LP investors and the Miro Board. 	✓✓✓
Risk management approach	<ul style="list-style-type: none"> This is a key development for Miro and is being 	✓✓✓

	<p>advanced based on their learnings in the Fort Block across the road. Reducing the amount advanced to the Trust also limits its risk to economic risk initially</p>	
<p>Future ownership / operational management</p>	<ul style="list-style-type: none"> • Commercial Information [REDACTED] • Commercial Information [REDACTED] 	<p>✓✓✓</p>
<p>Analysis of the benefits</p>		
<p>The project aims to develop [REDACTED] ha of underutilised Māori land and should this application and/or the 3rd party capital raise be unsuccessful, it is likely that the development will occur at a slower scale and place pressure on Miro as the technical partner, which require an increased volume of berry sales (Commercial Information [REDACTED]) to support its viability going forward.</p> <p>The first [REDACTED] ha is to be developed for picking in 2019 as the plants have been “double bunked” on Miro LP’s property across the road from the proposed development and the ground has been levelled, with some of the structural poles already being in place. The remaining [REDACTED] ha is estimated to be initiated in autumn [REDACTED].</p> <p>Without PGF support, the Meihana Koata Trust is unlikely to be in a position to buy a significant portion of the stake in the LP over its land, assuming Miro is able to develop the full block without the Trust’s monetary contribution. However, with the FGF supporting the trust and it in turn providing an investment into the LP, there is a greater likelihood that the development will occur, and that the other ancillary benefits of this development are more likely to be achieved.</p>		
<p>Financial Analysis</p>		
<p>An original Information Memorandum prepared for investors, expected farm establishment costs to be \$ [REDACTED] Commercial Informa per planted hectare. There is also an additional allowance of \$ [REDACTED] Commercial Inform /Planted Ha to cover operating cost for the first [REDACTED] Commercial years. The total cost of \$ [REDACTED] Commercial per ha, roughly lines up with the original expected total requirement of \$ [REDACTED] Commercial to develop the first [REDACTED] Commercial ha. From year [REDACTED] Commercial the orchards are expected to generate a dividend and the capital payback period is [REDACTED] Commercial years. Meihana Koata Trust have indicated that they may be in a position to make an investment of approximately \$ [REDACTED] Commercial, in their own right, however, given the already significant level of co-contribution, we do not recommend making the PGF investment conditional on Meihana Koata contributing an additional \$ [REDACTED] Commercial.</p> <p>It is proposed that after receiving the new updated IM (expected in mid October) the PDU would evaluate this, and if comfortable with its viability, a simple loan agreement to allow the Trust to receive a [REDACTED] Commercial % holding (currently expected to equate to approximately \$ [REDACTED] Commercial), would be entered into.</p>		
<p>Funding Arrangements</p>		
<p>The funding will be extended to the Meihana Koata Trust to make an investment into the Miro-Meihana Koata LP. Commercial Information [REDACTED] and will be responsible for servicing the loan repayment. It is envisaged that the instrument be repaid within [REDACTED] Commercial years (initial forecast of [REDACTED] Commercial years) to provide for a degree of volatility in orchard development.</p>		

Due Diligence and Ownership

Meihana Koata Trust

Trustees:

- Joseph Mason
- Patrick (James Tukuha) McManus
- Herewini Araroa

Key Management Personnel:

- Privacy of natural persons (Commercial Information)

Risk Assessment

The key risks to the PDU and proposed mitigations of this investment are as follows.

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Cost Overrun Risk in the LP	The risk that the LP's expenditure in developing the <small>Commercial</small> ha of land costs more than budgeted for by Miro	<ul style="list-style-type: none"> • Other shareholders and Miro are likely to support an overrun 	Low
Failure of Miro LP	The risk that Miro is goes into receivership resulting in a stalled development or another party taking over the potential lease and development with Meihana Koata.	<ul style="list-style-type: none"> • Given the slower than anticipated growth and lack of PGF support Miro has scaled back its operations to support a more gradual growth trajectory. 	Low
Risk of the Miro-Meihana LP Capital Raise not fully succeeding	<small>Commercial Information</small>	<ul style="list-style-type: none"> • <small>Commercial Information</small> 	Medium

Consultation undertaken or implications: MPI

Summary of MPI recommendations

- Note that there is a growing market for blueberries internationally.
- Confidential advice to Government**
- Note that all applications where Miro or a third party investor is the co-contributor, due diligence on those parties must be carried out
- Note that there are likely to be issues with the seasonal labour force required to harvest blueberries, however, the timing of picking is Oct/Nov through to Feb which does not overlap with apple or kiwifruit picking season.

Meihana Koata

- a) Confidential advice to Government [redacted]
- b) Approve up to a \$^{Comme}m loan for Meihana Koata Trust to take a ^{Comm}% Commercial Information in the Miro-Meihana joint venture subject to appropriate due diligence on the financials on Miro and the third party investor.

MFAT:

Confidential advice to Government [redacted]

- Confidential advice to Government [redacted]
- Confidential advice to Government [redacted]
- Confidential advice to Government [redacted]

The following is the latest correspondence from MFAT:

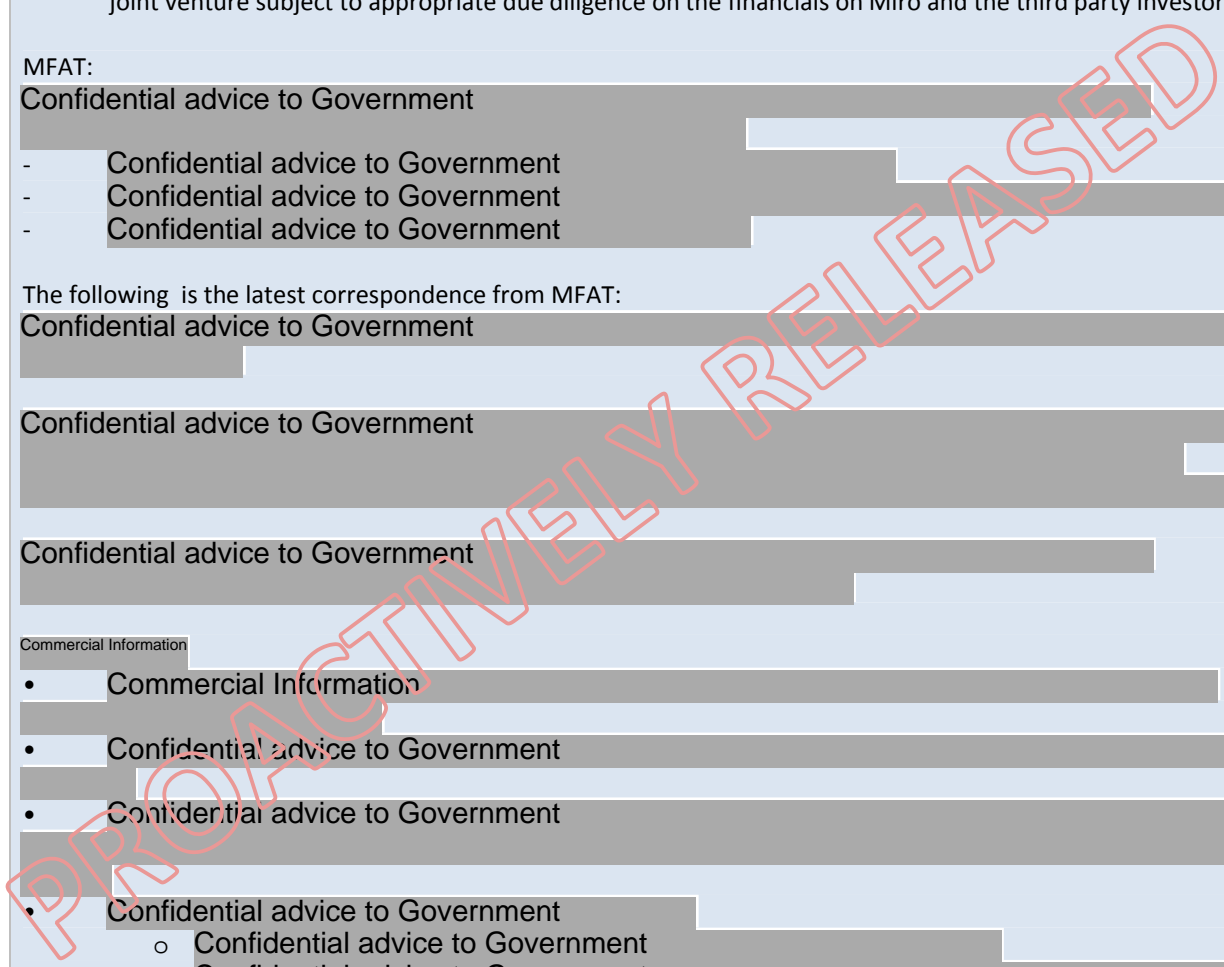
Confidential advice to Government [redacted]

Confidential advice to Government [redacted]

Confidential advice to Government [redacted]

Commercial Information

- Commercial Information [redacted]
- Confidential advice to Government [redacted]
- Confidential advice to Government [redacted]
- Confidential advice to Government [redacted]
 - Confidential advice to Government [redacted]
 - Confidential advice to Government [redacted]
 - Confidential advice to Government [redacted]
 - Confidential advice to Government [redacted]
 - Confidential advice to Government [redacted]
- Confidential advice to Government [redacted]
 - Confidential advice to Government [redacted]
 - Confidential advice to Government [redacted]
 - Commercial Information [redacted]
 - Commercial Information [redacted]
 - Confidential advice to Government [redacted]



Confidential advice to Government	
• Confidential advice to Government	
Supporting proposal:	Yes
Appendices:	Yes – Applications and supporting letters are as annexes
Author of paper:	JH, Investment Director, PDU Investment Team

PROACTIVELY RELEASED