

Ngati Whakaue Tribal Lands – a Maori Incorporation with a large scale farming operation as its original core business

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Introduction

Ngati Whakaue Tribal Lands Incorporated (NWTL) is a Maori farming business formed in 1960 with the amalgamation of some 34 parcels of land into 3 large farms as a Maori Incorporation formed under the provisions of the Maori Land Act. The Act is administered by the Maori Land Court. The stated purposes at the time of formation related to protecting land ownership and using the land for productive purposes. This has since led to the properties being developed into a modern, high performing ‘agri-business’.

The properties (Wharenui Station, Tihiotonga Station and Ngongataha Station) totalled 2970 ha in size and were run in the style of traditional “Maori Affairs” sheep and beef farms until fairly recently. In 1988 a dairy conversion was established on part of Wharenui. A further 265 ha property (Crater Lake) has subsequently been purchased to be run as a specialist deer unit together with an adjacent, largely undeveloped, 500 ha property (Okataina 10) which was leased recently. The Incorporation has pastoral farming, forestry, tourism, property rental and real estate development interests.

Incorporation structure

The Incorporation’s structure could be likened to that of a company with a closed shareholding. There are currently 1.5 million shares owned by 4250 shareholders, and these can only be sold, gifted or willed to other shareholders or direct descendants. The shareholders elect a “Committee of Management” – akin to a Board of Directors – to govern the affairs of the Incorporation.

In the case of NWTL, most of the shareholders have grown up in an urban environment and over time the Incorporation has developed into a corporate style agri-business run by professional staff. The Committee appoint a CEO who in turn appoints Division Managers in the normal company fashion. The policy of the Committee is to appoint people best suited to do the job through a competitive selection process and without favour.

The nature of the structure, the business of modern farming, the urbanisation of the owners on the one hand, but special deep family ties to the land on the

other, (sometimes more spiritual in nature than economic plus other issues) means that the organisation faces special and unique challenges.

The separation of owners from the land, and ever lessening of understanding of the issues facing farming by urban New Zealand, mean that strong and informed leadership with good communication between management, governance and shareholders is critical. “Global drift” is also an issue, and as shareholders become more widely dispersed geographically over time the degree of engagement in NWTL affairs may become less and shareholder aspirations may diverge and include interest in the organisation from a wide range of perspectives such as a ‘tribal foundation’ and ‘cultural roots’ viewpoints, as well as financial performance, educational and social good funding support. In other words, the values and cultural drivers of the organisation are dynamic and developing over time and the Committee has to engage with perhaps a wider range of issues than a simple public company corporate farmer such as Landcorp.

The governing body of the Incorporation is a shareholder elected Management Committee of 7 members, each of whom sits for 3 years with retirements occurring by rotation, with eligibility for re-election. Traditionally, ‘whakapapa’ and whanau representation played a significant role in the composition of the Committee and the focus was on securing the land. Increasingly to day however, the need for balanced competencies on such committees and the need to run a successful business has been recognised. The focus is shifting towards economic performance and wealth creation to provide real and tangible benefit to owners. Today, young professionals, tribal members who have developed successful careers in New Zealand’s business sector, are being encouraged to serve on committees and subsidiary company boards. This strategy is beginning to provide a level of business competence for committees so necessary for successful performance today. There is an issue for Maori agri-business however related to urbanisation. There are fewer and fewer people experienced in farming available for directorships and committee seats, let alone farm management and labour positions. This

issue faces all New Zealand farming but perhaps Maori farming more critically, given the desire to be long term owners of land.

So, looking forward, while there is increasing acceptance that Incorporations need to focus on core competences and relevant experience, maintaining the supply of the same in agri-business in particular, is a challenge.

Business policy

The committee takes a professional approach to directing the business. A 10 year strategic plan has been developed with a clear mission:

- To maximise wealth.
- To safeguard and improve ‘corpus lands’.
- To benefit the people of Ngati Whakaue Tribal Lands Inc., i.e. shareholders and beneficiaries and to increase their opportunities in life.

The strategic mission is supported by a clear vision of how and when this will be achieved. While the focus includes all of the Incorporations conglomerate businesses, the vision for the farming business is clear and challenging:

- By 2005, Ngati Whakaue Tribal Lands will have developed a pre-eminent large scale primary production operation performing among the top 10% of farms in New Zealand.

The 10 year strategic plan has a growth strategy focussed on size, spreading risk among available commodities and committed to wealth creation as measured by economic value added.

The strategic plan is supported by an annual “Business Plan” for each business, with a 3 year outlook. The farming business plan contains budgets, the operational plans, the development plans, the normal KPIs, CRAs and progress monitoring tools.

The institutional knowledge – both strategic and operational – is contained in these plans and they are quite deliberately parameter setting and filled out with a degree of philosophy and background reasoning. This is to deal with the problem of lack of experienced practitioners available for governance.

Reporting and monitoring

With the help of AgResearch at Ruakura, a new reporting system is being developed to provide a much more useful and meaningful understanding of the business on a monthly basis, both physically and financially. This is in terms of the strategic plans for wealth creation (Economic Value Added measures) business plan goals and KPIs: both for the Committee from a governance perspective and for management from an operational perspective. Tax

driven accounts leave a great deal to be desired in this regard. The system will become increasingly important as the Incorporation grows and avoiding wealth destruction becomes increasingly valuable.

There is a clear understanding of the need for an effective structure and a monitoring system that separates operational matters from governance issues.

Agricultural and forestry operations

Five strategies have been followed in the farming operations:

1. Develop each property to its maximum economic efficiency level in terms of current EVA, but also in terms of the following:
2. Spread of risk over the major livestock enterprises of sheep, beef, deer and dairy (and horticulture in due course) albeit with some negative impact on short term economic efficiency, and
3. Allocate poorer land classes on each property to forestry where economically competitive
4. Acquire more economically viable land through lease or purchase as and when possible with a view to improving the economies of scale of the farming enterprises
5. Develop and implement an environmental plan for each property aimed at stream bank retirement, native flora and fauna enhancement and property value improvement.

Progress towards the vision of being a large-scale farming business performing among the best in the country by 2005 is well under way. The recent good farming years provided the funds and the Committee agreed to an aggressive development programme on the properties. Progress has been rapid and while fair comparison of the past with the present is a difficult exercise in terms of prices of commodities and costs of production, it is relatively straight forward for productivity comparisons.

The progress over the recent three years is clear and positive and a result of good governance focussed on growth and prepared to provide the finance and support on the one hand, and an energetic and competent management and farm staff team on the other.

We are fortunate to have a top team in place, led by Trevor Smyth – our General Manager Farming – and our sharemilkers Michael & Tania Conwell and brother Brendon. There is a clear understanding that the one ingredient in the mix that turns fixed assets into productive systems is people – top people. We have them and value them.

We also use the services of AgResearch at Ruakura to a considerable degree for a wide range of

knowledge based inputs. These range from governance skill development, to science and research, to farming system advice, to the already mentioned corporate management information system development. Table 1 illustrates the progress made since the 1999/2000 financial year.

The rapid growth in the sheep, beef and deer was of course a function of the large available upside that existed three years ago on what were relatively traditionally run properties. Never the less, the Committee had the courage to provide the finance and the staff the skill and energy to implement it with a little help from friends like AgResearch.

With the dairy farm, the continued growth on what was already going well and highly developed is a tribute to the same groups also. Our target is to maintain growth at a minimum of 4% per year.

Environmental development

The environment is dealt with from two perspectives:

1. Land protection, utilising production forestry in the main but also native rehabilitation along riparian strips, where appropriate, and
2. Native retirement and environmental enhancement planting and reserves, mainly in natives.

All properties have an environmental plan worked in conjunction with EBOP, our landscape architect (with input from Wildlands Limited) and our forest management team.

Table 2 Total production budgeted for 2003/04.

	Kg of product	Net value (\$)	Average price (\$/kg)	Land (%)	Area (ha)	Revenue (\$/ha)
Sheep	230925	755565	3.27			
Wool	81282	236537	2.91			
Total sheep	312207	992102	3.18	59.1	1354	733
Deer	14366	70960	4.94	10.9	249	284
Beef	452910	628551	² 1.39	30.0	687	914
¹ Stock increase	39080	165434	4.23			
³ Total CW equiv.	818563	1857047	2.27	100	2291	811
Total per ha	357	810				
Milksolids	280000	1008000	3.60	280	3600	
Forestry	880000	66000	0.075	400	165	

¹ Carcass weight equivalent of increase in stock from year open to year close.

² This projected low return for beef reflects a high purchase price and projected sale on a depressed market.

³ Total carcass weight equivalent (kg).

Table 1 Key farming statistics.

	1999/00	2002/03	¹ Growth	² 2003/04	¹ Growth
Sheep, beef & deer					
Stock units	23052	31863	11.4%	32695	9.1%
Effective area (ha)	1890	2141	4.3%	2291.19	4.9%
Produce sold (kg)	388701	739510	23.9%	818263	20.5%
Farm surplus (\$/ha)	54	203	55.5%	252	47.0%
Dairy	1999/00				
Effective area (ha)	280				
Total milksolids (kg)	230863	281087	6.8%	281087	0.0%
Milksolids/ha (kg)	825	1004	6.8%	1004	0.0%
Farm surplus (\$/ha)	903	1092	6.6%	1092	0.0%

¹ Compounded annual growth.

² Budgeted figures.

Forestry: approximately 11.5% of total land holdings at present are in production forest, and depending on land acquired, that sort of level is likely to be maintained. The forest management is contracted out to Fortus Limited, who join our management team at monthly Board Meetings.

The Incorporation owns the land adjacent to the northern and eastern entrances to Rotorua, and environmental development including enhancing the approaches with reserves and appropriate plantings is an active strategic goal, as is native forest and wetlands retirement and rehabilitation. The environmental enhancement is justified on social grounds and also on wealth creation grounds since much of this land will have higher value end use than farming in due course and landscaping now is an investment into future wealth creation.

Current year budget

The total land holdings of NWTL now include 400 ha developed and 250 undeveloped in deer, 1900 ha in sheep and beef, 280 ha in dairy, 380 ha as set-

aside conservation areas and 400 ha of production forestry.

The sheep, beef and deer units farm 32,000 stock units at 55 kg LW per SU, based on 10,100 breeding ewe, 900 breeding hinds and 2200 finishing cattle (1600 bulls and 620 prime cattle). The sharemilker on the dairy unit milks 850 cows.

The Incorporation's primary division is beginning to come up to speed and contribute a meaningful amount to the supply of funds for distribution to shareholders and beneficiaries. Budgeted production for 2003/04 is listed in Table 2.

Profit allocation

Profit is allocated in three ways:

- Investment in growth – as per business plans.
- Dividend to shareholders – committee makes annual determination.
- Benefits to beneficiaries (shareholder families) – various grants for education, kaumatua and marae purposes.

Farm staff apprenticeships

The Incorporation has recognised a grave risk facing its primary business – continued supply of high quality people skilled in farming. Further to that is the urbanisation problem as it affects the 'governors' of the business – Committee of Management. There is a lack of people who have experience and skill in the industry. The Incorporation is working with the Ag ITO office, the RDC, Te Arawa, FoMA and others to start a new apprentice system to get young members of the tribe back into the industry. Trevor Smyth is leading the exercise on farm. The national strategy of attempting to book-learn everyone in NZ for everything has been an unmitigated disaster for many industries – farming not least. The supply of skilled stockmen and women, skilled fencers,

shearers etc to share in the wonderful rural lifestyle available is a key focus of the Incorporation.

Conclusions

Where we have come from

A collection of small Maori landholding families who joined together to preserve their land tenure. Lands & Survey and then the inaugural Committee of Management ran the Incorporation on the model of the Maori Affairs farm blocks – it was a sound but traditional large farming operation with about 30,000 traditional stock units, doing about 100% lambing and most stock sold store.

Where we are now

As can be seen from above figures, the Incorporation's farming business is starting to approach the strategic goal of being in the top 10% performance bracket of New Zealand farming.

Where we are going

The intention is to at least double the size of the business, while continuing to improve productivity annually. The intention is to grow at a rate of at least 4% per annum.

This will require on-going high quality and effective governance, a top team of people running the business, an effective management and reporting system, on-going introduction of new technology and a determination to be the best on a sustainable basis.