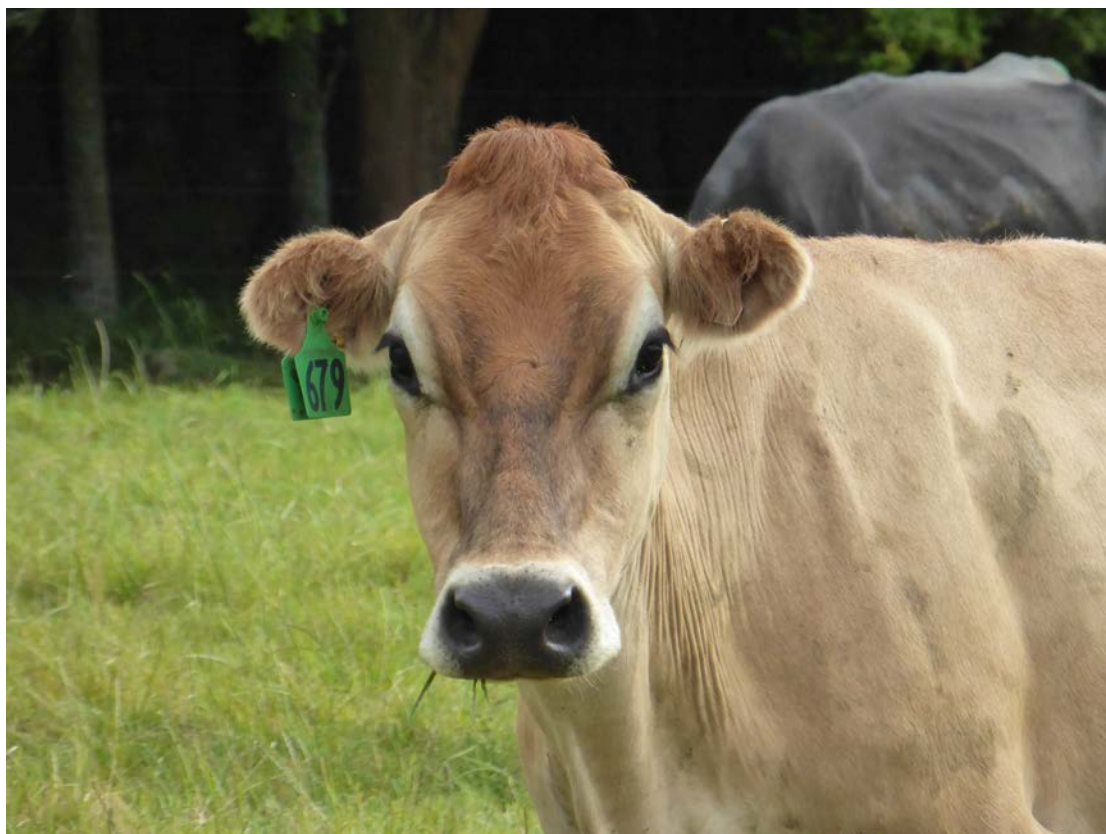


Mooving forward:
An evaluation of the
Rangihamama Dairy Conversion



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Cover photo and this page: J. P. Pierre

Executive summary

In March 2014, the conversion of 278 hectares of land owned by the Omapere Taraire E and Rangihamama X3A Ahu Whenua Trust (ORT) to dairy farming was completed. ORT is characterised by a challenging history that included the amalgamation of two previously separate trusts, failed land-development ventures and the accumulation of significant debt. To resolve its issues, the Trust restructured and addressed its financial position through activities such as leasing its land and growing dairy cows for sale. Subsequently, with its fiscal and administrative base consolidated, ORT was in a position to consider future land uses. Dairy farming was one of several land uses considered by the Trust. Other potential uses included beef farming and horticulture. However, dairying was considered the best fit for the Trust's economic, environmental, cultural and social objectives and aligned with its vision of "kia huri te whenua hei oranga mo te iwi" (the land will sustain its people). The conversion process started in earnest in mid-2013.

This report evaluates the Rangihamama dairy conversion, based on information provided by the Ministry for Primary Industries (a key partner in the conversion) and interviews with eight participants in the conversion project. Ten key lessons emerged from the evaluation that are transferable not only to prospective dairy conversions but also other developments taking place on Māori land.

Lessons are:

- engage shareholders and recognise cultural context,
- get good advice before starting out on a development, and learn from the experience of others,
- involve the right kinds of people on the project team, in terms of both technical expertise and personal characteristics,
- create effective governance structures to oversee the development,
- develop a robust and strategic plan that will guide the project,
- allow enough time to get the job done, and so that quality is not compromised by rushing,
- make the budget conservative and have a contingency fund to cover unexpected events,
- form strong partnerships to support the project,
- develop at an appropriate scale and don't take on too much too soon, and,
- plan for the future to ensure ongoing success.

The Trust's history and the specific challenges addressed by ORT during the Rangihama dairy conversion exemplify typical barriers to Māori land development. These include diversity in aspirations for land development amongst the shareholder base, problems with governance structures and administrative processes, and a shortage of skills and experience needed to support development in real time and into the future. ORT overcame these challenges effectively. Therefore, the Rangihamama conversion provides one possible set of solutions with which to dismantle the barriers impeding the development of Māori freehold land. In addition to their obvious application to dairy conversion projects, the solutions developed at Rangihamama are transferable, and can be applied more broadly to developments considered by Māori trusts or incorporations around the country.



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Table of Contents

i	Executive Summary
1	Introduction
4	Evaluation approach
8	Findings of the evaluation
30	Conclusions
32	Acknowledgements
33	References
35	Appendix 1: Interview content



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Introduction

The Māori land base

Māori land accounts for approximately 1.3 million hectares, or 5%, of New Zealand's landmass¹. Freehold Māori land is characterised by land titles of relatively small size (54 ha on average, with the smallest 10% of blocks comprising an average of 0.79 ha) and relatively numerous owners (approximately 100 on average, per title)².

Management structures used on Māori land are diverse. The majority of Māori freehold land blocks are not associated with any administrative structure. However, where structures do exist, management approaches range from trust structures to management by Te Tumu Paeroa, the Māori Trustee³.

In addition to the diversity in land management approaches, the extent to which Māori land is utilised for production is variable. It is estimated that the production potential of 80% of freehold Māori land is not currently being realised¹. Utilisation of Māori land, where it occurs, includes the primary industries – agriculture and forestry. The potential increase in value (defined as Gross Domestic Product) brought about by utilising Māori land for these industries has been estimated at over \$1,326 million, within the next 10 years¹. Amongst the pastoral industries, contributions to this potential increase in value may be realised through increasing the productivity of 5.2% of Māori freehold land currently utilised for dairy farming, and converting an additional 2.2% of Māori land to this land use¹.

The Omapere Taraire E and Rangihāmama X3A Ahu Whenua Trust

In 2013, the conversion of 278 ha of Māori land into high-productivity dairy farming was undertaken by the Omapere Taraire E and Rangihāmama X3A Ahu Whenua Trust (ORT, or the Trust). ORT manages 1991 ha of land that comprises an amalgamation of whanau holdings belonging to members of 14 affiliated hapu. The land falls within the Taitokerau rohe. In addition to the dairy conversion which is the focus of this report, the land managed by ORT has been used for forestry, sheep and beef production, and apiculture. A residential property portfolio is also held by the Trust⁴.

ORT currently represents over 3,000 shareholders. There are five trustees, who are elected by shareholders for terms of four years. One of the trustees is an independent professional trustee. Trustees meet approximately every six weeks and there are two shareholder meetings held each year. The vision of the Trust is “kia huri te whenua hei oranga mo te iwi” (the land will sustain its people)⁴.

ORT is characterised by a challenging history. The Trust was constituted in 1990⁵. More recently, from 2001-2005, the Trust was characterised as being in “severe financial decline”⁶ which included the accumulation of a substantial debt. A review of the Trust commenced in 2006. Outcomes of that review included administrative and structural changes to the Trust, e.g., the removal of three of the nine previous trustees and the provision for two additional trustees to retire at the end of their term⁶. The existing Trust deed was revised and the current Trust deed was executed in 2008.

Rehabilitation of the Trust included resolving its financial position. This was achieved through improved financial management, and cash-generating enterprises such as leasing Trust land. For example, the Rangihamama block was leased under a five-year arrangement that concluded in June 2011⁷. Secondly, empty dairy cows were purchased, grown on, and sold. Such initiatives were effective in generating the cashflow that allowed the Trust to retire its debt over a three-year period, consolidate its financial position and consider future uses of its landbase. Horticulture was considered, as well as beef farming and dairy development. With supporting evidence including two feasibility studies, dairying was agreed by the trustees as the land use most likely to meet their social, cultural, economic and environmental objectives. On completion of the conversion process, the new Rangihamama dairy farm was officially opened in March 2014.

Purpose of this report

This report documents and evaluates the Rangihamama dairy conversion (RDC) led by ORT. The report identifies key reasons for the success of this dairy conversion conducted on Māori land. It also captures learnings from the RDC that are transferable specifically to other dairy conversions, as well as Māori agribusiness ventures more generally. In addition, the future of the conversion is explored in terms of next steps, and associated opportunities and risks.

While initiated and led by ORT, the RDC is one of a group of six Māori agribusiness projects identified by the Ministry for Primary Industries' (MPI) Māori Partnerships and Programmes team as presenting opportunities to test new approaches to engagement with Māori landowners and the private sector. MPI's specific involvement in the project is evaluated elsewhere⁸. In this report, the RDC is evaluated more broadly. The report is structured into the following three sections:

- Evaluation approach – where the methods used to evaluate the RDC are described,
- Findings of the evaluation – 10 lessons learned by participants in the conversion process that are transferable to other Māori agribusiness ventures, and Māori developments more broadly, and,
- Conclusions.



Photo: J. P. Pierre

Evaluation approach

Two main sources of information were used for the evaluation. First, a series of documents relating to the RDC was provided by MPI. Content included ORT Board meeting minutes, quotations and technical reviews of proposals that were used to determine the scope of the conversion, and progress reports on the conversion project. Second, eight key participants in the RDC were interviewed in person at Rangihamama, and one in Whangarei, in December 2014.

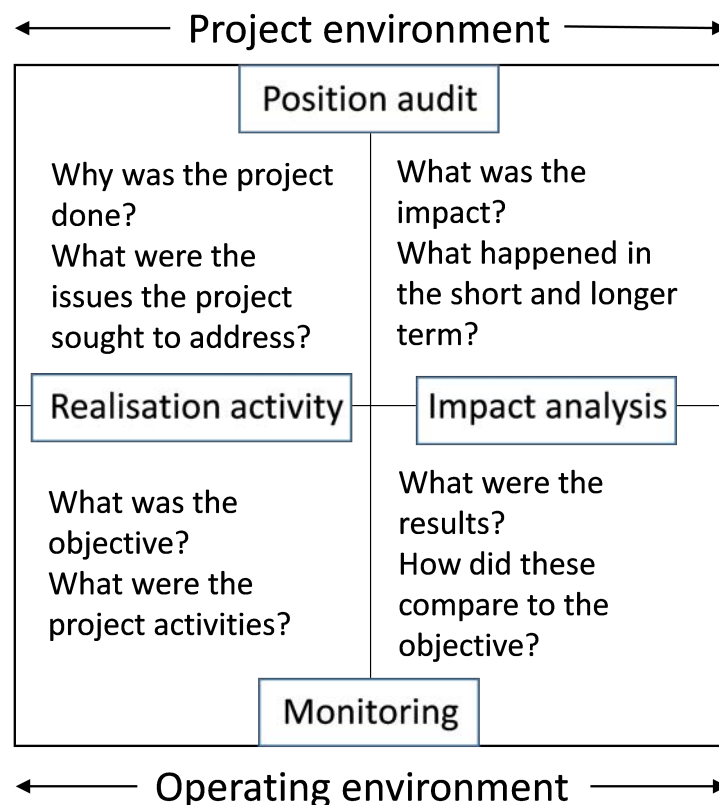


Figure 1. The framework on which this evaluation of the Rangihamama Dairy Conversion was developed, based on the Nexus model presented in Hughes and Nieuwenhuis (2005).

The use of interviews in the evaluation was based broadly on the Nexus approach⁹. The approach is summarised diagrammatically in Figure 1. This approach involves grounding evaluation questions along the timeline, and developmental stages, of the project being evaluated. In the case of the RDC evaluation, the timeline was virtual, as the evaluation was undertaken at the end of the project. However, questioning prompted interviewees to describe their views and experiences at various stages of the conversion process. Questions traversed each quadrant of the Nexus model, from the genesis of the project, through an objectives phase, to short-term outcomes and longer term steps or impacts.

Attributes of the operating environment were considered (e.g., Māori trusts and land) as well as the project environment (the conversion more specifically). The monitoring component of the Nexus model has a relatively short-term dimension in this report, as the evaluation was conducted approximately nine months after the conversion process was completed.

Interviews of participants in the project that informed the evaluation were 60 – 90 minutes in duration and covered the interviewees' roles in the conversion, their expertise, their views on the conversion process, key risks and opportunities they saw at the start or during the conversion and looking ahead to the future, planned and unexpected outcomes, and learnings that they felt could benefit others considering similar projects. Interviews were designed to allow a qualitative, not quantitative, evaluation of the RDC. This was because of the number of interviewees and the diversity of their expertise and roles in the conversion. The standard question list used in interviews is included at Appendix 1. In addition to covering this standard set of questions, interviews were tailored to explore particular areas in which interviewees had interest or expertise.

Interviewees and their role in the RDC are identified in Table 1. Interviews were digitally recorded for subsequent transcription. Overall, in common areas of expertise or experience, information provided by interviewees was highly congruent, eliminating the need to evaluate divergent views in this report.

In addition to participating in on-site interviews, interviewees (and R. Hodgson, specialist technical adviser on the RDC who was not available when interviews were conducted) were invited to review this evaluation report.

Results are presented with a focus on key learnings of the conversion process overall. Learnings are identified and described with the situation or context from which they emerged.



Photo: J. P. Pierre

Table 1. Participants in the Rangihamama dairy conversion (RDC) interviewed for this report. (ORT = the Omapere Taraire E and Rangihamama X3A Ahu Whenua Trust).

Interviewee	Role
Raniera (Sonny) Tau	Chair and Trustee – ORT Te Rūnanga-Ā-Iwi-O-Ngāpuhi Board Chair
Bruce Cutforth	Dairy expert Trustee – ORT
John Parmenter	Accountant – Northland Corporate Accounting Ltd Contracted accountant for ORT
Taoko Wihongi	Kaumatua Trustee and shareholder – ORT
Murray Jamieson	MPI-contracted Farm Advisor
Luke Beehre	RDC Project Manager
Sam Johnson	Managing Partner, Bank of New Zealand – Northland
Eden Boyd	Rangihamama Farm Manager
Jarlal Beckham	Trainee Manager Shareholder – ORT



Photo: J. P. Pierre

Findings of the evaluation

Based on the information provided by MPI and the reflections of key participants in the RDC, 10 key learnings emerged. These are described in detail below.

1. Engage shareholders and recognise cultural context

ORT comprises more than 3,000 shareholders. Amongst such a large group, diverse views on preferred approaches to land development and utilisation of Trust funds are certain to occur. Engagement with shareholders occurred on an ongoing basis prior to and during the conversion process, through annual and six-monthly meetings and an open day on the farm when the conversion was complete. Further, the strategic plan agreed by the Trust and shareholders formally documented the agreed practices and standards that guided the conversion process.

Key issues for shareholders that were identified by interviewees in relation to the dairy conversion included:

- A change in the status of the land, which took it beyond the status quo

Some shareholders were nervous about changing the land use, and were more comfortable, though also not happy, with the status quo. This was despite the land underperforming (in terms of productivity) prior to the conversion, and the ongoing reduction in land quality, for example, as gorse and other weeds encroached.

An additional concern related to the perception that the land may be at risk, as security for a loan needed to progress the conversion development under consideration. (This situation was avoided, given the arrangements entered into by the Trust and the Bank of New Zealand. These arrangements are discussed in more detail elsewhere in this report).

- Constraints on land use that creating the farm necessitated

Some shareholders are reported to have an ongoing desire to settle back on their land with their families. With the farm in place, the Trust did not consider it practical to have homes spread around the land. However, some shareholders have expressed a lack of willingness to settle on land technically owned by someone else. The Trust attempted to address this by designating housing areas. Shareholders' responses to that initiative have been mixed.

- The timeframe in which the accrual of returns is planned and expected

Some shareholders expressed a desire to secure immediate benefits from the Trust's investments. For example, shareholders wanted an ongoing supply of sheep for mutton and beef from farm animals for tangihanga.

The approach now used by the Trust involves providing meat vouchers to shareholders who attend its six-monthly and annual meetings. Vouchers are provided at the conclusion of the meetings. Other ongoing benefits for shareholders that are envisaged by the Trust include scholarships and employment.

- The potential for damage to the environment

Concerns were expressed amongst shareholders that developing the land for dairy farming could compromise key environmental values. For example, wild food sources found on the land and in its waterways that are valued by shareholders include eels and watercress. The shareholders were reported to take some time to believe that the quality and character of waterways on the farm would be maintained if the dairy conversion proceeded.

These issues were addressed with the Trust and shareholders over time. Solutions included fencing waterways and developing effluent management systems. Further, the decision was taken to not seek a resource consent that would allow for the discharge of effluent. On-farm effluent management, including ponds, tanks, and spraying on the land were preferred.

Lastly, there was concern amongst shareholders that the development of the farm could result in the removal of native trees, e.g., totara. This was recognised as unacceptable, and farm development plans were modified where required, such that these trees were not removed.



Photo: J. P. Pierre



Photo: B. Foster, Airplane Studios

"There's a lot of issues around running a Māori Trust on Māori land and you have to do things in such a way that you capture the minds and the hearts of your people and take them with you. In the last four or five years, we've managed to do that."

- Raniera (Sonny) Tau
Chair and Trustee - ORT
Te Rūnanga-Ā-Iwi-O-Ngāpuhi Board Chair

2. Get good advice early on and learn from the experience of others

Prior to starting the conversion process, the Trust sought expert advice and commissioned a significant amount of research to investigate the pros and cons of different land uses. Initially, land uses considered for the block included dry stock farming and horticulture, in addition to dairy farming. However, dairy farming emerged as the land use that provided the most consistent income, as well as meeting environmental objectives.

With dairying identified as the preferred land use, proposals describing the Rangihamama conversion were reviewed and critiqued by a number of experts. Ultimately, with the farm envisaged as a money-making enterprise, costs and returns were key elements of its feasibility. Therefore, projections relating to the farm's economics needed to be robust. Key components for review included potential production, stock costs (including animal health, feed, breeding), pasture cover, pest control, fertiliser inputs, labour costs, vehicles, fuel costs, repairs and maintenance, and overheads (e.g., insurance, rates, ACC). The robust assessment of financial performance at different levels of production, and under different cost and return scenarios, was paramount.

Interviewees recognised that thoroughly researching and reviewing the feasibility of dairy farming on the Rangihamama block was a critical factor contributing to the successful completion of the conversion. In short, the Trust did its homework on dairying, and the farm's short-term and longer term capabilities in that respect, before actually initiating any dairy-related development.

Interviewees recommended involving experts and seeking advice early on when considering land development. For example, the Rangihamama conversion project involved accounting and farming experts early on, and maintained the involvement of these experts throughout the conversion. Consulting with others who had undertaken conversions and visiting farms that had converted were recommended as having particular value.

Interviewees recognised a number of sources from which advice and support could be sought by those contemplating a dairy conversion. While the procurement of advice was required from some sources, others were able to provide expertise at no cost. Potential sources of expertise include:

- the Ministry for Primary Industries' Māori Partnerships and Programmes team
- the Ministry of Business, Innovation and Employment
- the Federation of Māori Authorities
- banks with in-house experts in farm development
- Dairy New Zealand
- Landcorp
- Te Tumu Paeroa (the Māori Trustee)
- private sector consultants, and,
- iwi leaders and groups who have conducted their own conversions.

The particular value of local advice was also recognised. For example, for Northland, experts based in the region may offer better advice than experts whose advice is drawn largely from experience acquired elsewhere. Local advisors will be more familiar with local conditions.



Photo: B. Foster, Airplane Studios

"If you're thinking of converting your farm, what I would suggest is go and visit other farms that have recently converted, talk to them about what they've done, why they've done it, how they've done it, who are the key people they had involved in helping them with design and layout, and also what is their long term goal - that is very important..."

- Murray Jamieson
MPI-contracted Farm Advisor

3. Involve the right kinds of people on the project team

Interviewees considered that the people involved were critical to the success of the conversion at Rangihamama. Overall, the Trust's preference is to draw on its shareholder base to fill the roles necessary to achieve Trust goals. However, where appropriately skilled people are not available from the shareholder base, the Trust's approach is to involve the best people from outside that base. This is complemented by seeking to upskill potential future contributors from within the shareholder base. For the Rangihamama conversion, a significant amount of technical expertise was brought in from outside the Trust at all stages of the conversion process.

In addition to recognising that technical knowledge and skills are critical for the success of projects such as the Rangihamama conversion, interviewees also identified particular personal characteristics as being extremely important. Interviewees recognised the following characteristics as desirable, and that this combination of characteristics meant team members worked together effectively, respectfully, and constructively. Key characteristics were:

- an open-minded approach,
- the ability to listen well to others,
- willingness to challenge each other constructively on important issues,
- an understanding of, or willingness to learn, Māori values, and,
- patience, both with others involved and the process overall.

In any project, turnover of team members may occur. However, involving a full project team at the outset was seen as important amongst interviewees, particularly when working to tight timeframes. When team members were brought in part-way through the project, there was a loss of time while they were brought up to speed.

Similarly, once key staff were onboard, maintaining their involvement through to the end of the project was valuable. With changes in project staff during the conversion, knowledge and relevant experience was lost. That loss, combined with the need to recruit someone new and bring them up to speed, took time to address and had the potential to impede progress.



Photo: B. Foster, Airplane Studios

"As far as the people who fit into projects like this, they cannot afford to be too strongly opinionated, they need to be better listeners than speakers, they need to respect Māori, to understand the Māori values and to be prepared to journey and not be impatient."

- Bruce Cutforth
Dairy Expert
Trustee - ORT

4. Create effective governance structures

Interviewees identified robust governance structures as essential to success, including a strong board of independent trustees or directors, and competent managers. Ensuring that the people involved in the project were clear about their roles, and empowered and supported to perform in those roles, was essential. This included the ability to make decisions and act on those decisions, and, to know where accountability and responsibility lay when decisions were needed from others. Interviewees considered that good governance and clarity between governance and management roles were essential for smoothly progressing the conversion.

The governance model used for the Rangihamama conversion comprised four groups. These were the ORT board, the Conversion Group Committee (also known as the Farm Committee), the Conversion Management Team, and the Rangihamama Farm Management Team. One person from each group was specifically identified to provide connectivity between that group and other groups, as shown in Figure 2.

Initially, the Trust general manager also took on the role of project manager for the conversion. Part-way through the conversion, that situation changed due to her resignation. Subsequently, a project manager was recruited, and tasked specifically with managing the conversion. In hindsight, the employment of a project manager specific to the conversion was the approach recommended by participants. This allowed the recruitment of a project manager on a short-term contract, who had skills and experience relevant to the project to be managed (e.g., an understanding of dairying). In contrast, the Trust general manager role required a more generalised skill set.



Photo: J. P. Pierre

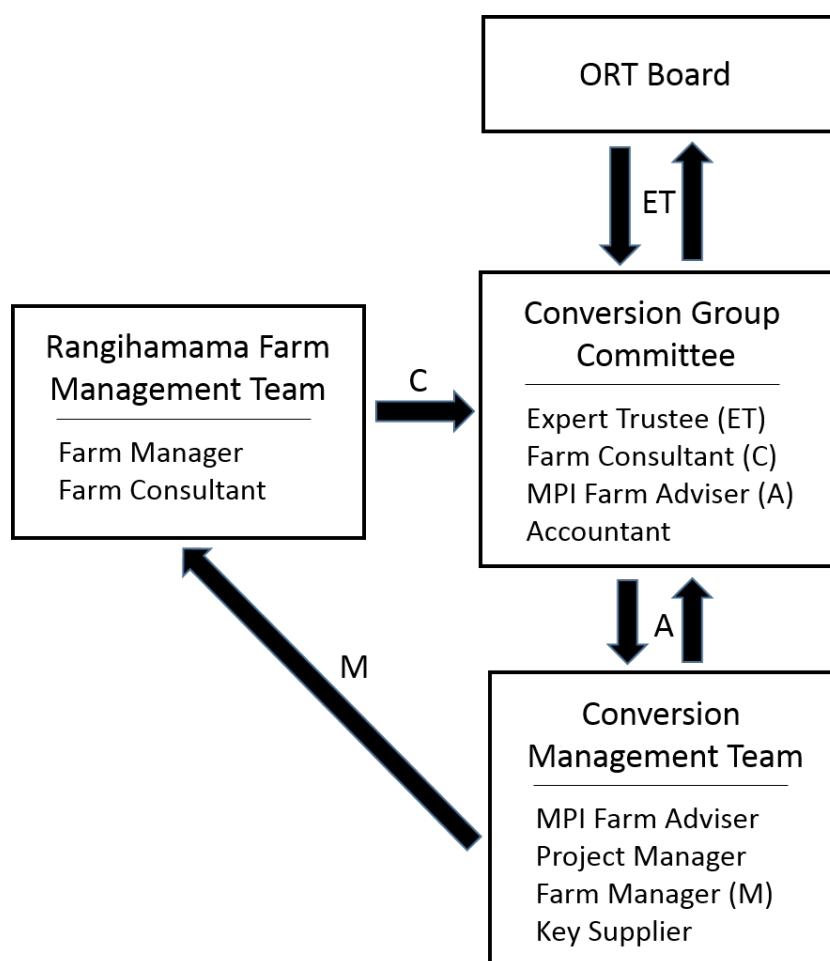


Figure 2. The governance framework applied to the Rangihamama Dairy Conversion. The dedicated mechanism for liaison between the groups is shown. The highest level of governance was the Omapere Rangihamama Trust (ORT) Board. The Trustee also on the Conversion Group Committee (CGC), and liaising between the Trust and the CGC, was a dairy expert. The Trust's decisions were acted on by the CGC, which focused on the governance of the conversion. The Conversion Management Team (CMT) then implemented the decisions of the CGC. The CGC monitored progress against timelines and budgets based on the reports from the CMT. (Source: Rangihamama Conversion Committee Meeting Minutes 06/08/13).



Photo: J. P. Pierre

5. Develop a robust and strategic plan

Interviewees considered that having a clear and strategic plan was critical to the success of the conversion project, as well as vital for the future of the Rangihamama farm as a business. The strategic plan has a term of five years and was framed by the Trust's vision of "kia huri te whenua hei oranga mo te iwi" (the land will sustain its people). The plan was developed by the Trust board, and submitted to shareholders. It was then reviewed after engagement with shareholders.

Key objectives in the plan relate to the Trust taking full control of the land (i.e., without partner shareholders, which is the current situation) and obtaining the best return from the land over time. In addition, the plan reflects broader considerations associated with these objectives, including cultural and social responsibilities and requirements for environmental performance. How the Trust envisages providing scholarships and other benefits for its shareholder base is also articulated.

The strategic plan describes a clear pathway against which ongoing performance of the Trust, and the Rangihamama farm, can be measured. Reporting to shareholders against the goals articulated in the plan increases the transparency of Trust operations for shareholders, and provides a platform for accountability, for example, if performance goals are not being met. Breaking down the pathway defined in the strategic plan into a series of defined steps was essential to ensuring its feasibility, and also to make progress assessments possible.

Having clarity about the difference between a longer term strategic plan, and annual or shorter term operational plans, was identified as vital. Where Trusts are struggling to develop a strategic plan, seeking professional help may assist, for example, from a facilitator who has helped other Māori Trusts develop their strategies.



Photo: J. P. Pierre

6. Allow enough time

Interviewees identified timelines as a key stress on the conversion project. They reflected that typically, a conversion process would roll out over 12-18 months. However, the Rangihamama conversion was delivered in six months, once the decision to convert was approved (Figure 3). In hindsight, interviewees felt that while deadlines did focus action, allowing more time for the conversion process would have been preferable. The timeframe that the Rangihamama conversion followed was dictated in large part by the purchase of cows that would be calving at the time the conversion needed to be completed.

One of the results of operating within compressed timeframes included increased risk (e.g., should any delay occur, the project may not be delivered on time) and the potential for increased cost (e.g., driven by a more limited ability to negotiate on contracts, and reduced availability of contractors). Interviewees felt that constrained timeframes could also lead to outcomes of a lower standard – i.e., quality of product may end up being compromised in order to meet deadlines.

<u>2010</u>	Engagement commenced with potential funders of the Conversion
<u>2011</u>	Feasibility study conducted Joint venture partner (Te Tumu Paeroa) selected
<u>2013</u>	
May	MPI-funded farm adviser contracted
June	Dairy farm design completed MPI-funded farm consultant contracted
September	Conversion budget finalised New project manager appointed
October	Construction of the new farm components commenced
December	MPI farm adviser's term completed Joint venture agreement signed between ORT and Te Tumu Paeroa
<u>2014</u>	
January	Fencing of most waterways completed Race construction underway
February	Last meeting of Rangihamama Conversion Committee Joint venture management team in place
March	Formal takeover of the converted farm by the joint venture company Cows calving Official opening of the converted farm Open day for shareholders on the new farm

Figure 3. The timeline of selected key stages of the Rangihamama dairy conversion. (MPI = the Ministry for Primary Industries; ORT = the Omapere Tarairi E and Rangihamama X3A Ahu Whenua Trust).



Photo: B. Foster, Airplane Studios

"One of the biggest challenges we had was timeframes. In this sort of project, time equals risk, so you can mitigate risk by having more time. But, if you compress your time you have risk and invariably if your risk goes up you're going to spend more money or not do things as well as you could."

- Luke Beehre
RDC Project Manager

7. Make the project budget conservative and have a contingency fund

Interviewees emphasised the challenges associated with budgeting for the Rangihamama conversion. For some capital items, obtaining well-defined cost estimates was relatively straightforward, e.g., cow sheds and implement sheds. Effectively pricing other components of the conversion, e.g., races, effluent systems, and earthworks, was significantly more difficult. During the Rangihamama conversion, it was these elements that tested the budget. For example, a period of wet weather led to earthworks costing significantly more than initially estimated.

Interviewees provided three clear recommendations to improve budget flexibility:

- Develop project budgets to be highly conservative.
- Get budgets peer-reviewed thoroughly and actively consider feedback.
- In addition to what is considered necessary for the project, have an adequate contingency fund in place to cover unexpected expenditure. This should be at least 10% of the total project budget.



Photo: J. P. Pierre



Photo: B. Foster, Airplane Studios

"A key requirement for any conversion budget is to be conservative. Then, add something like another 10% on, minimum, as a contingency fund. Expect that even though you can't see where it's going to come in, you will end up spending it."

- John Parmenter
Northland Corporate Accounting Ltd
Contracted accountant for ORT

8. Form strong partnerships

The Rangihamama dairy conversion could not have gone ahead without ORT forming partnerships with other agencies. The Bank of New Zealand, Te Tumu Paeroa (the Māori Trustee) and the Ministry for Primary Industries were all key partners vitally contributing to the conversion project. Interviewees recognised that while such partnerships added complexity to the project, they were essential.

• Bank of New Zealand

Having developed the business case for the dairy conversion at Rangihamama, ORT sought support from banks to embark on the project. The approach to banks was an innovative one, in which the Trust invited the main banks in Northland to attend an information session near Kaikohe. Trustees and their advisers presented the conversion proposal to the banks. Presentations were followed by a visit to the farm. After that session, banks interested in continuing discussions with the Trust were invited to follow up. Relatively quickly, the BNZ became the partner of choice for the Trust.

A key issue that caused a departure from normal lending parameters for the BNZ was that the Trust's land was not available to secure the bank's loan. This is a routine feature of lending to Māori trusts, and typically requires the lender to explore other forms of security and work with an increased level of risk. In ORT's case, this issue was resolved in part through the use of stock as security.

• Te Tumu Paeroa

Te Tumu Paeroa (TTP) became involved in the Rangihamama conversion as a result of ORT's realisation that the Trust did not have sufficient capital to complete the conversion on its own. A number of potential partners were considered, including Landcorp and private funders. One of the Trust's key considerations when selecting the joint venture partner was the nature of each potential partners' contribution, in terms of governance and organisational structure. The decision to form a partnership with TTP was based on the conclusion that TTP offered the best fit for the objectives of the Trust.

The partnership developed as a 50-50 joint venture company (known as RDF1) between TTP and ORT. By forming the joint venture company for the converted land, other components of the Trust's investment portfolio are not vulnerable to the risk of negative performance by the dairy development. The joint venture company has two directors from each partner organisation and one independent director. The Trust owns the non-redeemable investments in the joint venture company, e.g., the cow shed, races, and effluent system. Meanwhile, TTP owns the operational side of the business, e.g., cows and machinery. The joint venture company leases the converted land from the Trust for a fee.



Photo: B. Foster, Airplane Studios

"Right from the original pitch by the Trust, it was clear that there were going to be some challenges from a traditional banking perspective... I think the secret from our side of things is that we were prepared to actually talk with the Trust and try to find solutions, rather than just simply closing a door and saying 'too hard'."

- Sam Johnson
Managing Partner
Bank of New Zealand - Northland

At the end of each year of operation, 50% of the year's profits are given to each partner.

The Trust's strategic plan documents its exit strategy from the partnership with TTP. Over the next six to seven years, ORT will gradually take over the business, buying out what is currently owned by TTP. After that time period, the Trust will be fully in control of the farm again and the partnership in the joint venture company will cease to exist.

• The Ministry for Primary Industries

MPI's Māori agribusiness programme is dedicated to partnering with Māori to sustainably increase the productivity of their primary sector assets. MPI focuses on tangible on-the-ground projects that demonstrate increasing productivity and working with Māori landowners as an enabler – that is, engaging with Māori in a structured and targeted way to help developments occur. Members of the Māori Partnerships and Programmes team are situated throughout MPI regional offices. Team members only work with Māori asset owners who are willing and want to partner with MPI.

Overall, recommendations interviewees made in relation to creating, supporting, and maintaining partnerships were:

- Ensure that there is clarity within partnerships on expectations, e.g., what each partner will contribute to the partnership, how and when this contribution will occur, and how and when the partnership will conclude.
- Try to anticipate potential issues with partners, such that possible solutions can be identified and worked through efficiently. Think creatively about solutions, especially when multiple partners team up to support a project as each will have their own objectives and obligations.
- Allow time for partnerships to be developed effectively.



Photo: J. P. Pierre

9. Develop at an appropriate scale

The 278 ha block of land converted to dairying during the RDC is a fraction of the land held by ORT that could be converted. Initially, some participants in the project envisaged a larger-scale conversion. However, for a number of reasons, including limits on the available capital and returns that were as yet unproven, larger-scale conversion carried a risk profile that was ultimately considered too aggressive by participants and partners in the conversion. For example, the BNZ considered that to service the larger debt necessary to support a bigger conversion, pressure on productivity and performance per hectare may be too great. They wanted to be sure that a smaller-scale operation was viable, before the operation was scaled up. They emphasised that by returning profits over time, the options for future development increase.

In addition, a stepwise approach provides for the gradual accumulation of knowledge that may enhance the success of future developments, as well as better supporting opportunities for diversification. For example, at Rangihamama, differences in soil types over the farm make some areas better for production in different seasons. An area with clay soil that is not yet part of the milking platform is expected to contribute excellent productivity at different times of the year to the soils already converted.

Ensuring the development works at a smaller scale provides confidence that a larger scale approach can also work. Therefore, stepwise development, while more cautious, was considered more likely to be successful longer term.

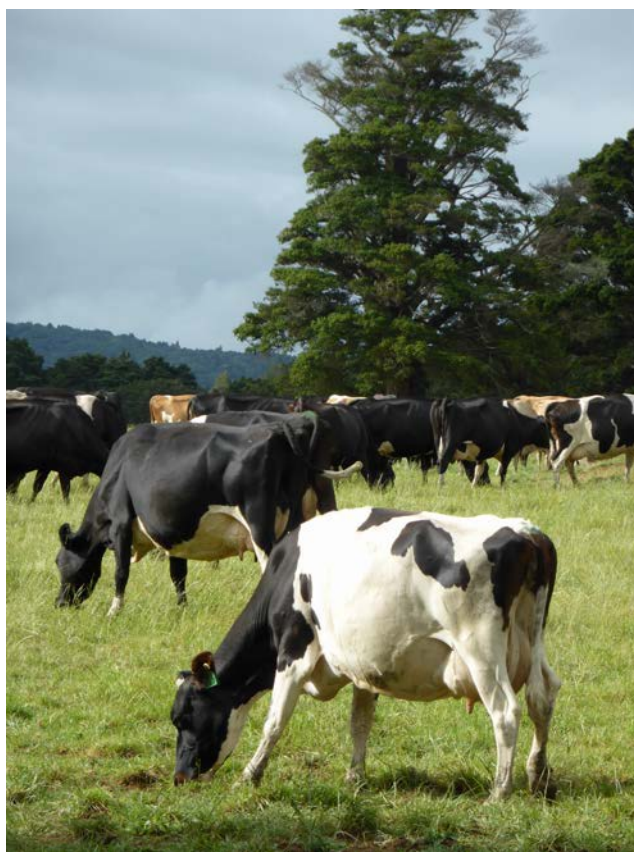


Photo: J. P. Pierre

10. Plan for the future

All key participants recognised the physical strengths of the Rangihamama farm that increased the likelihood that the conversion would be successful. These include soil type, land contour, availability of water, and proximity to a town as a strong supply base. These will not change over time, and contribute to future-proofing the conversion. In addition, the shareholder position on environmental protection and sustainability contributed to the need for farm practices to exceed current requirements. For example, the conversion was completed on the basis that effluent from the farm would be managed effectively without the need for consented discharge, and native bush was left in place (whereas in other conversions, it may have been removed). This is expected to facilitate the future operation of the farm, both in terms of protecting the land and as standards for environmental performance required by management bodies become higher.



Eden Boyd: Rangihamama Farm Manager. Photo: B. Foster, Airplane Studios.



Jarlal Beckham: Trainee Manager and ORT Shareholder. Photo: B. Foster, Airplane Studios.

Participants considered that the risks to the success of the dairy farm in the longer term are entirely human. Risks identified included continuity of governance and management. That is, ensuring that capable and effective people are overseeing and running the farm, and that decision-making processes are in place to support and empower those people. Supported by the lessons learned during the conversion, the management model in place currently comprises a relatively inexperienced on-farm management team who are overseen by a top consultant. This has contributed to the farm delivering at 10% above predictions in the nine months since milking began.

As a Māori trust, ORT is committed to employing from within its shareholder base. However, where appropriate skills and expertise are not already available amongst the shareholder base, interviewees recognised the need to support the growth of shareholders into management and governance roles, e.g., with appropriate training. While Māori with the required skills are not available from within the shareholder base, non-Māori employees and consultants are in place to ensure that the farm business operates successfully.

An example of succession planning lies with farm management. The trainee farm manager at Rangihamama is a shareholder and it is envisaged that in around two years, he will become the manager. In the meantime, he is able to work with the (non-Māori) manager and the farm consultant, to build his knowledge of the farm, its operations, and the industry more broadly.

Succession-planning for the Trust itself, as well as for the farm, was also identified as critical. Identified support opportunities for this included courses run by the New Zealand Institute of Management.



Photo: B. Foster, Airplane Studios

"If you're dealing with a farm you need farmers, you know skills and that, and that's our business, farming. Along with any business you need some people that know numbers, and know dollars as well. Quite often we lack that in our people. Our focus is really Māori for Māori, but it doesn't really happen that way, so we came up with a plan that we get the best...I think I'd like to see us expand in the dairy, and to see the growing of our people, to those positions that may not be theirs at the moment."

- Taoko Wihongi
Kaumatua
Trustee and shareholder - ORT

Conclusions

The Rangihamama dairy conversion is seen by those involved as an example of what is possible in terms of the productive development of Māori-owned land. The challenges the Trust encountered in their own history and leading into the conversion project are highly typical of challenges faced by Māori trusts seeking to develop their land holdings. For example, the following barriers have been identified as impeding the achievement of Māori aspirations for freehold land^{3,10}:

- Diversity in aspirations for the land amongst landowners
- Governance issues and processes associated with Māori Trusts
- Practical challenges associated with implementing the selected land-uses, including a lack of planning, skills, and expertise

In the case of Rangihamama, these barriers were overcome successfully over time, and the dairy conversion was completed as a result.

Diversity in aspirations amongst shareholders is managed by ORT on an ongoing basis. Support for the conversion was sought through Trust meetings, ongoing communication with shareholders, and carrying out the conversion in accordance with bottom lines conveyed by shareholders (e.g., on environmental performance). Shareholders were also invited to an open day after the conversion was completed.

Governance issues were addressed over time with the appointment of new Trustees, the establishment of the Conversion Committee and the development of clear lines of responsibility and reporting.

To address the immediate skill shortage in relation to farming, ORT sought outside expertise. With skilled experts and staff in place and the conversion complete, succession planning is now underway to increase the involvement of shareholders in the farm. For example, a trainee farm manager who is also a shareholder has been recruited. Current plans are for him to take up the farm manager role after around two years.

The learnings from this project represent one possible set of solutions to barriers impeding the development of Māori freehold land. These learnings are obviously relevant to dairy conversions. Further, they are transferable, and can be applied to any development being considered by Māori trusts or incorporations around the country.



Photo: J. P. Pierre

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A video documentary of the conversion process is available at:

<https://vimeo.com/118388226>

Password: KAIKOHE



Photo: J. P. Pierre

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Photo: J. P. Pierre

Appendix 1: Interview content

The questions below formed the basis of interviews of the participants in the Rangihamama dairy conversion. Follow-up questions were also a component of interviews, to ensure that interviewees' knowledge and experience were captured effectively for the evaluation.

- Introduction of interviewee, period of involvement with ORT and area of expertise
- Role in the conversion. When and how did the interviewee get involved?
- What is the person's ongoing role in the life of the farm?
- Does the person have any ongoing role with the Trust?
- What particular components of the interviewee's expertise were important for the conversion project?
- What did they think about the project at the beginning of their involvement? And now the conversion is complete?
- What does the interviewee see as the strengths and weaknesses of the project, and of the farm now?
- How did the interviewee tailor their approach to accommodate cultural values and context?
- What is the most important factor contributing to the future success of the farm?
- What would the interviewee identify as the biggest success, in terms of getting the farm to where it is today?
- Does the interviewee have any concerns regarding the future of the farm?
- What was the biggest stumbling block in the conversion process?
- How did this project, or this farm, differ from previous jobs/projects the interviewee has worked on?
- What would interviewees tell others thinking about converting their land?
- What were the key elements or factors that supported the success of the conversion?
- What about the importance of environmental considerations? What bottom lines were established for the conversion process?
- With the benefit of hindsight, what would the interviewee do differently? Or, what would they like to see done differently for other conversions?
- What do they feel they have personally learnt from being involved?
- Is there anything else that the interviewee would like to pass on in relation to about this project? Or for people considering their own conversion?



Photo: J. P. Pierre