

2.23 Hakurenga: Enabling on Farm Production

Evaluation, Cover Sheet and Decision Form

Project:	Hakurenga: Enabling on Farm Production		FOR: Approval
Applicant:	The Proprietors of Hakurenga Incorporation		Pipedrive ID: Commercial Information
Application type:	WM	(A) Total Project Value:	\$ Commercial Informa
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Informa
Entity Type:	Maori Land Trust	(C) PGF Funding Recommended:	\$115,200
Region:	Tairāwhiti	(D) Applicant Contribution:	\$ Com
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Commercia
Sector:	Agriculture / Horticulture		
Application summary:	<p>Hakurenga Station is a Commercial In hectare (ha) Māori freehold land owned sheep and beef station based near Ruatoria in the Tairāwhiti region.</p> <p>Commercial Information</p> <div style="background-color: #cccccc; height: 40px; width: 100%;"></div> <p>The applicant is seeking a grant from the PGF to increase productivity and profitability by establishing a Comm ha Lucerne feed crop on the station with the aim of increasing the effectiveness of the land. This will also build resilience within the station. The applicant does not have the financial resources to make this step change investment but it does have the land and management skills to implement the project.</p> <p>Commercial Information</p> <div style="background-color: #cccccc; height: 80px; width: 100%;"></div> <p>This project aligns well with the PGF Whenua Māori Fund as it supports unlocking the potential of Māori landowners.</p> <p>Commercial Information</p> <div style="background-color: #cccccc; height: 30px; width: 100%;"></div> <p><i>[Please see full project description in the Application Description Section]</i></p>		

The PDU recommends that this Application be supported by SROs

Agree to approve an up to \$115,200 grant from the PGF towards Hakurenga Station Enabling Farm production project

- because
 - the project aligns well to the PGF Whenua Māori fund;
 - the project increases the sustainable productivity of the land;
 - the project creates good additionality as the station already exists;
 - the project has good support from Te Puni Kōkiri (TPK), MFAT and MPI;
 - feed crops provide an underutilised strategy to unlock production issues on summer dry blocks;
 - the project builds goodwill and knowledge sharing with the community; and
 - the project is 'shovel' ready with an experienced team and a completion date of Commercial Information.

- subject to:
 - full due diligence review being completed;
 - confirmation of the budget is per the application.

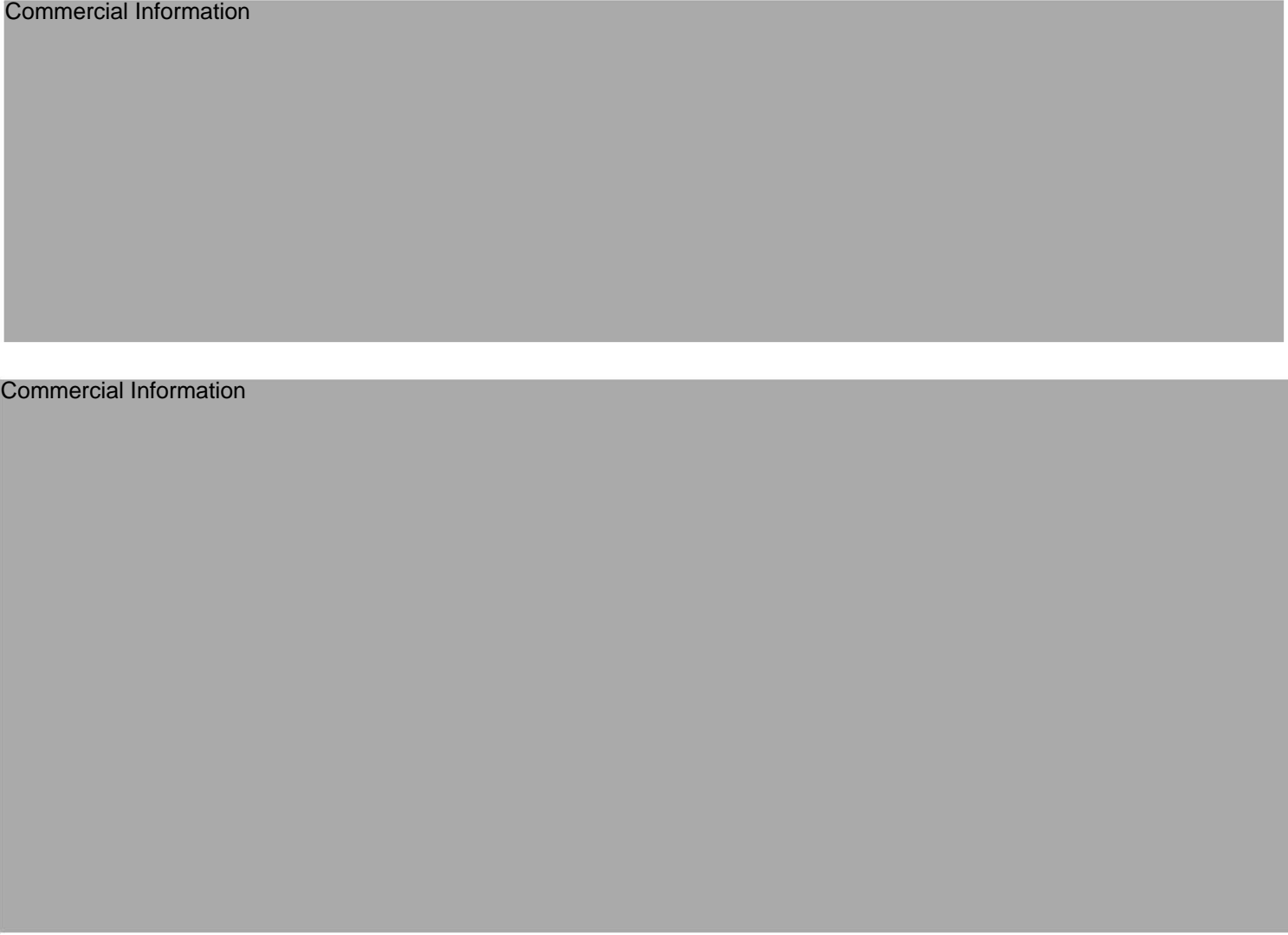
- Note:
 - this is one of several Whenua Māori applications within the Tairāwhiti region;
 - Commercial Information; and
 - due diligence is still to be undertaken.

Section A: Triage – Assessment against PGF eligibility criteria

➤ Is the project an illegal activity?	No
➤ Is the project located in the three main metropolitan areas?	No
➤ Is the project seeking investment in large scale infrastructure of social assets?	No
➤ Is the project seeking investment for three waters?	No

Commercial Information

Commercial Information



Commercial Information

Application description

The applicant's financial commitment and proactive opportunities to build resilience

The applicant is looking to establish a [redacted] ha Lucerne feed crop on their [redacted] ha Whenua Māori operational sheep and beef station on the East Coast of Tairāwhiti.

The whanau of Hakurenga has a history of successful farming, operation, governance and strategy. The Station has turned the fortunes of the station around over the past few years. This is demonstrated by increasing farming revenues by [redacted] % from 2017 to 2018, keeping costs under control increasing only by [redacted] % over the same time, and decreasing the net loss from \$ [redacted] to \$ [redacted] over the same period. The station is almost at the point of breaking even and is testament to the hard work of the station employees. The station has ambitions of becoming an Ahuwhenua Finalist in the medium to long term.

This project is not simply looking to plant crops to feed livestock, but the applicant is proactively looking at new opportunities to safe-guard supply of feed crops which once established will provide crop security when summers are challenging to maintain good feed for cattle and sheep. This project is a relatively small investment and specifically is looking to prepare the land in readiness to plant crops which will last for 4-5 years and will provide the necessary basis to become a self-sustainable and profitable entity. The success of the project will enable greater cash reserves for further investment.

#	Project Activity	Responsible:	Date / Period:
1	<i>Fence the paddock, [redacted] required. Cultivation to start by planting brassica for weed control over summer. In spring apply lime & fertiliser, and weed spray end of [redacted]. Cultivate again, add more lime if required. Plant Lucerne [redacted]</i>	Privacy of natural persons	[redacted]
2	<i>Contractors engaged (Scope of work)</i>		[redacted]
3	<i>Development begins</i>		[redacted]
4	<i>Final Report</i>		[redacted]

Hakurenga Station is one of the few remaining Māori owned and operated stations on the East Coast, with many of the neighbouring Māori blocks being leased out. The applicant is keen to operate the station for future generations.

Lucerne Feed crops increases productivity

Lucerne is a deep rooted perennial legume which is known for its high feed value, fast growth rates and is able to access water at greater soil depths than pastures. It is also particularly suited to areas which receive little rainfall such as Tairāwhiti. Feed crops such as Lucerne are a well-known yet underutilised strategy to unlock production issues on summer dry properties in the rohe.

Dryland Lucerne provides 4-5 times the lamb production per hectares than dryland grass, whilst still using the same water resource (300-400kg lamb weaned/ha compared to 80-135 lamb/ha).

Feedback from the industry and whanau has generated shared knowledge and the project will be seen as an exemplar of best practice for neighbouring properties considering feed crops for production.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	\$Amount
Provincial Growth Fund	(via this application)	\$115,200
Total		\$115,200

Overseas Investment Office

➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted)	No
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Does the Application have a Te Ara Mahi (TAM) component?	No
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Section B: Operational Assessment Criteria (Complete for Eols and Applications)

(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)

Fund and government outcomes

Please highlight number below

Would the project:

<ul style="list-style-type: none"> create permanent jobs? 	<p>Due to the small size of Hakurenga Station, no permanent jobs are created with this application.</p> <p>Increasing productivity will allow wages to increase over time and the possibility to take on casual workers at busy times as required.</p> <p>The applicant also provides for an education sponsorship, so increasing financial returns allows for this fund to increase.</p>	N/A 1 2 3 4 5
<ul style="list-style-type: none"> deliver community benefits? 	<p>The project meets the PGF Whenua Māori Fund principles to unlock the economic potential of Māori owned land for the owners and the wider Waipiro /Te Puia Springs communities.</p>	N/A 1 2 3 4 5
<ul style="list-style-type: none"> increase utilisation of and returns on Maori assets? 	<p>By investing in this project, the applicant has provided the following growth forecasts which will lead to increasing returns of Māori owned land:</p> <ul style="list-style-type: none"> Cattle breeding to lift from a 5yr average of $\frac{\text{Commercial}}{\text{Commercial}}$ % to $\frac{\text{Commercial}}{\text{Commercial}}$ % Sheep breeding to lift from a 5yr average of $\frac{\text{Commercial}}{\text{Commercial}}$ % to $\frac{\text{Commercial}}{\text{Commercial}}$ % Sheep deaths to decrease from $\frac{\text{Commercial}}{\text{Commercial}}$ % to $\frac{\text{Commercial}}{\text{Commercial}}$ % This will result in $\frac{\text{Commercial}}{\text{Commercial}}$ kg net carcass weight providing \$ $\frac{\text{Commercial}}{\text{Commercial}}$ /ha = \$ $\frac{\text{Commercial}}{\text{Commercial}}$ margin. 	N/A 1 2 3 4 5

	This will increase the returns per hectare and will encourage other Māori land blocks in the region who are considering feed crops for production.	
<ul style="list-style-type: none"> enhance the sustainability of natural assets? 	The project will enable the farm to provide sustainability of feed for animals and will work with the land.	N/A 1 2 3 4 5
<ul style="list-style-type: none"> mitigate climate change effects, or assist with the lowering of emissions? 	The project will allow the station to use the land more productively than the current state. This will also allow the station to retire land which is not currently productive or erosion prone to recover.	N/A 1 2 3 4 5
Additionality		
Would the project:		
<ul style="list-style-type: none"> add value by building on what is already there, without duplicating effort? 	<p>Hakurenga Station is a well-established farming station on the East Coast. It is one of the few remaining Māori owned and farmed operations on the East Coast. Many of the neighbouring Māori blocks are leased out.</p> <p>The farming station already has the commitment of the management team to improve the productivity of the land. However it does not have the funds to reinvest into the farm at this stage.</p>	N/A 1 2 3 4 5
<ul style="list-style-type: none"> be a catalyst for productivity potential in the region? 	The project is a small scale farming station, but the project will act as an exemplar of best practice to increasing productivity on dry summer blocks.	N/A 1 2 3 4 5
Connected to regional stakeholders and frameworks		
Does the project:		
<ul style="list-style-type: none"> align with regional priorities, such as frameworks, or regional plans? 	<p>The project aligns well with the following frameworks:</p> <p>Tairāwhiti Economic Action Plan (TEAP); and</p> <p>Waiapu Koka Huhua (WKH) is a 100 year programme in collaboration with Gisborne District Council and MPI to restoring the Waiapu river.</p>	N/A 1 2 3 4 5
<ul style="list-style-type: none"> have the support of local governance groups (councils, iwi and hapu)? 	<p>No letters of support from local governance groups has been provided as part of this application.</p> <p>Has been endorsed by Tairawhiti Economic Action Plan Governance group.</p>	N/A 1 2 3 4 5

Governance, risk and project execution

Does the application show:

- robust project management and governance systems?

The project is an extension of the current core business with the following team structure:

Team	Roles	People
Governance Team	Leading project	Com
Farming Team	Assisting in operational	Com
Contractors	Cultivation, fencing, soil testing	Com
Farm Advisors	CRR Partnership	Com
Secretary/Accountant	BDO Gisborne	Com
Total		Comme

N/A 1 2 3 4 5

- plans for future ownership and operational management?

Completion of the project will increase productivity and profitability of Hakurenga Station and reinvest profits back into farm production and reduce its reliance on bank debt.

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N/A 1 2 3 4 5

- how the project will be delivered and managed?

The applicant has provided the following deliverables:

#	Description	Payment criteria:	Invoice Value \$ (Exc. GST)	%	Invoice Date:
1	Development begins	- Fencing contractor underway - Cultivation started - Lime and capital fertiliser applied	\$ Commercial	[Com %]	Commercial Info Com
2	Development complete	- Lucerne crop planted	\$ Commercial	[Com %]	Commercial Info Comme
5	Final Report		\$ Commercial	[Com %]	Commercial Info Comme

N/A 1 2 3 4 5

Breakdown of the costs of the project are:

Cost Description:	\$ (excluding GST)
Cultivation / seed / chemical	\$ Commercial Informa
Lime	\$ Commercial Informa
Fertiliser	\$ Commercial Informa
Fencing	\$ Commercial Informa
Water	\$ Commercial Infor
Weed control	\$ Commercial Info
Total	\$115,200.00

No contingency has been discussed within the application, but it is assumed this could be funded from core farming operations.

Complete assessment and undertake due diligence?

- Yes.** Complete the Evaluation/ Recommendation form and submit DD request form.
- No.** Complete the front page of this form, recommending the application be declined.

Section C: Risk Management Evaluation

Does this application demonstrate consideration of the following risks?

Yes

Type of risk

Risk description

Mitigations

Risk Rating

The applicant has provided the following risks and mitigations which relate directly to the project. In addition, it should be noted the station is subject to the market conditions for the sale of beef and sheep as well as environmental conditions e.g. weather events.

#	Risk	Mitigation approach	Rating
1	Feed crop survival	<ul style="list-style-type: none"> - Ensuring the land has the inputs required for success (lime/fertiliser/water) - Fencing will be put in place to keep out pests and stock so we can control access 	[Medium/Low]
2	Contractors prices varying from our application	<ul style="list-style-type: none"> - Additional costs will be minimal and will be born by the Incorporation 	[Low]
3		-	
x		-	

If the answers to the first question is NO, or assessments of risk(s) are HIGH, discuss with an Investment Director.

Section D: Funding and financial analysis

Please highlight number below

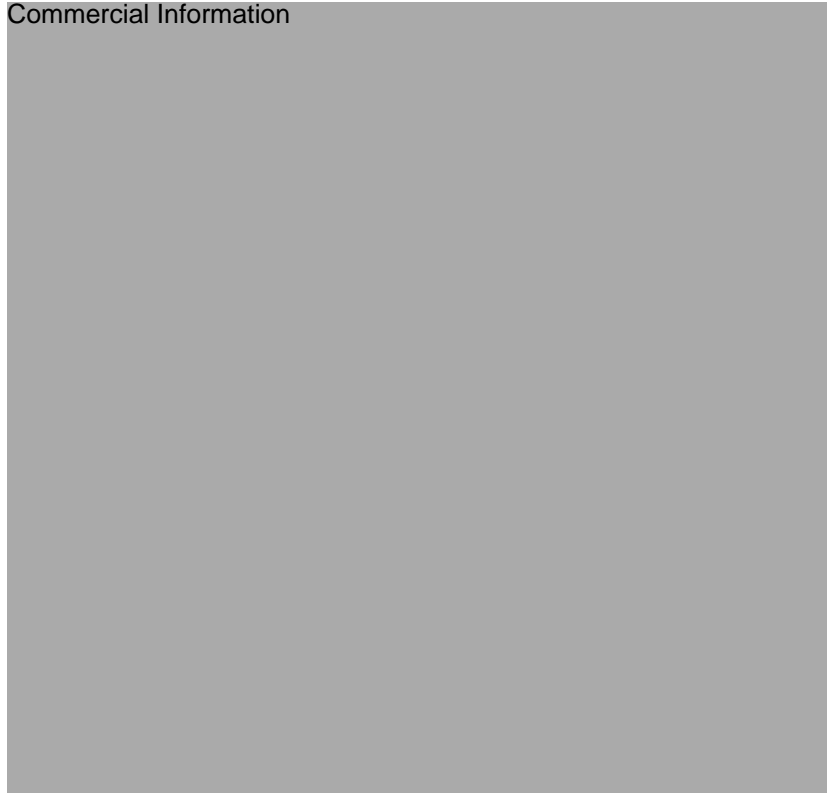
Does the application show:

➤ How strong is the financial position of the applicant organisation?

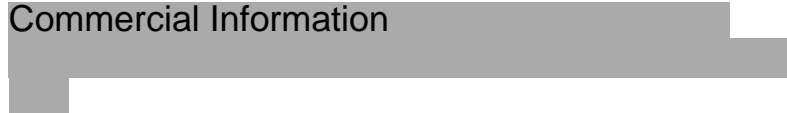
The applicant has provided a copy of their 2018 accounts.

Statement of Profit or Loss

Commercial Information



Commercial Information



N/A 1 2 3 4 5

➤ How does the scale of the project compare to their overall business?

The project is small scale in terms of a ^{Comme} ha paddock for the ^{Commercial In} ha property. This land is available now and has the required soil criteria to grow Lucerne. However the management team has identified this as an opportunity to provide some stability to the increase the productivity of the land (key WM criteria).

It within the capability of the farming operations team to implement this.

N/A 1 2 3 4 5

<p>➤ Why is Crown funding being sought rather than commercially-available funding?</p>	<p>The station regularly faces dry summers and is reliant on the market prices for cattle and sheep. Both of these factors determine the income for the station. In addition to this, operating costs has been increased over the year as the station implements compliance. These factors make it difficult to provide stable financial returns to satisfy banks.</p> <p>Government grant funding will enable increased sustainable production, financial stability and the ability to reinvest returns back into the station.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ What does the independent financial analysis/ business case indicate?</p>	<p>The project has been independently verified by agriculture/horticulture engineering consultants Commercial Information who has provided positive feedback regarding the project.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Is the funding model requested appropriate? Is the PDU recommending a different model?</p>	<p>This project is a small scale and therefore a grant is appropriate as the applicant has limited ability to repay a loan at this stage. This will allow the station to reinvest funds back into the operation.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>The applicant is a small scale producer of meat. Whilst the applicant is not able to influence the price at market, it is able through this project to increase the supply of high-quality produce that it sells to the wholesale market. In response, the market has the capacity to take on more produce.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>On the East Coast, Tairāwhiti contractors are limited. The applicant has previously worked with contractors for similar farming services at fair market prices. They will be responsible for fencing and land preparation costs.</p>	<p>N/A 1 2 3 4 5</p>
<p>Summary of funding and financial analysis:</p>	<p>The applicant has shown that Hakurenga station is moving in the right direction with increasing revenues and manageable debt.</p> <p>The project is consistent with PGF Whenua Māori objectives and timelines.</p>	<p>N/A 1 2 3 4 5</p>

Funding arrangements

The applicant is a small scale farming station seeking a loan of \$115,200. As a commercial entity, a concessionary loan could be offered. However the value is low and the project aligns well to the Whenua Māori criteria of unlocking the economic potential, so a grant will allow the station to concentrate their efforts on productivity and reinvest back into the station.

Proposed Term Sheet Summary (noting full term sheet will be developed post decision)

Is the application a Grant or Loan?

Grant - Loan Details Table deleted

Consultation from partner agencies undertaken or implications

TPK Summary

Provide a high level view of Te Puni Kōkiri's overall assessment of the application:

Te Puni Kōkiri fully support Hakurenga's application based on:

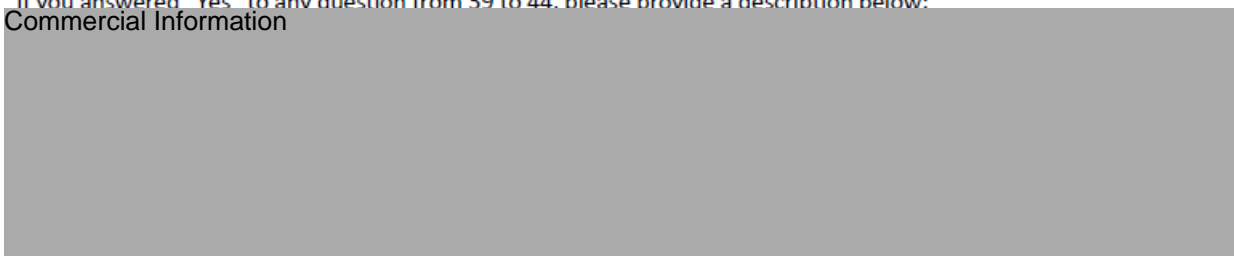
- They meet the criteria for Whenua Māori
- They are a Maori-owned, Maori-led incorporation
- The aspirations of whānau associated with Hakurenga stand to benefit in the short and long term
- With the generation of any new employment opportunities, Hakurenga will recruit from the local area

Conflicts of interest and T&Cs

Yes - Comments below

The following conflicts have been identified by the applicant and disclosed:

If you answered "Yes" to any question from 39 to 44, please provide a description below:
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The application form has been signed.

Due diligence has been requested and is in the process of being completed.

Further information from applicant	N/A
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Summary statement of Application Review undertaken

The following Review has taken place in connection with this application:
 All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.
 Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.
 In the development of this form:

- i. A review by an Investment Director has taken place and included the following to the satisfaction of the reviewer:
 - a. An evaluation against the PGF criteria;
 - b. Financial analysis;
 - c. A risk assessment, highlighting any relevant or key risks;
 - d. Conflicts of interest have been noted and accepted and the reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Review has been completed	Yes
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Supporting proposal:	Yes	Application Will Be Proactively Released Separately
Appendices:	Yes – Applications and supporting letters are as annexes	Annexes Withheld in Full Due to Commercial Sensitivity
Author of paper:	MP, Senior Investment Analyst, ELH, Investment Director, PDU Investment Team	