

Ngā Whenua Kaikohe

Project overview

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| Name of the project | Ngā Whenua Kaikohe |
| Region | Northland |
| Tier and type | Tier 2: Sectors |
| Applicant | Omapere Rangihamama Ahu Whenua Trust (ORT) |
| Estimated total project cost | \$ <small>Commercial Information</small> |
| Amount of funding sought from the PGF | \$ <small>Commercial Information</small> |
| Financial instrument requested | Grant |
| PDU recommendation | Conditional Approval |

Background

53. ORT has requested funding from the Whenua Māori allocation of the PGF to develop Commercial Information of vineyards on five separate Māori land blocks in the Kaikohe area over the next Commercial Information. The applicant highlights a Ministry for Primary Industries (MPI) study that identified 82,000ha of Māori owned land within a 50 km radius of Kaikohe, many of which are not utilised or under-utilised. The project will test the viability of expanding the Northland wine industry through the growing of niche grape varieties. The project includes:

- planning, research and analysis;
- planting and growing of the vines until production; and
- training of staff in all aspects of viticulture.

54. PGF funding will support five Māori landowners to better utilise their land and will unlock potential for further investment, create employment opportunities for the local Māori communities, and lead to increased income and wellbeing. The applicant has advised that in turn these outcomes will increase the prosperity of the region. The PGF funding will bridge the divide between small landowners with limited financial capability to progress over time into commercial operations.

55. ORT has applied on behalf of the landowners. It is planned that the funding will be lodged with an agreed fund holder (Commercial Information) which will disburse funds in accordance with instructions of the co-operative. The project land is currently zoned as rural therefore no resource consent issues are foreseen by the applicant for this project.

56. In February 2018, Commercial Information in Te Ara Mahi grant funding to deliver a sustained pre-employment programme and develop a skills and training hub for Kaikohe. Commercial Information will provide training and labour, store and provide equipment for the co-operative. Both the project manager and

coordinator will also be based at [redacted] Commercial Information [redacted]

PDU recommendation

57. The PDU recommends that you approve in principle an up to \$1,532,000 grant from the Whenua Māori allocation of the PGF towards the development of [redacted] Commercial Information [redacted] of vineyards on five separate Māori land blocks in the Kaikohe area, subject to:

- i. the project being funded in two phases:
 - a. **Phase one** is to complete the detailed project plan (including cost and technical verification); and
 - b. **Phase two** completing the work against the agreed project milestones;
- i. PGF funding of up to \$ [redacted] Commercial Information [redacted] be used to fund phase one, this phase will include the following conditions:
 - c. the PDU being satisfied with final project plan and costings, due diligence and financial review findings, and recruitment of project management and technical expertise;
 - d. funding will be released in tranches against contracted milestones;
 - e. fund holding structure and the cooperative arrangements confirmed and agreed to the satisfaction of the PDU;
 - f. letters of support being provided by the [redacted] Commercial Information [redacted]
[redacted] Supporting letters withheld - Commercial Information
 - g. water consent or a plan for dealing with water requirements being confirmed to the satisfaction of the PDU; and
 - h. Ministry for Primary Industries review of the information that the applicant provides around the viability of the project.

58. It is the PDU's view, that there are number of outstanding matters to be addressed and significant risks associated with this project, including the proposed structure for holding the funds, the suitability of the land, the level of market analysis undertaken, financial sustainability and the level of information still needed from the entities.

59. However, on balance, as long as these risks can be addressed or mitigated, the project is supported by the PDU, as it aligns strongly to the aspirations of the Whenua Māori allocation and concerns listed in the evaluation by both the PDU and MPI can be addressed prior to contracting.

60. The PDU considered that there are a number of positives that enhance the value proposition of this proposal including:

- a. good land and climate;
- b. available workforce and Te Ara Mahi initiatives underway to build the capacity and capability of local rangatahi;
- c. interested landowners whose properties are in close proximity to one another, with the ability to make decisions on their land;
- d. strong interest from those landowners to work within a co-operative model;
- e. relevant infrastructure from [redacted] Commercial Information [redacted], who own a vineyard;
- f. good potential partners and advisors – specialist viticulture/Plant and Food advisors and the local Bay of Islands wine industry.

Costs and funding

61. The PDU requires a full set of accounts from the relevant entities, and any approval recommendation will be subject to detailed financial analysis and satisfaction of this analysis.
62. The majority of the landowners are new to grape growing; however they have noted the support and advice of industry experts as well as having relationships with established producers and Commercial Information
63. The applicant notes that private sector funding is not available for a project such as this in Kaikohe. Crown funding has the ability to help bring together 'place, people and potential' in a cohesive, robust and supported way.
64. A financial contribution is advantageous but not obligatory for Whenua Māori applications. Contribution may be made by land owners to deliver on the project outcomes through provision of labour. Commercial Information
Commercial Information will provide training and labour, store and provide equipment for the co-operative and house the project manager.

Project Plan and Feasibility

65. A full feasibility for the project has not been conducted. The applicant notes that feasibility of this model will be tested through 'Phase One'. Advice has been sought from viticulture specialists on the viability of each of the land blocks for grapes including the most suitable varieties. A budget for establishment of a viable crop on each block has also been discussed. The PDU is awaiting this information; any approval recommendation will be subject to receiving and being satisfied with these reports.
66. Commercial Information
67. Commercial Information has engaged with the project and shown interest in undertaking field research on land that is part of the proposal. In November 2019, it completed an analysis of the soil and climate for Commercial Information
Commercial Information a more in-depth analysis will be conducted including soil analyses to determine soil limitations and mitigation methods.
68. The project activity is outlined by the applicant below, a more detailed project plan has been requested and will be required if funding is secured.

| # | Project Activity | Responsible: | Date / Period: |
|---|--|--------------|---------------------------------------|
| 1 | Delivery of detailed plan, including updated financials | Not detailed | <small>Commercial Information</small> |
| 2 | Delivery of Block Planning and Research (Year 1) | Not detailed | <small>Commercial Information</small> |
| 3 | Delivery of a marketing and business development strategy, including updated financial forecasts and market analysis | Not detailed | <small>Commercial Information</small> |
| 4 | Delivery of Preparation and Planting Phase (Year 1) | Not detailed | <small>Commercial Information</small> |

| | | | |
|---|---|--------------|------------------------|
| 5 | Delivery of Production Phase (focus on training and maintenance) (Year 1) | Not detailed | Commercial Information |
| 6 | Delivery of key activities in Post Phase (Year 1) | Not detailed | Commercial Information |

Project Ownership and Management

69. Commercial Information
- blocks, an overall marketing strategy, and an implementation plan. Landowners will share resources to implement the development plan.
70. A project manager will be appointed by the co-operative to prepare and implement the development plan, including engaging specialist and technical advice. The project manager will be based at Commercial Information and will be responsible for:
- engaging with governance, advisers and managing the project administrator;
 - working with individual landowners to prepare individual development plans as well as an overall development plan for the co-operative's approval;
 - engaging contractors and experts;
 - managing plant, equipment and labour requirements;
 - co-ordinating the implementation of the development plan; and
 - co-ordinating the associated research.
71. A project administrator will also be appointed to support the project manager; this role is intended to be filled by a whānau member from one of the landowners, to help ensure knowledge and skills transfer and continuity beyond the Commercial Information period. Commercial Information will provide a space for the project manager and administrator to work from.

72. Commercial Information

Proposed Co-Operative Structure

73. Commercial Information The governance structure is proposed below and any recommended funding will be subject to these arrangements being finalised. The co-operative will appoint an appropriate fund holder Commercial Information to hold the grant received for this project. Funds will be released by the fund holder in accordance with a development plan approved by the co-operative.

Commercial Information

PDU assessment of the project

74. This section provides an overview of PDU's assessment against the PGF eligibility and assessment criteria.

Assessment against PGF criteria

| Criteria | Rating (1✓ to 5✓) | Comment |
|--|----------------------|---|
| <i>Link with fund and government outcomes</i> | | |
| Creates permanent jobs | ✓✓ | The project creates jobs with a focus on the local Māori communities. Numbers at this stage are unclear. Any contracting arrangements would be subject to an outline of the number of jobs prior to contracting. |
| Delivers benefit to the community | ✓✓✓ | This project identifies a potential growth industry and opportunity for Māori landowners and builds on whānau skill and capability in land productivity, governance and business management. Skill and training programmes will also enable a number of rangatahi to up-skill. |
| Increased utilisation and returns of Māori asset base | ✓✓✓✓ | This project improves economic opportunities and productivity by facilitating establishment of a co-operative structure as a means for providing Māori landowners with support and co-ordination. Supports whānau to better utilise their land assets; and supports whānau to increase their capacity and capability. |

| Criteria | Rating (1✓ to 5✓) | Comment |
|--|----------------------|--|
| Enhanced sustainability of natural assets | ✓✓✓✓ | The initiative encourages owners of Māori land to make sustainable use of their land. |
| Mitigation of climate change | | Not evident. |
| <i>Additionality</i> | | |
| Adding value by building on what is already there | ✓✓✓✓ | The project has potential to improve land utilisation through the cultivation of vines versus current un-utilised/under-utilised land. |
| Acts as a catalyst for productivity potential in the region | ✓✓✓ | The establishment of vines presents an opportunity for increased productivity potential in the region. Combine this with the development of training, it will further upskill workers in the region and subsequently, economic growth within the region. |
| <i>Connected to regional stakeholders and framework</i> | | |
| Alignment with regional priorities | ✓✓✓ | The project aligns closely with the Tai Tokerau Northland Economic Development Plan (TTNEAP). Land and water is a priority area for the TTNEAP, this project offers the region a new approach to working with Māori landowners. Formal engagement with TTNEAP will occur in the future. The applicant notes that Te Puni Kōkiri's regional office has offered advice and support to the project. |
| Support from local governance groups | ✓ | There is no indication that this project has been raised with local governance groups in the application. |
| <i>Governance, risk management and project execution</i> | | |
| Robust project management | ✓✓ | Management and governance systems need firming up. Involvement of <small>Commercial Information</small> mitigates some of these concerns as it has good existing governance, risk management and project execution processes. |

| Criteria | Rating (1✓ to 5✓) | Comment |
|--|----------------------|--|
| and governance systems | | <p>Management and delivery of the project will be overseen by the yet to be appointed Project Manager/Project Admin. Appointment of the Project Manager should have commercial expertise and be discussed with the PDU.</p> <p>Any recommended funding should be subject to governance arrangements finalised. The governance body will be a legal entity, most likely an Incorporated Society. It will comprise two members from each of the five participating land blocks. The governance entity will engage a project manager and any advisers, approve an overall development plan, monitor progress as reported by the project manager, resolve any issues that emerge between members, and approve payments over an agreed threshold.</p> |
| Risk management approach | ✓✓ | The application demonstrates consideration of relevant risks and mitigations, provided in the table below. |
| Future ownership / operational management | ✓ | <p>At the end of the project ^{Commercial Information} it is expected that a minimum of ^{Commercial Information} of land will be producing grapes. That land will remain in the ownership of each of the landowner trusts, and it will be their decision whether or not to continue to expand and enhance the asset.</p> |

Agency comments

Ministry of Foreign Affairs and Trade

75. MFAT note that the expansion is only ^{Commercial Info} % of current grape production ha so no more than minimally trade- or production-distorting. ^{Free and frank opinions}

76. ^{Free and frank opinions}

Ministry for Primary Industries

77. ^{Free and frank opinions}

78. The PDU has recommended that approval is conditional on MPI review of the information that the applicant provides around the viability of the project.

Risk assessment

79. Due diligence has been completed for Omapere Rangihamama Ahuwhenua Trust identified risks have been mitigated. Due diligence is being undertaken for the remaining 4 landowners and has been made a condition of approval.

80. The PDU has identified the following key risks and mitigations:

| Type of risk | Risk description | Mitigations | Risk Rating L/M/H |
|-----------------|--|---|-------------------|
| Project risk | Progress may be delayed at different phases of the project. | Ensure evidence of meeting milestones/deliverables at each phase of the project before release of funding. | Medium |
| Cost risk | Costs may exceed original budget. | Ensure cost quotes for key stages of the project are presented to the PDU's satisfaction before release of deliverable funding. | Medium |
| Consent risk | Lack of clear arrangements for water may negatively impact the project. | Ensure the applicant has a confirmed plan in place before release of funding. | Medium |
| Management risk | Lack of clear arrangements for the fund holding structure may negatively impact the project. | Ensure the applicant has a confirmed plan in place to the satisfaction of the PDU before release of funding. | Low |