BNZ

MĀORI EXCELLENCE IN FARMING AWARD 2012

DAIRY

FIELD DAY HANDBOOK

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AHUWHENUA TROPHY

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The Ahuwhenua Trophy

BNZ
Māori Excellence in Farming Award 2012
DAIRY

2012 AHUWHENUA TROPHY COMPETITION FINALISTS ARE:

Kapenga M Trust

Tauhara Moana Trust

Waewaetutuki 10 Wharepī Whānau Trust

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From the Minister of Māori Affairs

E tipu, e rea, mo ngā rā o tou ao
Ko tō ringa, ki ngā rakau a te Pākehā, hei ara mo tō tinana
Ko tō ngākau, ki ngā taonga a o tīpuna Māori, hei tikitiki mo tō mahuna
Ko tō wairua ki te Atua, nāna nei ngā mea katoa.

The Ahuwhenua Trophy competition was established in 1932 by the then Minister of Native Affairs Sir Apirana Ngata, and Governor-General Lord Bledisloe for competition amongst 'Māori farmers and settlers on Native Land Development Schemes'.

This competition came at a time when Ngata was progressing Māori land development. The Ahuwhenua Trophy competition initially drew entries from small-scale family farms and now includes strategies for Māori farmers, their whānau, and their tribal lands.

Ngata also composed the renowned whakataukī "E tipu e rea" as a simple map, directing us all to be self-driven in our approach to development for ourselves, our whānau and our whenua. He had a vision for his people in his lifetime, and how I wonder what he would think of our achievements today.

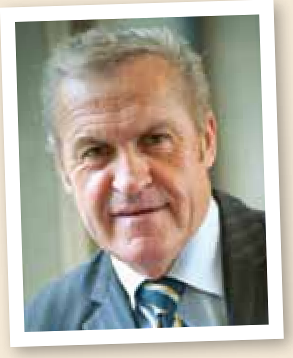
The competition now attracts entries from large-scale corporate agribusinesses that are integral to the Māori economy. The asset base of the 2010 Māori economy was estimated at $36.9 billion. Of the total Māori contribution to GDP, agriculture accounted for $417m.

Congratulations to the Ahuwhenua Trophy 2012 Dairy competition finalists: Kapenga M Trust, Rotorua; Tauhara Moana Trust, Taupō; and Wharepī Whānau Trust, Te Puke. I wish you all the best for this competition.

Ngā manaakitanga

Hon Dr Pita Sharples
Minister of Māori Affairs

From the Minister for Primary Industries



I would like to congratulate this year's Ahuwhenua Trophy finalists for demonstrating the same commitment to excellence that New Zealand's agricultural reputation is built on.

New Zealanders and the New Zealand economy rely on the excellence and achievements of our primary sectors. Māori play an integral part as major contributors and stakeholders across many sectors.

As the Minister for Primary Industries, I applaud the significant contribution that Māori make to agribusiness through the development of their land-based assets, and to New Zealand's reputation for environmental responsibility and the sustainable use of resources.

Further increasing this contribution is one of the Government's strategic priorities, and this is being achieved through the work of the Ministry for Primary Industries and other government agencies, particularly Te Puni Kōkiri.

Growth in Māori agribusiness will help boost the New Zealand economy and provide further opportunities for Māori landowners and communities. In acknowledging success in Māori farming, the Ahuwhenua Trophy is a wonderful showcase for those who share this commitment.

I hope all those involved with this year's competition take advantage of the opportunities to learn from each other's experiences and to celebrate their achievements.

Hon David Carter
Minister for Primary Industries

From the Chairman

Tēnā koutou katoa,

E ngā iwi, e ngā reo, e ngā kārangaranga maha o ngā hau e wha, tēnei te mihi atu ki a koutou katoa. Ki ngā tini aitua, o ia marae, o ia marae, kua wheturangitia, kei te mihi atu, kei te tangi atu. Rātou te hunga mate ki a rātou. Tātou te hunga ora ki a tātou, Tēnā ano tātou katoa.

This is the fourth year that the Ahuwhenua Trophy BNZ Māori Excellence in Farming competition specifically for dairy farmers was reinstated and, once again, our three finalists have demonstrated that they are running three of the best dairy operations in Aotearoa.

On behalf of the Executive I offer congratulations to all our finalists.

It is a particular pleasure to welcome Kapenga M Trust, which won the Ahuwhenua Trophy for Excellence in Sheep and Beef farming in 2003, back to the competition.

Our finalists are all sophisticated and successful agribusinesses which put environmental and cultural concerns at the heart of all their strategies. They take their role as kaitiaki of their whenua very seriously indeed. They know that, as the current caretakers of their land, they have a responsibility to ensure this precious resource is available to future generations to provide for themselves and their families and to contribute to the wealth and prosperity of the whole country.

These field days are a great opportunity to see highly successful, sustainable dairy farming in action.

Field days on farms throughout Aotearoa have become an integral part of our rural culture regardless of their kaupapa but the Ahuwhenua Trophy competition field days are really something special.

In the time that I have had the privilege of chairing the Ahuwhenua Trophy Management Committee, I and hundreds of other visitors to the field days have toured some of New Zealand's most efficient agribusinesses, experiencing the warmth and hospitality that these amazing events have become known for.

Our field days are part of the long and proud tradition of the Ahuwhenua Trophy competition which was introduced in 1932 by Sir Apirana Ngata and the then Governor-General, Lord Bledisloe to encourage skill and proficiency in Māori farming. The competition was re-launched in 2003 and we are looking forward to marking the 10th anniversary of that event next year.

On behalf of the Ahuwhenua Trophy Management Committee I would like to thank the sponsors of this year's competition. Some are old friends who have been with us since the competition was re-launched. Others have come on board more recently. I would like to thank all of you for your generosity. Your commitment is vital to the growth of this historic competition and is always greatly appreciated by everyone involved in this competition.

I look forward to seeing sponsors, finalists and their whānau, and all the other visitors to each field day of the 2012 Ahuwhenua Trophy competition.

Naku noa, na

Kingi Smiler
Chairman
Ahuwhenua Trophy Management Committee

History of the Ahuwhenua Trophy

The Ahuwhenua Trophy competition has a prestigious history dating back to 1932 when it was introduced by Sir Apirana Ngata and, the then Governor General, Lord Bledisloe, to encourage skill and proficiency in Māori farming.

Lord Bledisloe donated the original cup in 1932, two years after he donated the almost identical, Bledisloe Cup to encourage competition between New Zealand and Australia in rugby.

The inaugural 1933 competition was open to farmers in the Waiariki land district. It was won by Mr William Swinton from Raukokore (Bay of Plenty).

The following year the competition was extended to include entrants from North and South Auckland, Gisborne, Wanganui and Wellington.

In 1936 the cup was won by Henry Dewes, a sheep farmer from Tikitiki but a year later the trophy was destroyed in a fire at the Waiapu store where Henry Dewes had it displayed. It was replaced with a new cup in 1938 but six years later that trophy was lost during a rail trip from Rotorua to Wellington. It was eventually found in 1946 in a Frankton store after being mislaid with someone's personal belongings at the railway station.

In 1947 the Ahuwhenua Trophy cup went north for the first time, to Mr Wiremu Matenenaera of Hokianga.

The inappropriateness of comparing dairy farms with sheep farms became increasingly evident and in 1954 the competition was divided into two separate awards with Lord Bledisloe again donating the companion cup.

There are now two Ahuwhenua Trophy cups – one for sheep and beef farming and the other for dairying.

Continuing the Tradition Today

The original competition continued up until the 1980s but interest started to wane and the last of the original competitions was held in 1990.

In 2003, spurred on by Board members Gina Rudland and Wayne Walden, Meat New Zealand, now Beef + Lamb New Zealand, re-launched the competition, taking account of the changing face

of Māori farming and the increasing importance of Māori incorporations and trusts in the sector.

Meat New Zealand ran successful annual sheep and beef competitions between 2003 and 2005, when their successor organisation, Meat & Wool New Zealand took over the reins.

In 2005, the Ahuwhenua Executive Committee decided on a new structure for the competition with sheep and beef and dairy competitions being run in alternate years.

In an historic 'first', the current holder of the Ahuwhenua Trophy for Dairy Farming 2010, Waipapa 9 Trust, is also the holder of the Ahuwhenua Trophy for Sheep and Beef Farming 2011.

In between award presentations, both Ahuwhenua Trophy cups are held in the Wanganui Regional Museum.

Female winners of the Ahuwhenua Trophy

Māori women have been prominent in the history of the competition

Tatai Hall of Te Teko was the first female winner of the cup in 1940 and in 1952 it was won by Mrs R Beazley of Pōkeno. Mihi Stevens of Rangiahau won the inaugural Dairy award in 1954 and won it again in 1960.

In recent years Kristen Nikora won the 2008 Dairy competition in partnership with her husband Dean and in 2009 Ingrid Collins chaired the Pakarae Whangarā B5 Partnership which won the Beef and Sheep competition.

Looking Back

The 2010 Dairy Finalists

A season of wet weather has been a boon to all three finalists in the last Ahuwhenua Trophy dairy competition which was held in 2010.

The current holder of the Ahuwhenua Dairy Trophy, Taupō-based Waipapa 9 Trust, has had a fantastic season, according to its Farm Supervisor, Bob Cottrell.

"In the year following the dairy competition the properties were farming under drought conditions but this year has been a fantastic season for rain and pasture growth. As a result, all four of our farms have achieved record farm production."

An extensive re-cropping and re-grassing programme was implemented on Takapau dairy unit, the most recent of the Waipapa 9 farms to be converted from sheep and beef to dairy. This programme will continue for another year.

Last spring Waipapa 9 extended their Okuhaerenga dairy operation by adding a further 55 ha from its adjoining sheep and beef operation and increasing its dairy platform from 900 cows to 1150 cows.

A new 60 bale rotary dairy shed was built on Okuhaerenga in 2010 and its effluent system was upgraded bringing it in line with systems already operating on Waipapa 9's other two dairy units.

The Trust has continued its programme of riparian planting along its waterways.

"Morale is very high amongst our staff and owners. Holding both trophies has made us very proud and the recent run of good growing weather has made the dairying business a whole lot less stressful," Bob said.

Hanerau Farms situated south of Whangarei is owned by Te Uri o Hau Settlement Trust and, according to General Manager, Roger Taylor, they all got a huge amount out of entering the Ahuwhenua Trophy competition.

"The judge's comments were invaluable and we've responded to them in a positive way by developing some new strategies," he said.

We're farming in wet country and sustain a fair amount of damage to our pasture during the winter and spring months. We now operate a very strict on-off policy for winter grazing and this is proving to be more efficient for pasture management. Our calving date is now two weeks later and there is no more winter milking."

The farm has a new sharemilker and a complete change of herd. The new herd is predominantly Jersey, a lighter and smaller breed more suitable to the farm's conditions.

"It's taken us two years to put these new strategies in place which is why we haven't entered the Ahuwhenua Trophy competition this year but we've definitely got our sights on future competitions.

We have not had a fantastic year for milk production and we feel that we need a bit more time to give effect to the changes our new strategies are bringing about. You can't fix these things in five minutes but we're confident that we'll have it right by the start of next season."

The beef unit at Hanerau Farms has had a great year. Stock numbers are up and beef calves have been reaching record prices.

Environmental excellence is very important to Hanerau, edging as it does on the Kaipara Harbour. They have embarked on a 10 year programme of extensive riparian planting and fencing of the harbour's foreshore in an effort to stem the flow of sediment into the waterway. This work is being done in conjunction with the Integrated Kaipara Harbour Management Group.

Weather was also a big factor in increasing production on Rangatira 8A17 Trust's dairy unit by 14% in the last financial year.

Apart from that, the Reporoa farm operated as it had always done, according to Trustee spokesman Andrew Kusabs.

"Our farm adviser, Don Peterson, is second to none so we just continued to follow his advice and things have continued to go very well for us," he said.

"Our land is broadlands pumice so, like everyone else in our neck of the woods, an increase in rain meant an increase in production. Fertiliser and pasture management programmes continued at the same level as they were before we entered.

However, he said that entering the competition did help the Trust fine-tune the management and administration aspects of their operation.

"It made us more precise in our planning and taught us the value of getting our strategies and other important information out of our heads and down on paper but overall the interaction and feedback from the judges confirmed that we were on the right track and that increased our confidence in what we were doing."

The farm which supports 530 Friesian/Friesian cross cows with 127 yearling heifer replacements is a crucial element of a business strategy that saw the Rangatira 8A17 Trust assets develop from "a rubbish dump to a multimillion dollar enterprise" for the benefit of its 1,500 owners from the Rauhoto hapū of Ngāti Tūwharetoa.

"That's a story I'm very proud of", said Andrew.

Once again, BNZ salutes a proud tradition of Māori farming.

Bank of New Zealand (BNZ) is privileged to once again have the opportunity to partner with Māori Agribusinesses and support their ongoing development as Platinum Sponsor of this year's BNZ Ahuwhenua Māori Excellence in Farming Dairy Competition.

BNZ has proudly championed this competition since its rebirth in 2003 and has been a Platinum sponsor since 2006. BNZ and Māori share a long-term commitment to the agri sector. We've grown our market share in this industry by over $600m in the past year – we're growing and we're growing together.

Our staff look forward to this competition with many of them actively involved in judging, attending field days, supporting clients, and of course celebrating and recognising the finalists and ultimately the winner of the competition.

The future of the Dairy sector is promising with world supply and demand dynamics pointing to solid product prices, albeit with ongoing volatility in returns from season to season. Well governed, profitable operations, with the support of shareholders and beneficiaries, are in a prime position to benefit and continue to grow wealth in this sector.

We are proud of our history with Māori farming businesses and the BNZ Partners model is well suited to servicing this sector, making it easier for clients to access a range of key specialists including those dealing with; Property Development, Forestry and Carbon, Electricity Generation, Aquaculture/Fishing and creating investment portfolios amongst others.

We have also recently appointed Pierre Tohe as the Head of Māori Business for BNZ, a new role created to ensure an ongoing focus on the development of our offering to Māori Business. This includes supporting other Māori business and leadership initiatives such as the Aotearoa NZ Māori Business Leaders Awards and the BNZ Partners Māori Scholarship for Agriscience and Agribusiness students at Massey University.

The network of 31 BNZ Partners Business Centres across New Zealand continues to grow – our aim is to provide a local "office away from the office" for clients to utilise for board meetings, annual get-togethers (and in one case, Treaty settlements). These are especially well-used in provincial areas by clients who invest in productive parts of the business rather than expensive front-of-house facilities.

With quality banking, professional support and the right solutions, Māori farming operations will continue to thrive and create wealth and opportunity for shareholders. We enjoy partnering with the individuals, Trusts and incorporations that make up this sector to achieve their business and community goals for today, tomorrow and future generations.

Tēnā ko te toa mahi kai e kore e paheke.

The warrior who works hard at growing food will not fail.

Richard Bowman
Head of Agribusiness
Bank of New Zealand

Kapenga M Trust

675 Tumunui Road, Rotorua

Friday 27 April 2012

Kapenga M Trust

Field Day Programme

9.30	Whakatau (*The Host*) Response
10.20	Background to the Competition (*Chairman Executive Committee – Kingi Smiler*)
10.30	Introduce the programme (*Facilitator – Paul Bird*)
	Introduction to Kapenga M Trust Includes farm history, governance and business structure (*Kapenga M Trust*)
11.00	Farm tour including three stops – morning tea snack provided Discussion on financial performance, production, staff, environmental management
1.00	Summary (*Kapenga M Trust*)
1.15	Judge's comments and presentation of prizes
1.30	Hākari (Lunch) – travel to Marae

**Note: times are approximate*

IMPORTANT NOTES FOR FIELD DAY ATTENDEES

The owners of the property wish to point out to all visitors to their property that a number of potential hazards exist in the course of travelling over the property in vehicles, moving around the yards and facilities, and in handling stock.

While the owners have taken all reasonable care in making your visit to the property as safe as possible, including the preparation of a Health and Safety Plan for the day, they point out that you enter the property at your own risk.

All participants are asked to behave safely and to ensure that their actions or inactions do not result in harm to themselves or others.

The owners will accept no responsibility for any accident or injury to any person or property that takes place while you are visiting.

Kapenga M Trust

History of the Farm

The Kapenga M dairy unit, 20 kilometres to the south of Rotorua is a 330ha property currently running a mixed Jersey/Friesian herd of 1,020 stock units. Its stock performance centres on a strategy of developing high-breeding worth cows that can harvest high levels of pasture.

Since 2009 the farm's total milk production has increased steadily from 241,441kg in 2008 to 371,169kg although its herd has only increased by nine cows. Production per cow has gone from 246kgMS to 372kgMS.

The farm is owned by the Kapenga M Trust, which has a proud association with the Ahuwhenua Trophy competition, having won the Ahuwhenua Trophy for sheep and beef farming in 2003.

The Trust's 915 shareholders are of Tūhourangi descent and own a total of 1,858 ha which include a sheep and beef farm and a deer farm.

Kapenga M's sharemilkers, Edwin and Marianne Schweizer, have been in the role for the past four years. Kapenga M has operated under a 50:50 sharemilking arrangement since the conversion of the farm to dairy in 1995. The arrangement is structured to give the sharemilker incentives to invest in the farm and its herd, a strategy which has proved positive for both parties and led to consistently strong performances. While the good relationship between the Trust and its sharemilker is seen as critical to the farm's success, the Trust tries, where possible, to employ and train staff who whakapapa to Kapenga M. The current 2IC, Eddie Coward, is of Tūhourangi descent.

The Trust is currently harvesting 100ha of forestry wood lots planted 28 years ago.

Proceeds from this harvest, coupled with last year's record Fonterra payout, encouraged the Trust to consolidate its property and grow its holdings to include land with genealogical connections to its current owners. In 2008 it sold its other dairy farm situated some 60 kilometres away at Mamaku and has recently bought a 250ha dairy farm adjacent to its Waikite Valley holdings which is named KMS Dairy.

Historically this area has always been known as the tribe's inland "food bowl" due to its abundant supply of birds and other wild foods and, later, its network of gardens.

The Kapenga M dairy unit is operating on land that Tūhourangi have had a whakapapa connection to since they settled inland from Maketū, and more especially since the eruption of Tarawera in 1886. Following the devastation of their lands by that event their tipuna received generous gifts of land from other Te Arawa sub-tribes and tribes as far afield as Wanganui and Coromandel. The Waikite Valley blocks became critical in providing for the needs of the tribe.

The Kapenga M Trust pays regular annual dividends to its owners. It also provides education and kaumātua grants and is a foundation investor in the Te Arawa Future Farming Training programme.

Key to the Trust's success is a fundamental determination to maintain the manawhenua ownership and guardianship of the land for future generations and to grow expertise amongst its own people with the expectation that eventually all its staff, including farm consultants, sharemilkers, managers and farm hands, will whakapapa to the land.

Kapenga M Trust

What Impressed the Judges

GOVERNANCE & STRATEGIC PLANNING

- Clear understanding of the role of governance was shown
- Sub-committee structure ensures timely decisions can be made. Any communication issues are sorted out very quickly. Farm sub-committee meets on a monthly basis
- There is a proposal in place to involve 'trainee trustees'
- Strategic plan is in place with a clear operational plan
- Minutes of Trust meetings from 1981 have been documented in a report and used to review the current strategic plan. The process has confirmed the Trust's underlying values and philosophies have not changed. This gives great confidence in developing strategy for the future
- There is a strong recognition for the ongoing need to introduce new ideas into governance while still maintaining a core of experience
- "We go to our people" for the AGM i.e. Marae, rugby club.

FARM

- Considering farm contour and altitude, milk production/ha is high at 977 kg/ha. Central North Island average is similar at 982kgMS/ha however our assessment is that the 'average' Central North Island dairy farm has greater grass growth potential
- The amount of pasture consumed by the cows / ha is 1 tonne higher than the Central North Island average and this provides one indicator of efficient pasture management and correct stocking rate
- Pasture quality appeared very good. It has been a challenge, on some farms, keeping on top of quality due to the high pasture growth rates. Pasture is scored on a fortnightly basis from October to March with the aim of keeping average cover between 2,000 kgDM/ha and 2,300kgDM/ha
- Cow genetics are considered important and remain a strong focus area
- Replacement stock grazed off on a weight gain system
- High soil fertility levels exist
- Overall good farm infrastructure, however the farm dairy is too small and there are plans in place to replace this
- The feed pad has shown a high return on investment taking into account wastage compared with the previous 'in paddock' feeding system
- Excellent quality of housing.

STAFF

- Lee Matheson acts as the Supervisor of the Kapenga M farming operations. His performance is based on a set of clear measurable KPIs based around profit, cost of production and range of physical KPIs
- Recruitment of a top-performing sharemilker has been an essential element in the dairy farm's success
- Cows stay on the farm when the sharemilker leaves, ensuring sharemilker has a buyer for the cows and a quality herd is always left on the farm with the correct calving date. This is an example of the win:win approach adopted by the Trust
- There is focus on employing local people and encouraging AgITO training
- Eddie the current 2IC is going to manage the new KMS Dairy operation and is whakapapa to Kapenga M.

Kapenga M Trust

ENVIRONMENTAL

- High level of importance placed on ensuring water that runs through the farm is of the highest quality
- The effluent system is future-proofed with good storage and spreadable areas
- N use is limited to 150 kg/ha and not used during high-risk times
- P use has been reduced, given current high soil fertility levels and direct drilling also reduces soil run-off to waterways.

FINANCIAL

- The profitability of the dairy unit is above the national average when comparing all New Zealand farm owners with 50% sharemilkers which is an excellent result given land contour
- The Farm Supervisor monitors the business performance of the farm and reports regularly to the Trust
- Tight cost control is practised with operating expenses kept low compared to benchmarks.

Directory

TRIBAL AFFILIATION: Tuhourangi

NUMBER OF OWNERS: 915 registered shareholders

TRUSTEE/BOARD
Roku Mihinui *(Chair, Chair Farm sub-committee)*
Atareta Maika *(Chair Moni Aroha ki Kapenga M sub-committee)*
Manu Tuki
Wena Kopae
Marsh McLeod
Wally Lee
Wiremu Keepa

RURAL PROFESSIONAL
Lee Matheson *(Farm Supervisor, Perrin Ag Consultants Ltd)*

FARM STAFF
Edwin & Marianne Schweizer *(50:50 sharemilkers)*
Eddie Coward *(2IC)*
Watene Sturm *(Herd Manager)*
James Stather *(Farm Assistant)*
Katrin Buhn *(Calf Rearer, August–September)*

Kapenga M Trust

Governance and Strategy

VISION

Whaia te oranga mo nga whakatipuranga o Kapenga M
Strive to provide the maximum benefits to and for the beneficiary owners of Kapenga M

The Trust operates with the following values:
Whakapapa; Manawhenua; Te ahi kaa; Whakawhanaungatanga; Manaakitanga; Kaitiakitanga; Te Reo; Tikanga

STRATEGIC PLAN

"Kia mau te whenua i nga wa katoa" Retention of the land

"Kia mau te kotahitanga o Kapenga M i nga wa katoa" Maintain the unity of Kapenga

"Kia mau tonu te tinorangatiranga o te Poari" Maintain the authority and leadership of the Trust

"Whakawāteatia nga Rangatahi ki te Poari" Encourage young people to participate in the Trust

"Whaiā nga mahi Paamu ki o tātou Rangatahi" Promote farming amongst our young people

Kapenga M farm is part of a collective of blocks within close proximity to each other that are owned by Tuhourangi descendants and historically formed the inland "food bowl" for the tribe.

It is of paramount importance to maintain, enhance and preserve the land as a taonga (treasure) for the benefit of the respective intergenerational descendants and is intrinsic within Kapenga M Trust's whakaaro (thinking).

This whakaaro is captured within the vision, values and individual strategies.

The Trust has typically operated on a 4–5 year independently facilitated strategic planning cycle. Strong financial performance provides the platform to allow the Trust to continue to enhance and increase its asset base and deliver on its purpose to shareholders. A diversified commercial portfolio with investment outside of the traditional corpus land has been a strong feature of historical and current strategies.

The dairy growth strategy over the next four years involves continuing to focus on improved farm performance and an investment in an adjoining dairy block, partnering with our current sharemilkers in a joint venture arrangement.

GOVERNANCE

The Board functions with two sub-committees, one focused on the commercial aspects of the Trust's operations, the other with the social and cultural outcomes. The operational subcommittee meets monthly with the management team, with the Moni Aroha ki Kapenga M sub-committee typically meeting quarterly.

While Trustees are currently elected for life tenure by shareholders, the Board have indicated to owners that a comprehensive review of the Trust Order, including the tenure of Trustees, needs to be considered. The current Board contains a mix of skills and experiences, ranging from Trustees with corporate management experience, a number with governance roles on or chairing other Māori entities and those elected by owners on the basis of their strong link to the land and historical involvement with the Trust. The full board underwent independent governance training in 2008, has developed a governance manual for new Trustees and is currently considering provision for trainee trustees.

Latterly, the Trust commissioned a full review of all of the Trust's historical whakaaro, which has been collated and summarised to clearly identify the continued themes and intentions of previous Boards, as well as provide a record for all shareholders of the vision of those who have gone before them.

The Trust has worked closely with both Perrin Ag Consultants Ltd and Hulton Patchell Ltd for commercial advice and administrative support for over 25 years. The ongoing engagement of both service providers have been subject to external review.

Kapenga M Trust

Farm Description

The 334ha dairy unit at Kapenga M Trust is part of the 1,890ha Kapenga M block, owned by 915 registered shareholders. With 1,000 cows forecast to produce in excess of 370,00kg MS this season, the farm is operated under a 50:50 sharemilking agreement with Edwin and Marianne Schweizer. The property, which ranges from flat to steep in contour, operates with 4 permanent labour units. The production system is focused on high pasture utilisation, efficient supplement use and *kaitiakitanga* of the resource.

Farm Details and Production Information

	2008/09	2009/10	2010/11	2011/12 *estimate*
Effective hectares (milking area)	334	334	334	334
Dairy run-off effective area	–	–	–	–
Milksolids kg	322,143	311,203	326,337	372,000
Peak cows milked (*cross-bred cows*)	990	1,010	994	998
R2 heifers	227	233	229	228
Stocking rate cows/ha	2.96	3.02	2.97	2.99
Planned Start of Calving (PSC)	1 Aug	1 Aug	1 Aug	1 Aug
Seasons rainfall mm	1,300	1,270	1,914	1,800
Olsen P	70	70	65	65
Soil pH	5.8	5.8	5.8	5.8
Nitrogen applied for year kg/ha	140	150	134	141
Imported supplements eaten t DM/ha	1.2	1.4	1.8	1.3
Grazing off dry cows eaten t DM/ha	0.6	0.8	0.6	0.6

Kapenga M Trust

Physical & Financial Key Performance Indicators

	2008/09 Kapenga M	2009/10 Kapenga M	2010/11 Kapenga M	2010/11 *DairyBase Benchmark	2011/12 Kapenga *estimate*
PHYSICAL KPIS					
Milksolids/ha	964	932	977	982	1,127
Milksolids/cow	332	308	333	364	372
Milksolids as % of liveweight	73%	68%	72%	79%	81%
Pasture & crop eaten + DM/ha	11.0	11.6	11.6	10.6	12.3
Days in Milk (DIM) per cow	250	200	267	246	275
Cows/FTE (labour unit)	190	224	239	168	239
Milksolids/FTE	63,165	69,156	79,594	61,673	88,908
6 week in calf rate	66%	66%	66%	78% (target)	70%
Breeding worth /reliability		74/46	84/45	64 (LIC medium)	90/47
FINANCIAL KPIS					
Operating Profit ***(includes non-cash adjustment)*					
Gross Farm Revenue/ha	2,380	2,833	3,671	4,075	3682
Operating Expenses/ha	1,489	1,704	1,654	2,398	1,807
Operating Profit/ha	890	1,129	2,018	1,677	1,875
Gross Farm Revenue/kgMS	2.47	3.04	3.76	3.77	3.27
Operating Expenses/kgMS	1.54	1.83	1.69	2.22	1.60
Operating Profit/kgMS	0.92	1.21	2.07	1.55	1.66
Cash Operating Surplus *(excludes non cash adjustments)*					
Net Dairy Cash Income/kgMS	2.46	3.04	3.76	N/A	3.30
Farm Working Expenses/kgMS	1.42	1.64	1.52	N/A	1.52
Dairy Cash Operating Surplus/kgMS	1.04	1.39	2.23	N/A	1.78
Operating Return on Dairy Assets % *(excludes capital gain/loss)*	2.5%	3.4%	6.4%	4.2%	5.9%

*Physical KPIs are benchmarked against the Central North Island. Due to limited financial data for farm owners with sharemilkers, a national average benchmark has been used.

**Non cash adjustments: livestock value change, unpaid labour, feed inventory, owned support block, depreciation

Kapenga M Trust

Financial Detail

	Total $		$ Per kg MS		$ Per Ha		$ Per Cow	
	Farm	% of GFR	Farm	Benchmark	Farm	Benchmark	Farm	Benchmark
GROSS FARM REVENUE (GFR)								
Net Milk Sales	1,226,248	100.0%	3.76	3.76	3,671	4,059	1,251	1,382
Net Dairy Livestock Sales	0	0.0%	0.00	0.05	0	59	0	20
Value of Change in Dairy Livestock	0	0.0%	0.00	-0.07	0	-73	0	-25
Other Dairy Revenue	0	0.0%	0.00	0.03	0	30	0	10
Dairy Gross Farm Revenue	1,226,248	100.0%	3.76	3.77	3,671	4,075	1,251	1,388
Non-Dairy Cash Income	1,400,091	114.2%	4.29	0.43	4192	468	1429	159
Value of Change in Non-dairy Livestock	-73,853	-6.0%	-0.23	-0.03	-221	-38	-75	-13
TOTAL GROSS FARM REVENUE	**2,552,486**	**208.2%**	7.82	4.17	**7,642**	**4,505**	**2,605**	**1,534**
OPERATING EXPENSES								
Labour Expenses								
Wages	0	0.0%	0.00	0.02	0	19	0	6
Labour Adjustment – Unpaid	0	0.0%	0.00	0.02	0	17	0	6
Labour Adjustment – Management	0	0.0%	0.00	0.06	0	65	0	22
Total Labour Expenses	0	0.0%	0.00	0.09	0	101	0	34
Stock Expenses								
Animal Health	0	0.0%	0.00	0.00	0	4	0	1
Breeding & Herd Improvement	0	0.0%	0.00	0.00	0	1	0	0
Farm Dairy	0	0.0%	0.00	0.01	0	12	0	4
Electricity (Farm Dairy, Water Supply)	0	0.0%	0.00	0.01	0	14	0	5
Total Stock Expenses	0	0.0%	0.00	0.03	0	31	0	11
Feed Expenses								
Supplement Expenses								
Net Made, Purchased, Cropped	127,432	10.4%	0.39	0.50	382	538	130	183
Less Feed Inventory Adjustment	0	0.0%	0.00	0.04	0	40	0	13
Calf Feed	0	0.0%	0.00	0.00	0	3	0	1
Total Supplement Expenses	127,432	10.4%	0.39	0.46	382	501	130	171
Grazing & Support block Expenses								
Young & Dry Stock Grazing	106,195	8.7%	0.33	0.18	318	197	108	67
Winter Cow Grazing	0	0.0%	0.00	0.01	0	9	0	3
Support block Lease	0	0.0%	0.00	0.02	0	17	0	6
Owned Support block Adjustment	0	0.0%	0.00	0.06	0	62	0	21
Total Grazing & Support block Expenses	106,195	8.7%	0.33	0.26	318	285	108	97
Total Feed Expenses	233,627	19.1%	0.72	0.73	699	786	238	268
Other Working Expenses								
Fertiliser	151,999	12.4%	0.47	0.42	455	454	155	155
Nitrogen	0	0.0%	0.00	0.02	0	20	0	7
Irrigation	0	0.0%	0.00	0.01	0	10	0	3
Regrassing	0	0.0%	0.00	0.04	0	39	0	13
Weed & Pest	6,639	0.5%	0.02	0.03	20	33	7	11
Vehicles	0	0.0%	0.00	0.02	0	18	0	6
Fuel	0	0.0%	0.00	0.01	0	6	0	2
R & M – land & buildings	56,304	4.6%	0.17	0.26	169	283	57	96
R & M – plant and equipment	0	0.0%	0.00	0.04	0	40	0	13
Freight and General	54	0.0%	0.00	0.04	0	46	0	16
Total Other Working Expenses	214,996	17.5%	0.66	0.88	644	948	219	323
Overheads								
Administration	15,273	1.2%	0.05	0.11	46	120	16	41
Insurance	10,664	0.9%	0.03	0.03	32	36	11	12
ACC	0	0.0%	0.00	0.00	0	5	0	2
Rates	22,351	1.8%	0.07	0.07	67	74	23	25
Depreciation	55,450	4.5%	0.17	0.28	166	298	57	101
Total Overheads	103,738	8.5%	0.32	0.49	311	532	106	181
Total Dairy Operating Expenses	552,361	45.0%	1.69	2.22	1,654	2,398	564	817
Non-Dairy Operating Expenses	1,241,170	101.2%	3.80	0.38	3,716	413	1,267	141
TOTAL OPERATING EXPENSES	1,793,531	146.3%	5.50	2.60	5,370	2,811	1,830	957
OPERATING PROFIT	**673,887**	**55.0%**	2.07	1.55	**2,018**	**1,676**	**688**	**571**
DAIRY OPERATING PROFIT	673,887	55.0%	2.07	1.55	2,018	1,677	688	571
Non-Dairy Operating Profit	85,068	6.9%	0.26	0.02	255	18	87	6
TOTAL OPERATING PROFIT	758,955	61.9%	2.33	1.57	2,272	1,695	774	577

The above table is an extract from this farm's DairyBase report. DairyBase is a software tool operated by DairyNZ and enables financial and physical analysis using a standardised method. The financials exclude the sharemilkers' proportion of the milk income (50%) and a proportion of the farm's operating expenses paid for by the sharemilker.

Kapenga M Trust

On-Farm Management

PASTURE MANAGEMENT, CROPS, SUPPLEMENTS

The farm is considered a System 3 operation, with the aim to harvest as much high-quality pasture as possible. Imported supplementary feeds are used strategically to ensure stocking rate is appropriate during peak periods of pasture growth (i.e. wintering off) and tactically to maintain intakes and pasture covers during seasonal feed deficit (i.e. PKE) and increase body condition (maize silage). The Trust sets an annual target of <500kg DM/cow of imported feed (excl. grazing).

Consistent grazing residuals are the key to the farm's grazing management, with cows given a "refresher" on how to graze in the first round of each lactation. While a 12-hour grazing period is normal, where breaks or paddock sizes are irregular, grazing intervals will be adjusted to ensure cow intakes and pasture utilisation is optimised. Pasture covers are formally assessed every 14 days during the critical Mar–Oct periods each year.

Once-a-day milking typically commences for the younger, lighter herd sometime between the start of December and the end of January each year.

The farm has historically used a summer forage crop to supply high-quality feed over the summer months, but the decision was made in June 2011 to not use summer crops going forward. This was primarily due to the implications they have been having for late spring pasture availability, the difficulty in locating suitable paddocks and variable strike.

HERD FERTILITY

Herd fertility has become an increasing focus for both the Trust and their sharemilker. A 78% six-week in-calf rate has been set by the Trust as a performance measure for the farm, with the herd achieving a 70% in-calf rate this season. Intervention at mating is not used.

DAIRY REPLACEMENTS

All heifers are grazed off the farm with independent graziers from 3 months of age. Graziers are now selected on the basis of their willingness to weigh all animals monthly, benchmark against BV targets and the use of monitoring independent of the grazier. All heifers return to the farm on 1 May as in-calf rising 2-year-olds and are grazed at home over the winter. This year 94% of all R2s calved within 6 weeks.

Edwin uses LIC Premier sires over all the cows, with only AB-bred replacements kept.

SOIL MANAGEMENT AND FERTILITY

Soils on the farm are subject to a biannual testing regime, using consistent GPS transects on seven representative areas of the farm. All areas receiving dairy effluent receive no maintenance fertiliser during the season. High soil Olsen P levels are being actively managed down to more sustainable levels (40-45ppm), with lime strategically applied to all areas suitable for ground-based application to ensure soil pH is no less than 5.7.

P fertiliser is typically applied three times a year to minimise losses from adverse rainfall and increase efficiency. K is only applied once calving is completed and S is applied both in a sulphate and elemental form.

While requiring significant annual applications of both K & S, the free-draining pumice soils cope well with high grazing intensities over the winter. However, where supplement is to be fed to dry cows it is fed on the feed pad, not only to improve utilisation, but to prevent soil damage.

Kapenga M Trust

Business Management

Preparation of the annual budget and business plan is a three-step process. The farm supervisor and sharemilker prepare an initial draft. This is subsequently presented to the farm sub-committee for comment and change. A final budget is then presented to the full Board for ratification.

The sharemilker and farm supervisor manage the farm relatively autonomously, with the approval of an annual business plan and regular reporting against this and a whole business score card providing the Trust with the necessary degree of control and governance oversight. The management team are provided with sufficient delegated authority to execute contingent variation to the business plan as required by normal seasonal variation or to take advantage of mutually beneficial opportunities.

Longer-term business planning occurs on a rolling 3-5 year basis, generally in relation to policy changes or major infrastructural investment on farm and as it relates to longer-term strategic investment opportunities. As a general rule, investment in strategic assets needs to deliver a ROI 2% higher than the Trust's WACC.

Between scheduled Board meetings, where formal operational reporting is provided, interim reporting by the farm supervisor is provided to the Trust's chairman and farm sub-committee. Interaction within the management team occurs by way of regular phone and email communication, 6-8 weekly on-farm contact and online monitoring.

Ongoing capital investment is pre-determined at the start of the year, with the identified projects implemented by management in accordance with the pre-approved budgets as appropriate throughout the season. Significant variation to the budget (+/- 5%) requires approval from the Board.

Primary financial indicators directly monitored by the Trust in relation to the dairy business are:

- FWE <$1.70/kg MS
- Net dairy EBIT>$500,000.

Farm Infrastructure

The farm consists of approximately 80 paddocks with an average area of 4 ha, with approximately 66% of the area on the eastern side of Tumunui Road; the balance is accessed via an underpass. The 50-bale Rotaflo milking parlour is located more or less in the centre of the farm, although walking distance to the cow shed from either end of the farm can be up to 3km. Races on the farm are primarily constructed from pumice sourced on the property. A 500-cow concrete feed pad with provision for flood wash from stored pond water is located east of the milking parlour and collecting yard. Feed storage areas, including a covered concrete PKE bunker, are situated west of the cow shed and feed area. Effluent from both the cow shed and feed pad drain to a 6,000m3 lined pond for irrigation over 60ha of the farm. Calf rearing and vehicle storage facilities are located adjacent to the main tanker loop.

Water is supplied from both a bore located at the cow shed and from the main stream that flows through the dairy unit and its neighbouring drystock operation. There are four dwellings on the property for staff accommodation.

The long walks for cows contribute to both lowered production and a high incidence of lameness, particularly after prolonged rain. Races require significant annual maintenance, a cost shared equally between the Trust and their sharemilker.

Kapenga M Trust

The Farm Team

The dairy farming operation at Kapenga M has operated under a 50:50 sharemilking arrangement since the conversion of the farm in 1995. This situation is reviewed each time the sharemilking agreement comes up for renewal. Despite the consistent analysis that the Trust's ownership of the cows would result in higher net profits to the Trust, the decision of the Trustees to remain with a 50:50 arrangement thus far has been a combination of a belief that engaging with the best people will deliver the best results, circumstantial timing as regards capital availability and managing operational risk. Both the previous dairy farm in the Mamaku and now the new investment in KMS Dairy involved ownership of the cows and employment of all staff.

However, the potential relationship between the Trust and the sharemilker is ultimately critical to the success of the venture. The strong relationship and mutual respect and trust between the Trust and the Schweizers, backed by high consistent performance on the farm, were a significant factor in both the renewal of the agreement to 2016 and their joint investment in KMS Dairy.

Sharemilkers have been traditionally recruited to a short-list stage by the Trust's Farm Supervisor, with short-listed candidates then interviewed jointly by the Board and management team, with the Trustees making a final decision on the successful candidate. Given all other things being equal, candidates with whakapapa to Kapenga M are given preference over those without.

The sharemilking agreement is structured to provide the sharemilker with an incentive to invest in the farm and their cows and make the best decisions for the farm, out of which both parties will get the desired growth in equity.

The Farm Supervisor remains the primary point of contact for the sharemilker at an operational level, with the Trustees having regular direct contact by way of the scheduled farm inspections, the formal annual budget meetings and the annual social interactions with farm staff.

With the sharemilker having all responsibility for farm staff recruitment and management, the Trust relies heavily on the selection of a candidate that can demonstrate their own commitment to the Trust's vision and values, particularly as it relates to employment. In Edwin, such values have been well adopted. Since 2008, Edwin has managed the property with limited staff turnover, all current staff are involved in AgITO training and all staff are provided the opportunity to meet with the Trustees when they are out on the farm. Edwin enjoys employing younger people and has a commitment to employing local people where possible – his current 2IC can whakapapa to Kapenga M.

The Trust also recognises that in order to ensure that their sharemilker can attract the best people, housing and farm infrastructure have to be excellent. Accordingly, the housing stock on the farm receives continual attention to ensure the quality is high. For example, since 2008, all farm houses have been reinsulated, DVS units installed, double glazing introduced into two of the four houses and all dwellings have been redecorated. An independent maintenance program is also in place for all housing exteriors and fire places.

Kapenga M Trust

Environmental

With significant areas of broken contour and numerous tributaries of the Taahunanaatro stream on the property, maintaining water quality under intensive pastoral agriculture is a significant issue. Water from these streams as associated aquifers provide the primary source of water for not only Kapenga's dairying and drystock farming operations, but also a large part of the immediate community. As part of the Upper Waikato River and, to a lesser extent, Lake Rotorua catchments, the Trust is also mindful of its responsibilities as regards minimising nutrient loss into the river system and efficient water use.

All of the riparian margins on the entire Kapenga M Trust land holdings have been excluded from stock and replanted to minimise soil loss to the waterways and act as a buffer for nutrients such as P. This has largely been done in conjunction with the Waikato Regional Council. The Trust has two major consented culverts, one of which is in the process of being re-engineered to further reduce the risk of effluent loss to water. A conservation flume has been installed below the dairy shed to prevent erosion at the head of a major gully system.

Within its wider land holdings, the Trust also has kaitiakitanga over the Kapenga Swamp, a significant area of natural wetlands within the Taahunanaa system. After exclusion from stock and all riparian plantings were completed, this significant natural feature was subsequently leased to the Department of Conservation, which in consultation with the Trust has undertaken significant additional restoration works, such as spraying willow and creating waterfowl habitat.

In 2008, a major upgrade of the dairy effluent management system took place, with 6,000m3 (60 days) of storage put in place, along with the use of pod irrigation for use on the hills and a new travelling irrigator capable of delivering effluent at less than 10mm/hr. Over the last three years the area available for effluent irrigation has increased from 23ha to approximately 60ha, with further capacity in the pumping system to allow further expansion over time. The dairy farm operation is currently assessed as leaching 44kg N/ha/year which is in the moderate range.

The Trust's current environmental management plan targets a maximum usage of 150kg N/ha/year, with no nitrogen fertiliser to be applied in the high-risk winter period. With the farm now largely developed, direct drilling is the preferred sowing method for forage cropping and regrassing on the dairy unit to reduce the risk of P loss. The farm's high Olsen P levels provide an elevated risk of phosphorus loss in sediment; consequently reduced levels of maintenance P fertiliser are now applied to moderate soil P status over time.

While Variation 6 is unlikely to have a significant impact on farm water usage, given that the farm has operated in its current configuration since the 2008 benchmarking period, initiatives to reduce water use are being adopted, such as the planned replacement of the existing water-cooled vacuum pump with a variable speed oil-cooled alternative. The small area of the Trust's lands draining into the Lake Rotorua catchment and subsequently affected by Rule 11C are now fully retired from stock grazing and used solely for production forestry.

The majority of the Trust's forestry resources are pre-1990 forest, with the Trust having applied for its initial tranche of NZUs. Given the Trust's large pastoral farming operations, the current intention is to retain these credits to act as an offset for any liable emissions from agriculture's entry into the ETS. Management is now required to report to the Trust on annual GHG emissions.

Kapenga M Trust

Social, Community and Nga Tikanga Māori

Direct contribution to shareholders and their communities is provided by way of the dividend and grant policies of the Trust:

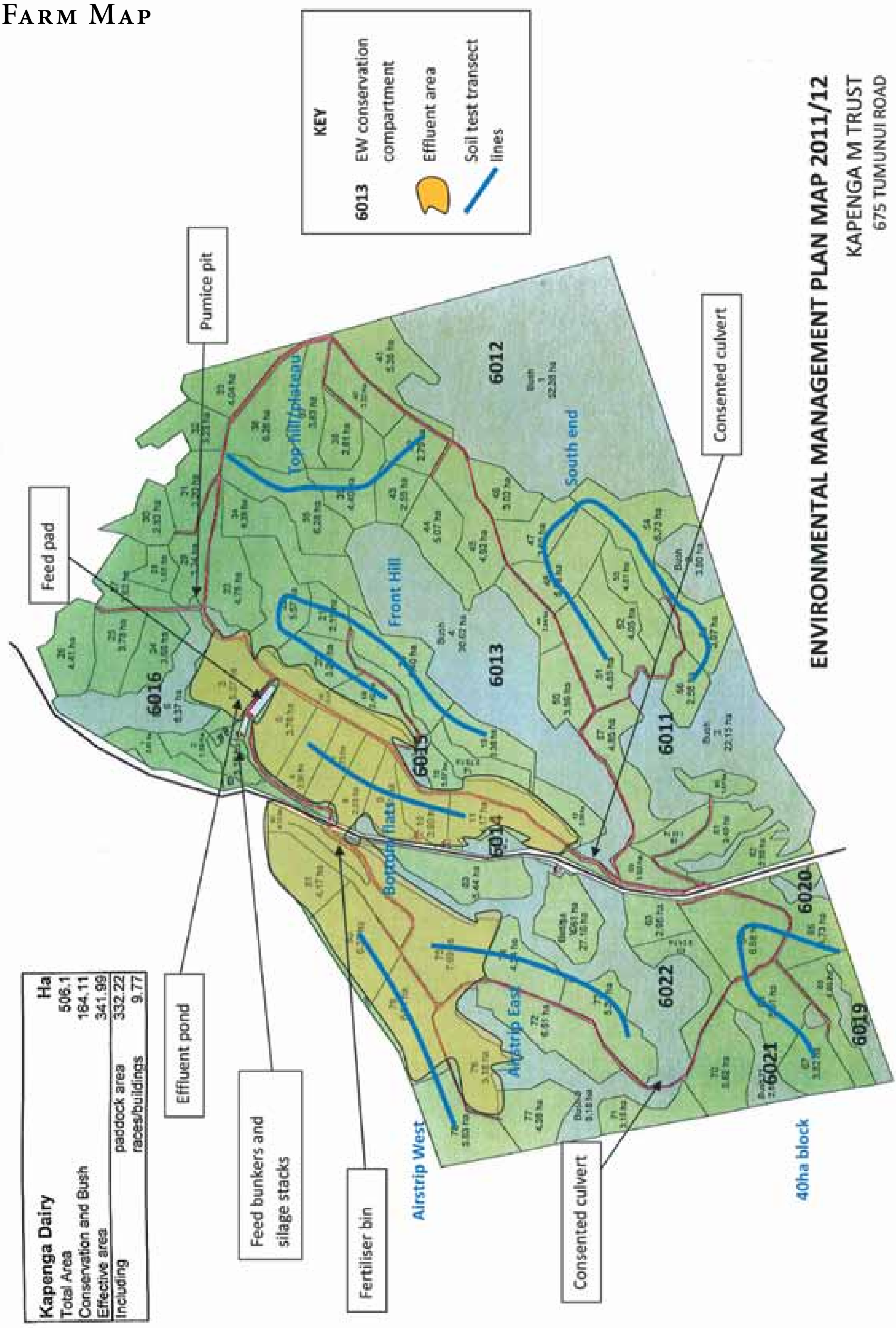
- Dividend paid annually, with additional dividend payable in years with forestry revenue ($1.065 million since 2001)
- Pūtea established with unclaimed dividends for other grants ($75,000 since 2001)
- Education grants ($237,000 since 2001)
- Kaumātua grants [policy amended in 2010 after feedback from owners] ($137,000 since 2001).

The Trust also looks to actively engage with and involve its shareholder base. Despite the lack of physical connection of their lands to their marae, trustees are easily accessible to shareholders through their regular involvement with wider iwi and hapū activity at Whakarewarewa. AGMs alternate between the whenua, marae and community locations. Recognising the key strategic intent of promoting farming amongst their rangitahi, the Trust was a foundation investor in the Te Arawa Future Farming Training programme and continue to support local agricultural training initiatives with their farming operations.

With Tuhourangi's traditional lands and marae destroyed in the Tarawera eruption in 1886, the lands now farmed by Kapenga M have always formed traditional food gathering and production areas. Accordingly, no significant wahi tapu are found on the whenua.

Kapenga M Trust

Farm Map



KAPENGA M TRUST | FINALIST

Tauhara Moana Trust

683 Broadlands Road, Taupō

Thursday 3 May 2012

Tauhara Moana Trust

Field Day Programme

9.30	Whakatau (*The Host*) Response
10.20	Background to the Competition (*Chairman Executive Committee – Kingi Smiler*)
10.30	Introduce the programme (*Facilitator – Paul Bird*)
	Introduction to Tauhara Moana Trust Includes farm history, governance and business structure (*Tauhara Moana Trust*)
11.00	Farm tour including two stops – morning tea snack provided Discussion on financial performance, production, staff, environmental management
1.00	Summary (*Tauhara Moana Trust*)
1.15	Judge's comments and presentation of prizes
1.30	Hākari (Lunch)

Please arrive 15 minutes prior to commencement of the Whakatau

IMPORTANT NOTES FOR FIELD DAY ATTENDEES

The owners of the property wish to point out to all visitors to their property that a number of potential hazards exist in the course of travelling over the property in vehicles, moving around the yards and facilities, and in handling stock.

While the owners have taken all reasonable care in making your visit to the property as safe as possible, including the preparation of a Health and Safety Plan for the day, they point out that you enter the property at your own risk.

All participants are asked to behave safely and to ensure that their actions or inactions do not result in harm to themselves or others.

The owners will accept no responsibility for any accident or injury to any person or property that takes place while you are visiting.

Tauhara Moana Trust

History of the Farm

Tauhara Moana Trust is comprised of 715ha of ancestral land (Tauhara North 3B Block) and 363ha of land purchased in 2004 (Parariki Block). The Trust has also recently secured a long-term lease for a further 952ha of neighbouring lands.

The original development was as a Sheep and Beef Unit which was managed by the Lands and Surveys Department.

On 1 April 1984 the Trust took back full responsibility for the management and operation of the business and continued with a sheep and beef operation. The Trust made two small dividend payments in the early 1980s.

In 2006 the Trustees saw an opportunity to move into dairying, developing a 500-cow dairy unit and at the same time negotiated with Fletcher Wood Panels to irrigate approximately 55ha of land with water piped from the factory.

The original operation was a sharemilking contract but had less than optimal success in the initial two years because the development cost was substantially greater than the Trust's ability to borrow money.

The Trust then leased the farm to Plateau Farms Ltd with rent payments being made plus development costs being met by the lessee. The farm was developed further but by the end of 2009 it became apparent that this was an unstable arrangement. Plateau Farms Ltd was eventually put into receivership and the Trustees negotiated with the receivers to take back the farm in March 2010.

The Trust retained the existing sharemilkers, Olly and Kim Gibberd, as they had proven to have the experience required for managing large herds. The Trust is currently exploring with the sharemilker for a transition from a 50:50 sharemilking operation to a 100% Trust-owned and controlled farming operation.

The Trust has a 55-a-side herringbone shed with a rotating breastrail that has enabled the Trust to expand its dairy operation from 500 cows to presently 1,700 cows.

For the 2011/12 season there are currently 1,600 dairy cows being milked with a planned target to increase to 3,000 dairy cows by 2015.

Tauhara Moana Trust adopts a strong environmental focus as part of its business goals and over time has retired lands, protected wetlands and waterways, contributed to nitrogen-reduction initiatives, planted forestry and invested in low-impact effluent systems.

The Trust originally supplied Fonterra, however in 2011 opted out and became a foundation shareholder and supplier to Miraka Ltd.

The opportunity to become a DairyNZ Focus Farm in 2010 has brought a wide range of benefits to the land and dairy unit management.

The resultant overall farm performance has been significant and the future will see the Trust continue to grow and enhance its core farming business enterprise for the benefit of current and future generations.

Tauhara Moana Trust

What Impressed the Judges

GOVERNANCE & STRATEGIC PLANNING

- All management and governance team members were present and fully engaged
- Good alignment with wishes of their people and their strategy, e.g. could have invested in other things but important to invest in the whenua
- Good approach to bring through advisory Trustees as a form of risk management and continuation of the Trust's strategy
- Great mix of young and experienced people
- Good mixture of short and long-term goals
- Managed significant change and growth well over the last few years
- Specialised committees focused to get the work done
- Don't invest in things that are not part of the strategic plan
- The farm is located over two geothermal fields which is unusual and provides exciting income opportunities
- Commencing discussion with council to purchase strategic land holdings
- Negotiating 1,000ha lease with Contact Energy
- Researching the use of condensate from the power station for irrigation
- Member of the Awhina Group
- Tauhara Moana is a regional focus farm and this brings intense scrutiny and analysis which will bring benefits to the farm and the wider farming community.

FARM

- Soil type is pumice and this combined with variable rainfall has put focus on securing reliable feed sources. The aim is to be self-contained to reduce feed supply risk
- The system analysis carried out is very thorough, giving good detail around the efficiency and where feed will come from. When variable climatic conditions occur (every year!) feed surpluses or deficits are known early
- Forecast production is based on sound logic and reliable data
- Reproductive performance of the herd is improving significantly using a thorough check list approach.

STAFF

- Strong rural professional team involved in the business
- Innovative operational systems relating to staff roles and incentives
- Low staff turnover is ultimately one of the best measures of HR management
- Strong elements of trust and loyalty are evident among the management team
- Labour efficiency is high compared to the NZ average farms with sharemilkers
- This is not necessarily a positive KPI however this combined with low staff turnover indicates an efficient farm with good recruitment and performance management approaches.

Tauhara Moana Trust

ENVIRONMENTAL

- Eco-N trial planned with Ravensdown this autumn to measure pasture growth response from two applications of nitrogen. Based on the results there may be a changed nitrogen strategy
- Effluent system has been recently upgraded
- Annual nutrient management plan is utilised by the management team to ensure the appropriate mix and timing of nutrients is applied across the farm.

FINANCIAL

- The trust has turned the farm around in a very short space of time, lifting production and profit
- Detailed financial monitoring and reporting occurs
- Strong equity position currently but will need to focus on efficiency throughout expansion phase
- Options for equity growth over next 5 years are significant.

Directory

TRIBAL AFFILIATION: Ngāti Tūwharetoa / Te Arawa

NUMBER OF OWNERS: 2037

TRUSTEE/BOARD
Toby Rameka *(Chair)*
Hinemoa Henderson
Metiria Rameka
John Tahau
Danny Loughlin
Jarrard Tahau
Topia Rameka

RURAL PROFESSIONALS
Mark Johnston *(Farm Advisor)*
Denis Collins *(Farm Committee)*
Clint Hemana *(Farm Committee)*
Steve Bignell *(Trust Accountant)*
Chris Cargill *(Trust Solicitor)*

FARM STAFF
Olly and Kim Gibberd *(50/50 Sharemilkers)*
Angus Clarke *(2IC)*
Jason Sykes *(Tractor Driver)*
Ben Williams *(Farm Assistant/Acting 2IC)*
Erin Payne *(Farm Assistant)*
Carl Stewart *(Farm Assistant)*
Storm Nikora *(Chief Milk Harvester)*
Hayley Stewart *(Milk Harvester)*
Rachel Webb *(Milk Harvester)*
Legynd Payne *(Part-time Milk Harvester)*
Monica Kahotea *(Spring time Cook)*
Carl Gibberd *(Part-time farm assistant)*

Tauhara Moana Trust

Governance and Strategy

MISSION STATEMENT

"Tauhara Moana Trust will be commercially successful, built on strong relationships with a focus on Growth and Innovation"

VALUES

Kaitiakitanga	We will nurture our natural resources and people for a prosperous future.
Integrity	We will take personal responsibility for our actions and will be open, honest and ethical in our behaviour.
Excellence	We will all strive to perform beyond our best every day.
Tikanga	We will be respectful of each other's cultural values.
Innovation	We will be creative in generating new solutions and opportunities.

GOVERNANCE

Mandate from Owners

- All major decisions are put before owners at the AGM for support or otherwise
- Summary of business case is provided by the trustees and advisors
- At last AGM, a significant Geothermal Agreement was signed off with full support of ownership.

Governance Appointment

- Trustees are 'appointed for life'
- Trust Order is regularly reviewed and if required updated via Māori Land Court
- Advisory Trustee process is provided for (advertised process with CVs and interviews)
- Advisory Trustee Danny Loughlin was appointed as a full trustee at the last AGM.

Tauhara Moana Trust

Board Composition and Operational Approach

- Seven-person Board
- Board meets monthly and monitors via monthly farm and financial reports
- AGM held annually
- 3-Year Strategic Plan (through to 2014) in place and Annual Plan/Budgets set by end of May each year
- Strategic Operational Review being planned over next 6 months
- Currently using DairyNZ Focus Farm Committee as “Farm Committee”
- Investigating establishing a subsidiary company with Directors with specific dairy farming skills.

Governance Skills

- Combined Trustee skills include:
  - Chartered accountancy
  - Māori authority administration
  - Strategic planning
  - On-farm work experience
  - Lake and river management and water quality expertise
  - Tikanga and Mātauranga Māori
  - All board members have extensive experience on other land trusts.

Governance Training and Development

- Regular attendance at Focus Farm Days
- Weekly reports from Focus Farm Committee
- Regular attendance at other DairyNZ events
- Attendance at FoMA annual conference
- Chairman attends Awhina Group meetings
- Basic induction by Secretary for new associates
- Professional development training budget.

Selection of Advisors

- Selection of advisors based on canvassing existing networks
- Trustees meet with financial and farm advisors monthly
- Specific project work (out of business plan) is approved by resolution.

Tauhara Moana Trust

STRATEGIC PLAN – 3 YEARS

The following outlines the Tauhara Moana Trust 3-year strategic plan.

Objective	How	When by
Farming Operations	Finalise Sharemilking Agreement/Operations	2011
	Investigate run-off block to graze dairy replacements	2012
	Investigate managing the farms directly (resulting in a 100% owned Trust operation)	2013
Infrastructure	Develop Capital Expenditure Plan. Renovate houses and surrounds including planting trees.	2012
	Upgrade effluent system	2012
	Build second dairy unit	2013
Governance and Management	DairyNZ Focus Farm. Develop Balanced Scorecard. Review reporting systems	2011-2012
	Review operations	2013
	Investigate full time Manager and Structure	2013-14
Growth	Investigate opportunities to acquire Contact Energy land	2012
	Investigate options for Water Consent from Waikato River, Drilling and other options	2012
Distribution Policy	Complete Distribution Policy	2011
	Kaumātua Grants (advanced dividends) for Geothermal Returns	2011
	Dividend Distribution	2013
Shareholder Communication	Shareholder Communication Plan	2012
	Development of a Website	2012
Diversification	Explore Geothermal opportunities with Contact Energy	2011-2012
	Investigate Water Storage	2012-2013
	Investigate Forestry opportunities with Emission Trading	2013-2014
	Investigate Sulphur Mining	2015
Hapū Development	Implement Kaumātua Grants	2012
	Investigate education, sports and other grants.	2012
	Support Claim for Lake Rotokawa	2012-2013
	Develop a workforce strategy to train enough employees to staff the managed farms in 2013.	2012-13
Environmental	Engage with Contact Energy re Tauhara II Geothermal Effects	2011
	Environmental Monitoring with Iwi Waikato River bodies	2013
	Review requirements and opportunities with Emission Trading Scheme	2013
Strategic Relationships	Miraka. Complete Due Diligence	2011
	DairyNZ, Focus Farm, FoMA, Awhina	2011-12

Tauhara Moana Trust

Farm Description

Tauhara Moana Trust comprises 853ha, 690ha making up the milking platform with a further 163ha support block.

The farm has been operated with a 50% sharemilker, however this is changing and the Trust will purchase the cows for the 2012/13 season

Contour is flat to rolling and it is a long narrow property, resulting in a walking distance of 10km from top to bottom. Property is still in development phase with significant investment made in infrastructure over the past two years.

Milk production for the 2011/12 season is on target to achieve 550,000 kgMS from 1,620 cows. Replacement heifers are grazed on a 240ha lease block (which is to be replaced by new leased land).

Production system aims to maximise utilisation of home-grown feed while using PKE and other supplements to fill feed deficits. Aim is to keep all purchased feed below $0.30/kgDM.

Farm Details and Production Information

	2008/09	2009/10	2010/11	2011/12 *estimate*
Effective hectares (milking area)	840	840	690	690
Dairy run-off effective area	–	–	163	163
Milksolids kg	664,428	392,307	515,423	550,000
Peak cows milked *(cross-bred)*	2,255	1,817	1,700	1,620
R2 heifers	–	–	430	489
Stocking rate cows/ha	2.7	2.2	2.5	2.3
Planned Start of Calving (PSC)	5th August	5th August	5th August	4th August
Seasons rainfall mm	1,570	1,093	1,305	1,069 STD
Olsen P	55	46	50	45
Soil pH	6.0	5.9	5.8	5.9
Nitrogen applied for year kg/ha	161	30	164	160
Imported supplements eaten t/DM/ha	2.7	0.6	2.2	2.2
Grazing off dry cows eaten t/DM/ha	–	–	1.5	1.1

Tauhara Moana Trust

Physical & Financial Key Performance Indicators

	2008/09 Tauhara Moana	**2009/10** Tauhara Moana	**2010/11** Tauhara Moana	**2010/11** *DairyBase Benchmark	**2011/12** Tauhara Moana *estimate*
PHYSICAL KPIS					
Milksolids/ha	791	483	747	982	800
Milksolids/cow	295	223	303	364	340
Milksolids as % of liveweight	63%	53%	65%	79%	73%
Pasture & crop eaten t DM/ha	9.6	7.6	9.5	10.6	9.5-10
Days in Milk (DIM) per cow	192	209	223	246	250
Cows/FTE (labour unit)	305	371	250	162	240
Milksolids/FTE	89,829	82,859	75,798	58,855	80,000
6 week in calf rate	–	43%	36%	78% (target)	57%
Breeding worth & reliability	–	–	19/19	64 (LIC medium)	–
FINANCIAL KPIS					
Operating Profit **(*includes non-cash adjustment*)					
Gross Farm Revenue/ha	–	–	2,730	4,075	2,536
Operating Expenses/ha	–	–	1,911	2,398	1,945
Operating Profit/ha	–	–	819	1,677	591
Gross Farm Revenue/kgMS	–	–	3.65	3.77	3.17
Operating Expenses/kgMS	–	–	2.56	2.22	2.43
Operating Profit/kgMS	–	–	1.10	1.55	0.74
Cash Operating Surplus (*excludes non cash adjustments*)					
Net Dairy Cash Income/kgMS	–	–	3.65	N/A	3.17
Farm Working Expenses/kgMS	–	–	2.29	N/A	2.15
Dairy Cash Operating Surplus/kgMS	–	–	1.36	N/A	1.02
Operating Return on Dairy Assets % (*excludes capital gain/loss*)	–	–	3.4%	4.2%	2.6%

*Physical KPIs are benchmarked against the Central North Island. Due to limited financial data for farm owners with sharemilkers, a national average benchmark has been used.

**Non cash adjustments: livestock value change, unpaid labour, feed inventory, owned support block, depreciation

Tauhara Moana Trust

Financial Detail

	Total $		$ Per kg MS		$ Per Ha		$ Per Cow	
	Farm	% of GFR	Farm	Benchmark	Farm	Benchmark	Farm	Benchmark
GROSS FARM REVENUE (GFR)								
Net Milk Sales	1,883,718	100.0%	3.65	3.76	2,730	4,059	1,108	1,382
Net Dairy Livestock Sales	0	0.0%	0.00	0.05	0	59	0	20
Value of Change in Dairy Livestock	0	0.0%	0.00	-0.07	0	-73	0	-25
Other Dairy Revenue	0	0.0%	0.00	0.03	0	30	0	10
Dairy Gross Farm Revenue	1,883,718	100.0%	3.65	3.77	2,730	4,075	1,108	1,388
Non-Dairy Cash Income	0	0.0%	0.00	0.43	0	468	0	159
Value of Change in Non-dairy Livestock	0	0.0%	0.00	-0.03	0	-38	0	-13
TOTAL GROSS FARM REVENUE	**1,883,718**	**100.0%**	3.65	4.17	**2,730**	**4,505**	**1,108**	**1,534**
OPERATING EXPENSES								
Labour Expenses								
Wages	8,333	0.4%	0.02	0.02	12	19	5	6
Labour Adjustment – Unpaid	0	0.0%	0.00	0.02	0	17	0	6
Labour Adjustment – Management	0	0.0%	0.00	0.06	0	65	0	22
Total Labour Expenses	8,333	0.4%	0.02	0.09	12	101	5	34
Stock Expenses								
Animal Health	0	0.0%	0.00	0.00	0	4	0	1
Breeding & Herd Improvement	0	0.0%	0.00	0.00	0	1	0	0
Farm Dairy	0	0.0%	0.00	0.01	0	12	0	4
Electricity (Farm Dairy, Water Supply)	553	0.0%	0.00	0.01	1	14	0	5
Total Stock Expenses	553	0.0%	0.00	0.03	1	31	0	11
Feed Expenses								
Supplement Expenses								
Net Made, Purchased, Cropped	445,007	23.6%	0.86	0.50	645	538	262	183
Less Feed Inventory Adjustment	13,500	0.7%	0.03	0.04	20	40	8	13
Calf Feed	0	0.0%	0.00	0.00	0	3	0	1
Total Supplement Expenses	431,507	22.9%	0.84	0.46	625	501	254	171
Grazing & Support block Expenses								
Young & Dry Stock Grazing	12,580	0.7%	0.02	0.18	18	197	7	67
Winter Cow Grazing	0	0.0%	0.00	0.01	0	9	0	3
Support block Lease	24,000	1.3%	0.05	0.02	35	17	14	6
Owned Support block Adjustment	52,975	2.8%	0.10	0.06	77	62	31	21
Total Grazing & Support block Expenses	89,555	4.8%	0.17	0.26	130	285	53	97
Total Feed Expenses	521,062	27.7%	1.01	0.73	755	786	307	268
Other Working Expenses								
Fertiliser	456,499	24.2%	0.89	0.42	662	454	269	155
Nitrogen	0	0.0%	0.00	0.02	0	20	0	7
Irrigation	0	0.0%	0.00	0.01	0	10	0	3
Regrassing	0	0.0%	0.00	0.04	0	39	0	13
Weed & Pest	48,120	2.6%	0.09	0.03	70	33	28	11
Vehicles	0	0.0%	0.00	0.02	0	18	0	6
Fuel	0	0.0%	0.00	0.01	0	6	0	2
R & M – land & buildings	30,189	1.6%	0.06	0.26	44	283	18	96
R & M – plant and equipment	1,123	0.1%	0.00	0.04	2	40	1	13
Freight and General	11,597	0.6%	0.02	0.04	17	46	7	16
Total Other Working Expenses	547,528	29.1%	1.06	0.88	794	948	322	323
Overheads								
Administration	86,472	4.6%	0.17	0.11	125	120	51	41
Insurance	13,205	0.7%	0.03	0.03	19	36	8	12
ACC	404	0.0%	0.00	0.00	1	5	0	2
Rates	42,734	2.3%	0.08	0.07	62	74	25	25
Depreciation	98,544	5.2%	0.19	0.28	143	298	58	101
Total Overheads	241,359	12.8%	0.47	0.49	350	532	142	181
Total Dairy Operating Expenses	1,318,835	70.0%	2.56	2.22	1,911	2,398	776	817
Non-Dairy Operating Expenses	0	0.0%	0.00	0.38	0	413	0	141
TOTAL OPERATING EXPENSES	1,318,835	70.0%	2.56	2.60	1,911	2,811	776	957
OPERATING PROFIT	**564,883**	**30.0%**	1.10	1.55	**819**	**1,676**	**332**	**571**
DAIRY OPERATING PROFIT	564,883	30.0%	1.10	1.55	819	1,677	332	571
Non-Dairy Operating Profit	0	0.0%	0.00	0.02	0	18	0	6
TOTAL OPERATING PROFIT	564,883	30.0%	1.10	1.57	819	1,695	332	577

The above table is an extract from this farm's DairyBase report. DairyBase is a software tool operated by DairyNZ and enables financial and physical analysis using a standardised method. The financials exclude the sharemilkers' proportion of the milk income (50%) and a proportion of the farm's operating expenses paid for by the sharemilker.

Tauhara Moana Trust

On-Farm Management

PASTURE MANAGEMENT, CROPS, SUPPLEMENTS

Since taking back the property in March 2010, Tauhara Moana Trust has regrassed 440 ha to increase the quantity of home-grown feed. Crops are used as the preferred option to break up the brown top mat prior to regrassing. This allows the paddock to be sprayed at least twice with glyphosate. For the 2011/12 season the following crop areas have been planted:

- 45ha Green Globe turnips (Dairy)
- 30ha Swedes & Kale (Dairy)
- 19ha Triticale (Dairy)
- 66ha Triticale (Run-off)
- 41ha Kale (Run-off)
- 29ha Swedes (Run-off).

Pasture cover is assessed weekly using a C-Dax pasture meter, to generate an average pasture cover, pasture growth rate, and feed wedge. Information is then used to propose the action plan for the weekly management meetings.

Supplements are fed based on the above information, to fill feed deficits at any time of the year. Due to the location of Tauhara Moana, low annual rainfall and free-draining pumice soils, pasture growth rates are extremely variable. Type of supplement used will vary depending on the time of year. Palm Kernel is used when crops or silage is limited.

HERD FERTILITY

The long-term objectives are to achieve a 78% six-week in-calf rate and a 6% empty rate. Recording of stock and regular herd testing 4 times a year allows the farm to identify the best-performing cows producing quality milk on the Tauhara Moana whenua. In the last two years the six-week in-calf rate has moved up from 36% to 57% and the empty rate has dropped from 19% to 10%. This represents an improvement to the overall bottom line of $280,000.

DAIRY REPLACEMENTS

Replacement heifers are grazed off-farm from weaning through to calving. The breeding objective is to end up with a herd weighted ¾ Fresian and ¼ Jersey and more importantly an animal fit for purpose. Regular contact with the team at LIC determining herd test dates, semen selection and quantity along with full review of AI programme which is done by Olly and Kim. The most significant investment in this area is the Pro-track system which, for a large herd, allows for individual animal management.

The calf rearing is Kim's responsibility with approximately 500 calves reared annually. Calves are weaned when they exceed target weights. All calves are fed colostrum initially (no colostrum is sold off-farm).

SOIL MANAGEMENT AND FERTILITY

Minimum tillage is used throughout the cropping and regrassing programme to limit soil erosion.

Soil tests are carried out annually, with a change this year to soil testing every paddock. Fertiliser recommendations are produced in conjunction with Ravensdown along with a nutrient management plan. The philosophy is to ensure that pasture production in every paddock on the farm is not limited by nutrients, nor are nutrients being wasted.

Nitrogen fertiliser is applied at key times of the year as an essential soil nutrient. No nitrogen is applied during May-July.

Lime is applied annually to paddocks identified on soil test.

Tauhara Moana Trust

Business Management

MAIN BUSINESS KPI'S

KPI Area	Target
FINANCIAL INDICATORS	
Operating Profit/ha:	Operating profit target of $1,000/ha at $6.50/kgMS milk price. This would require a lift in productivity to 930 kgMS/ha or 640,000 kgMS (an increase of 90,000 kgMS over this year), with a cost structure of $2/kgMS. This will be achieved by lifting the home-grown feed.
Farm Working Expenses/kgMS:	$2/kgMS
Operating Return on Dairy Assets (%):	5%
Return on Equity (%):	4%
Growth in Equity (%):	4%
Discretionary Cash:	$630,000
Debt equity ratio:	< 35% debt
PHYSICAL INDICATORS	
Cow efficiency (kgMS per kg live weight):	80%
Pasture eaten (tDM/ha) and energy eaten (MJME/ha):	10 tonDM/ha pasture eaten
Total Supplements Used (kg DM/cow):	1 tonDM/cow offered
Home-grown forage:	11.5 tonne/ha from a base of 7.5 tonne/ha (by 2015)
Feed conversion efficiency:	< 14 kg DM/kg MS on milking platform (by 2015)
Productivity:	340 to 400 MS/cow

Note: These targets are based on the existing 50:50 sharemilking operation

DEVELOPING AND ACHIEVING THE BUDGET

- Strategic Planning → Annual Planning → Annual Budgeting → Implementation
- The Trust sets a long-term strategic plan and this dictates and guides the annual planning process
- Annual plans and associated budgets are produced for each year and are the basis for measuring monthly performance
- The Farm Consultant, Accountant and Farm Trustee produce the budget in consultation with the Sharemilker
- Budget sign-off is a responsibility for the trustees
- Variance Actual to Budget reports are produced and presented with cash reports at monthly meetings
- Trustees must balance 'benefits to owners' vs 'investment in operations'.

Tauhara Moana Trust

INVESTMENT CRITERIA FOR NEW INVESTMENTS

The Trustees have a long-term view of investment and concentrate on yield as a measure of return as well as more cash returns. The Trustees are also very mindful that protection of the assets is paramount, hence investments are always low-risk and returns can be as low as 7% return on capital.

Debt-servicing ratios are also very conservative:

- 15% debt to equity in 2011 excluding short-term Fonterra investment
- 13% of gross income 51 cents kg/ms.

The Trustees are concerned with how well their farm is operating, so they review the returns per ha to see if there are other better farming systems and compare how they are doing against other farms.

Farm Infrastructure

Farm infrastructure includes:

- 55-a-side herringbone dairy with a rotating breast and automatic cup removers, along with a 450-cow feed pad
- 159 paddocks
- Water – supplied from a bore which reticulates around the farm
- Races – constructed of pumice sourced on-farm
- Large 16-bay implement shed with a workshop
- Two sets of cattle yards and an old woolshed that is used for calf rearing
- Two urea silos for management ease for spreading urea fertiliser
- Six homes
- Farm effluent system
  - Upgraded last year as part of a two-stage approach. Stage one included installing a series of 3 stone traps, solids storage bunker, and new collection tank. Stage two, planned for this winter, includes installation of a storage pond and extending the effluent system spreadable area to 80ha
- Centre pivot irrigator covering an additional 55ha that is limited to utilising waste water from Tenon Ltd
- Two underpasses – which are suitable for cows and light vehicles.

Farm infrastructure limitations include:

- Property is long and narrow, creating a 10km boundary from top of farm to the bottom. Solution to this has been to limit walking distance to 3km from the dairy, but it still results in cows walking 6km on average per day. Ultimate solution will be to build a second farm dairy
- Property averages 5.5ha/paddock and with 125 paddocks takes 5 hours to complete the weekly pasture cover assessment
- Access to water for irrigation – this is currently being investigated.

Tauhara Moana Trust

The Farm Team

Staff recruitment is predominantly through word of mouth. Staff turnover remains low, at one person per year, despite the size of the property. Strong emphasis is placed on time management and communication. The sharemilkers, Olly and Kim, have a philosophy that all staff are treated how they themselves would like to be treated. All farm assistants are provided with hand-held radios, bike helmets, high-vis wet weather gear and vests for safety. Olly also has an 0800 number that staff can use to make contact at any time.

Job positions are clearly defined at the interview process, which involves a hands-on component to test knowledge and skill base. New employees are 'buddied-up' with experienced staff for two weeks as part of the induction process. As each employee learns the running of the property, they are gradually given more responsibility.

Technical training such as plant wash or vat wash is conducted by senior staff members with no time limit. All farm assistants are required to be able to carry out all tasks on-farm, while milk harvesters are employed solely for milking cows. The four pillars to the operation are: honesty, communication, water, and grass.

Mistakes are part of being human, and for each mistake honesty is encouraged to enable systems to be reviewed. All staff are expected to record a summary of their day, including hours worked, in the farm diary.

Procedures for all tasks around the farm are recorded on laminated sheets and attached to the wall.

Olly and Kim have devised a 6-on, 2-off roster for all farm staff. The roster details each staff members area of responsibility for the day, thus providing full accountability and traceability. The roster is colour-coded and placed on the white board in the office. A reward board is operated to encourage individual performance irrespective of experience or position.

During spring all staff are provided with breakfast at the farm dairy to allow an extended break during the middle of the day.

Weekly farm meetings are held at the dairy to plan the week ahead, with minutes and action points recorded. Trustees often attend to provide support and a governance perspective where appropriate. Wherever possible evidence-based decision-making is used.

Staff reviews are carried out biannually.

Training is conducted on-farm as needs are identified. Examples include bike safety, milk smart, mastitis management, effluent management, chainsaw safety, participating in focus farm field day workshops. This has proved to be the most effective training method with the time constraints between milkings.

The farm business is heavily reliant on attracting and retaining quality staff members, and Olly and Kim have great pride in watching staff members develop and encourage progression in the dairy industry.

Olly and Kim are involved in the following forums; Green to Gold Discussion Group, Large Herd Dairy Business Group, Operations Manager Group, and are committee members of the 2011 Dairy Business Conference.

The Trust is very pleased to have retained the services and experience of Olly and Kim.

Tauhara Moana Trust

Environmental

The key environmental issues for Tauhara Moana Trust are detailed below.

EFFLUENT MANAGEMENT

The Trust has built an effluent management system in conjunction with input from DairyNZ and High Tech irrigation.

The system is in its first stage and involves sand traps and a weeping wall system as a solid separator.

Effluent is currently applied to 80ha of the farm, and will be expanded to 100 ha this winter to reduce potassium loading.

One person is responsible for monitoring and shifting the effluent irrigator daily.

Effluent application is recorded daily in a book at the dairy including:

- Date irrigator in/out of paddock
- Number of runs per paddock including a sketch showing each run
- Application rate

Application rate is checked 3–4 times per year and effluent concentration is tested twice-yearly.

Solids are stored in the bunker and applied to pasture 2–3 times per year using a contractor.

SILAGE WRAP AND UNWANTED AGRICHEMICALS

The AgRecovery Charitable Trust removes all silage wrap and recycles these along with used chemical containers.

AgRecovery also removes unwanted agrichemicals and disposes of them off-farm.

STOCK DISPOSAL

Casualty stock are either sold to AC Pet Foods or removed by JD Wallace.

Dead calves are removed as part of the local slink run.

TE AWA O WAIKATO

Tauhara Moana is situated in the head waters of the Waikato River, which is important for kaitiakitanga. The Trustees are focused on finding solutions to reduce the property's environmental footprint while continuing to improve productivity and profitability. This winter Tauhara Moana is planning an eco-N trial with Ravensdown to measure the dry matter response from two applications of eco-N.

The eco-N trials will also be shared with the wider farming community and river stakeholders under an agricultural extension plan – the aim is to help every farm in the catchment get better and help improve the water quality of the Waikato.

It is hoped through partnering with industry and iwi groups that more funding will be available in the future to demonstrate practical farm solutions to mitigate the environmental footprint.

Tauhara Moana Trust

Social, Community and Nga Tikanga Māori

CONTRIBUTION TO, AND PARTICIPATION IN, COMMUNITIES OF INTEREST TO THE ORGANISATION

- Kaumātua Grants provided at Christmas time
- Undertaking gap-analysis of possible distributions and grants (e.g. scholarships, Māori sports clubs)
- Trustees are active community leaders
  - Marae Committee Chairman
  - Marae Trustees
  - Kaiako
  - Members of Taupo Lake Care (Nitrates)
  - Awhina Group
  - Treaty Claims Representatives etc.
- Trust is an Awhina Group and FoMA member
- Chairman helped establish Tauhara Geothermal Charitable Trust (income $150K pa benefits to hapū).
- Reviewing culling heifers for tangihanga
- Investigating utilising sheep around geothermal pipes (also for Tangihanga)
- Farm day trips provided for local schools.

TIKANGA MĀORI ASPECTS OF THE BUSINESS

- Tikanga Māori is weaved into all parts of the business
- Mix of skills within governance regarding tikanga Māori aspects of the business
- Commitment to Māoritanga is reflected in the responsibility that the trustees have within Tūwharetoa.

COMMITMENT TO MĀORITANGA

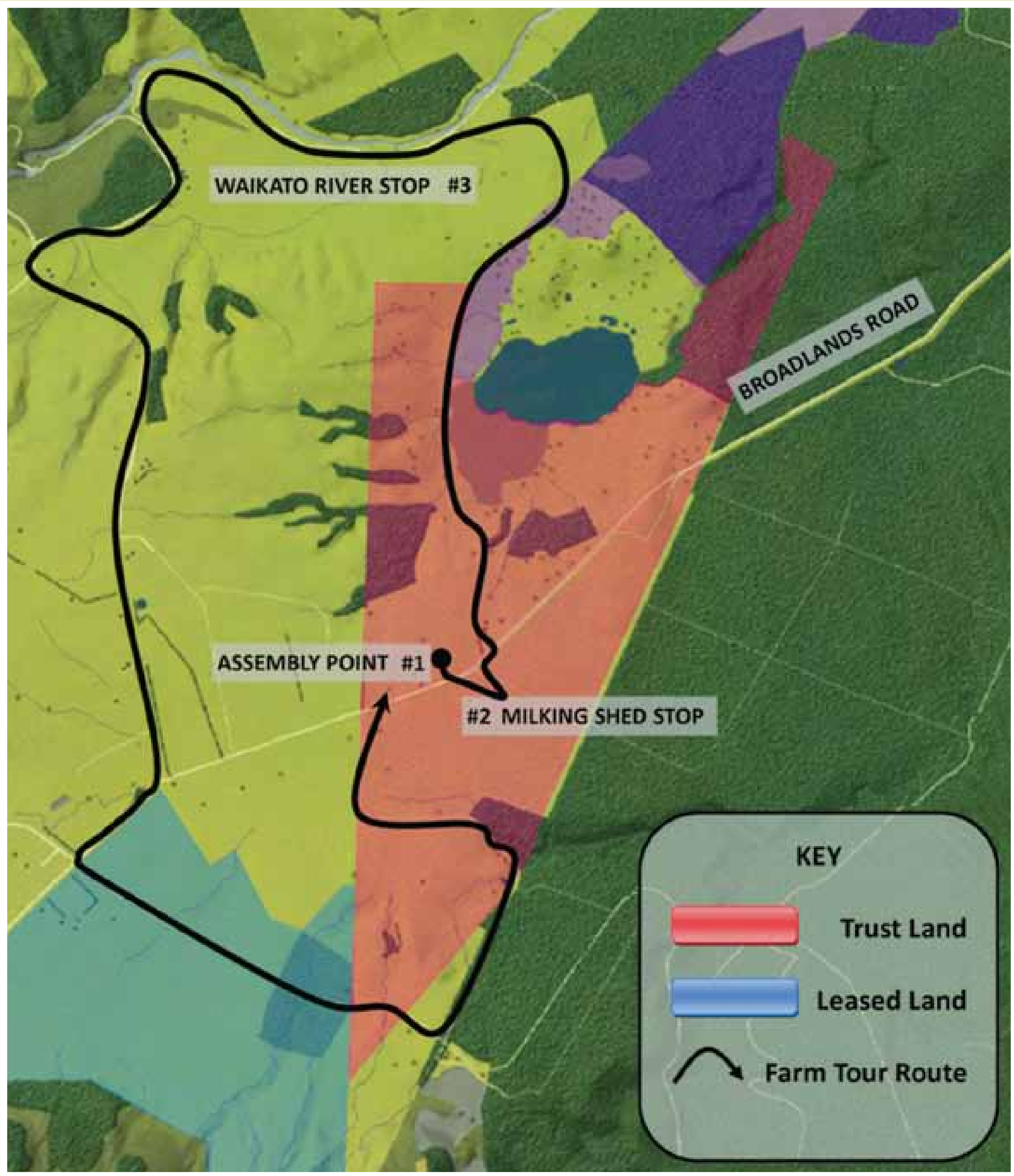
- Participation in the Ahuwhenua Trophy Competition has made the Trust an exemplar of Māori excellence in the business of farming
- Trust is a foundation shareholder and supplier in Miraka Ltd
- Works collaborative with other Māori economic authorities.

IDENTIFICATION AND PROTECTION OF ANY CULTURAL SITES

- The Trust has worked alongside kaumātua and matakite to identify any culturally sensitive areas on the farm – to this end no sites were identified
- Lake Rotokawa is itself a site of significance and the Trust has a positive working relationship with the Department of Conservation which manages the Lake. The Trust is also committed to supporting the return of the Lake to the hapū via upcoming Treaty of Waitangi negotiations.

Tauhara Moana Trust

Field Day Map

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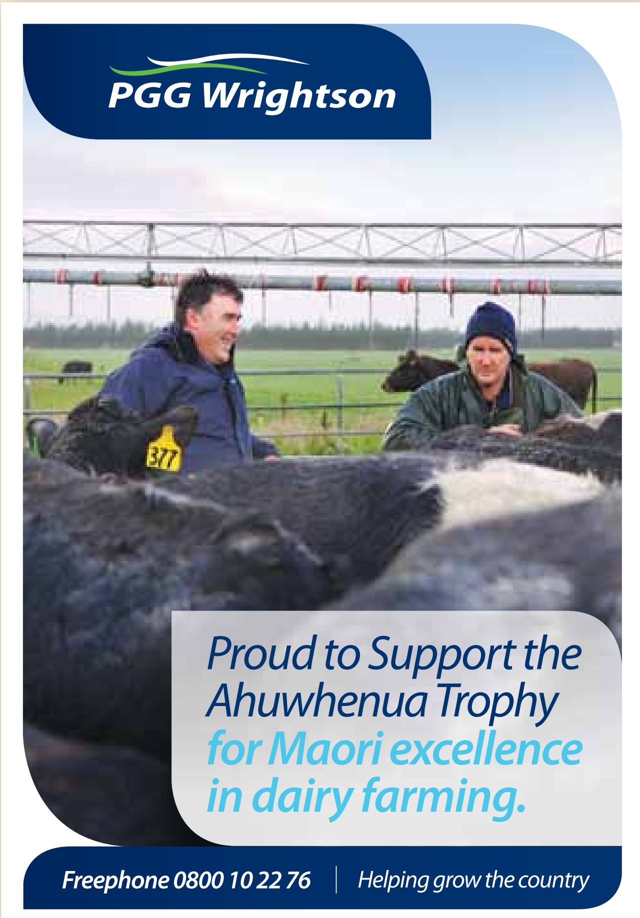
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Waewaetutuki 10 – Wharepī Whānau Trust

1217 State Highway 2, Paengaroa, Te Puke

Thursday 10 May 2012

Waewaetutuki 10 – Wharepī Whānau Trust

Field Day Programme

9.30	Pōwhiri Response
9.45	Morning tea
10.10	Background to the Competition (*Chairman Executive Committee – Kingi Smiler*)
10.20	Introduce the programme (*Facilitator – Paul Bird*)
10.25	Introduction to Wharepī Whānau Trust Includes farm history, governance and business structure (*Trust Chairman – Rehua Smallman*)
10.45	Buses travel to farm
11.15	Arrive on farm - three stops Discussion on financial performance, production, staff, environmental management
12.30	Travel back to Marae
1.00	Summary (*Trust Chairman – Rehua Smallman*)
1.15	Judge's comments and presentation of prizes
1.30	Hākari (Lunch)

** Note: times are approximate*

IMPORTANT NOTES FOR FIELD DAY ATTENDEES

The owners of the property wish to point out to all visitors to their property that a number of potential hazards exist in the course of travelling over the property in vehicles, moving around the yards and facilities, and in handling stock.

While the owners have taken all reasonable care in making your visit to the property as safe as possible, including the preparation of a Health and Safety Plan for the day, they point out that you enter the property at your own risk.

All participants are asked to behave safely and to ensure that their actions or inactions do not result in harm to themselves or others.

The owners will accept no responsibility for any accident or injury to any person or property that takes place while you are visiting.

Waewaetutuki 10 – Wharepī Whānau Trust

History of the Farm

Waewaetutuki 10 is a 71ha dairy unit situated 15 kilometres from Te Puke and is owned by the Wharepī Whānau Trust. The Trust was set up by the owners in 1996 to retain and farm the land themselves and become sole operators.

The Wharepī Whānau Trust administers the land for 59 shareholders, all of whom have links to Ngati Pukenga iwi. As all the owners descend from one of five children of their tipuna Wharepī, it was decided that the Governance Board should represent those original five. Between 1996 and 1999 this was formalised through the Māori Land Court and is reflected in the current makeup of the trustees.

The farm is made up of two blocks, each of which had been leased for 30 years before they were amalgamated in 2000 to form Waewaetutuki 10. The Trust entered into a 10-year lease with Ian and Donna Wright, on the understanding that the Trust would farm the land itself in the future. The Trust built a cow shed and implemented a dairy unit modernisation programme. When the lessees retired in 2009 and sold the Trustees their cows, plant, machinery and Fonterra shares the owners achieved their aim of managing the whenua. They do this with the assistance of the Māori Trustee, who provides secretarial and accountancy services.

The Trust recently completed its third season as the owner/operator of the property. In that time Waewaetutuki 10's herd of Friesian milking cows increased from 178 to 200. Milk production increased from 45,000kgs of milk solids in 2008 to an expected 'end of this season' estimate of 72,000kgs of milk solids.

In 2010 the Wharepī Whānau Trust leased a further 21ha close to Waewaetutuki 10 to cater for the increase in stock numbers. This is part of the Trust's long term strategy of expanding its farming operation by acquiring more land in order to sustain an economic base for its owners.

Waewaetutuki 10 has 60ha in pasture, 6ha in maize production and 5ha in waterways. It has upgraded its effluent discharge system and has worked alongside its neighbours and Transit NZ to clear side drains on State Highway 2 to prevent continued flooding of its land.

Waewaetutuki 10 – Wharepī Whānau Trust

What Impressed the Judges

GOVERNANCE & STRATEGIC PLANNING

- Teamwork at all levels of the business is very good
- A good range of governance skills and experience in the Trustee group
- The short-term business plan for the farm is clear and well summarised
- A key goal to have the farm back under full management has been achieved and with higher performance than was initially expected
- The Māori Trustee provides administration and strategic planning support.

FARM

- The focus to date has been on a 'no frills' basic farm system and it has worked
- There has been a dramatic increase in production this season
- Feed budgets are completed and seasonal management plans are in place
- Soil fertility is high and pH adequate for optimum pasture growth
- Access to a lease block that is close to the farm provides a further reliable source of feed
- There are very low levels of SCC and clinical mastitis
- The calving and mating performance of the herd is very good and approaching 'best practice'
- Farm infrastructure is appropriate for the farm with an efficient 20-a-side herringbone shed, good housing and sheds.

STAFF

- Quinn and Karen are well regarded by the owners and a move to lower-order sharemilker is a reflection of this
- There was a real feeling of trust between Trustees, Peter Livingston (farm advisor), Quinn and Karen.

ENVIRONMENTAL

- The waterways are fenced and water quality has improved significantly
- Effluent system is compliant
- An AgFirst specialist engineer has provided advice on the effluent system.

FINANCIAL

- 2011 Operating Profit is 4% higher than the Bay of Plenty average and Return on Assets 10% higher, which is very good performance for the second season of operation
- Peter completes the budgets and monitors these against actuals provided by the Māori Trustee.

Waewaetutuki 10 – Wharepī Whānau Trust

Directory

TRIBAL AFFILIATION: Ngāti Pukenga Iwi

NUMBER OF OWNERS: 59

TRUSTEE/BOARD
Rehua Smallman *(Chairman and Responsible Trustee)*
Pierre Hawira (*Responsible Trustee*)
Michael Kahotea (*Responsible Trustee*)
Taitimu Sellars (*Responsible Trustee*)
Moana Kahotea (*Responsible Trustee*)
Keepa Smallman (*Advisory Trustee*)
Māori Trustee (*Custodian Trustee*)

RURAL PROFESSIONAL
Peter Livingston

FARM STAFF
Quinn Muir & Karen Silvester *(Contract Milkers)*

Governance and Strategy

OUR STORY

Begins in 1996 – The current Trust was borne of a 1996 meeting of owners. This meeting set the current direction which has been reaffirmed at consequent meetings of owners since that time. Fundamentally the Trust was set up with the following vision:

STRATEGIC VISION

"To retain and farm the land ourselves and become sole operators. A 25-year vision."

STRATEGIC KPIS ACHIEVED TO DATE:

To have trustees representative of the five children of Wharepī	Achieved between 1996-1999
To amalgamate the titles	Achieved 2000
To build a new dairy shed to make the property attractive to lease	Achieved 2000; debt repaid 2004
To lease the land in a lease arrangement that saw the vision above realised over time	Achieved 2000 1st right of renewal – 2009 2nd right of renewal – 2014 3rd right of renewal – 2019
To protect the interests of the owners, to keep them informed and, as appropriate, to provide them with dividends and grants	Achieved distributions 2004-2009 Achieved Marae Grant 2009 Achieved Kaumātua Grant 2010
To farm the land themselves	Target 2019; achieved 2009

The Trust has now achieved its aims as it ends its 3rd season as an owner operator. It was able to achieve its goal by 2009 but has cautiously waited 3 dairy seasons before planning the next 20-year strategy.

Strategic Planning for the next 20–25 year goals is due to take place in 2012. This will be done by advertising for a facilitator to take the trustees and those owners who wish to attend through a planning workshop which will culminate in a strategic plan being presented to the 2012 Annual General Meeting (AGM).

Waewaetutuki 10 – Wharepī Whānau Trust

GOVERNANCE

The owners all descend from a common tipuna, Wharepī, who had 5 children. Thus it was decided that the Governance Board should represent those original 5 children.

The trustees hold AGMs of owners and these meetings are well attended (representation of owners can reach as high as 80%). The ownership is small which provides the opportunity to have fairly informal discussion under General Business to ascertain the owners' aspirations for the future.

The 5 whānau have shown a willingness to put up those owners who have the skills, knowledge and experience to drive their aspirations. A selection process is undertaken at the AGM.

Our governance team comprises of a wide range of skills:

Rehua provides leadership and sound governance experience. He has completed an Institute of Directors course. A trustee on both the Ngāti Pukenga Runanga and other Māori trusts his 20+ years in this field ensures the trust meets its responsibilities in terms of tikanga, process and procedure – kaitiakitanga.

Taitimu provides a background in education and brings these skills to the fore as a trustee. She has a strategic view and keeps focussed on the big picture – mātauranga.

Moana ensures that the owners' interests are maintained at all times. She ensures the commercial direction of the Trust does not exceed the wishes of the owners – whanaungatanga.

Pierre is a self-employed businessman. He ensures he keeps abreast of dairy industry developments; he understands cash flow and has the ability to monitor the productivity of the farm. He has completed a governance training course – Ao umanga.

Michael is the most senior member of the Trust team. He has a background in farming as well as ensuring that the ahi kaa of the land is maintained – whakapapa/manaakitanga.

Owing to the tight ownership of the land and a modest level of assets to date the need to develop new trustees has not been considered. A relatively young age group prevails within the Trust mitigating the need for urgent succession planning.

Waewaetutuki 10 – Wharepī Whānau Trust

Farm Description

Waewaetutuki 10 dairy farm known as Wharepī Whānau Trust has 59 shareholders and comprises 71ha of which 60 effective ha is of flat, rolling low-lying land milking 200 cows and aiming to produce 72,000 kgMS or 1,200 kgMS/ha this season. Replacements and dry cows are wintered on a 21ha lease block We operate the farm with a lower-order sharemilker. Our production system is focused on optimising pasture growth, utilisation of an area of land for maize growing and purchasing palm kernel to fill the summer/autumn feed deficits. The farm is in a development phase with a focus over the next 2 to 3 years on upgrading the farm water system and drainage.

Farm Details and Production Information

	2010/11	**2011/12** *estimate*
Effective hectares (milking area)	60	60
Dairy run-off effective area	25	25
Milksolids kg	59,869	72,500
Peak cows milked (*cross-bred*)	178	197
R2 heifers	53	55
Stocking rate cows/ha	3.0	3.28
Planned Start of Calving (PSC)	1st August	1st August
Seasons rainfall mm	2,515	2,250
Olsen P	57	55
Soil pH	6.0	6.0
Nitrogen applied for year kg/ha	79	75
Imported supplements eaten t DM/ha	1.0	1.85
Grazing off dry cows eaten t DM/ha	0.8	0.8

Waewaetutuki 10 – Wharepī Whānau Trust

Physical & Financial Key Performance Indicators

	2010/11 Waewaetutuki 10	**2010/11** BOP DairyBase Benchmark	**2011/12** Waewaetutuki 10 *estimate*
PHYSICAL KPIS			
Milksolids/ha	998	1,066	1,208
Milksolids/cow	336	346	368
Milksolids as % of liveweight	72%	74%	77%
Pasture & crop eaten t DM/ha	11.8	11.8	11.8
Days in Milk (DIM) per cow	252	244	260
Cows/FTE (labour unit)	162	148	165
Milksolids/FTE	54,426	53,721	65,909
6 week in calf rate	–	78% (target)	78%
Breeding worth & reliability	59 / 44	64 (LIC medium)	74 / 45
FINANCIAL KPIS			
Operating Profit *(includes non-cash adjustment)			
Gross Farm Revenue/ha	8,389	8,100	8,688
Operating Expenses/ha	5,406	5,454	4,507
Operating Profit/ha	2,983	2,646	4,181
Gross Farm Revenue/kgMS	8.41	7.74	7.19
Operating Expenses/kgMS	5.42	5.21	3.73
Operating Profit/kgMS	2.99	2.53	3.46
Cash Operating Surplus *(excludes non cash adjustments)*			
Net Dairy Cash Income/kgMS	7.69	N/A	6.85
Farm Working Expenses/kgMS	5.06	N/A	3.43
Dairy Cash Operating Surplus/kgMS	2.63	N/A	3.42
Operating Return on Dairy Assets % *(excludes capital gain/loss)*	6.4%	6.4%	–

*Non cash adjustments: livestock value change, unpaid labour, feed inventory, owned support block, depreciation

Waewaetutuki 10 – Wharepī Whānau Trust

Financial Details

	Total $		$ Per kg MS		$ Per Ha		$ Per Cow	
	Farm	% of GFR	Farm	Benchmark	Farm	Benchmark	Farm	Benchmark
GROSS FARM REVENUE (GFR)								
Net Milk Sales	441,109	87.6%	7.37	7.27	7,352	7,607	2,478	2,581
Net Dairy Livestock Sales	17,942	3.6%	0.30	0.47	299	489	101	166
Value of Change in Dairy Livestock	43,018	8.5%	0.72	-0.02	717	-25	242	-8
Other Dairy Revenue	1,254	0.2%	0.02	0.03	21	28	7	9
Dairy Gross Farm Revenue	503,323	100.0%	8.41	7.74	8,389	8,100	2,828	2,748
Non-Dairy Cash Income	0	0.0%	0.00	0.21	0	217	0	74
Value of Change in Non-dairy Livestock	0	0.0%	0.00	-0.07	0	-68	0	-23
TOTAL GROSS FARM REVENUE	**503,323**	**100.0%**	8.41	7.88	**8,389**	**8,248**	**2,828**	**2,798**
OPERATING EXPENSES								
Labour Expenses								
Wages	68,015	13.5%	1.14	0.62	1134	651	382	221
Labour Adjustment – Unpaid	0	0.0%	0.00	0.10	0	103	0	35
Labour Adjustment – Management	0	0.0%	0.00	0.34	0	351	0	119
Total Labour Expenses	68,015	13.5%	1.14	1.06	1,134	1,105	382	375
Stock Expenses								
Animal Health	22,000	4.4%	0.37	0.26	367	276	124	93
Breeding & Herd Improvement	10,964	2.2%	0.18	0.13	183	135	62	46
Farm Dairy	4,761	0.9%	0.08	0.07	79	70	27	24
Electricity (Farm Dairy, Water Supply)	8,435	1.7%	0.14	0.12	141	123	47	42
Total Stock Expenses	46,160	9.2%	0.77	0.58	769	604	259	205
Feed Expenses								
Supplement Expenses								
Net Made, Purchased, Cropped	59,947	11.9%	1.00	0.92	999	967	337	328
Less Feed Inventory Adjustment	0	0.0%	0.00	0.04	0	42	0	14
Calf Feed	0	0.0%	0.00	0.00	0	27	0	9
Total Supplement Expenses	59,947	11.9%	1.00	0.91	999	952	337	323
Grazing & Support block Expenses								
Young & Dry Stock Grazing	14,510	2.9%	0.24	0.25	242	263	82	89
Winter Cow Grazing	0	0.0%	0.00	0.00	0	0	0	0
Support block Lease	17,536	3.5%	0.29	0.09	292	90	99	31
Owned Support block Adjustment	3,750	0.7%	0.06	0.07	63	71	21	24
Total Grazing & Support block Expenses	35,796	7.1%	0.60	0.40	597	424	201	144
Total Feed Expenses	95,743	19.0%	1.60	1.31	1,596	1,375	538	467
Other Working Expenses								
Fertiliser	30,927	6.1%	0.52	0.60	515	630	174	214
Nitrogen	0	0.0%	0.00	0.05	0	54	0	18
Irrigation	0	0.0%	0.00	0.03	0	33	0	11
Regrassing	4,341	0.9%	0.07	0.06	72	63	24	21
Weed & Pest	1,611	0.3%	0.03	0.04	27	40	9	14
Vehicles	1,948	0.4%	0.03	0.16	32	169	11	57
Fuel	2,356	0.5%	0.04	0.08	39	87	13	29
R & M – land & buildings	7,038	1.4%	0.12	0.31	117	329	40	112
R & M – plant and equipment	5,743	1.1%	0.10	0.09	96	90	32	30
Freight and General	4,085	0.8%	0.07	0.07	68	75	23	26
Total Other Working Expenses	58,049	11.5%	0.97	1.50	967	1570	326	533
Overheads								
Administration	15,837	3.1%	0.26	0.13	264	133	89	45
Insurance	0	0.0%	0.00	0.05	0	52	0	18
ACC	2,244	0.4%	0.04	0.04	37	39	13	13
Rates	20,399	4.1%	0.34	0.12	340	129	115	44
Depreciation	17,915	3.6%	0.30	0.43	299	446	101	151
Total Overheads	56,395	11.2%	0.94	0.76	940	800	317	271
Total Dairy Operating Expenses	324,362	64.4%	5.42	5.21	5,406	5,454	1,822	1,850
Non-Dairy Operating Expenses	0	0.0%	0.00	0.13	0	134	0	46
TOTAL OPERATING EXPENSES	324,362	64.4%	5.42	5.34	5,406	5,588	1,822	1,896
OPERATING PROFIT	**178,961**	**35.6%**	2.99	2.53	**2,983**	**2,645**	**1005**	**898**
DAIRY OPERATING PROFIT	178,961	35.6%	2.99	2.53	2,983	2,646	1,005	898
Non-Dairy Operating Profit	0	0.0%	0.00	0.01	0	14	0	5
TOTAL OPERATING PROFIT	178,961	35.6%	2.99	2.54	2,983	2,660	1,005	902

The above table is an extract from this farm's DairyBase report. DairyBase is a software tool operated by DairyNZ and enables financial and physical analysis using a standardised method.

Waewaetutuki 10 – Wharepī Whānau Trust

On-Farm Management

FEED / HERD MANAGEMENT

At 1 June the 200 cow herd is split into two mobs:

1. Older 100–120 cows go to run-off for winter
2. Younger/lighter 80–100 stay at home.

The springer mob is organised close to the start of calving in late July including any induction cows. The later calving mob (80) head back to the run-off and are monitored weekly for return to the home farm. The overall aim is to have a majority of the cows at condition score 5.0 or better by mid-winter.

The pasture cover target is 2,300–2,400kg DM/ha at the start of calving and dropping to no less than 1,850 kg DM/ha at the spring low point. The spring rotation planner is used during spring and daily intake topped up with silage/PKE. Regular pasture walks are undertaken with eye assessment of cover changes/trends.

The farm is wet in the spring so if needed the cows stand off on higher ground.

Excellent summer pasture growth allows 16 to 22 day rotations with post-graze targets of no less than 1,500 to 1,600kg DM/ha. Maintaining pasture quality is a key component of management.

We top up with supplement as needed to maintain daily intake. Extra grass silage is transferred to home from the run-off as needed (in 2011/12 it was one cut of 20ha silage). Maize is fed in the autumn (5ha across SH2) to maintain cow condition and lengthen the rotation progressively from early April using maize/silage. Initially out to 30 to 35 days in April then 50 to 60 days by drying-off time.

Weekly to fortnightly communication between Quinn and Peter (farm advisor) is crucial for effective decision-making.

HERD FERTILITY / MATING

There is a strong focus on keeping calving spread tight, minimising inductions and achieving a < 7% empty rate. Meeting these targets has allowed target replacement numbers to be achieved (50–55 heifer calves). These are ad-lib fed at the run-off from weaning to May then go off to good grazing near Rotorua. It is currently estimated they will leave the farm at 240–250kg L.Wt.

The herd is tail-painted four weeks before AB starts on 12 October. Late calvers are checked 21 days after AB starts and treated if needed. We AB for five weeks with Kiwicross semen and tail off with Hereford bulls. Pregnancy tests are undertaken six weeks after the bull is removed. Empty rate in 2011/12 was 6.6%. Empty cows are sold mid-April and any lighter cows (<4.0 score) dried off at the same time. There is a very proactive stance on optimising herd reproduction and replacement stock performance.

SOIL MANAGEMENT / FERTILITY

We are guided by updating the Nutrient Budget/Management Plan and we only apply the nutrients needed. The farm has had a very good fertiliser history and all nutrients are in the "biological optimum" range. We plan to start liming at low rates from 2012/13 and maintain the status of P,K,S,Mg and Ca.

PASTURE DEVELOPMENT

Modelling our first "status quo" year (2011/12) on FARMAX Dairy will allow management to better assess how much feed is grown. There are around 20ha to develop into higher-producing pastures including removing stumps.

The influx of summer grasses in the drier/warmer part of the season is an issue.

Eventually the milking platform could be as high as 63ha with5 ha across the road for maize, 2ha for non-milking use and a 1–2ha buffer zone along the Kaikokopu Stream.

Waewaetutuki 10 – Wharepī Whānau Trust

Business Management

The first two-year period of operation 2009/10 and 2010/11 was focused on establishing a viable business operation with positive cash flow. The Trust anticipated losses for up to two years as "previously deferred" maintenance tasks were dealt to. At takeover on 1 June 2009 the Trust was faced with a number of high-priority tasks such as fixing water leaks, house maintenance, building feed supplies and essential race/fence repairs.

The addition of the lease block allowed expansion earlier than expected and in 2011/12 the opportunity to maximise the productivity was taken through extra high-quality feed available all year round.

An annual cash forecast budget is prepared and approved by the Trustees. Actual income and expenses are compared with the budget two to three times during the season.

The operational plan has been to achieve an Operating Profit of $2,500/ha or better through maximising milksolids production and in 2011/12 we are aiming at farm working expenses of no more than $4.00/kg milksolids.

The farm management role, in place for years one and two, was turned into a contract milker position for Quinn and Karen to ensure all parties had a financial incentive to drive production and profit. The outcome has been that the 3-5 year goals have been achieved in 2–3 years and the goals out to 2015 have been brought forward.

The minimum required level of cash surplus per annum has been determined to allow the Trust to cover:

- Loan interest
- Debt reduction (10-year plan)
- Re-investment (capital/development)
- Taxation
- Governance
- Shareholder functions.

Development and capital items ahead of the Trust include:

- Main water line replacement
- Renewing fences
- Race upgrades
- Pastures
- Plant/equipment.

Consideration of an in-shed feed system is also on the short to medium-term agenda.

Investment Criteria

Investments are based on the trust/owners long-term strategic vision to retain and farm the land themselves, acquire more land and to maximise trust assets to create a sustainable economic base for its beneficiaries. The trust has achieved part of its vision and now runs the farm in its own right. This has been achieved with the support of the owners who have refrained from receiving dividends to service debt and retain funds to meet future investment goals.

Waewaetutuki 10 – Wharepī Whānau Trust

Farm Infrastructure

The Trust built a new 20-a-side herringbone milking shed around 10 years ago with a view to the future. From the farm dairy three main races exit to the rest of the farm leading to 44 main paddocks. During 2010/11 and 2011/12 these races will have been upgraded fully.

Given the low-lying nature of most of the property (80%) a number of drains service the farm leading into the Kaikokopu Stream.

Around 20% of the farm is yet to be fully developed into high-producing pastures via a process of stump removal and new pasture establishment. Both the soil wetness and stage of pasture development are factors limiting production. Drainage work has been undertaken from 2010.

The house is a three-bedroom cottage with an outside office and has had some internal decoration work done in 2009/10.

All paddocks have reticulated stock water with plenty of repair work needed in the first two-year period. A plan is in place to replace the main line. The water is sourced from a community scheme supply.

The major capital work undertaken to date has been upgrading the effluent system to provide for one month of storage with the effluent being spread over 10ha.

Pasture renovation work on the higher pumice ridge areas has involved a spray drill programme.

The run-off, 2 kilometres away, has had capital input into weed control, drainage and fencing. Pasture improvement at this block has been through direct-drilling of ryegrasses.

The Farm Team

Recruitment

The Māori Trustee as Custodian Trustee was appointed by the owners in 1996 to provide lease administration, secretarial and accounting services. Prior to the right of renewal of the lease in 2009 the lessee informed the Trust that they would not be renewing their lease. Owing to time constraints to have the farm operating by the start of the season, the Trust agreed that the Māori Trustee, at their expense, engage Peter Livingston, AgFirst Consultants to provide a feasibility report on options to take over the running of the farm. From the options provided and with the owners support, the Trustees agreed to employ a farm manager and continued to use the services of AgFirst to advertise the position through Fencepost. The Trust was involved in the short listing of applicants and the interview and appointment process. Quinn and Karen were appointed and continue as highly valued members of the farm team.

Staff Management

The Trustees have entered into an agency agreement with the Māori Trustee to carry out specific administrative, secretarial and accounting duties. Similarly the farm manager has a contract milking agreement which is renewed annually and is managed by Peter who in turn reports directly to the Trustees.

Trustees meet quarterly to receive reports from the Māori Trustee and AgFirst when issues are raised and dealt with.

Farm manager training is carried out on the farm with AgFirst.

Waewaetutuki 10 – Wharepī Whānau Trust

Environmental

The location of the farm relative to the Kaikokopu Stream is a key focus area. The Trustees are aware of the need to protect the waterway, its flora and fauna. To this end the previous practice of undertaking periods of heavy stocking on the immediate river bank and storage of stack silage in the area has been discontinued. Approximately 25% of the 4.5ha riverbank area is to be retired from stock access and silage is now stored on higher-lying ground on the other side of the farm.

Around 80% of the milking area is lower lying peaty soil with drainage issues. This is subject to frequent flooding and winter/spring wetness. These areas are carefully managed to ensure stock do not "pug" the topsoil by standing the herd off on the higher lying pumice ridge (12ha) paddocks. All waterways/drains on the farm are fenced off from stock access.

The run-off also serves an important function in the wet June to August period as the milking platform is up to 60% destocked.

Management maintains a strong focus on nutrient budgeting and uses the annual nutrient management plan. Nitrogen use is classed as being in the medium range of 75–100kg N/ha/annum and the individual application rates are low, being applied often, rather than as larger singular inputs.

Pasture renovation to date has been via a spray/drill process on the lighter soils to prevent damage to those more fragile soils with developing organic matter.

The effluent management system was upgraded in 2010 to meet industry compliance needs, reduce the risk associated with previously inadequate contingencies and better use the nutrients from the effluent. A new storage pond was constructed away from drains and the permanent water table. The area covered by the spray irrigation system was increased to 10ha.

Waewaetutuki 10 – Wharepī Whānau Trust

Social, Community and Nga Tikanga Māori

Trustees are heavily involved in the local Marae and iwi community affairs, i.e. huihuinga, tangihanga with Ngāti Pukenga iwi and other Tauranga Moana iwi such as Ngai te Rangi, Ngāti Ranginui, and with Ngāti Pukenga whānau ki Maketū.

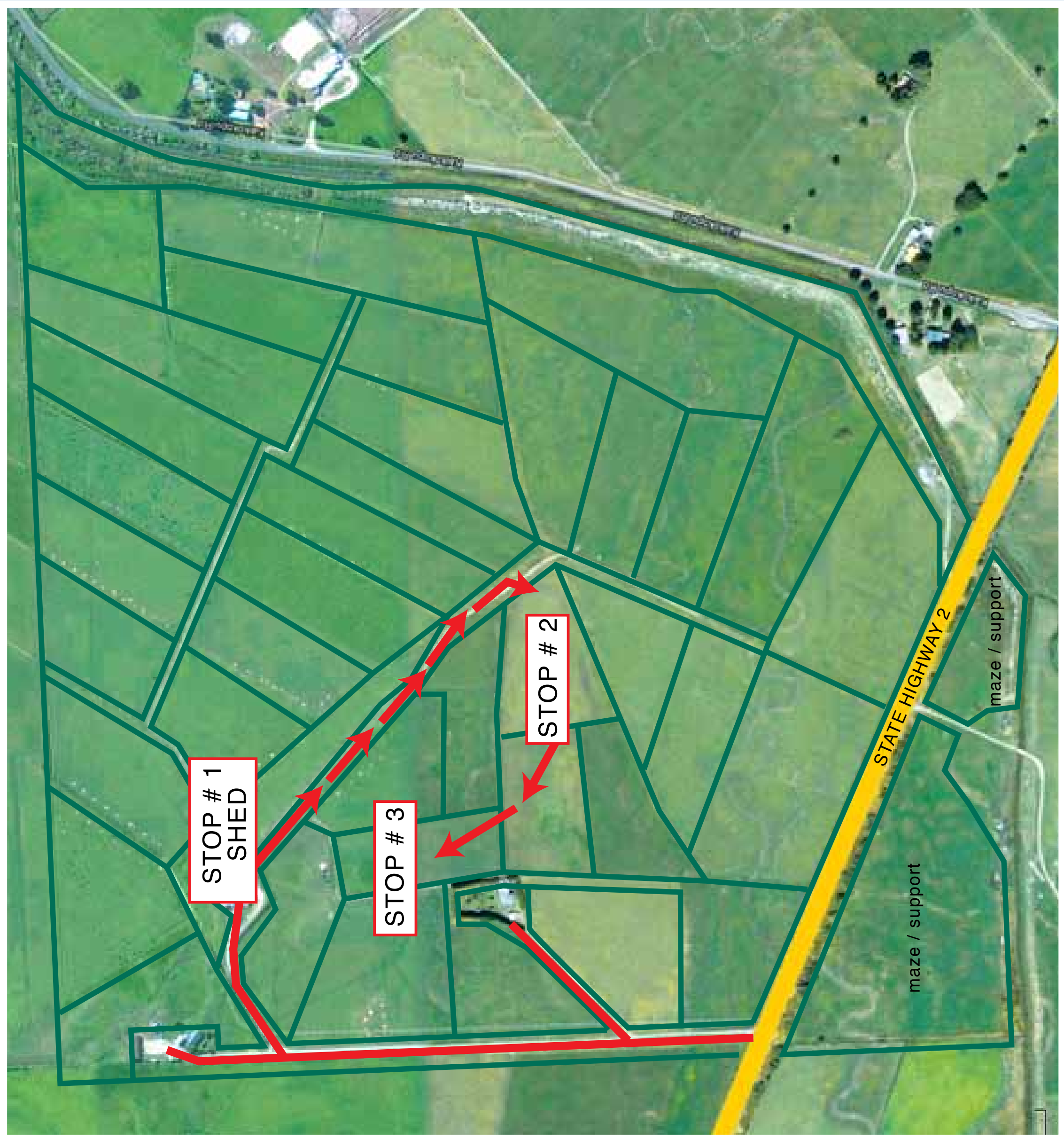
All trustees and shareholders are direct descendants of tipuna kuia Wharepī Hirama through five whānau.

Trustees have strong commitment to tikanga Māori and Māoritanga being involved with hapū, marae kaupapa, iwi runanga, kura kaupapa and associated community activities.

The Trust has donated funds to assist with the rebuild of the marae wharenui, Te Whetu o te Rangi, after fire destroyed the building in September 2006. The majority of shareholders and all trustees participated in the rebuild of the wharenui, which reopened in December 2008, 2 years after the fire. The wharekai (kitchen) refurbishment is the next project and planning is in progess.

Waewaetutuki 10 – Wharepī Whānau Trust

Farm Map



About the Judges

The Ahuwhenua Trophy judges have always played a vital role in selecting finalists and providing entrants with detailed and high-quality feedback. These industry experts give freely of their skills, knowledge and time to ensure all competitors get the most out of the Ahuwhenua Trophy experience.

There are two judging panels. The first is a four-member panel which visits all entrants' properties to choose the three finalists. The second panel of four judges have the challenging task of picking the winner of the Ahuwhenua Trophy. The Ahuwhenuna Trophy Management Committee and competition organisers greatly appreciate the support of those sponsors who have made these top-class agribusiness experts available.

Finalist Judges

Doug Leeder – *Chief Judge*

Once again we are fortunate to have the services of Bay of Plenty dairy farmer Doug Leeder as our Chief Judge. Doug is a former Chair of the "industry good" organisation Dairy InSight and has been Chief Judge of the Ahuwhenua competition since the AhuwhenuaTrophy for Excellence in dairy farming was re-introduced in 2006.

He has farmed in Eastern Bay of Plenty since 1981 and now runs a 680-cow operation near Opotiki. He has a strong interest in governance and, in the last 15 years, has used his considerable skill and experience in this area within the dairy industry. Doug has also served on several health sector crown entities.

Stephen Veitch

Stephen Veitch has 13 years banking and finance experience in Hawke's Bay, South Waikato, Central Plateau and Bay of Plenty areas. Stephen grew up in Dannevirke, southern Hawke's Bay, before attending Massey University. More recently he was based in Wellington where he worked in the areas of commercial property investment and development.

As BNZ's Senior Partner for East Waikato, Stephen Veitch looks after nine Agribusiness Partners and a Commercial Property Finance Partner in the wider Hamilton, Matamata and Morrinsville area. He lives in Hamilton with his wife Teri and two children, Ella and Nikau who whakapapa to Ngāti Awa and Ngāti Manawa.

Tafi Manjala

Zimbabwe-born Tafi Manjala has 14 years experience working with farmers, eight of which have been in Northland. He and his team work through farmer networks in the region to help farmers achieve their business goals. Tafi was, for three years, a finalist judge of the Farm Manager of the Year section of the Dairy Industry awards. He has also been a judge of the Ballance Farm Environment Awards and the Regional Sharemilker of the Year competitions.

Tafi has lived in New Zealand since 2002. He has two children and enjoys being a life-style beef farmer, leasing land and running 50 head of steers.

Paul Klee

Paul Klee has been involved in the dairy industry since 2000, working with Fonterra as an Area Manger in Taranaki and Hawke's Bay prior to moving into his current role as Regional Manager, Field Services, Lower North Island.

Paul is a Massey graduate and holds a Bachelor of Applied Science in Agribusiness with Honours. He is passionate about the dairy industry and farming in general and takes an active role in growing his own farming interests in Hawke's Bay.

First Round Judges

Peter MacGregor

Peter (Ngāti Kahungunu; Ati Hau Nui a Papaarangi; Ngāti Raukawa; Maniapoto and Ngāti Paoa) is AgITO's Strategic Relationships Manager. He has held a variety of positions in the Housing, Education and Training and the Land Development divisions of the former Department of Māori Affairs and several other positions through to Te Puni Kōkiri. He has been energetically promoting the benefits of the reinvigorated competition at field days, and to farm workers and employers as part of his day job, since AgITO became a bronze sponsor in 2005. This is the second year Peter has judged the competitions preliminary round.

Paul Bird

Paul Bird has been a farm consultant for 20 years working in NZ, Ireland and the UK. Paul was involved in developing and delivering the DairyNZ Mark and Measure courses that have been running for 10 years. He is currently working as a consultant to DairyNZ on various business-related projects including investigating success factors in large multi-unit dairy businesses. He has interests in commercial property and shares. He also aims to spend as much time as possible with his wife Anne and two boys.

Paul Radich

Paul Radich grew up in Stratford, where he still lives, on a farmlet with his family. He has a BA in education and has worked, as an educator, in New Zealand, Japan and England. He spent three years with the Taranaki Regional Council as an environmental educator, before moving to Fonterra as an Area Manager and then Regional Services Manager for the Lower North Island. He is currently a Senior Area Manager in North Taranaki.

Paul has a passion for the NZ dairy industry and the Co-operative. He says that being a judge in the 2010 Ahuwhenua Trophy was a highlight of his career and he is very excited to be involved again. "The Ahuwhenua competition has a great history and it is a privilege to be able to witness and be a part of this showcase of the very best in Māori farming."

Duncan Matthews

Duncan grew up on a sheep and beef property near Hawera, Taranaki, and graduated with a Bachelor of Agricultural Science & Rural Valuation Diploma from Massey University. After returning from overseas travel, Duncan began his banking career with BNZ in 2003.

He has been based in Taupo for the past 9 years and now manages predominantly larger clients alongside a range of Māori trusts and incorporations. Duncan enjoys spending time with his wife and two daughters in the outdoors of the Taupo area.

About the Competition

Aims

- To recognise excellence in Māori farming
- To encourage participation and ensure its sustainability
- To use the award to showcase achievements in the Māori farming sector, in particular successful farming approaches to governance, financing, management and the recognition of ngā tikanga Māori
- To utilise the award to highlight excellence in the Māori farming sector to all New Zealanders
- To acknowledge the contribution the Māori farming sector currently makes to the New Zealand economy and highlight areas for future growth.

Benefits to the Entrants

By entering the Awards competition, participants will gain:

- Recognition for excellence in the dairy farming and the wider New Zealand farming industry
- Judges' expert advice and guidance to improve their farming operations
- Access to a network of progressive and like-minded individuals and organisations involved in dairy farming
- Exposure to practices and approaches of other Māori dairy farmers
- Significant enhancement to the productivity and profitability of their farming operations
- Recognition of the major role Māori farmers have in the New Zealand economy.

Awards

The winner will receive a replica of the Ahuwhenua Trophy, a medal and prizes to a value of not less than $40,000. The three finalists will receive a medal and prizes to a value of not less than $15,000.

Judging

Judging will be based on:

A. The efficiency with which the property is farmed relative to its potential
B. Financial results
C. The effectiveness of the governance of the farming enterprise.

But will also take account of:

- Triple Bottom Line Reporting
- Cost of Production Analysis.

IN CONSIDERING THIS THE JUDGES WILL UTILISE AS A GUIDELINE THE FOLLOWING WEIGHTING:

CRITERIA	MAX. POINTS AWARDED	FACTORS TAKEN INTO ACCOUNT INCLUDE THE FOLLOWING (WHERE POSSIBLE JUDGES WILL COMPARE WITH INDUSTRY BENCHMARKS AND BEST PRACTICE)
Governance	17	• Fit of business with farm resources • Mandate for activities from the owners • Communication with owners and processes for electing governance team • Strategy development including a documented Strategic Plan with KPIs • Implementation and monitoring • Identification & management of risk • Flexibility in coping with changes in markets, climate, regulations etc • Participation in governance training • Mix of governance skills • Developing new governance people • Selection and management of advisors • For finalists: field day performance – presentation & response to questions.
Social/ community/ ngā tikanga Māori	10	• Contribution to, and participation in, communities of interest to the organisation e.g. support for local hapū, Marae, and wider local community affairs (such as rural community or farm associations) • Governance or management team's ability to manage tikanga Māori aspects of the business • Commitment to Māoritanga, and for regional winners in particular, presentation of the organisation as an exemplar of Māori excellence in the business of farming • Identification and protection of cultural sites
MANAGEMENT AND PERFORMANCE		
Financial – *including trends over time*	20	• Economic Farm Surplus (EFS) • Wealth creation • P&L and balance sheet ratios including performance over time • Cost of production analysis.
Productivity	10	• Milk solids per Ha.
Farm/Stock	10	• Stock health and welfare • Genetic improvement • Reproductive and growth performance • Feed supplies – quantity and quality relative to farm resources • Feed utilisation • Purchasing and marketing skills.
Employee	10	• Employment agreements and job specifications • Performance review approach • Training support
Environment/ Sustainability	15	• Land Environment Plans in place and being actioned including: - Nutrient management - Measures to minimise nutrient leaching and soil erosion and damage including planting of trees etc - Riparian management and water source protection - Effluent management • Understanding of carbon reduction including sequestration (sinks) and incorporation into management.
Entrepreneurship and innovation	8	• Demonstrate innovative thinking and application of new technology and management approaches.
TOTAL	100	

BNZ

MĀORI EXCELLENCE IN FARMING AWARD 2012

DAIRY

AHUWHENUA TROPHY

PLATINUM SPONSOR

As the platinum sponsor BNZ is proud to support the Māori Excellence in Farming Award. With a team of 180 dedicated Agribusiness Partners and support staff from around the country, we remain committed to continuing our extensive role in the New Zealand agribusiness sector.

GOLD SPONSORS

Our purpose is to secure and enhance the profitability, sustainability and competitiveness of New Zealand dairy farming. DairyNZ represents all New Zealand dairy farmers in protecting and advancing their competitive edge on the global market. Demonstrating and delivering value to levy payers is crucial to our continued existence and is the key focus to our work.

Te Puni Kōkiri celebrates Māori potential, success and excellence. It proudly supports the pre-eminent accolade within Māori farming – the Ahuwhenua Trophy. The competition sets the benchmark for exceptional performance amongst Māori farmers committed to tapping the full potential of their holdings in a significant sector of New Zealand's economy. Māori success is our success.

Fonterra is proud to be a sponsor of the 2012 Ahuwhenua Trophy – Māori Excellence in Dairy Farming Awards. Our Co-operative has generated strength and success through the passion, expertise and knowledge of our New Zealand farmers. We are New Zealand's leading exporter and continue to support dairy farming and New Zealand communities

SILVER SPONSORS

BRONZE SPONSORS

SPONSORSHIP SUPPORT HAS ALSO BEEN PROVIDED BY LANDCORP, FEDERATION OF MĀORI AUTHORITIES, ECOLAB, AGRECOVERY AND TOHU WINES.

We acknowledge our partnership with Te Tari Mahi (Department of Labour) and ACC to promote safety on farms