

Maori farming business development (a FoMA perspective)

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Introduction

Established in 1987 and now with a membership of 150 Maori Authorities throughout the country, the Federation of Maori Authorities (FoMA) is easily New Zealand's largest Maori business network. An 11-member Executive is elected tri-annually on the basis of rohe representation. All of FoMA activity falls under the following broad purposes:

- To provide the necessary infrastructure of representation through which a coordinated approach to Maori economic independence can be achieved compatible with the development of New Zealand as a nation
- To foster and promote the development, sound management and economic advancement of Maori Authorities
- To work in political and commercial harmony with all sector groups in NZ society to ensure the interests of Maoridom receive the appropriate recognition to enable economic, social and cultural programmes to be initiated and implemented consistent with the objective of Maori self-determination

The recognition of our rights implicit in the Treaty of Waitangi provides the mana to approach Maori economic development with confidence, and the resolve to unite our efforts for the common good of all Maori.

FoMA member groups vary in size and capability but all generally manage their own resources for the creation of wealth and the betterment of their beneficiaries and shareholders. This economic activity in turn supports Maori across whanau, hapu and iwi. To facilitate this FoMA plays a key role in supporting and networking among its membership.

The focus of FoMA too, has not surprisingly been in the primary industries including fishing, forestry, agriculture and minerals in both domestic and international capacities. To that end it has established a Maori Exporters' Council in partnership with TradeNZ. In the domestic economy FoMA has been a key mover in obtaining reforms for Maori business in taxation, property rights entitlement, and land law reform and treaty rights.

Expanding Maori business skill and management capacity has long been a priority of FoMA. In fact,

the inaugural FoMA Trustee Skills Programme in 1993 gave birth to a 1997 four-report Maori Industry & Enterprise Research Project, commissioned by Te Puni Kokiri and undertaken by FoMA in partnership with BERL. Highlighted by the Project, was the need to upskill and the present training series addresses that need, following in the footsteps of the initial programme.

In summary, FoMA's key roles are in the areas of

- Advocacy
- Networking
- Research
- Service delivery and training

Maori farming business

Background

Most FoMA members are involved in managing land and many member groups are actively involved in farming their lands. The properties are predominantly located in the North Island and are normally larger than average (1000 ha plus), managed under multiple ownership structures, and are on average performing at levels below their non-Maori farming peers. There are a number of very valid reasons for this lower performance, and the challenge to significantly improve performance levels on many properties has only begun in the last decade.

Land class and development

Much of the Maori land being farmed today is in areas that were regarded as marginal land when development started 25-40 years ago and may possibly not have been developed into farmland today. Maori land developed prior to this was usually better located but still marginal by nature and often leased through the Maori Trustee. Most Maori land has only returned to Maori management within the last 15-20 years, often with significant debt, poor management structures in place, and in many cases with significant contingent liabilities.

Land ownership structure and governance

Because Maori land is mostly in multiple ownership (1000 plus shareholders) it is normally managed under a Trust (Ahuwhenua) or Incorporation structure and trustees and committees of management are

appointed by shareholders and approved by the Maori Land Court.

In most cases whakapapa and proximity to the landholding have strongly influenced appointments by shareholders to these governance bodies. This has not always resulted in the appropriate balance of skills to manage the resources effectively and specialist advisors are often employed.

Business financing

Financial institutions are reluctant to lend to Maori bodies as multiple-owned land presents security issues that institutions would prefer to avoid. This has also presented significant problems for Maori, as finance has been a key limiting factor in developing their resources. In addition, the over-riding desire of Maori to retain ownership of their remaining lands has meant they prefer to have little or no debt associated with their corpus lands. This has led to the under-utilisation of Maori assets with a consequential slowing down in business development.

The last 5-10 farming seasons have seen a significant change in economic focus with many of the more progressive Maori entities establishing strong relationships with their financiers and becoming more innovative in financing arrangements.

Owner expectations

While shareholder expectations are beginning to change there is a strong focus on protecting and retaining the land. Maori governance organisations are constantly being challenged by the social, cultural and environmental demands put on them and often these are in direct conflict with the economic aspirations of trustees and managers. Providing and prioritising strategic objectives for shareholders that embrace this quadruple bottom line have often been difficult to achieve.

Management capability and adoption of technology

This is often an area that has been difficult for many of our organisations in the past. Maintaining traditional management practices has been seen as the only option without risk, and many that have adopted changes have seen these options fail through poor adoption practices and the unwillingness of some managers to change away from traditional practice. Those organisations that have made changes successfully have done so because their leadership and structures ensure they have the management capability in place to succeed.

Governance responsibilities

These have over time focussed on protecting the land

and retaining the ownership, so Maori farming development has occurred as and when financial resources allowed, and often this has been spasmodic and unplanned. Borrowing has not been an option for many if there was a risk to land retention. Placing social and cultural responsibilities to shareholders ahead of critical expenditure requirements have often slowed development.

Overcoming these barriers

Higher shareholder expectations

Higher expectations from shareholders has focussed on obtaining a reasonable rate of return from the assets of farming businesses, greater levels of distributions to shareholders, and greater social and cultural expectations generally. Younger, better educated shareholders are not prepared to accept the lower levels of returns that their elders have accepted in the past. This has required a greater level of accountability from governance bodies and has in many instances required some changes in trustees and managers to those with greater business skills and management capability.

Innovation

Any change in governance of organisations has brought with it some changes in management structures and sometimes managers. The higher performance expectations that bring about these changes have usually involved employing farming specialists, and adopting modern farming practices and technologies. Some of this innovation involves new ownership structures and creating marketing networks within different Maori groups.

The last 5-10 years has seen significant diversification of land use, with cash resources used to buy additional non-corpus land for investment, and for large scale dairy conversions on appropriate land classes. Creating company structures that restrict liability and protect corpus land assets, and forming joint ventures with Maori and non-Maori businesses are ways many are now overcoming barriers to continuing development.

Education and training

Discussion groups and monitor farms are all valuable in dispensing information to Maori farmers. Usefulness has been limited to those farmers and managers who are actively committed to making real progress, and for Maori often the preference is for Maori forums where they have the confidence to actively participate. Those organisations that encourage participation by their managers and have a high level of expectation from these processes

commonly achieve significant productive and financial gains on farm. Ongoing governance training has also assisted in ensuring business best practice models are adopted.

Networking

Forming and maintaining industry cluster groups has proved to be a useful tool in sharing information, overcoming industry barriers and looking to amalgamate resources and develop linkages and strategies to expand and grow. The opportunities particularly in marketing, researching new initiatives and sharing information and costs is still an area that has great potential for Maori.

Creating opportunities to expose excellence

The reestablishment of the Ahuwhenua Trophy for Maori Farmer of the Year (sheep and beef) has created an excellent opportunity to expose Maori farming to both Maori and non-Maori groups. The wider community, through their involvement in the judging process, sponsorship and regional field days has gained a better understanding of how these businesses operate within their many constraints. It has also identified the significant under-utilised opportunities within these large Maori farming businesses. Unlocking these opportunities, creating new initiatives within these structures and exposing these to the wider Maori farming community is a vital part of future economic development for Maori farmers.

Breaking down the fears

The fears of change need breaking down. Trust and success are two important components in assisting this process. The last three years of farming have assisted Maori farmers greatly in this process, but the inevitable return to lower commodity prices usually leads to lower investment levels in key production areas and new investment that should continue to add value. Credibility and trust are areas where Maori have felt they have been let down in the past, and these are always areas that come under intense scrutiny when new initiatives are proposed. Strong, capable and decisive leadership in governance is usually what is necessary to critique opportunities and dispel any undue fears of moving into new projects.

Using the power of scale

Maori organisations are very conscious of the strength that scale brings to any business organisation. Not only is this valuable for individual operations but there are opportunities that exist for larger groups to engage in initiatives that will benefit

on an even greater scale. This is an area that offers immense opportunity in the future.

Recognising, training and employing capability at all levels

The largest gains for Maori will come from investing in skills at all levels of governance and management. These are areas where many businesses both Maori and non-Maori struggle. Identifying and employing the best people for the job is not an easy task and in itself requires a level of competency few people have. Governance training under our current structures is a vitally important component of upskilling trustees and managers in terms of the role they play in the success or otherwise of Maori farming organisations. Employing management and staff with the right skills and commitment to operate the business is critical if success is to be achieved.

Planning and implementation

Nearly all organisations have a plan but many have not committed the plan into any formal document which can be reviewed or monitored. This is an essential process which most successful Maori Trusts and Incorporations have adopted. Implementation is vital for success and in many cases implementation has failed because management has not entirely bought into the process. Robust monitoring, reporting and reviewing processes are essential for plans to succeed.

The way ahead

For FoMA members and potential members whose traditional assets and businesses embrace its people, the land, the sea and the air, a strategy needs to emerge that can allow Maori business to participate in business growth. This need to occur in spite of:

- The unique restrictions and impediments Maori face over and above those faced in other businesses
- The lack of modern governance and management best practice currently adopted by many Maori businesses
- Nominal access to a good flow of business opportunities

Many FoMA farming members have overcome these impediments, by adopting best practice models and engaging in improved business practices on-farm. Opportunities still exist however to:

- Optimise current business growth
- Diversify into other opportunities within the farming sector
- Continue to grow through innovation, research and clustering.

Conclusion

FoMA can provide a very useful and productive transformational role in enhancing economic growth

in Maoridom. Properly targeted and coordinated resources will accelerate progress for the benefit of Maori and New Zealand.