

2.03 Transition from pastoral leasing to active management of Waima Topu B Trust farm operations

Project:	Transition from pastoral leasing to active management of Waima Topu B Trust farm operations		FOR: Approve
Applicant:	Waima Topu B Ahu Whenua Trust		Pipedrive ID: Commercial
Application type:	WM	(A) Total Project Value:	\$ Commercial Information
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Information
Entity Type:	Maori Land Trust	(C) PGF Funding Recommended:	\$991,800
Region:	Northland	(D) Applicant Contribution:	\$ Commercial Information
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Comm %
Sector:	Agriculture / Horticulture		
Application summary:	<p>The applicant is seeking funding enable the transition the Waima Topu B block, held under a Māori Freehold title, from its current pastoral leasing arrangements to the active management of a Commercial hectare dry-stock farm unit.</p> <p>The proposal will enable productivity of the land to be accelerated, increase production and profitability by Commercial. This is likely to result in a \$ Commercial Information increased profit per annum or Comm % return on PGF investment.</p> <p>Currently, TPK is funding a business case and farm management plan for transitioning the farm operations into active management, including the improvement of the farms infrastructure, through AgFirst. As a consequence of the importance of having Whenua Maori projects to announce on Waitangi day, TPK has encouraged the applicant to apply for PGF funding ahead of schedule.</p> <p><i>[Please see full project description in the Application Description Section]</i></p>		

The PDU recommends that the SROs:

Agree to approve an up to \$991,800 grant from the PGF towards the Transition from pastoral leasing to active management of Waima Topu B Trust farm operations

➤ because:

- This project will support Māori economic development in a historically disadvantaged area.
- This project meets Whenua Māori criteria because:
 - The project will develop currently underproductive Māori Freehold Land, and assist with developing an economic scale of production.
 - The beneficiaries of this investment are the members of the Waima Topu B Ahu Whenua Trust

- This application has all necessary resource consents required to undertake to project
- Noting that TPK is supportive of the project
- subject to:
 - Full due diligence review being completed including further due diligence being followed up on the contractors
 - Engagement with any processor exporters must be on commercial terms.
 - Water consent or a plan for dealing with the water requirements being confirmed to the satisfaction of the PDU
 - The AgFirst business case supporting the project to the satisfaction of the PDU, including showing evidence of the security of their supply chain
 - A staged drawdown deliverable schedule, taking into account the Commercial Infor business case, being agreed to the satisfaction of the PDU.
 - The exit plan of the current lessee to be implemented to the satisfaction of the PDU
- Note:
 - No independent feasibility study has been provided as Waima Topu B had originally planned to submit a PGF application next year, post business case.
 - The initial results of the feasibility study are supportive of application and this provides the PDU with confidence in the economic sustainability of the project

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

Application description

PGF funding will be invested in scrub clearance and pasture reinstatement, capital lime and fertiliser, building fences to facilitate a high performing beef farm with top pasture management, a reticulated stock water system, drainage, farm access and project management.

Much of the Waima Topu B block is under-developed and current pastoral leasing arrangements are suboptimal in terms of profitability and for maintaining the whenua in a good condition. There is a lessee with an expired lease still on the property. An exit plan is currently under negotiation with the lessee.

The applicant notes that the farm is fortunate to have ample water supply for stock water including a large spring fed dam and pumped water from the river.

Te Puni Kōkiri Whenua Māori programme is currently funding the Trust, \$^{Commercial Info}, to complete a Business Case (undertaken by ^{Commercial Info}), for a total cost of \$31,141, to inform its transition into day-to-day management of the farm.

The initial results from the ^{Commercial Info} business case shows that without capital expenditure to improve the farms pasture production and infrastructure, the base case farm income will remain low - slightly above break even after costs. However, with a capital injection of \$991.8k from the Provincial Growth Fund as an Acceleration Investment, the increased production and profitability by ^{Commercial} will result in a \$^{Commercial} increased profit pa or ^{Comm}% return on the PGF grant (extra profit of \$^{Commercial Info}/\$991.8k PGF Grant = ^{Comm}%).

This project would increase the productivity of the land by:

- Increasing productive land (hectareage), remove ^{Comm} ha's scrub, pasture reinstatement, drainage on the flats – pasture utilisation increases from 65% to 90%
- Improving pasture production (increase average pasture production of ^{Commercial} kgdm/ha to ^{Commercial} kgdm/ha through pasture application of fertilizer and liming, fencing and other aspects of pasture management.) kgdm = kilograms dry matter (feed)

The applicant has broken down the costs of the project as follows:

Development/CAPEX plan

PGF funded items	Comment	Investment
Drainage – flats	Drainage lifting pasture production and crop yields by 40%	\$ ^{Commercial Info}
Scrub clearance and pasture improvement	Spray with helicopter and mulching, regrassing	\$ ^{Commercial Info}
Capital Fertiliser and Lime	Apply with a truck, and some aerial application	\$ ^{Commercial Info}
Fencing – subdivision and waterways	Fencing and yards	\$ ^{Commercial Info}
Farm tracks and access	Access is important to stock movement and efficient farm access	\$ ^{Commercial Info}
Water for stock	Stock water to each paddock	\$ ^{Commercial Info}
Project Management and		\$ ^{Commercial Info}

Governance		
Total		\$ Commercial Inform
Waima Topu Investment	Comment	Investment
Livestock – first full financial year	\$ Commercial Inform in year 1, subsequent years stock increases required as farm improves	\$ Commercial Inform
Plant and Equipment year 1		\$ Commercial Info
Total		\$ Commercial Inform
Co-Funding Table		
Co-Funder	Pledged/Confirmed/Cash/In-Kind	
Provincial Growth Fund	In Principle	\$991,800
Waima Topu B Ahu Whenua Trust	Confirmed	\$ Commercial Inform
Total		\$ Commercial Information

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

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) <i>(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)</i>		
Fund and government outcomes		Please highlight number below
Would the project:		
➤ create permanent jobs?	This project would provide an increase of <input type="text"/> FTE.	N/A 1 2 3 4 5
➤ deliver community benefits?	Community benefits are through the support of the Ahu Whenua Trust.	N/A 1 2 3 4 5

	<p>The intention of the landowner is to reinvest dividends back into the community. Taking back management of the land builds on the Trust's aspiration goals to invest profits back into social and cultural outcomes such as local, affiliate marae, educational grants and scholarships.</p> <p>There is the potential for training and employing local people, including farm hands, agricultural professionals, governance.</p>	
➤ increase utilisation of and returns on Māori assets?	<p>This project will more than double the productivity of the land. The move from average pasture production of <small>Commercial</small> kgdm/ha to <small>Commercial</small> kgdm/ha through pasture reinstatement and management e.g. scrub clearing, application of fertilizer and liming, fencing, drainage and other aspects of pasture management.</p>	N/A 1 2 3 4 5
➤ enhance the sustainability of natural assets?	<p>Vulnerable or unproductive areas will be enhanced for biodiversity, sustainability and productivity.</p>	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	<p>While, grass fed beef production from NZ is some of the lowest emission intensity beef produced globally, this project has little to no comparative advantage domestically.</p>	N/A 1 2 3 4 5
Additionality		
Would the project:		
➤ add value by building on what is already there, without duplicating effort?	<p>The project represents an acceleration investment and would increase land utilisation; increasing the land area that can be grazed by restoring scrubby areas into high performing pasture and utilising the improved pasture grown across the farm through good water and fencing infrastructure.</p> <p>The applicant has committed \$<small>Commercial Inform</small> towards this project.</p>	N/A 1 2 3 4 5
➤ be a catalyst for productivity potential in the region?	<p>This project will benefit the Māori primary sector in Tai Tokerau.</p> <p>Many local businesses will benefit from supplying goods or services to the farm.</p>	N/A 1 2 3 4 5
Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as frameworks, or regional plans?	<p>The proposal builds into the key recommendation of 'He Tangata, He Whenua, He Oranga / Tai Tokerau Māori Growth Strategy' through Mahi Ngatahi: accelerating growth and increased productivity of Māori land; and Whai Pono: the application of knowledge and innovation to generate sustained growth of the Māori economy.</p>	N/A 1 2 3 4 5

	<p>To this end, the proposal aligns with other economic growth plans and activities at national level such as PGF's goal to unlock the potential of whenua Māori, He Kai Kei Aku Ringa and at a regional level the Northland Growth Plan.</p> <p>Northland Regional Council is supporting via prioritisation of Waima Topu B to develop a Farm Environmental Plan, which will include stock exclusion fencing to help manage water quality.</p>	
<p>➤ have the support of local governance groups (councils, iwi and hapu)?</p>	<p>Shareholders informed trustees of their desire to see the condition of the whenua improved at the 2019 AGM. Two of the top 4 strategic priorities for the Trust are:</p> <ul style="list-style-type: none"> • Resolving leasing arrangements • Improved farm productivity and operations <p>There is no evidence of support from the wider local governance groups.</p>	N/A 1 2 3 4 5
Governance, risk and project execution		
Does the application show:		
<p>➤ robust project management and governance systems?</p>	<p>A farm management plan is under development by <small>Commercial Info</small>. Commercial Information to deliver the project. Attention has been paid to governance arrangements and to ensure the right skills are engaged.</p>	N/A 1 2 3 4 5
<p>➤ plans for future ownership and operational management?</p>	<p>Acting on advice, the Trust will establish a limited liability company to manage the farm. Directorship will be 3 Waima Topu B trustees and 2 skill-based directors.</p>	N/A 1 2 3 4 5
<p>➤ how the project will be delivered and managed?</p>	<p>A project manager will oversee implementation of the farm plan, operations and contractors, supported by a part time administrator.</p> <p>Milestones and deliverables are of an appropriate nature.</p>	N/A 1 2 3 4 5
APPLICATION		
<p>Complete assessment and undertake due diligence?</p>	<p><input checked="" type="checkbox"/> Yes. Complete the Evaluation/ Recommendation form and submit DD request form.</p> <p><input type="checkbox"/> No. Complete the front page of this form, recommending the application be declined.</p>	

Section C: Risk Management Evaluation			
Does this application demonstrate consideration of the following risks?			Unclear
Type of risk	Risk description	Mitigations	Risk Rating
<input checked="" type="checkbox"/> Project risk	Is the project feasible? Can it be delivered on time, on budget and to specification?	<ul style="list-style-type: none"> - Project deliverables have been costed against standard industry prices - Quotes will be required and regular progress reports a contract requirement - As a last resort scale back some deliverables e.g. fertiliser by completing out of income in subsequent years 	Medium
<input checked="" type="checkbox"/> Operational risk	Will the project or asset operate to specification, to budget, and achieve the forecast revenue?	The short time horizon of this project means the risk is low. There is a sustained demand for Beef.	Low
<input checked="" type="checkbox"/> Force majeure/Insurance risk	Have insurable risks been considered? Is the level of insurance adequate?	Insurance has not been noted in the application.	Medium
<input checked="" type="checkbox"/> Macroeconomic risk	Has the impact of possible external economic changes been considered?	The short time horizon of this project means the risk is low. Project will be scaled back in the areas of lowest return if necessary.	Low
<i>If the answers to the first question is NO, or assessments of risk(s) are HIGH, discuss with an Investment Director.</i>			

Section D: Funding and financial analysis		Please highlight number below
Does the application show:		
➤ How strong is the financial position of the applicant organisation?	<p>The applicant has assets of \$^{Commercial Information} as of 30 Jun 2019 and has a net loss ^{Commercial Information} over the financial year ending June 2019.</p> <p>With a capital injection of \$991.8k from the Provincial Growth Fund as an Acceleration Investment, the increased production and profitability by ^{Commercial} will result in a \$^{Commercial} increased profit pa or ^{Comm}% return on the PGF grant (extra profit of \$^{Commercial Info}/\$991.8k PGF Grant = ^{Comm}%).</p>	N/A 1 2 3 4 5
➤ How does the scale of the project compare to their overall business?	<p>Current pastoral leasing arrangements are suboptimal in terms of profitability and for maintaining the whenua in a good condition.</p> <p>The active management and support that will be enabled by this project will enable the Ahu Whenua Trust to manage the scale up of activity.</p>	N/A 1 2 3 4 5
➤ Why is Crown funding being sought rather than commercially-available funding?	Access to capital funding has, in the past, been a challenge for Māori landowners, as the special status of their land means commercial banks are less willing to lend to them. Because of this, the Government is in a unique position to help landowners make progress on their projects, and to work with commercial lenders to ensure sustainable investment.	N/A 1 2 3 4 5
➤ What does the independent financial analysis/ business case indicate?	^{Commercial Info} is engaged and working with the applicant to produce a business case and farm management plan for transitioning the farm operations into active management. This work started in October and a full written report is due in ^{Commercial Information}	N/A 1 2 3 4 5
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	The funding model requested (a grant of \$991,800) is appropriate and had been developed with support from TPK.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence of market pull for this project?	There is a sustained unmet demand for Beef.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence that their supply chain is secure?	Not as yet, the evidence of this will be supplied in the ^{Commercial Info} business case.	N/A 1 2 3 4 5
Summary of funding and financial analysis:	The project will develop currently underproductive Māori Freehold Land, and assist with developing an economic scale of production.	N/A 1 2 3 4 5

Funding arrangements

The applicant has provided the below milestone plan, which is of an appropriate nature, noting that the delivery milestones will be confirmed through the contracting process.

#	Description	Payment Criteria	Invoice Value \$ (Exc. GST)	%	Invoice Date
1	Initiation payment	A signed funding agreement in place and the delivery of start-up report, Project Manager contract signed, and Independent Director recruitment completed	\$ Commercial Informa	Comm %	Commercial Information
2	Detailed design of fencing and water system plan	Completion of the design phase, demonstrated by: - Delivery of the water system and fencing designs	\$ Commercial Info	Co %	Commercial Information
3	Fertiliser and Lime application March 2020	Capital fertiliser and lime applied - demonstrated by invoices from nutrient supplier and spreader with proof of placement – Phase 1	\$ Commercial Informa	Comm %	Commercial Information
4	Drainage	Drainage project phase one complete – invoice from contractor	\$ Commercial Informa	Comm %	Commercial Information
5	Fencing – progress payment 30%	Materials purchased and partly installed – invoice from supplier	\$ Commercial Informa	Comm %	Commercial Information
6	Fencing – progress payment 20%	Fencing construction ongoing – invoice from contractor	\$ Commercial Info	Co %	Commercial Information
7	Water system	Water system materials purchased and phase one installed	\$ Commercial Info	Co %	Commercial Information
8	Scrub clearance and pasture improvement	Phase 1 complete	\$ Commercial Info	Co %	Commercial Information
9	Fencing – progress payment 30%	Fencing installation complete – invoice from contractor	\$ Commercial Info	Co %	Commercial Information
10	Farm roading phase one	Phase 1 completed May 2020	\$ Commercial Info	Co %	Commercial Information
11	Final Fertiliser and Lime application	Final application of capital fertiliser and lime March 2021	\$ Commercial Informa	Comm %	Commercial Information

12	Water system Installation	Water system installed – phase 2 complete	\$ Commercial Info	Co %	Commercial Information
13	Drainage	Drainage project phase two complete	\$ Commercial Info	Co %	Commercial Information
14	Scrub clearance and pasture improvement	Phase 2 complete	\$ Commercial Info	Co %	Commercial Information
15	Farm roading phase two	Phase 2 completed April 2021	\$ Commercial Info	Co %	Commercial Information
	Total		\$991,800		

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

Free and frank opinions

Free and frank opinions

This application was developed with and supported by TPK

Ministry of Primary Industries' Recommendation:

MPI recommends:

That the current situation with existing lessee be resolved immediately to enable development of whenua to proceed.

Provided lease agreement can be resolved, recommend management team engaged and farm manager appointed to oversee project management.

That the management team report to an independent governance board. Independent directors selected based on complimentary skillsets.

Clear robust delineation between governance board and operational management to ensure transparency and accountability.

Subject to management team appointment, review need for total budgeted project management and governance funds.

Early involvement by management and local administration to build capability within local Iwi from outset.

Approve in principle the proposal to transition from pastoral leasing to active management of Waima Topu B trust farm operations.

Conflicts of interest and T&Cs

Yes - Comments below

Full Due Diligence has not been completed

Privacy of natural persons

Privacy of natural persons

T&Cs has been correctly completed and signed.

Further information from applicant

No - Section deleted

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

Supporting proposal:	Yes
Appendices:	Yes – Applications and supporting letters are as annexes Supporting letters withheld - Commercial Information
Author of paper:	SC, Investment Analyst, PS, Investment Director, PDU Investment Team