

## 2.11 Tapuaetahi Incorporation Remedial Farming Improvements Works Project

### Evaluation, Cover Sheet and Decision Form

<b>Project:</b>	Tapuaetahi Incorporation Remedial Farming Improvements Works Project		<b>FOR:</b>	<b>Approval</b>
<b>Applicant:</b>	Tapuaetahi Incorporation		<b>Pipedrive ID:</b>	Commercial I
<b>Application type:</b>	WM	<b>(A) Total Project Value:</b>	\$ Commercial Information	
<b>Funding type:</b>	Grant	<b>(B) PGF Funding Sought:</b>	\$858,034	
<b>Entity Type:</b>	<b>Incorporated Society</b>	<b>(C) PGF Funding Recommended:</b>	\$ Commercial Informat	
<b>Region:</b>	<b>Northland</b>	<b>(D) Applicant Contribution:</b>	\$ Commercial Informat	
<b>Tier:</b>	<b>2 - Sectors</b>	<b>(D/A) Co-contribution Rate:</b>	Commercial %	
<b>Sector:</b>	<b>Agriculture / Horticulture</b>			
<b>Application summary:</b>	<p>Tapuaetahi Incorporation was established in 1965 following the amalgamation of three land blocks. The reasoning behind the amalgamation was firstly to protect the land from the local authority and the ratings scheme and secondly to bring benefit the people of Te Tii (roughly 30 minutes north of Kerikeri. Tapuaetahi Incorporation is seeking PGF funding to undertake restoration and remedial work across three adjacent farming properties (620hA in total) in Northland to improve its farming capability and productivity with its Wagyu / Angus farming operation. The project includes investment in three distinct activities:</p> <ol style="list-style-type: none"> <li>1. Stock containment – 15.35 km of fencing to protect bush, waterways and to prevent erosion in prone areas.</li> <li>2. Infrastructure – install and reinstate necessary infrastructure required for specialty farming.</li> <li>3. Pasture improvement – implement a Commercial Information intensive land development and pasture improvement programme.</li> </ol> <p>Under its supply agreement (Commercial Information), Tapuaetahi Incorporation gets paid a predetermined amount for each Wagyu / Angus cattle based on the weight and marble score of each cattle finished. Poor pasture quality and management has meant that Tapuaetahi Incorporation received less for each cattle than what was received for cattle finished on other properties. This project will improve the viability and sustainability of Tapuaetahi Incorporation's existing farming operation and ensure there is a sustainable financial benefit for the Incorporation's 470 shareholders.</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 \$ [Commercial Information] grant from the PGF towards Tapuaetahi Incorporation**

- because:
  - The project meets the following whenua Māori principles:
    - The land is owned by Māori land owners – [Commercial Information]
    - The project increases productivity – improved pasture management and better quality pasture will enable Tapuaetahi Incorporation to grow and finish larger Wagyu / Angus cattle. The price Tapuaetahi Incorporation is paid under its supply agreement with [Commercial Information] is dependent on the marble score and weight of each cattle.
    - The project will commence within the timeframe of the PGF – the project is ready to commence and is awaiting investment.
    - Land owners have established governance and management arrangements – Tapuaetahi Incorporation has an established committee of management and has explained how the project team will operate within its existing governance structure.
    - There is no evidence that indicates negative impacts on water quality and climate change – PGF funding is sought to fence off waterways.
- subject to:
  - [Commercial Information]
  - Tapuaetahi Incorporation agreeing to contribute the difference between funding sought and funding recommended for project management;
  - a detailed project plan;
  - the applicant providing quotes for all of the required work for this project, as outlined in the project overview document;
  - satisfactory due diligence.
- note:
  - The PDU is awaiting formal submission of feedback on this proposal from MPI. The initial assessment of this project by MPI has indicated it supports the project in principle.
  - TPK has provided comments on this proposal and are supportive. TPK feedback has been included in this coversheet as Annex One.

**Section A: Triage – Assessment against PGF eligibility criteria**

**Declining under CAP-18-MIN-0347**

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

**Due diligence on applicant – Summary of findings**

**Requested**

Due diligence has been undertaken and identified that the following should be noted:

- [Commercial Information] Privacy of natural persons
- No title searches have been conducted at this time as further detail of titles are required in order to locate the [Commercial Information] block.

## Application description

### Background

Tapuaetahi Incorporation was established in March 1965 with the amalgamation of three land blocks. The land on which this project will take place is a small coastal block that is one of a few small parcels of land that are the remaining remnants of Ngati Rehia. Over the last 10 years Tapuaetahi Incorporation has expanded its farming operations and began a member of the **Commercial Information** markets and sells grass-fed Wagyu beef to international markets on behalf of farmers **Commercial Information**

**Commercial Informa** A supply agreement is in place between Tapuaetahi Incorporation and **Commercial Information** for the supply of Wagyu / Angus cattle.

The farming operation runs across three blocks of land; **Commercial Information**

The additional land will provide increased levels of pasture and provide for the implementation of better stock and pasture management systems

Each respective block of land has different requirements as set out below but the project covers all three blocks. The table below sets out the size of each land block and how much is suitable for pasture:

	Total area	Area suitable for pasture
<b>Commercial Information</b>	<b>Commercial Inform</b>	<b>Commercial Inform</b>
<b>Commercial Information</b>	<b>Commercial Infor</b>	<b>Commercial Inform</b>
<b>Commercial Information</b>	<b>Commercial In</b>	<b>Commercial Inf</b>
<b>Total</b>	620hA	<b>Commercial Infor</b>

### Application Summary

Tapuaetahi Incorporation is seeking PGF funding to undertake restoration and remedial work across three adjacent farming properties in Northland to improve its farming capability and productivity with its Wagyu / Angus farming operation. The project includes investment in three distinct activities:

1. Stock containment – 15.35 km of fencing to protect bush, waterways and to prevent erosion in prone areas.
2. Infrastructure – install and reinstate necessary infrastructure required for specialty farming.
3. Pasture improvement – implement a **Commercial Information** intensive land development and pasture improvement programme.

#### Stock containment:

Investment towards fencing will enable Tapuaetahi Incorporation to effectively manage stock across the three land blocks. Better management of the Wagyu / Angus stock will mean that Tapuaetahi Incorporation can achieve optimum finishing weights. Tapuaetahi Incorporation is paid a base price that is determined by the meat and fat colours of each Heifer and Steer, with additional premiums payable for weight as well as for stock that is made available to **Commercial Informa** in the winter and spring periods.

The table below sets out what fencing is required for and how much fencing is required on each land block:

Table 1	<b>Commercial Information</b>	<b>Commercial Information</b>	<b>Commercial Information</b>	<b>Total</b>
<b>Bush areas</b>		<b>Commercial Informa</b>	<b>Commercial Informa</b>	<b>Commercial Informa</b>
<b>Waterways</b>	<b>Commercial Informa</b>	<b>Commercial Informa</b>		<b>Commercial Infor</b>

<b>Erosion control</b>			1,000m	<b>1km</b>
<b>Sub division</b>	Commercial Informa	Commercial Informa		Commercial Informatio
<b>Total</b>	Commercial Informa	Commercial Informatio	Commercial Infor	Commercial Information

The 15.355 km of fencing is estimated to cost \$ Commercial Inform in total (\$ Commercial Inform per metre). Commercial Information

This rate is calculated based on the minimum labour resource and materials required to complete a fencing project.

**Infrastructure**

The project involves infrastructure investment across the three land blocks at a total cost of \$ Commercial Informatio The infrastructure work will include all of the following:

Commercial Information
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**Pasture Improvement**

The remaining PGF funding provided for this project (\$ Commercial Informatio) is to be used to improve the quality of pasture across the three blocks with the objective being to grow larger Wagyu / Angus cattle with better marble scores. Tapuaetahi Incorporation will make the following investments to achieve better quality pasture and increase the pasture area within the respective land blocks:

	<b>Fertiliser and lime</b>	<b>Scrub and gorse clearance</b>	<b>Under and over sow of pasture</b>	<b>Total</b>
Commercial Information	\$ Commercial Inform	\$ Commercial Inform	\$ Commercial Inform	\$ Commercial Informat
Commercial Information	\$ Commercial Inform	\$ Commercial Inform	\$ Commercial Inform	\$ Commercial Informat
Commercial Information	\$ Commercial Inform	Com	\$ Commercial Inform	\$ Commercial Inform
<b>Total</b>	\$ Commercial Informat	\$ Commercial Informat	\$ Commercial Inform	\$ Commercial Informat

**Implementation**

The respective pieces of work that make up this project will be undertaken by a combination of specialist contractors and internal resources offered by Tapuaetahi Incorporation. Executive Manager for the Tapuaetahi Incorporation, Privacy of natural persons, will act as the project manager and coordinate the work. He will be supported by Tapuaetahi Incorporation’s Farm Manager. Tapuaetahi Incorporation plans to outsource some of the Executive Manager’s regular duties for the duration of the project.

Taupaeatahi Incorporation has experience delivering projects of this kind and has developed a list of preferred service providers for procurement purposes. The list has been developed off the back of the Incorporation’s tendering process which requires 3 quotes for each tender. Service providers are added to Tapuaetahi Incorporation’s preferred service provider list if they deliver value, quality and service for the Incorporation. The applicant notes that “all major works” required for this project will be undertaken by contractors already on its list of preferred service providers.

PGF funding has also been sought to cover costs attributable to the work undertaken by the Executive Manager and the Farm Manager. \$ Commercial Inform has been allocated for the Executive Manager costs and \$ Commercial Inform for the Farm Manager costs, with a further \$ Commercial Inform budgeted as contingency. The PDU does not consider it appropriate to use PGF funds

to cover these costs for the following reasons:

- Tapuaetahi Incorporation would have incurred regardless of whether this project went ahead. Mariaio Hohaia's role as Executive Manager is expected to increase from 0.8 FTE currently to 1.0 FTE over the course of the project.
- Tapuaetahi Incorporation's financial position will not be compromised as a result of being required to cover these costs.
- PDU officials consider <sup>Commercial</sup> % contingency to be excessive.

## Benefits

The primary benefit of this project is that it increases the pasture area and improves the quality of pasture that is a key factor in Tapuaetahi Incorporation's ability to supply <sup>Commercial Informat</sup> with Wagyu / Angus cattle whilst operating profitably. The project will ensure that the newly purchased land block can be used to finish cattle at Tapuaetahi, rather than selling them on to other <sup>Commercial Informat</sup> suppliers for finishing. By finishing cattle at Tapuaetahi, the Incorporation can supply <sup>Commercial Informat</sup> with heavier cattle that have better marbling scores which ultimately increases the amount Tapuaetahi Incorporation receives for each cattle.

The additional financial benefit derived from finishing bigger and higher quality Wagyu / Angus cattle will be realised by the 470 shareholders (including 31 whanau trusts) of the Tapuaetahi Incorporation. Tapuaetahi Incorporation contributes significantly to the local Te Tii community through the provision of services and grants.

**Commercial Information**

## Risks

The risks identified by the applicant are relatively standard for projects of a farming nature. Identified risks include price changes, adverse weather events and unforeseen circumstances resulting in committee of management members being unavailable. The risk posed by price changes and unforeseen weather events has been mitigated by contingency incorporated into the project plan and budget. The risk of committee of management members being unavailable due to unforeseen circumstances is managed by regular internal reporting.

## Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount \$
Tapuaetahi Incorporation	Confirmed	\$ <sup>Commercial Informat</sup>
<b>Total</b>		\$ <sup>Commercial Informat</sup>

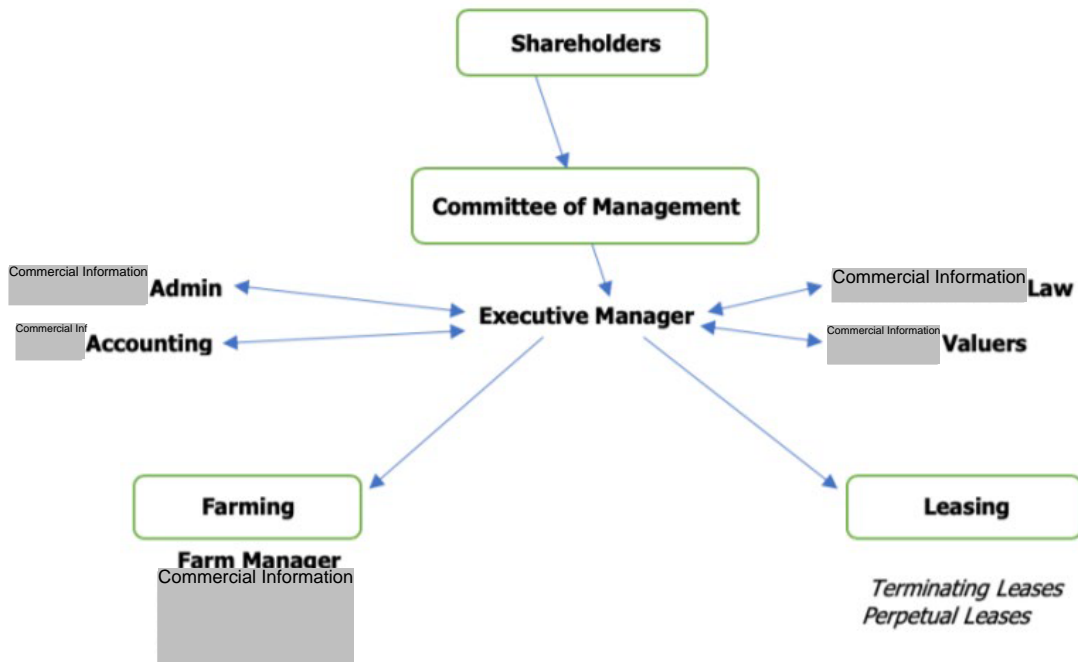
## Project Ownership (Structure and Key Personnel)

Tapuaetahi Incorporation owns and will continue to own all of the land blocks on which this project is taking place.

Key personnel for this project are as follows:

- <sup>Privacy of natural persons</sup> – project manager for the project and executive manager for Tapuaetahi Incorporation
- <sup>Privacy of natural persons</sup> – project supervisor and farm manager for Tapuaetahi Incorporation
- <sup>Privacy of natural persons</sup> – will provide oversight from a governance perspective as the portfolio holder for Tapuaetahi Incorporation's farming operation

The diagram below sets out how the project will be managed and how the projects management fits within Tapuaetahi Incorporation's existing governance structure:



**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**

**Te Ara Mahi (applications only) – N/A**

**Section B: Operational Assessment Criteria (Complete for EoIs 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:**

<p>➤ create permanent jobs?</p>	<p>The project is not expected to create any immediate jobs other than the work that will be completed by contractors. The works are necessary to ensure the existing jobs at the farm are sustainable.</p> <p>The applicant notes its Executive Manager role will increase from [redacted] FTE to [redacted] FTE for the duration of the project.</p>	<p>N/A <b>1</b> 2 3 4 5</p>
<p>➤ deliver community benefits?</p>	<p>The additional financial benefit will be used to benefit the community. The Incorporation paid \$ [redacted] of education grants in [redacted] and \$ [redacted] in [redacted]. This is in addition to the \$ [redacted] that Tapuaetahi Incorporation donates annually to local marae.</p> <p>The project directly supports Tapuaetahi Incorporation’s 30-year goal which aims to develop employment opportunities in Te Tii and the surrounding areas as well as providing additional services in the area.</p>	<p>N/A 1 2 3 <b>4</b> 5</p>
<p>➤ increase utilisation</p>	<p>The three respective land blocks are owned by Tapuaetahi</p>	<p>N/A 1 2 <b>3</b> 4 5</p>

of and returns on Maori assets?	Incorporation. The applicant has provided financial forecasts for the farming operation that estimates it will derive a net profit from the farm of \$ <sup>Commercial Informat</sup> in <sup>Commercial Inf</sup> Note that the financial forecast only covers the 12 month period following the completion of this project.	
➤ enhance the sustainability of natural assets?	The fencing of waterways on the Tapuaetahi property will ensure they are protected from stock damage. The schedule for undertaking the fertiliser aspect of this project has also been designed to minimise the amount of run off into waterways.	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	The expansion of a Wagyu / Angus cattle farming operation is unlikely to have a positive impact on climate change or lower emissions. Note that Wagyu / Angus cattle are of a much higher value than other cattle.	N A 1 2 3 4 5
<b>Additionality</b>		
<b>Would the project:</b>		
➤ add value by building on what is already there, without duplicating effort?	Tapuaetahi Incorporation has an existing supply agreement with <sup>Commercial Informat</sup> which provides the Incorporation with greater certainty for its stock prices. Improved pasture management and pasture quality will improve margins for Tapuaetahi Incorporation as it can grow bigger Wagyu / Angus stock that will produce higher marble scores.	N/A 1 2 3 4 5
➤ be a catalyst for productivity potential in the region?	The applicant has a redistribution policy for surplus funds <sup>Commercial Infor</sup> The project will mean that Tapuaetahi Incorporation has more funds to support the local community, for example in the form of tertiary education grants.	N/A 1 2 3 4 5
<b>Connected to regional stakeholders and frameworks</b>		
<b>Does the project:</b>		
➤ align with regional priorities, such as frameworks, or regional plans?	This project aligns with the following 3 goals set out in the Tai Tokerau Economic Action Plan for Land & Water: <ul style="list-style-type: none"> <li>to increase the value of, and employment in, the primary sector</li> <li>to sustainably use land and water resources to increase productivity from current enterprises and shift resources to higher value assets</li> <li>support the development of Maori landholdings as a priority for growth</li> </ul>	N/A 1 2 3 4 5
➤ have the support of local governance groups (councils, iwi and hapu)?	No formal letters of support have been provided as part of this application, however Tapuaetahi Incorporation notes that the fencing of all waterways on its properties aligns with the Northland Regional Council's Regional Water and Soil Plan.	N/A 1 2 3 4 5

**Governance, risk and project execution****Does the application show:**

➤ robust project management and governance systems?	<p><small>Privacy of natural persons</small> will act as the project manager for the project.  <small>Privacy of natural persons</small></p> <p>Tapuaetahi Incorporation has also set out how the project will be managed within its current governance structure.</p>	N/A 1 2 3 4 5
➤ plans for future ownership and operational management?	Tapuaetahi Incorporation will continue to own the land on which the project is to take place.	N/A 1 2 3 4 5
➤ how the project will be delivered and managed?	<p>The applicant will select contractors for this project from its list of preferred suppliers. This list is made up of businesses that have professionally and successfully provided services for Tapuaetai Incorporation previously.</p> <p>The recommendation to approve PGF funding for this project is conditional on Tapuaetahi Incorporation providing a detailed project plan.</p>	N/A 1 2 3 4 5

**Section C: Risk Management Evaluation**

Does this application demonstrate consideration of the following risks?

Yes

Risk description	Mitigations	Risk Rating
Prices quoted are less than the cost of actual work	Tapuaetahi Incorporation has incorporated contingency into its budget. Tapuaetahi Incorporation expects some deviation in quoted prices as suppliers have new year price changes	Medium
Adverse weather impacts the applicant's ability to complete the project within the timeline stipulated	Scheduled completion dates have only been provided for some activities. Timing of project delivery will be subject to weather conditions	Medium
Demand for Wagyu / Angus beef impacts the viability of the <small>Commercial Informa</small> program	<small>Commercial Information</small>	Low
Unforeseen event (e.g. illness) impacts availability of project team members	Regular internal reporting to the committee of management to ensure that management is aware of any such event in a timely manner and can act accordingly	Low

**Section D: Funding and financial analysis**

Please highlight number below

**Does the application show:**

➤ How strong is the financial position of the applicant organisation?	<small>Commercial Information</small>	N/A 1 2 3 4 5
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	<p>Commercial Information</p> <p>Commercial Information</p>	
<p>➤ How does the scale of the project compare to their overall business?</p>	<p>Tapuaetahi Incorporation notes that this project is similar to a project that it successfully delivered in the last three years which involved multiple works happening simultaneously. The project team also has appropriate experience and capability to successfully deliver this project.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Why is Crown funding being sought rather than commercially-available funding?</p>	<p>Commercial Information</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ What does the independent financial analysis/ business case indicate?</p>	<p>N/A</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>The PDU considers a grant to be an appropriate funding model for this project because the financial benefits resulting from this project will not be realised until at least <sup>Commercial In</sup> Further to this, Tapuaetahi Incorporation estimates it will need to invest \$ <sup>Commercial Informat</sup> in livestock over the next <sup>Commercial Information</sup> with the extra land available as pasture as a result of this project. Requiring the Incorporation to make repayments on a loan will significantly impact its ability to make the investment in livestock.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>Under its supply agreement with <sup>Commercial Information</sup> Tapuaetahi Incorporation has a secure market for its Wagyu / Angus cattle with predetermined prices confirmed based on weight and marble score of stock. The supply agreement protects Tapuaetahi Incorporation from market fluctuations. The only risk to Tapuaetahi Incorporation's market pull would be in the event that <sup>Commercial Information</sup> fails and the Incorporation is unable to sell its stock through other avenues.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>N/A</p>	<p>N/A 1 2 3 4 5</p>

**Summary of funding and financial analysis:**

## Commercial Information

N/A 1 2 3 4 5

Commercial Information the PDU considers a grant to be appropriate funding model for this project because of the investment Tapuaetahi Incorporation will be required to make in the foreseeable future towards livestock as well as the planned \$ Commercial Informat investment toward restoring its woolshed. The provision of \$858,034 of grant funding from the PGF will enable a profitable farming operation that will provide a sustainable revenue stream for the Incorporation's 470 shareholders.

**Funding arrangements**

The table below sets out the project deliverables proposed by Tapuaetahi Incorporation:

#	Description	Payment criteria	Invoice value \$ (exc GST)	%	Invoice date
1	Initiation payment	On signature of funding agreement and the delivery of start-up report	\$ Commercial Informat	Comm %	Commercial Information
2	Report 1	Project Management report on the progress of the Infrastructure programme, Stock Containment programme and Pasture Development programme	\$ Commercial Informat	Comm %	Commercial Information
3	Report 2	Project Management report on the progress of the Infrastructure programme, Stock Containment programme and Pasture Development programme	\$ Commercial Informat	Comm %	Commercial Information
4	Report 3	Project Management report on the progress of the Stock Containment programme and Pasture Development programme	\$ Commercial Inform	Comm %	Commercial Information
5	Report 4	Project Management report on the progress of the Stock Containment programme and Pasture Development programme	\$ Commercial Inform	Comm %	Commercial Information
6	Report 5	Project Management report on the progress of the Pasture Development programme	\$ Commercial Inform	Comm %	Commercial Information
7	Final report	Project Management report on the progress of the Pasture Development programme and final project report	\$ Commercial Inform	Comm %	Commercial Information
<b>Total</b>			<b>\$858,033</b>		

Note that the proposed deliverables will be amended as the PDU considers the cost of project management should be either reduced or removed from any amount of PGF support provided to Tapuaetahi Incorporation.

### Consultation from partner agencies undertaken or implications

Te Puni Kokiri has provided comments on this proposal and is supportive. Complete feedback from Te Puni Kokiri has been included as Annex One. [Appendix withheld - Commercial Information](#)

### Summary statement of Application Review undertaken

All of the following have occurred as part of this application assessment and recommendation:

- Discussions between the Regions Team and the Investment Team; and
- Consultation with relevant partner agencies allowing the provision of technical advice; their verbatim feedback is included above; and
- Full and comprehensive review by an Investment Director; and
- Review by the Head of Investment; and
- Review by the PDU Leadership Team.

These have occurred to the satisfaction of the reviewer and the reviewer concurs with the recommendation.

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:

MN, Investment Analyst, PDU Investment Team  
PS, Investment Director, PDU Investment Team