

NorthlandInc

Growing Northland's Economy

Kia tupu ai te ōhanga o Te Tai Tokerau

3.0 Investment

3.1 Extension 350

Subject: Impact Investment application

Report by: Vaughan Cooper, GM Investment and Infrastructure

Dated: August, 2016

Commercial in Confidence: No

Background to Project:

The Extension 350 (formally named the Regional Economic Vitality Extension Initiative) project is about raising the on farm performance of Northland farmers through increased profitability over the next five years, with a focus on individual farm performance in a three year extension timeframe. Northland Inc has commissioned Nimmo Bell to complete the Business Case for this project (funded through the Feasibility and Business Case fund).

Business Case:

The extension initiative is modelled on a relationship triangle with advice and direction from an expert consultant supported by experience and encouragement from a Mentor that creates on farm change for the Target Farmer. This is a unique combination of proven extension techniques on a scale that is new to New Zealand Agriculture. It is built on the principle that peer guidance and assistance is the most effective extension methodology for farm growth. Experience has shown that gains are made at all levels, both the Target Farmer and the Mentors benefitting from the Consultant and the wider community building on their success. The proposed intensity of the group and regional approach improves the resilience and productivity of the district leading to increased employment and GDP.

The business case has confirmed that Extension 350 is a compelling, well thought through project and has the potential for a significant positive economic impact in Northland, a region which lags behind other areas of New Zealand. The strategic fit for Northland is well recognised by DairyNZ, Beef&LambNZ, and the Northland Agriculture Forum. Its inclusion in the Tai Tokerau Northland Economic Action Plan reinforces the widespread support for this initiative including positive potential outcomes for small local communities and Maori.

The project is innovative with the inclusion of the top farmer (MF) mentoring component replicated across the region not found elsewhere in New Zealand. Success in Northland for

this project will offer further strategic leveraging opportunities for other areas in New Zealand and other extension programmes – this is of particular interest to MPI.

Broad based Maori participation is a priority on the basis that for Northland to succeed Maori need to succeed. Maori farmers and Maori incorporations will be encouraged to participate either within a cluster or form a separate Maori cluster as is their want. Advice is being sought from Maori business leaders on how to facilitate this process.

The benefits of farmer input to the on-farm change process have already been clearly demonstrated at Okaihau in Northland (on Alister and Lyn Candy's farm) with the DairyNZ Focus Farm project which concluded in May 2015. This project led to an improved farm profit of \$180,000 annually.

Project Investment:

Implementing the initiative requires a total investment of \$3.45 million spread over 5 years. Funding is proposed on the following basis

- Target farmers 10.9% or \$375,000
- DairyNZ 17.5% or \$605,000
- B+LNZ 5.8% or \$201,700
- Northland Inc 24.1% or \$832,600
- MPI 41.6% or \$1.44 million

Direct on-farm net benefits, in terms of increased profit are estimated at \$105.7 million in nominal terms or a Present Value (PV) of \$45.2 million over 20 years from the start of the initiative (using a discount rate of 8%). After deduction of project costs, the overall net benefit is expected to be \$102.2 million, with a NPV of \$42.3 million and Net Benefit to Cost ratio of 15:1.

The project will be overseen by a fit for purpose steering group made up of representatives from DairyNZ, Beef&Lamb NZ and independently chaired by Ken Hames. MPI and NRC may wish to appoint further members to this group.

The steering group will appoint a project manager to lead the project (Northland Inc will provide a home for this position and along with administrative support) and key staff within Northland Inc and MPI will assist as required.

MPI funding has not been formally confirmed but a site visit to the Candy Farm in Okaihau in late July was attended by Ministers Joyce and Guy who formally announced their support for the project. MPI funding is expected to be finalised in late September.

Attached to this report is a copy of the one pager highlight document that was prepared for the ministerial visit. A copy of the business case is available on request.

Northland Inc Investment:

The investment in the project is a total of \$3.45M over the next five years. Northland Inc, through the Investment and Growth Reserve is being requested to invest \$832,600 over a period of five years (including an initial set up phase prior to year 1 beginning June 2017).

Set up phase	\$102,500
Year 1	\$150,100
Year 2	\$155,000
Year 3	\$155,000
Year 4	\$155,000
Year 5	\$115,000

The concept has been piloted already and the focus farm (Candy) and partner farm results speak for themselves. There is plenty of enthusiasm and confidence for the project being displayed by key stakeholders - DairyNZ, Beef&LambNZ, private farm consultants and MPI.

Establishment of the planned governance and project management, ensuring key people in key roles and setting of KPI's will provide effective oversight and management to ensure success of the project.

Recommendation:

1. That the report be received
2. That the project be recommended for Impact Investment funding of \$832,600 from the Investment and Growth Reserve, subject to MPI, Beef+Lamb NZ and Dairy NZ funding being confirmed.
3. That approval is given for funding split over 5 years as set out in the report above.
4. That the Steering Group for the project develops and maintains robust reporting mechanisms and performance measures for quarterly reporting based on efficiency, sustainability and profitability.

EXTENSION 350

a Northland Regional Economic Vitalisation Extension Initiative

Introduction

Extension 350 is an innovative programme designed to lift the on-farm performance and profitability of 350 Northland farms through sharing knowledge to improve farm systems.

It is a grassroots extension framework that has the potential to have a real economic and social impact on dairy, sheep and beef farmers in Northland, and, in terms of farm exports, benefitting New Zealand's export drive. For the farmer – 'profitability equals choices' – the flexibility to make decisions about the future such as on-farm improvements, repaying debt or improving livelihood.

While Northland has a higher proportion of total employment in the dairy, beef and sheep industries compared to New Zealand respectively, there is room for improved performance. Extension 350 is a well-designed programme to help lift farmer performance and profitability and is jointly supported by DairyNZ, Beef+Lamb New Zealand, Northland Inc and Ministry for Primary Industries.

Objectives

The specific objectives of the initiative are to:

- Raise the on-farm performance to achieve increased profitability of 350 Northland pastoral farms through improved farm systems. This will be achieved by using the showcase of 50 farms changing from average performance to the top 20th percentile for the region within 5 years.
- Develop 50 top farmers as mentors for the Target Farmers, to accelerate on-farm change.
- Improve farmer networks in areas all around Northland, some of which are very isolated.

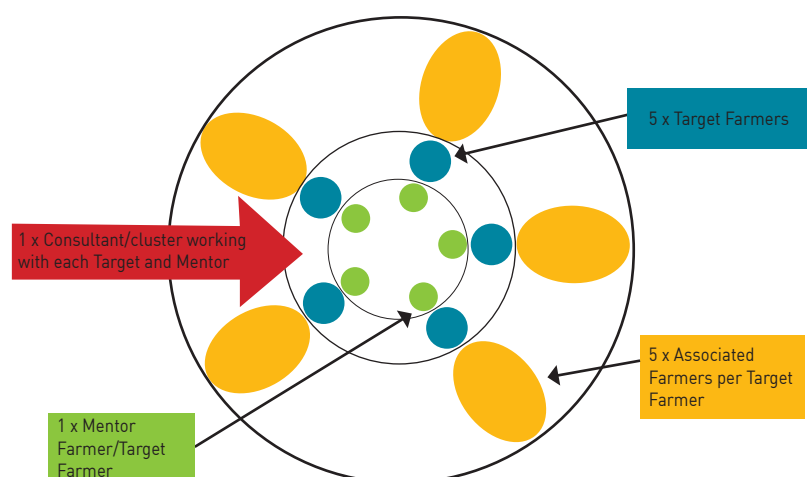
How it works

The initiative is modelled on a number of geographical clusters of five farms in a three way relationship triangle. Advice and direction is provided to the Target Farmer (TF) by an expert consultant and this relationship is supported and encouraged by a Mentor Farmer (MF).

The result will be positive on-farm change by each Target Farmer (TF) who is then expected to interact and influence a surrounding group of Associated Farmers (AFs), further spreading the benefits throughout the farming community.

What happens now?

Funding for the programme will be finalised before the end of the year. Recruitment of the delivery team and participant farmers will begin later this year and continue into early in 2017. The year one "Clusters" are scheduled to be formed by autumn 2017 and to be fully operational in the 2017/18 production year.



Visual representation of one cluster

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Regional Economic Vitality Extension Initiative Business Case

**Prepared for Northland Inc., DairyNZ, Beef+Lamb NZ and
The Ministry for Primary Industries**

FINAL

20 June 2016



ACKNOWLEDGEMENTS

This report has been prepared by Nimmo-Bell Director Dr Brian Bell and Associate Barry Brook.

We wish to acknowledge the assistance of DairyNZ, B+LNZ, Northland Inc and MPI who provided input to the analysis and sponsored the research. We also acknowledge the time generously given by the people interviewed.

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Executive Summary

Strategic case

1. The Regional Economic Vitality Extension Initiative (REVEI) is about raising the on-farm performance of Northland farms to achieve increased profitability over the next five years, with a focus on individual farmer performance in a three year extension initiative. The initiative is modelled on a number of geographical clusters of five farms in a three way relationship triangle. Advice and direction is provided to the Target Farmer (TF) by an expert consultant and this relationship is supported and encouraged by a Mentor Farmer (MF). The one-on-one relationship between TF and MF is the crucial ingredient for success and has already been proven. The result will be positive on-farm change by each Target Farmer (TF) who is then expected to interact and influence a surrounding group of Associated Farmers (AFs), further spreading the benefits.
2. The REVEI is compelling, is well thought through and has the potential for a significant positive economic impact in Northland, a region which lags behind other areas of New Zealand. The strategic fit for Northland is well recognised by DairyNZ, Beef+LambNZ, and the Northland Agriculture Forum. Its inclusion in the Tai Tokerau Northland Economic Action Plan reinforces the widespread support for this initiative including positive potential outcomes for small local communities and Maori.
3. The project is innovative with the inclusion of the top farmer (MF) mentoring component replicated across the region not found elsewhere in New Zealand. Success in Northland for this project will offer further strategic leveraging opportunities for other areas in New Zealand and other extension programmes.
4. Broad based Maori participation is a priority on the basis that for Northland to succeed Maori need to succeed. Maori farmers and Maori incorporations will be encouraged to participate either within a cluster or form a separate Maori cluster as is their want. Advice is being sought from Maori business leaders on how to facilitate this process.

Economic case

5. Implementing the initiative requires a total investment of \$3.45 million. The spread of investment starts with \$346,000 during the initial six-month setup period, building to a maximum annual spend of \$802,000 in year 2 and a final amount of \$392,000 in year 5. Target farmers are expected to directly contribute 10.9% of the required investment, DairyNZ 17.5%, B+LNZ 5.8% and Northland Inc. 24.1%, leaving a funding gap of 41.6% or \$1.44 million over the five and a half years of the project.
6. Direct on-farm net benefits, in terms of increased profit are estimated at \$105.7 million in nominal terms or a Present Value (PV) of \$45.2 million over 20 years from the start of the initiative (using a discount rate of 8%). After deduction of project costs, the overall net benefit is expected to be \$102.2 million, with a NPV of \$42.3 million and Net Benefit to Cost ratio of 15:1.

The Secret Sauce

7. There are five key elements that underlie the projected benefits of the project. The “secret sauce” of the initiative is the creation of a unique and innovative transformative virtuous cycle of reinforcing positive competitive behaviour between TFs, MFs and AFs all facilitated by the farm consultant and overseen by a central Project Manager. The key elements of the project include:
 - a. One-on-one mentoring, farmers learning from farmers and the positive peer pressure from mentors on target farmers. Experience shows that farmer driven advice is accepted much more readily than from a rural professional mainly because the farmer peer has actually done what is being proposed rather than having just observed it from others. A

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key learning from the DairyNZ focus farm management committee approach is that advice from too many different directions (e.g. more than one farmer mentor) can be counterproductive. Focussing one mentor only working in unison with the farm consultant is seen as a superior way of building confidence and achieving practice change by the target farmers.

- b. Leveraging the benefits to mentors and associated farmers. Mentor farmers are expected to gain significant benefits from the process as they question their own performance alongside that of other mentors and farmers. The chosen mentors are expected to be top quartile farmers themselves who are naturally motivated to achieve. Being involved in a mentoring capacity is expected to stimulate them to push harder in their own business for better performance. Associated farmers will get exposed to the thinking and practical actions that drive improved performance on the target farms and their own peer group. Potentially a proportion of the associated farmers will become target farmers in subsequent rounds of an extended project (although this aspect is not factored into the analysis of benefits).
- c. It is expected that there will be competition both within clusters and between clusters, particularly the latter. This element derives from the geographical closeness of the TFs and the mentors and consultants thinking about their own reputation and performance relative to others involved in the project.
- d. Field days (one per cluster per year) expose the target farmers to a much wider scrutiny of peers in a positive supportive environment that drives a desire to do the very best.
- e. The project manager provides the glue that holds everything together in selecting and organising TFs, MFs and AFs and consultants while making sure everything is done on time and to a high standard.

Scale

- 8. Initially, the scale proposed for the project was larger than what is presented now. Account needed to be taken of available human resources, risks and uncertainties while retaining sufficient scale for a region wide impact. Based on these factors the scale was reduced from 15 clusters over five years down to 10. This will allow for potential teething issues to be resolved while ensuring there will be enough people with appropriate experience and skills to fill the key roles in the initiative.

Timing is critical.

- 9. Clusters need to be in place by the autumn of 2017 to ensure the farms are set up for the next production year. In the setup period, commitment from DairyNZ and Beef+LambNZ regional leaders will be critical until the project manager is appointed and on board. For the initiative to be fully operational in the 2017/18 production year a decision on funding needs to be made well before the end of 2016. This will allow for set up from early in 2017.

Commercial case

- 10. The economic analysis shows that even when the major assumptions are all taken at conservative levels the NPV remains positive at \$11.9 million with the NB/C ratio still a healthy 4:1. This highlights the commercial robustness of the initiative.
- 11. Both industry good organisations, DairyNZ and Beef+LambNZ fully support the initiative, having had experience of a variety of existing programmes. They will allocate the necessary staff and logistical resources to ensure success.
- 12. At the regional level, local funder Northland Inc.'s Investment and Growth Reserve allocates funds to impact investments that have the potential to lift the economic performance of

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Northland. The objectives of the fund are to increase jobs, household income and the GDP of Northland. Funding for impact investments from the reserve are capped at \$1 million per year. The initiative performs well on all these criteria.

13. Regional development is a high priority for central government, especially in regions like Northland that are struggling to make headway. The funding gap of \$1.44 million over five and a half years is within budget limitations. The initiative, as a high regional priority, fits central government's objectives to stimulate economic growth and employment in struggling regions.

Financial case

14. Based on the economic and commercial cases, there is a compelling story for funders to identify with and support. The project is profitable and robust. It has a high priority in the region's growth opportunities and action plan and has manageable risks based on pilot projects already conducted.

Management case

15. Strong governance and accountable management are a key feature of the initiative. A Governance Board of three or four is envisaged with an independent chairperson, representatives of both DairyNZ and Beef&LambNZ, and possibly a representative of the central government funder. The Board should have overall responsibility for the success of the project and will employ the Project Manager. The Board will also be required to approve the overall project plan and annual operations plans.

Statement of Confidence that Benefits can be Delivered

16. Following the extensive discussions with farm consultants and farmers in Northland, we are very confident that this project can be implemented successfully. Our confidence is based on the following factors:
 - a. The concept has been piloted already and the focus farm and partner farm results speak for themselves.
 - b. There is plenty of enthusiasm and confidence for the project being displayed by key stakeholders (DairyNZ, Beef&LambNZ, private farm consultants) without obvious vested interest.
 - c. There is a willingness and commitment already evident by leading farmers to provide the key mentor resource for the project with a clear desire to help other farmers.
 - d. The extent of prior assessment and plans for each farm and farmer, along with the on-going reporting on KPIs, will substantially reduce the risks involved in project implementation.
 - e. Establishment of the planned governance and project management and adherence to the Terms of Reference proposed for the key roles will provide effective oversight and management. All that will be required will be appointment of the right people to the right roles.

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Introduction

Background

The Regional Economic Vitality Extension Initiative (REVEI)¹ is about raising the on-farm performance of Northland farms with increased profitability over the next five years, from a focus on individual farmer performance in a three year extension project.

The extension initiative is modelled on a relationship triangle with advice and direction given by an expert consultant supported by encouragement from a mentor that creates on farm change by the Target Farmer.

The specific objectives of the initiative are to:

- Raise the profitability of all Northland pastoral farms by using the showcase of 50 farms changing from average performance to the top 20th percentile for the region within 5 years.
- Develop 50 top quartile farmers as mentors for the Target Farmers, to accelerate on-farm change.
- Utilise the proven effective farmer-to-farmer influence to drive on-farm change.
- Build on the momentum for change which has been developed with the Focus Farm projects, and compliment the achievements of the Northland Agricultural Research Farm (NARF); Partner Farms and Farm System Discussion Groups.
- Create Ripples of Change with each Target Farmer influencing at least 5 other associated farmers in their area to make changes that increase their profitability.
- Improve farmer networks in areas all around Northland, some of which are very isolated.
- Share the Target Farmer successes to encourage wider change throughout Northland.

This document develops the initial project proposal into a full business case using the Better Business Case (BBC) format to support funding applications and be circulated to potential funders and supporters of the project.

The business case includes consideration as to how the project aligns with the investment priorities of central and local government (the Northland Regional Council Investment and Growth Reserve Fund), building in sustainable, environmental management principles.

¹ Regional Economic Vitality Extension Initiative. Proposal for consideration. Northland Agriculture Forum

Strategic Case

Northland Region

As noted in the Tai Tokerau Northland Growth Study² ("Growth Study"), Northland is a small regional economy that has been underperforming relative to other regions in New Zealand. It has also been underperforming relative to its resource base.

Northland's economy accounts for only 2.6% of New Zealand's GDP despite being home to 3.6% of the population. Real GDP increased by 1.6 per cent per annum on average over the past 10 years, compared to the national average of 2.2%.

The Growth Study presents an overall picture of Northland's economy as one that is underperforming and where there is untapped productive potential.

Maori in the Tai Tokerau economy: The Growth Study also points to a significant feature being the relatively high proportion of the region's population that identifies as Maori (30% compared to 14% nationally in 2013).

Impact Potential of the Northland Pastoral Sector

The pastoral sector makes a substantial contribution to the Northland economy. As noted by the Ministers of Economic Development, Primary Industries and Maori development in their foreword to the Growth Study:

There is significant scope to increase incomes and employment in the region through increased productivity and added value in farming and forestry and related processing.

Any initiative which moves performance and profitability of Northland pastoral farmers closer to that of such farmers in other regions has the potential to make a serious impact. Furthermore, improved profitability strengthens the resilience of both affected farmers and their surrounding communities.

Strategically, the pastoral sector is both important and relevant to improving the well being of people in the Tai Tokerau. It also has the scale and potential to make a significant impact to the Northland economy.

Regional Pastoral Economy

The Growth Study commented separately on the dairy and drystock (sheep, beef and deer) farming and related processing sectors. It noted that Northland produces around 5.5% of national milk production but that dairy farm productivity is significantly below that of other regions. For example, in the 2014 production season DairyNZ production statistics show Northland had 2.28 cows per hectare and 313 kg MS/cow compared with the New Zealand average of 2.87 and 371 respectively, in both cases third to lowest of all dairy regions.

Northland is an important region for beef production with around 10% of New Zealand's beef cattle. Sheep, on the other hand, are much less significant at around 1% of the national flock with climatic conditions favouring beef and dairy farm production systems. Performance in the beef and sheep sectors in Northland also lags performance in other regions of New Zealand. Production comparisons on beef and sheep farms are problematic due to multiple products, however, expenditure per stock unit gives an indication of intensity and Northland shows \$70.53 compared with the All Classes Average of \$90.54 for the 2014 production season.

² Tai Tokerau Northland Growth Study Opportunities Report. February 2015, Martin Jenkins

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Pastoral Sector Dimensions

It is estimated the Northland pastoral sector (including the related manufacturing of pastoral primary products) produces about 25% of Northland's GDP. This makes the sector a billion dollar industry and of obvious strategic importance. Northland has a higher proportion of total employment in the primary industries with 4.0% in dairy and 1.8% in beef and sheep compared with New Zealand at 1.8% and 1.4% respectively.

Table 1. Livestock Numbers (at 30 June 2015)

	Northland	New Zealand	% of NZ
Beef cattle	355,000	3.55 mill	10
Dairy Cattle	381,000	6.49 mill	6
Sheep	381,000	29.12 mill	1

Ministry of Statistics June 2015

It is estimated that in Northland there are approximately 2000 commercial pastoral farmers including 935 dairy herds. In terms of productive capacity on pastoral farms, dairying represents around 60% and beef and sheep together around 40%.

Maori in the Pastoral Sector: Maori are significant participants in farming and forestry in Northland and the Growth Study noted 140,000 hectares of land is held under the Maori Land Act 1993. Compared to Maori farms in other parts of the North Island, Maori farming units in Northland tend to be smaller and few farm businesses have the benefit of operating at large scale. Compared with non-Maori land holdings change less frequently whereas amalgamation is a feature of non-Maori holdings. Iwi in the Tai Tokerau are significant local investors and will become more significant through further settlements with the Crown.

Tech Transfer Developments in Northland

A number of developments in on-farm extension methods have led to the Northland REVEI. Most of these have been in the dairy sector with leadership from DairyNZ.

DairyPush. The DairyPush³ initiative, launched in April 2007 by the South Waikato District Council, aimed to increase dairy farmers' profitability with a significant financial flow-on to the South Waikato community. Jointly funded by DairyNZ, Fonterra and the South Waikato Economic Trust, DairyPush aimed to have all participating farmers gain more farming and business skills as well as achieve a more profitable business. The final evaluation report clearly showed that these objectives were largely met. Work by Nimmo-Bell⁴ assessed the annual net profit increase of the participating farmers at \$100 per hectare (in discounted terms).

Good to Great Extension. Tafi Manjala, who was Regional Leader for DairyNZ in Northland during his Nuffield Scholarship, studied a wide range of farm extension methods and reported⁵ his findings in January 2014. Manjala noted:

³ DairyPush: Final Evaluation, prepared for DairyNZ by AgResearch, T.Payne and N.Botha, May 2011

⁴ Nimmo-Bell: Report prepared for DairyNZ on R&D Project Investment Performance, March 2014

⁵ Tafadzwa (Tafi) Manjala, Good to Great Extension influencing on farm change at pace and scale. Report to Nuffield New Zealand, January 2014

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“Farmers learn best from other farmers.....Most human behaviour is learned from observing others”.

Candy Farm. The benefits of farmer input to the on-farm change process were also clearly demonstrated at Okaihau in Northland (on Alister and Lyn Candy’s farm) with the DairyNZ Focus Farm project which concluded in May 2015. This project led to an improved farm profit of around \$200,000 annually.

Partner Farms. Subsequently, the Partner Farm project was created in 2015 to follow on from the success of the Focus Farm and two partner farms have been operating, one in the far North near Kaitia and the other in the lower North near Kaiwaka. Both of these farms are showing a significant improvement in performance.

A number of important lessons have been learned throughout the terms of the above projects with two being fundamental:

1. The first is the “whole farm management” approach and the use of the DairyNZ whole farm assessment at the outset of the farm development projects.
2. The second is the impact of the leading farmer mentoring approach which reinforces and helps drive the successful implementation of the advice provided by the Rural Professionals involved.

Monitor Farms. In the beef and sheep sector, Beef and Lamb NZ have been involved with Monitor Farms in Northland for around 30 years. The first sheep and beef monitor farms were private groups (Thomson and Gunson farms at Waiotira near Whangarei) set up by farm consultants (Thompson and Page) in response to the very tough farming environment at the time. Each group included a host farm, a group of up to 15 local farmers and a consultant. The objective was to take an average farm and transform it into a high performing farm by focussing on best practice whole farm management .

Red Meat Profit Partnership. The Red Meat Profit Partnership Primary Growth Partnership (PGP) programme launched in 2013 has a significant focus on extension activities for farmers. The programme aims to develop new information and technology transfer systems by taking a farmer focussed, partnered approach to the delivery of best practice. The initiative builds on this through the innovative clustering and mentoring approach. Discussions have been initiated with the management team of the Red Meat Profit Partnership with a view to link in with the extension design component. As REVEI is an innovation for farm extension in New Zealand it provides an opportunity to test drive at a regional level a potential national programme.

Extension Handbook. A related project, funded by the MPI administered Sustainable Land Management and Climate Change – Technology Transfer fund, and utilised heavily for Sustainable Farming Fund (SFF) projects, was the production of an Extension Handbook⁶ which traverses a range of extension methods utilised in New Zealand.

All of these programmes aim to lift the performance of the average or below average farmer to nearer that of the top performers. Experience with the monitor farm programme in Northland has seen typical increases in meat produced per hectare from the average of 190kgs per hectare (Carcass weight) to above 300 kgs.

⁶ Ministry for Primary Industries: Over the Fence. Designing extension programmes to bring about practice change. September 2015

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Northland Agriculture Forum: The Northland Agriculture Forum (“NAF”) was formed in 2002. This Forum seeks to “Grow the Northland Pastoral Industry through partnerships and co-ordination”. The Forum has very limited resources and tends to act by facilitating initiatives rather than undertaking activities directly. The proposal (Regional Economic Vitality Extension Initiative) was put together under the auspices of the Forum but with key design input from DairyNZ and Beef and Lamb Regional management.

The proposal subsequently has been included in the Tai Tokerau Northland Economic Action Plan⁷ with the support of Northland Inc.

Inclusion of Maori farmers. Broad based Maori participation is a priority on the basis that for Northland to succeed Maori need to succeed. Maori farmers and Maori incorporations will be encouraged to participate either within a cluster or form a separate Maori cluster as is their want. Advice is being sought from Maori business leaders including Te Horipo Karaitiana ex CEO of FOMA and Traci Houpapa- Chair of Landcorp and FOMA about how to transfer knowledge and skills to improve Maori farming.

Summary Strategic Rationale

The REVEI is compelling, is well thought through and has the potential for a significant positive economic impact in Northland, a region which lags behind other areas of New Zealand. The strategic fit for Northland is well recognised by DairyNZ, Beef+LambNZ, and the Northland Agriculture Forum. Its inclusion in the Tai Tokerau Northland Economic Action Plan reinforces the widespread support for this initiative including positive potential outcomes for the small local communities and Maori.

The project is innovative with the inclusion of the top farmer mentoring component not found elsewhere in New Zealand. Success in Northland for this project will offer further strategic leveraging opportunities for other areas in New Zealand and other extension programmes.

⁷ Tai Tokerau Northland Economic Action Plan, February 2016

Economic Case

Summary of the Economic Impacts

Implementing the project requires a total investment of \$3.45 million. This starts with \$346,000 during the setup period, building to a maximum of \$802,000 in year 2 with a final amount of \$392,000 in year 5. Target farmers are expected to directly contribute 10.9% of the required investment, DairyNZ 17.5%, B+LNZ 5.8% (compared with 23% and 8% respectively for the Sustainable Farming Fund) and Northland Inc. 24.1% leaving a funding gap of 41.6% or \$1.44 million over the five and a half years of the project.

Direct on-farm net benefits, in terms of increased profit (measured at Earnings before Interest, Tax and Rent (EBITR)), are estimated at \$105.7 million in nominal terms or a Present Value (PV) of \$45.2 million based on a discount rate of 8%. After deduction of project costs, the overall net benefit is expected to be \$102.2 million, with a NPV of \$42.3 million and Net Benefit to Cost ratio⁸ of 14.8.

Table 2. Economic Net Benefit (\$'000)

	Expected	
	Nominal	PV
Benefits (20 yrs)		
Dairy	87,452	37,513
Beef & Sheep	18,222	7,667
Total Benefits	105,674	45,180
Less Costs	3,449	2,864
Net Benefit	102,225	42,315
NB/C		14.8
Discount rate	8%	

Increases in profit are derived from taking a whole farm systems approach. The management changes required to achieve the profit improvement specified in this Economic Case for dairy and beef and sheep farms will be many and varied according to the specific features and issues faced on the individual Target Farms. There are, however, some prime areas which are likely to feature in most situations. For dairy farms these are likely to include:

- Better pasture management through measurement to achieve high quality feed and reduced wastage;
- Improved fertilizer programme through measurement of soil nutrient status;
- Better feeding of cows with particular attention pre and post calving and better management of cow condition;
- Improved cow mating management to achieve a more concentrated calving pattern;
- Improved herd genetics (BW) through better measurement of cow performance and targeted AI genetic use;
- Improved feeding of youngstock;

⁸ In a capital constrained situation the appropriate economic efficiency criterion is net benefit to cost rather than benefits to cost.

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- Tighter management of expenditure;
- Improved management of the people involved in the business;

For beef and sheep farms a list similar to the above will apply with improvements sought in pasture management, animal grazing management, fertilizer use, mating management, genetics use, expenditure control, and people management. In the beef and sheep situation, initial development expenditure is likely to be required in more intensive subdivision and water supply as well.

A fuller list of potential management changes is provided in Appendix X. These changes are grouped under pasture management, animal husbandry and financial management.

The Northland Partner, Focus and Monitor Farms have clearly illustrated the impact the above changes can make collectively and provide confidence that the Target Farm profit improvement measures adopted in this analysis are readily achievable.

For dairy farms the project will deliver, for the expected scenario, profit increases over the three years of \$20,000, \$60,000 and \$100,000 respectively, and for the conservative scenario increases of \$20,000 in year 1, \$40,000 in year 2 and \$60,000 in year 3. On beef and sheep farms (predominantly beef production) the profit increases assumed are \$0 in year 1, \$20,000 in year 2 and \$35,000 in year 3 under the expected scenario and \$0, \$10,000 and \$25,000 for the conservative scenario. In both situations, there is an assumed flow on benefit of 2 per cent per annum after the initial three years. This is based on farmers continuing to improve their performance generated through the process of continuous improvement developed during the project.

Compared with the initial proposal, the number of Target Farmers has been trimmed back to ensure there are the mentor farmers and consultant resources available to deliver a high success rate from the project. In all, 350 farmers are expected to benefit from the project of which 245 are dairy and 105 beef and sheep. Of these, 50 are target farmers (35 dairy and 15 beef and sheep) one on one with mentors, plus 250 associated farmers (175 dairy and 75 beef and sheep). Farm consultants will facilitate a maximum of two clusters each and in most cases one only. Should the project prove to be as successful as expected, then it is likely there will be a demand from those farmers left on the sidelines to participate. These farmers could be accommodated by expanding the initiative on a self-sustaining basis in years 4 and 5 and beyond.

Broad based Maori participation is a priority on the basis that for Northland to succeed Maori need to succeed. Maori farmers and Maori incorporations will be encouraged to participate either within a cluster or form a separate Maori cluster as is their want. Advice has been sought from Te Horipo Karaitiana ex CEO of FOMA about how to transfer knowledge and skills to improve Maori farming and there are plans to involve Traci Houpapa- Chair of Landcorp and FOMA in this process as well.

The momentum will build rapidly over the three years. In the first year of full operation (2017/18), after initial setup, there will be two clusters for dairy and one for beef and sheep. In the second year, two dairy and one beef and sheep farm clusters will be added and in the third year three dairy and one beef and sheep farm clusters will be added. This makes seven dairy and three beef and sheep clusters at the peak. As there are five TFs, five MFs and five AFs per TF in each cluster, the number of farmers impacted rises quickly from 30 in year 1 to 350 in year 4 (see Table 3).

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Table 3. Number of farmers impacted

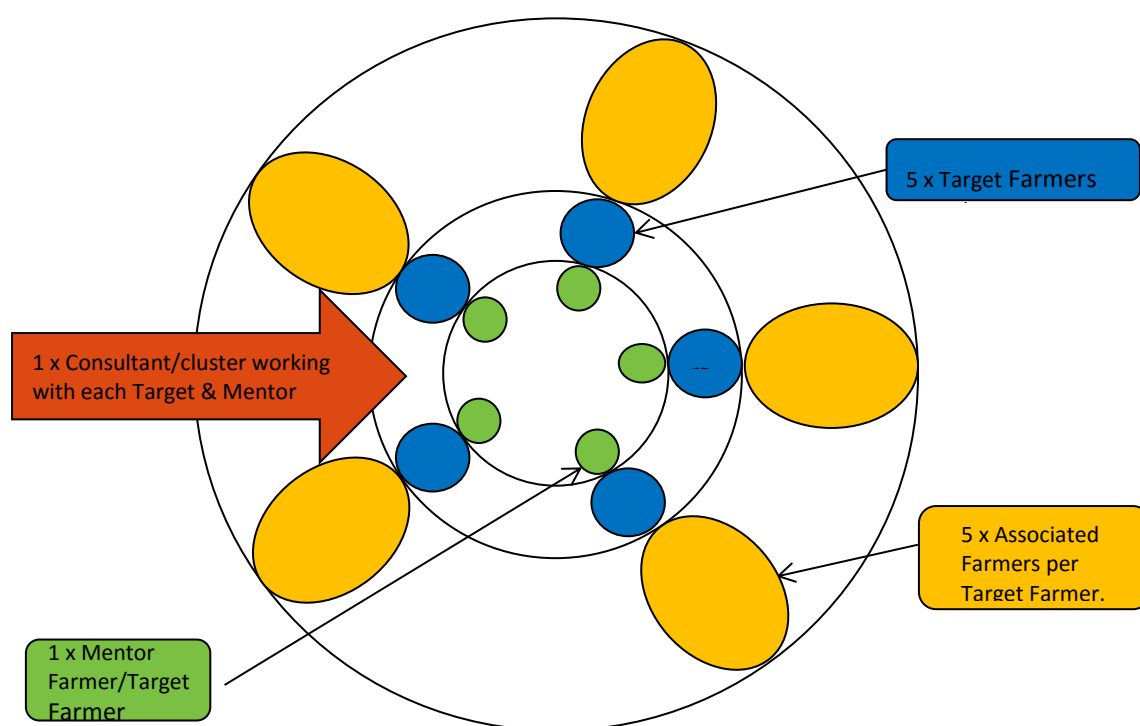
Season ending	2017	2018	2019	2020	2021
Setup		1	2	3	4
Cumulative farmers impacted		30	135	250	350
Dairy		20	90	170	245
B&S		10	45	80	105

Details of the project

The project focuses on geographical clusters of five Target Farmers (TFs). Each TF is to be mentored one-on-one by a high performing mentor farmer (MF) and advised by a farm consultant (see Figure 1). One of the biggest challenges may be getting enough TFs to accept the role due to a natural tendency by farmers of not wanting to be seen as operating below par. Rural professionals including accountants, bankers, veterinarians and consultants may all have a part to play in encouraging farmer participation. A list of potential mentors will be developed and a process put in place to match mentor and TFs appropriately. TFs and MFs for the first clusters will not be hard to obtain. Their success will determine how easily it will be to fill subsequent clusters.

Each cluster will have a farm consultant who facilitates the MF/TF relationship. The mentor farmers are expected to attend on all occasions when the consultant and TF meet and it is expected that the mentor farmers will have additional contact with TFs to reinforce the day to day practices that need to be implemented to achieve better performance.

Clusters will be formed within natural geographic areas. Northland consists of ten distinct sub regions which form natural boundaries for the clusters. For example: coastal sand, hill country, Kerikeri, Waipu flats. See Appendix 9 for further details.

Figure 1. Cluster diagram

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During the setup period starting soon after the beginning of the calendar year (i.e. Jan/Feb 2017) there will be four day long meetings with the TFs. It is critical that this timing is adhered to so that the estimated profit targets are achieved. The TFs and MFs must be identified, in place and working before the critical on-farm decisions are made (such as cow drying off dates) when the farm is set up for the new season. The plan is that each TF will participate in the project for 3 years. During that time, the number of days of consultant and mentor time will reduce. In year 1 there will be eight meetings, year 2 six and year 3 four. During the 3 year period, each target farmer must agree to influence at least five Associated Farmers (AFs) who are likely to be in close proximity to the TF property.

The unique and innovative features of the project are the one-on-one mentoring, interaction between mentors and target farmers within a cluster and interaction between clusters on a regional scale. This sets up a transformative virtuous cycle of reinforcing and positive competitive behaviour between TFs, MFs and AFs all facilitated by the farm consultant and managed by a central Project Manager. How this will take effect operationally has yet to be determined. The experience of the piloting of this innovative approach in Northland, as outlined in the Strategic Case, gives weight to the likely success.

Not only do the TFs benefit as set out above, MFs and AFs also benefit through the interaction and ripple effect of the positive practice change on the TF property. The assessed benefit to mentors is 50% of the profit assumed for TFs with AFs also benefiting after a lag of one year assessed at 20% of the TF benefit. This effect can be likened to throwing a stone into a pool with a strong effect nearby rippling out from there. Each cluster represents one of a series of linked pools rather than just one large pond and is illustrative of the geography of Northland. Experience has shown that consultants also benefit from the interaction with knowledge that can be passed on to other clients.

Table 4 summarises the cashflow of direct benefits under the Expected Scenario. The PV of dairy benefits is \$37.5 million of which \$22.3 million comes from TFs. In addition, the benefits from beef and sheep farmers is estimated at \$7.7 million making a total of \$45.2 million over 20 years from the start of the initiative. Further details of project benefits are provided in Appendix X with the benefits of the Conservative Scenario detailed in Appendix Y.

Table 4. Benefit Summary: Expected Scenario (\$'000)

Season ending Project year	Nominal	PV	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6	2037 20
Dairy										
Targets										
Sub-Total	51,771	22,277	-	200.0	800.0	1,900.0	1,900.0	2,520.0	2,570.4	3,391.6
Mentors										
Sub-Total	25,885	11,138	-	100.0	400.0	950.0	950.0	1,260.0	1,285.2	1,695.8
Associates										
Sub-Total	9,795	4,098	-	-	40.0	160.0	380.0	582.0	502.0	658.5
TOTAL DAIRY	87,452	37,513	-	300.0	1,240.0	3,010.0	3,230.0	4,362.0	4,357.6	5,745.9
Beef & Sheep										
Targets										
Sub-Total	10,811	4,569	-	-	100.0	275.0	453.5	535.6	546.3	720.8
Mentors										
Sub-Total	5,406	2,285	-	-	50.0	137.5	226.8	267.8	273.1	360.4
Associates										
Sub-Total	2,005	812	-	-	-	20.0	55.0	90.4	106.4	140.4
TOTAL B&S	18,222	7,667	-	-	150.0	432.5	735.3	893.7	925.8	1,221.6
TOTAL	105,674	45,180	-	300.0	1,390.0	3,442.5	3,965.3	5,255.7	5,283.4	6,967.5

Discount rate 8%

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Total project costs amount to \$3.4 million over six years. The main components are set out in Table 5. Mentor farmers receive initial training (\$2,000) and have annual costs (\$1,000) which in total, over the course of the project, amount to \$250,000. Mentors will undergo psychometric testing as part of this training.

Target Farmer costs total \$510,000 over the project period. These costs include a Mark and Measure assessment at the start and end of the project (at \$2,000 per time), a Sustainable Milk Plan for dairy and Land and Environment Plan for beef and sheep (at \$1,000 per time), plus a whole farm assessment (at \$2,000 per farmer) at the start of the project. Farm consultant costs overall total \$1,050,000 and are based on \$1,000 per day with 4 days during set up, 8 days in year 1, 6 in year 2 and 4 in year 3 for each TF. Detailed development of the initiative and subsequent administration costs of DairyNZ and B+LNZ amount to \$806,000 based on \$110,000 per annum per full time equivalent with one equivalent for DairyNZ and one third annually for B+L NZ. Project management costs amount to \$832,600 over six years. These costs are summarised in Table Z and detailed in Appendix Z. They cover in total over five years: the project manager (\$300,000), independent group chair (\$110,000), initiative establishment (\$30,000), accounts and administration (\$100,000), benchmarking analysis (\$40,100), website (\$65,000), travel (\$82,500), and communication (\$105,000).

Table 5. Project costs summary (\$'000)

Season ending	Nominal	PV	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6
Mentors									
	250.0	220.2	45.0	60.0	90.0	35.0	20.0	-	
Target farmers									
Dairy	315.0	268.9	50.0	60.0	95.0	45.0	35.0	30.0	-
Beef & Sheep	195.0	166.4	35.0	40.0	45.0	30.0	25.0	20.0	-
Total Target farmer costs	510.0	435.3	85.0	100.0	140.0	75.0	60.0	50.0	-
Consultants									
Total consultant costs	1,050.0	860.4	40.0	160.0	270.0	320.0	180.0	80.0	-
Development and Administration									
DairyNZ (1 FTE)	605.0		55.0	110.0	110.0	110.0	110.0	110.0	-
B+LNZ (0.33 FTE)	201.7		18.3	36.7	36.7	36.7	36.7	36.7	-
	806.7	658.9	73.3	146.7	146.7	146.7	146.7	146.7	-
Project management									
Sub-total	832.6	689.6	102.5	150.1	155.0	155.0	155.0	115.0	-
Total Expenditure	3,449.2	2864.4	345.8	616.7	801.7	731.7	561.7	391.7	-

Discount rate 8%

Choosing the scale

The REVEI originated from the on-farm change and economic improvements achieved by the Candy Focus Farm (2011 – 2015). This programme showed how a farmer learning from other farmers' led to engagement, learning and adoption of practices by building relationships and confidence. It is currently being replicated with two partner farms which are working for the individual farmers but not having significant region-wide impact.

The project scale was chosen to have sufficient economic impact to make a difference to the regional economy. It needs to reach across the region, to be identified by the rural communities and seen to be happening. District, regional and national politicians need to be able to readily identify farmers engaged in the initiative, with real and personal stories which prove their business and local community are benefiting economically and environmentally.

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Northland farming is spread through the region, pocketed in small areas suitable for intensive pastoral farming. These pockets are often isolated by natural geography of harbours, mountain ranges, and large scale indigenous or exotic forest. Therefore, to have the impact that is sought, a significant number of clusters is required. This needs to be tempered by the challenge of successfully setting up and managing the initiative. There has been considerable debate around the number of clusters that meet this balance. It is expected that the now proposed number of 7 dairy and 3 sheep / beef clusters will be expanded as the systems for running the initiative are refined and the benefits to the regional economy start to flow.

The size of the clusters, with 5 Target Farmers and 5 Mentors was determined from the experience and instinct of local farmers and rural professionals. Clusters need to have sufficient mass to provide wider interest and learning for the participants and their Associated Farmers while being small enough that individuals are identifiable and accountable to their peers for taking the actions achieving the improvements agreed to.

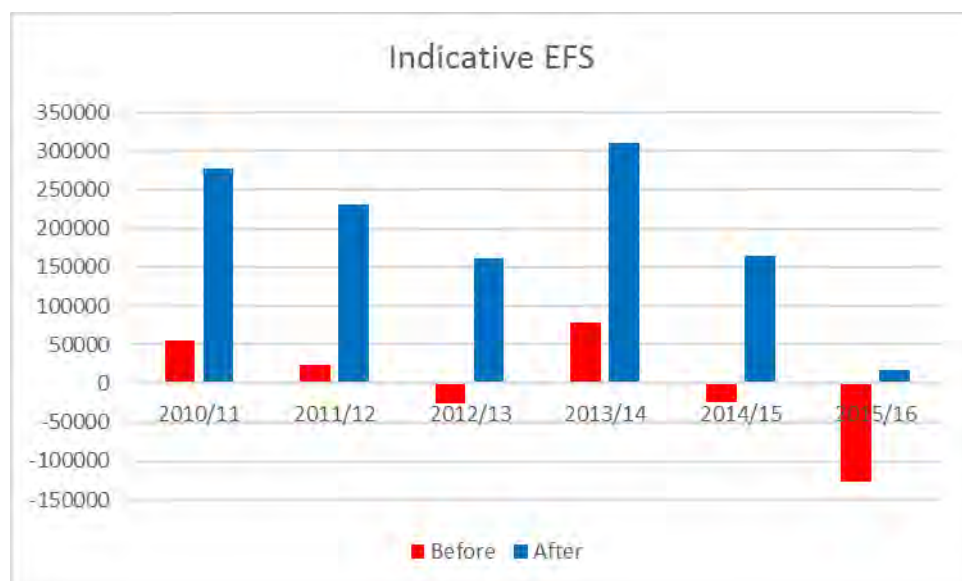
The ideal long term outcome is for farmers not directly involved in the initiative to recognise the opportunities and establish clusters for themselves, utilising the resources and skills available from their peers, local consultants, DairyNZ and B+L NZ.

Once the scale needed to have a regional wide impact was arrived at this was reassessed on the basis of available human resources, and risks and uncertainties. Based on these factors the scale was reduced from 15 clusters over three years to 10. This allowed for potential teething issues and ensuring there would be people with appropriate attributes to fill the key roles in the initiative.

Reference check on Benefits and Costs

The benefit assumptions used in the analysis are conservative compared with what has been achieved to date on focus farms in Northland and other projects that have elements of the REVEI. The DairyNZ Focus farm at Okaihau achieved more than two and one third times the increase in profit assumed for the dairy target farms under the conservative scenario and double that under the expected scenario assumptions (see Figure 2). These conservative estimates take into account the likelihood that some of the 50 TFs and 50 MFs will pull out or not be suitable requiring replacements thus potentially incurring delays in achieving the benefits.

Figure 2. Indicative EFS \$ Before and After (DairyNZ Focus Farm at Okaihau)



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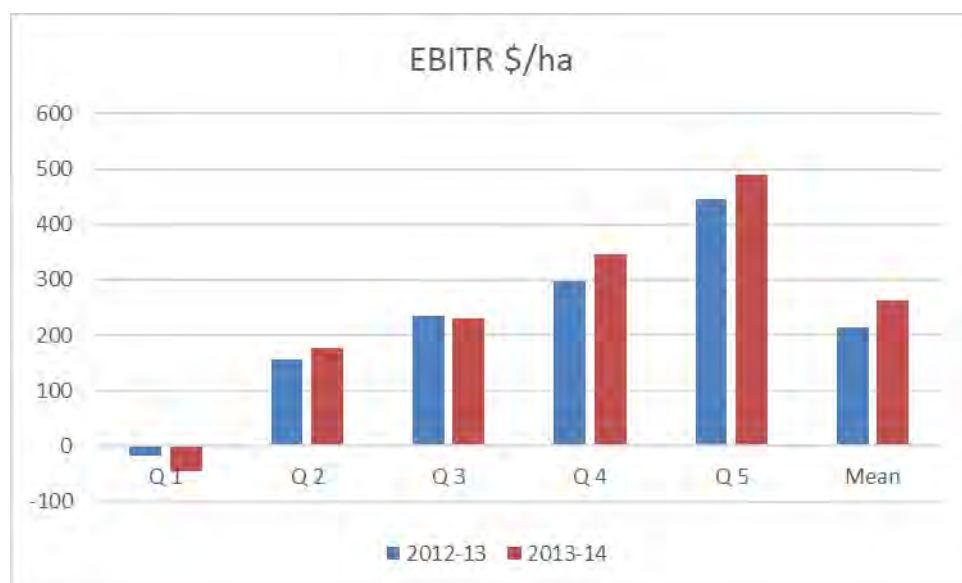
Source: Field Day handout 26 May 2015

Note: Before: 73,000 kg MS with FWE \$5.09/kg MS

After: 105,000 kg MS with FWE \$3.70/kg MS

Drawings/debt servicing \$120,000 in both scenarios

Quintile analysis of B+LNZ's Economic Survey of Northland hill country farms shows that the margin between below average or average profit and above average to top performance is considerably more than has been allowed for in the benefit estimates (see Figure 3). In many cases the difference between average and top performance is in attention to detail across the whole farm system and timing of critical decisions. These two elements are a focus of the project.

Figure 3. Beef and Sheep Quintile analysis: EBITR \$/ha


Source: Beef + Lamb New Zealand Economic Service:
 Sheep and Beef Farm Survey Analysis
 Northland Hill Country Farms

Key performance indicators (KPIs) to be monitored are provided in Table 6 below. Baseline data will be averaged over the preceding three years:

Table 6. Key Performance Indicators to be monitored

- Dairy
 - MS kg/ha and MS kg/cow
 - FWE \$/kg MS
 - EBITR \$/ha
- Beef and Sheep
 - Net meat kg/ha
 - Wool kg/ha
 - FWE \$/kg meat
 - EBITR \$/ha

As there is potential for physical performance (e.g. MS kg/ha) to be confounded by factors such as whether the run off is counted in the effective area and changes in end of year stock reconciliation. It will be a task of the project manager to ensure there is consistency in recording such data.

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Based on these KPIs further higher level statistics, such as increase in RDP and employment, will be able to be derived for progress reporting on the Economic Action Plan.

The Secret Sauce

There are five key elements that underlie the projected benefits of the project. The “secret sauce” of the initiative is the creation of a unique and innovative transformative virtuous cycle of reinforcing positive competitive behaviour between TFs, MFs and AFs all facilitated by the farm consultant and overseen by a central Project Manager. The key elements of the project include:

- One-on-one mentoring, farmers learning from farmers and the positive peer pressure from mentors on target farmers. Experience shows that farmer driven advice is accepted much more readily than from a rural professional mainly because the farmer peer has actually done what is being proposed rather than having just observed it from others. A key learning from the DairyNZ focus farm management committee approach is that advice from too many different directions (eg more than one farmer mentor) can be counterproductive. Focussing one mentor only working in unison with the farm consultant is seen as a superior way of building confidence and achieving practice change by the target farmers.
- Leveraging the benefits to mentors and associated farmers. Mentor farmers are expected to gain significant benefits from the process as they question their own performance alongside that of other mentors and farmers. The chosen mentors are expected to be top quartile farmers themselves who are naturally motivated to achieve. Being involved in a mentoring capacity is expected to stimulate them to push harder in their own business for better performance. Associated farmers will get exposed to the thinking and practical actions that drive improved performance on the target farms and their own peer group. Potentially a proportion of the associated farmers will become target farmers in subsequent rounds of an extended project (although this aspect is not factored into the analysis of benefits).
- It is expected that there will be competition both within clusters and between clusters, particularly the latter. This element derives from the geographical closeness of the TFs and the mentors and consultants thinking about their own reputation and performance relative to others involved in the project.
- Field days (one per cluster per year) expose the target farmers to a much wider scrutiny of peers in a positive supportive environment that drives a desire to do the very best
- The project manager provides the glue that holds everything together in organising TFs, MFs and AFs and consultants while making sure everything is done on time and to a high standard.

Risk and Uncertainty

Risks and risk management

Table 7 below sets out the risks and risk management processes of the project.

Table 7. Risks and risk management

Risk	Risk management
Selecting the wrong TFs and/or matching with the wrong mentors	Within a geographical area the pool of TFs and MFs will be matched through interaction between DairyNZ, B+LNZ, rural professionals and farmers in the existing focus farm management teams.

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<p>Target farmers may not be willing to accept they can benefit.</p> <p>Buy-in from mentors (partner farmers) over the 3 years of the project</p> <p>Associate farmer buy-in</p>	<p>TFs will need to accept that they want to change and exposure to benchmarking information can be the catalyst to show the possibilities of closing the gap from where they are compared to top performers.</p> <p>The excellent results of DairyPush and the Candy farm are compelling evidence that the benefits are there to be attained.</p> <p>The set up period before the start of the project is critical to allow time to get the matching right, establish rapport between TFs and MFs and make the critical decisions to set up the first season.</p> <p>Mentors will stay engaged if the TF continues to make progress. The first clusters will not be hard to fill. Their success will determine how easy it will be to fill subsequent clusters.</p> <p>Experience shows that mentors also gain from the process both personally and financially.</p> <p>Target farmers commit to engaging with at least 5 associate farmers by the beginning of the second year with the expectation that they will receive benefit and a number become target farmers themselves</p>
Wrong people in the various roles	The project manager will be a Northland person who understands the nuances of the region and its people. Above all this appointment requires human resource management, communication skills as well as organisational skills
Ineffective governance	The project manager will have clear accountabilities to a Board with a highly respected independent chair and representatives of DairyNZ and B+LNZ
Availability of cash for investment by TFs	<p>Farming goes in cycles and budgets and management plans will be structured to maximise returns within cash constraints. The Focus Farm check list (Appendix 4) shows that most of the requirements for top performance do not require large amounts of capital.</p> <p>Target farmers must have the financial resources to implement the project.</p>

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Scaling up risk	The project manager has the key role of managing personalities and ensuring the project runs on time and to budget. The manager will need to act quickly when things are going wrong and be able to fix them, and when going well to remove road blocks.
Getting the timing wrong	Timing is critical. Clusters need to be in place by the autumn to ensure the farm is set up for the next production year. In the setup period commitment from DairyNZ and B+LNZ regional leaders will be critical until the project manager is on board.
Compliance risk – environmental and animal welfare	Reduced to a low level due to all the work upfront on environmental plans and mark and measure assessments.

Uncertainty

Taking account of uncertainty is best quantified by changing key parameters. In the sensitivity analysis below the level of profit increase is reduced by 30–40%, project life is halved and the discount rate increased by 25%.

Profit reduction

A sensitivity analysis using conservative assumptions on the benefits received by Target Farmers (see Table 8) highlights the robustness of the project in the face of this key uncertainty. Dairy profit at full impact is decreased by 40% and beef and sheep by 29%.

Table 8. Sensitivity analysis on increases in profit/farm

Year	1	2	3
Dairy			
Expected	\$20,000	\$60,000	\$100,000
Conservative	\$20,000	\$40,000	\$60,000
Beef and Sheep			
Expected	0	\$20,000	\$35,000
Conservative	0	\$10,000	\$25,000

The reduction in average profit under the conservative assumptions takes into account that there may be higher than expected failures and delays in recruiting people and implementing the project. As it is assumed Mentor and Associate Farmers receive benefits proportional to Target Farmers (50% and 20% respectively) the sensitivity analysis also takes into account that the flow on benefits to these farmers could be much lower than under the expected level of assumptions.

The results of this sensitivity analysis show a reduction in NPV of 39% down to \$25.6 million while still showing a NB/C ratio of 9:1 down from 15:1 (see Table 9).

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Table 9. Project performance under conservative cf expected assumptions (\$'000)

	Conservative		Expected	
	Nominal	PV	Nominal	PV
Benefits (20 yrs)				
Dairy	53,185	23,094	87,452	37,513
B&S	12,906	5,390	18,222	7,667
Total Benefits	66,091	28,484	105,674	45,180
Less Costs	3,449	2,864	3,449	2,864
Net Benefit	62,642	25,620	102,225	42,315
NB/C		8.9		14.8
Discount rate	8%			

Halving project life

In addition, in a separate analysis the length of time that benefits are expected to flow from the project is halved from 20 years from the start of the project to 10 years. While the benefits from the project are expected to flow into the future they may be eroded through back sliding or structural changes in the fundamental economics of dairy and beef and sheep farming. Cutting off benefits early takes into account the possibility that this could occur.

The results of this sensitivity analysis show a reduction in the NPV at expected profit levels of 46% down to \$22.8 million and under the conservative profit increase assumptions the NPV reduces by 47% down to \$13.5 million (see Table 10). The NB/C ratio under the expected level of profit increase is 8:1 while under conservative assumptions the ratio is 5:1.

Table 10. Effect on benefits of halving the project life from 20 to 10 years

Conservative NPV	13,537.7
NB/C	4.8
Expected NPV	22,787.6
NB/C	8.1

Increasing the discount rate

Increasing the discount rate to 10% reduces the NPV under expected levels of profit to \$35.0 million (-17%) and \$20.1 million when project life is halved (-12%). For the conservative profit assumptions, the NPV reduces to \$21.1 million (-18%) and \$11.9 million when project life is halved (-12%).

Summary

Taking the most negative assumptions together (conservative profit, project years halved and higher discount rate) the NPV remains positive at \$11.9 million with the NB/C ratio still a healthy 4:1. This highlights in economic terms the robustness of the project.

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The powerful nature of the mentor/target relationship and the work upfront on various reports including mark and measure, sustainable milk plan (dairy), land and environment plan (beef and sheep) and whole farm assessment all seriously reduce uncertainty.

Indirect and induced effects

The wider community is also expected to benefit indirectly from the increase in money flowing to the participating farmers as they spend on inputs and increased consumption and the extra product flow through the transport and processing sectors. Such impacts induce a second round of community benefits as more money flows through the regional economy. A further benefit is likely to be the impact on sustainability of the pastoral sector with a significant section of the farming community better equipped and able to withstand economic volatility.

In summary, the overall conclusion is that beyond the direct benefits farmers will receive from the initiative there are significant flow-on effects to other parts of the regional economy. For a one off investment \$3.4 million (of which \$833,000 is regional funding spread over six years): creating over 140 new permanent off-farm jobs, boosting the incomes of other businesses by \$2.4 million per year and household expenditure in the second round of effects by a further \$450,000 per year.

Flow on impacts to other parts of the regional economy beyond the direct on-farm impacts are assessed using multipliers, provided by Market Economics⁹, derived from input/output analysis. Both forward (into processing) and backward (to suppliers of farm inputs) linkages are assessed.

In the year after the initiative is fully implemented (2023, year 6), the contribution to Regional Domestic Product (RDP) is estimated at \$6,371,000 of which 44% is off-farm made up of \$1,453,000 through backward linkages and \$1,378,000 in forward linkages. Total additional employment in that year is estimated to be 197 of which 136 or 69% is off-farm with 67 in backward linkages and 69 in forward linkages.

For an investment of \$3,449,000, the discounted¹⁰ total value of the additional contributions to RDP is estimated at \$56,925,000 of which \$26,365,000 (46%) is off-farm.

There are two components to the off-farm impacts, indirect and induced effects. Indirect effects occur from farmer expenditure on inputs and from the value added in processing. Induced effects occur in a second round when households spend the income derived from these activities. Over the life of the initiative indirect effects account for 84% of the off-farm impacts and induced effects account for 16%.

The indirect impacts of forward linkages derive from the transport of farm outputs, mainly milk, meat and wool, to processing and then into final consumption. The input/output model assumes there is no potential for substitution in the market, which is reasonable for exported products, of which the majority of farm outputs are, particularly milk. However, a proportion of outputs will go to the domestic market where substitution is possible. For example, beef on a restaurant menu could be replaced by fish. This will result in an overestimate of forward linkage impacts, but is likely to be less than 5% for milk, but up to 30% for beef.

The model used to derive these estimates is based on relationships in the economy assessed in 2007. With the passage of time these relationships may change, particularly over the 20 year timeframe used for the benefit assessment, plus the nine years before the initiative starts. This will

⁹ Market Economics Limited is one of New Zealand's leading independent consultancies. Based in Auckland, it specialises in market and economic analysis and environmental and ecological research.

¹⁰ Assuming a discount rate of 8% and benefits assessed over 20 years from the start of the initiative

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introduce errors into the analysis although not significant enough to change the overall view of the initiative's contribution to regional development.

The model also makes the assumption that the aggregate increases in EBITR (value added) are equivalent to changes in RDP. This is not strictly correct as RDP includes government transfers. The likely impact of this error is an overestimate of the order of up to 10%.

Details of the multipliers used and resulting impacts are provided in Appendix 8.

Commercial Case

The commercial case is essentially looking at the proposal from the position of an investor who would ask – is this a good deal?

The returns demonstrated in the Economic case show that it is a very good deal. Under the expected level of on-farm profit increase and project benefits extrapolated 15 years from the end of the development period, the NPV is \$42.3 million at an 8% discount rate with a NB/C ratio of 15:1. As shown in the sensitivity analysis, even when the major assumptions are all taken at conservative levels the NPV remains positive at \$11.9 million with the NB/C ratio still a healthy 4:1. This highlights the commercial robustness of the initiative.

Analysis of risks and uncertainty give confidence that the project will work:

- It has been tried and results speak for themselves (e.g DairyPush, Candy Farm)
- While there is more uncertainty in beef and sheep there is no reason why it can't work and benefit levels have been discounted to reflect the greater uncertainty.
- The project is an example of transferring a system from the dairy sector to the beef and sheep sector. With a predominance of beef farming in Northland, the intensive dairy grazing systems are well suited to improve profit performance of beef operations. There are examples where significant performance improvement has already been achieved.
- With the reduction in the number of cluster from 15, in the original proposal, to 10 this gives confidence that the consultants are available with the required capability. This is backed by thorough face to face interviews with four Northland consultants and six high performing farmers who all have direct experience of the proposed system.
- Based on the views obtained in the interviews, there is confidence the Target Farmers and Mentors will be available commensurate with the proposed scale.
- The project has been scaled to provide benefits on a regional scale while fitting the capabilities without over commitment.

Project governance and management are crucial to the success of the project. It is very important that the right people are engaged in these roles.

The regional impact and scale is a compelling story for Northland.

The risks and uncertainty are very manageable, the scale of net benefits is very attractive and there is the opportunity to leverage the project locally and elsewhere in New Zealand.

Regional funding

Local funder Northland Inc. has an Investment and Growth Reserve, which allocates funds (inter alia) to impact investments that have the potential to lift the economic performance of Northland. The objectives of the fund are to increase jobs, household income and the GDP of Northland. Funding for impact investments from the reserve are capped at \$1 million per year with the possibility of carrying forward a cumulative \$1 million from previous years. The REVEI initiative meets the criteria in the following ways:

- Beyond the direct benefits farmers will receive from the initiative there are significant flow-on effects to other parts of the regional economy
- For a one off investment \$3.4 million, the local funding requirement is \$833,000 in total spread over six years, with a maximum of \$155,000 per year

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- Over 140 new permanent off-farm jobs are created, in addition to the 60 on-farm jobs
- The incomes of up-stream and down-stream businesses are boosted by \$2.4 million per year, and
- Household expenditure in the second round of effects increases by a further \$450,000 per year.

Central Government Funding

Regional development is a high priority for central government, especially in regions like Northland that are struggling to make headway. The funding gap of \$1.44 million over five and a half years is within budget limitations.

The initiative, as a high regional priority, fits central government's objectives to stimulate economic growth and employment in struggling regions. This should ensure the initiative rates highly in the competitive environment for central government funds.

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Financial Case

The prime purpose of the Business case is to present a compelling case to potential funders.

Based on the economic and commercial cases, there is a compelling story for funders to identify with and support. The project is profitable and robust. It has a high priority in the region's growth opportunities and action plan and has manageable risks based on pilot projects already conducted.

Regional priority

The initiative is driven by Northland and has a high priority for regional development as highlighted in the Tai Tokerau Northland Growth Study opportunities report and the Economic Action Plan, both supported by Northland Inc. The summary section of the report on dairy and related processing states:

Northland is well positioned to benefit from the rising demand for protein in emerging markets. The dairy industry is significant for Northland and there is potential to grow the industry by:

- Building on and extending dairy farm productivity initiatives. Moving the middle 50 percent of farmers to the upper quartile of performance could deliver an additional \$50 million of value per annum.*
- Collaboration/consolidation of small farms and land use change on Māori owned land. The impacts will depend on the scale to which this occurs.*
- Continued investment in R&D in pastures, added-value products and processing, and the potential development of an agricultural innovation centre for the region.*

To realise this potential, industry development will need to go hand in hand with improved water and environmental management.

Implications for central government arising from the Growth Study report identified the need to continue to support the Northland dairy industry through research and development and agricultural extension.

The Tai Tokerau Northland Growth Study Action Plan includes the REVEI in the first group of projects to drive the transformation of Northland.

Funding

While the region is driving the initiative it needs central government support to make it feasible. Indications of funders in the proposal document when tested were uncertain. During the preparation of the business case some clarity has been obtained, but there remains a major gap that needs to be filled by central government. At this point, indicative funding shows target farmers in Northland will directly contribute 10.9% of the required funding, industry good organisations (DairyNZ and B+L NZ) 23.3%, making a sub-total of 34.2%, plus Northland Inc. 24.1% for a combined total of 58.4% from the region. This leaves a funding gap of 41.6% or \$1.4 million (see Table 11).

Commitment

There is a strong commitment from Northland farmers and the industry organisations that their levies support. The project is a key component of the dairy industry's regional strategy. Also, the Beef and Lamb Council sees this as a way of leveraging off the dairy industry's initial extension initiative successes.

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Indications from Northland Inc. are that while the level of funding indicated has not been approved, the total of \$833,000 spread over six years could be accommodated within their budget. They have expressed a willingness to consider locating the project management unit at their offices and are a candidate for the supply of the administration support required by the project. This is potentially a cost effective solution that will be assessed by the governance board against alternatives including, for example, a bureau attached to a local accounting firm.

Table 11. Project funding

Season ending	Nominal	% of Total	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6
Target farmer contributions									
Dairy	262.5	7.6%	25.0	50.0	87.5	62.5	37.5	-	-
B&S	112.5	3.3%	12.5	25.0	37.5	25.0	12.5	-	-
	375.0	10.9%	37.5	75.0	125.0	87.5	50.0	-	-
DairyNZ	605.0	17.5%	55.0	110.0	110.0	110.0	110.0	110.0	-
B+LNZ	201.7	5.8%	18.3	36.7	36.7	36.7	36.7	36.7	-
Northland Inc	832.6	24.1%	102.5	150.1	155.0	155.0	155.0	115.0	-
Sub-total	2,014.2	58.4%	213.3	371.7	426.7	389.2	351.7	261.7	-
Balance to fund	1,435.0	41.6%	132.5	245.0	375.0	342.5	210.0	130.0	-
Total funding	3,449.2	100.0%	345.8	616.7	801.7	731.7	561.7	391.7	-

Public good

There is a significant public good element through the indirect benefits to upstream and downstream industries and induced effects that will boost household incomes more broadly through a regional economy that is struggling to make positive headway.

The project represents stage one of what could be a much larger project extending the reach to many more farmers. By having associated farmers participating alongside the target and mentor farmers there is the potential to leverage the gains by subsequently elevating associate farmers to target farmer status. As well, successful target farmers could then become some of the new mentors. Having proven the model there is the potential for a Stage 2 to move to more of a commercial basis.

The Public Good component and nature of the Project encompasses:

- Assists with establishment of positive environmental impacts in Northland via the various action plans put in place as part of the project
- More resilience built into the pastoral sector and therefore the regional economy
- A new, transformative and innovative project
- Impacts that extend to all districts in Northland with a strong community of interest and collaborative basis

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- Opportunities to leverage elsewhere a likely outcome
- A Maori component with the option of separate Maori clusters or as part of a general cluster.

Management Case

Structure and Accountabilities

Responsibilities

The project needs governance and management with responsibilities clearly defined.

Governance:

During our discussions with the various parties, there was uncertainty as to project ownership and governance. Both the Northland Agriculture Forum and Northland Inc have limited resources and, while committed to the project, are restricted in what they are able to offer.

There is clear ownership for the project by DairyNZ and Beef&LambNZ, particularly in the Northland Region.

The governance Board for the project need not be large and a three or four-member Board would be very effective. Given their planned involvement, it makes sense to have representatives of both DairyNZ and Beef&LambNZ on the Board. An independent chairperson is advised, preferably a successful high profile Northland farmer. Also, the central government funder of the project may wish to have a representative on the Board.

The Board should have overall responsibility for the success of the project and will employ the Project Manager. The Board will also be required to approve the overall project plan and annual operations plans.

The Board will have overall responsibility and accountability for project expenditure and will need to agree the form and frequency of reports to the key stakeholders and project funders. It is expected that the Board will meet monthly in the early stages of the project following which bi-monthly meetings will probably suffice.

Draft Terms of Reference (TOR) for the Project Manager role are in Appendix 5.

Management:

The Project Manager will be responsible to establish the working framework for the project and agree with the Board the processes to be followed in appointing farm consultants, target farmers (TFs), mentor farmers (MFs) and associate farmers (AFs).

The Project Manager will manage the resources required in the project office to meet the reporting and administrative requirements of the project. Northland Inc has existing systems and processes in place for project administration and would be a prospective service provider to the project.

The Project Manager role is expected to be part time but this should not be cause for compromise on the quality of person appointed.

It will be important that the Project Manager has the ability to act decisively taking a “fast fail” approach to any appointments (Consultants, TFs, MFs etc) that are not working. Prior experience with the proposed model reinforces the importance of the “fast fail” approach.

As set out in the Project Manager TOR (Appendix 5), the person appointed to the role should have project manager experience, be a good communicator and be able to implement the required disciplines to project appointments and processes.

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Key Project Roles:

Other than the Project Manager, the key project roles are the farm consultant and mentor roles. Draft TOR for these roles are attached in Appendices 6-7.

Farm Consultants: In most cases, the farm consultant will preferably consult to a cluster of 5 target farmers (TFs). Some consultants may service two clusters but that would be the maximum. The planned TF numbers of 50 (35 dairy and 15 beef and sheep) will require 9 or 10 farm consultants. From discussions held with various parties, there is confidence that the required number of consultants with sufficient capability will be available. The daily remuneration planned of \$1000 should not be an impediment to recruitment.

The first year of the project will be the most important to get everything underway and working effectively which is why the first year has only 3 clusters. The scale up in year two from 3 clusters to 6 clusters should be manageable.

Mentors: The mentor prescription is to employ top quartile farmers who have the skills to act effectively as coaches to TFs while adding some peer pressure discipline to ensure the consultant advice is implemented.

To some extent, this area of one-on-one mentoring will be new to a number of those farmers selected as mentors (MFs). While they will receive some initial training, it will be important to monitor the effectiveness of the relationships between MFs, TFs and consultants as they develop and to act quickly in cases where they are not working.

Key elements the mentors will be expected to bring to the table include practical experience of best management practices, coaching ability and ability to bring peer pressure to bear on the TF without being heavy handed.

Each TF will have a separate mentor which means a maximum of 50 MFs will be required. There may be some difficulty recruiting the required numbers but the modest rate of scale up will provide breathing space to deal with potential difficulties. The fact that MFs will not be paid for their time should not be an impediment as there is clear evidence a number of candidate MFs are prepared to give time to this project and expect to benefit themselves from the interaction with the farm consultant and TF.

An extra boost to MF numbers is expected to flow from the experience of TFs with some of them graduating to become mentors in later stages of the project.

Target Farmers: As mentioned earlier, the project will seek to recruit 50 TFs (35 dairy and 15 beef and sheep). Maori farmers will be encouraged to participate either within clusters or as a separate Maori cluster. TFs will be expected to act on the advice of the consultant and mentor to deliver the expected benefits. TFs will also be required to formally engage with at least 5 associated farmers (AFs) in their own geographical area. This engagement will extend to discussion group type activity from time to time and attendance at field days on the TF's property.

Associated farmers will be expected to become TFs in later stages of the project.

Statement of Confidence that Benefits can be Delivered

Following the extensive discussions with farm consultants and farmers in Northland, we are very confident that this project can be implemented successfully. Our confidence is based on the following factors:

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- The concept has been piloted already and the focus farm and partner farm results speak for themselves.
- There is plenty of enthusiasm and confidence for the project being displayed by key stakeholders (DairyNZ, Beef&LambNZ, private farm consultants) without obvious vested interest.
- There is a willingness and commitment already evident by leading farmers to provide the key mentor resource for the project with a clear desire to help other farmers.
- The extent of prior assessment and plans for each farm and farmer, along with the on-going reporting on KPIs, will substantially reduce the risks involved in project implementation.
- Establishment of the planned governance and project management and adherence to the Terms of Reference proposed for the key roles will provide effective oversight and management. All that will be required will be appointment of the right people to the right roles.

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Appendix 1

Direct On-farm Benefits: Expected Scenario (\$'000)

Season ending Project year	Nominal	PV	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6	2037 20
Dairy										
Targets										
			-	200.0	600.0	1,000.0	-	-	-	-
			-	-	200.0	600.0	1,000.0	1,020.0	1,040.4	1,372.8
			-	-	-	300.0	900.0	1,500.0	1,530.0	2,018.8
Sub-Total	51,771	22,277	-	200.0	800.0	1,900.0	1,900.0	2,520.0	2,570.4	3,391.6
Mentors										
			-	100.0	300.0	500.0	-	-	-	-
			-		100.0	300.0	500.0	510.0	520.2	686.4
			-			150.0	450.0	750.0	765.0	1,009.4
Sub-Total	25,885	11,138	-	100.0	400.0	950.0	950.0	1,260.0	1,285.2	1,695.8
Associates										
			-	-	40.0	120.0	200.0	202.0	-	-
			-	-	-	40.0	120.0	200.0	202.0	266.5
			-	-	-	-	60.0	180.0	300.0	392.0
Sub-Total	9,795	4,098	-	-	40.0	160.0	380.0	582.0	502.0	658.5
TOTAL DAIRY	87,452	37,513	-	300.0	1,240.0	3,010.0	3,230.0	4,362.0	4,357.6	5,745.9
Beef & Sheep										
Targets										
			-	-	100.0	175.0	178.5	182.1	185.7	245.0
			-	-	-	100.0	175.0	178.5	182.1	240.2
			-	-	-	-	100.0	175.0	178.5	235.5
Sub-Total	10,811	4,569	-	-	100.0	275.0	453.5	535.6	546.3	720.8
Mentors										
			-	-	50.0	87.5	89.3	91.0	92.9	122.5
			-	-	-	50.0	87.5	89.3	91.0	120.1
			-	-	-	-	50.0	87.5	89.3	117.8
Sub-Total	5,406	2,285	-	-	50.0	137.5	226.8	267.8	273.1	360.4
Associates										
			-	-	-	20.0	35.0	35.4	36.1	47.6
			-	-	-	-	20.0	35.0	35.4	46.6
			-	-	-	-	-	20.0	35.0	46.2
Sub-Total	2,005	812	-	-	-	20.0	55.0	90.4	106.4	140.4
TOTAL B&S	18,222	7,667	-	-	150.0	432.5	735.3	893.7	925.8	1,221.6
TOTAL	105,674	45,180	-	300.0	1,390.0	3,442.5	3,965.3	5,255.7	5,283.4	6,967.5

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Appendix 2

Direct On-farm Benefits: Conservative Scenario (\$'000)

Season ending Project year	Nominal	PV	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6	2037 20
Dairy										
Targets										
			-	200.0	400.0	600.0	-	-	-	-
			-	-	200.0	400.0	600.0	612.0	624.2	823.7
			-	-	-	300.0	600.0	900.0	918.0	1,211.3
Sub-Total	31,483	13,714	-	200.0	600.0	1,300.0	1,200.0	1,512.0	1,542.2	2,035.0
Mentors										
			-	100.0	200.0	300.0	-	-	-	-
			-	-	100.0	200.0	300.0	306.0	312.1	411.8
			-	-	-	150.0	300.0	450.0	459.0	605.6
Sub-Total	15,741	6,857	-	100.0	300.0	650.0	600.0	756.0	771.1	1,017.5
Associates										
			-	-	40.0	80.0	120.0	121.2	-	-
			-	-	-	40.0	80.0	120.0	121.2	159.9
			-	-	-	-	60.0	120.0	180.0	235.2
Sub-Total	5,961	2,523	-	-	40.0	120.0	260.0	361.2	301.2	395.1
TOTAL DAIRY	53,185	23,094	-	300.0	940.0	2,070.0	2,060.0	2,629.2	2,614.6	3,447.5
Beef & Sheep										
Targets										
			-	-	50.0	125.0	127.5	130.1	132.7	175.0
			-	-	-	50.0	125.0	127.5	130.1	171.6
			-	-	-	-	50.0	125.0	127.5	168.2
Sub-Total	7,658	3,213	-	-	50.0	175.0	302.5	382.6	390.2	514.9
Mentors										
			-	-	25.0	62.5	63.8	65.0	66.3	87.5
			-	-	-	25.0	62.5	63.8	65.0	85.8
			-	-	-	-	25.0	62.5	63.8	84.1
Sub-Total	3,829	1,606	-	-	25.0	87.5	151.3	191.3	195.1	257.4
Associates										
			-	-	-	10.0	25.0	25.3	25.8	34.0
			-	-	-	-	10.0	25.0	25.3	33.3
			-	-	-	-	-	10.0	25.0	33.0
Sub-Total	1,419	571	-	-	-	10.0	35.0	60.3	76.0	100.3
TOTAL B&S	12,906	5,390	-	-	75.0	272.5	488.8	634.1	661.3	872.6
TOTAL	66,091	28,484	-	300.0	1,015.0	2,342.5	2,548.8	3,263.3	3,275.9	4,320.1

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Appendix 3

Project Costs (\$'000)

Season ending	Nominal	PV	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6
Mentors									
Training pp	100.0		30.0	30.0	40.0	-			
Costs pp/yr	150.0		15.0	30.0	50.0	35.0	20.0	-	
	250.0	220.2	45.0	60.0	90.0	35.0	20.0	-	
Target farmers									
Dairy									
Mark and measure x2 (start & finish)	140.0		20.0	20.0	30.0	20.0	20.0	30.0	-
Sustainable milk plan	105.0		10.0	20.0	35.0	25.0	15.0	-	
Whole farm assessment	70.0		20.0	20.0	30.0	-			
	315.0	268.9	50.0	60.0	95.0	45.0	35.0	30.0	-
Beef & Sheep									
Mark and measure x2 (start & finish)	120.0		20.0	20.0	20.0	20.0	20.0	20.0	-
Land & Environment	45.0		5.0	10.0	15.0	10.0	5.0	-	
Whole farm assessment	30.0		10.0	10.0	10.0	-			
	195.0	166.4	35.0	40.0	45.0	30.0	25.0	20.0	-
Total Target farmer costs	510.0	435.3	85.0	100.0	140.0	75.0	60.0	50.0	-
Consultants									
Dairy consultant days/Target	770.0		40.0	120.0	200.0	220.0	130.0	60.0	-
B&S consultant days/Target	280.0		-	40.0	70.0	100.0	50.0	20.0	-
Total consultant costs	1,050.0	860.4	40.0	160.0	270.0	320.0	180.0	80.0	-
Development and Administration									
DairyNZ (1 FTE)	605.0		55.0	110.0	110.0	110.0	110.0	110.0	-
B+LNZ (0.33 FTE)	201.7		18.3	36.7	36.7	36.7	36.7	36.7	-
	806.7	658.9	73.3	146.7	146.7	146.7	146.7	146.7	-
Project management									
Project Manager	300.0		30.0	60.0	60.0	60.0	60.0	30.0	-
Independent Group Chair	110.0		10.0	20.0	20.0	20.0	20.0	20.0	-
Initiative establishment	30.0		30.0	-	-	-	-	-	-
Accounts and Admin	100.0		10.0	20.0	20.0	20.0	20.0	10.0	-
Benchmarking analysis	40.1		-	0.1	10.0	10.0	10.0	10.0	-
Website	65.0		10.0	15.0	10.0	10.0	10.0	10.0	-
Travel	82.5		7.5	15.0	15.0	15.0	15.0	15.0	-
Communication	105.0		5.0	20.0	20.0	20.0	20.0	20.0	-
Sub-total	832.6	689.6	102.5	150.1	155.0	155.0	155.0	115.0	-
Total Expenditure	3,449.2	2864.4	345.8	616.7	801.7	731.7	561.7	391.7	-

Appendix 4



Focus Farm Checklist:

Here is a take home checklist of the key changes that drove the focus farm improvement in performance and profit. Can you put a tick by some of these to improve profit and performance on your farm?

What Changed	How Well Are You Doing This?				
	I'm Not	Pretty Poor	I'm OK	Pretty Good	I'm a Star
Pasture:					
Checking Post Grazing Residuals Each Day					
Rotation Length Targets for Each Month					
Spring Rotation Plan to Allocate Feed in winter					
10 Day Farm Walk & Feed Wedge					
Winter Feed Budgets					
Runoff/Winter Grazing Plan					
Supplement Plan – When & How Much					
Standoff Plan to Avoid Pugging					
Nitrogen Plan – When and How Much					
Animal:					
Assess Body Condition Score Regularly					
Achieve Body Condition Score 5 at Calving					
Weigh Youngstock & Compare against targets					
Creating a preferential mob for “at risk” stock					
Analyse Reproductive Performance annually					
Reproduction Plan (Key dates and Actions)					
Financial:					
Benchmark on DairyBase					
Annual Cashflow Budget					
Monitor Expenses Against budget (monthly)					
Use Cashmanger to do my GST					
Adjust Budget when Fonterra changes forecast					
Share my Budget with People I Trust					

WHO WILL YOU SHARE THIS SHEET WITH TO MAKE A POSITIVE DIFFERENCE TO YOUR BUSINESS & YOUR FAMILY?

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Pasture

- **Target Residuals:** This tells you how well the cows are being fed - Intakes were calculated to leave 1500 residuals for milkers
- **Target Rotation Length:** Have rotation length targets for each month – this drives growth rates
- **Spring Rotation Plan:** Use the SRP to manage rotation and area grazed from planned start of calving to balance date. It was made by Northland farmers for Northland farmers
- **Farm Walks:** measured their grass every 10 days and used the results to allocate their grass and supplements
- **Runoff and Feed Budget:** Have a plan for winter at the runoff, daily shifts were essential
- **Supplements Used Accurately and Profitably:** supplements to fill true feed deficits and rotation length and post grazing residuals. Plan how much you'll need and monitor against the plan
- **Avoiding Pugging:** a variety of strategies to avoid damaging pasture during wet periods – you don't need a herd home or standoff pad, just some planning
- **Nitrogen:** Nitrogen was used following grazing through the winter to increase growth rates and strategically with rain to slow the rotation before summer

Cows

- **Regular BCS** learned to consistently condition score their cows
- **Target BCS.** Getting all cows to condition score 5 at calving was an important goal. OAD milking at risk cows was a strategy used to improve cow condition
- **Target intakes.** worked hard to accurately fully feed their cows, without wasting grass
- **Reproduction focus.** A big effort was made to improve their 6 week in calf rate
- **OAD milking** of light condition cows to help them cycle

Young stock

- **Regular Weighing and Monitoring.** Young stock were weighed and drenched regularly and their progress monitored against their target weights
- **Preferential Mobs:** Animals below target were split out and given preferential feeding
- **PKE over first summer.** PKE was fed over the calves first summer to maintain the challenging target growth rates – the energy of summer/autumn grass is not sufficient
- **Improved subdivision** dramatically improved the subdivision on their runoff. Daily shifts and improved pasture quality led to better growth rates.

Financial

- **Benchmarking:** Comparing income and costs with other similar dairy farm businesses and top performing operators – Question what's different and why
- **Make A Plan:** Work with trusted rural professionals to manage expenditure
- **Budget:** shared their budget with accountant and the Management team to create an ambitious budget
- **Cash Manager:** Coding and recording all expenditure and income to ensure there is good financial information to drive decisions
- **Monitoring Budget v Actual.** Each month they compared their actuals against budget to see how they were going and identify issues early

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Appendix 5

Terms of Reference: Project Manager

Purpose of Role: The Project Manager is responsible to successfully implement the Regional Economic Extension Initiative (REVEI) according to the Business Plan.

The Project Manager will report to the Governance Board (consisting of a DairyNZ representative, Beef&LambNZ representative, independent Chair, and funder representative). The Project Manager responsibilities are:

Key responsibilities

1. Establish processes for the selection, recruitment and appointment of

- Farm consultants
- Target farmers
- Mentors
- Administration Office

Note: Advice will be given from key leaders in the rural professional and farming community in Northland to assist with this.

2. Implement and manage the programme to achieve targeted results and outcomes
3. Encourage and undertake rapid action when programme or individual performance is underachieving. In other words, fixing problems or issues quickly.
4. Oversee and manage the administration of the programme including receiving funds, making payments, keeping accurate records and reporting to funders and stakeholders
5. Report as required to the Board and key stakeholders on programme activity, performance and outcomes
6. Communicate effectively with stakeholder groups, funders and the public
7. Manage the risks inherent in the programme to the satisfaction of the Board.

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Appendix 6

Terms of Reference: Farm Consultant

Purpose of Role:

The Consultant is engaged, as part of the Northland REVEI, to provide farm consultancy advice and support to their Target Farmers. The advice is expected to cover all those aspects of the Target Farmer's business identified in the Whole Farm Assessment as requiring change to improve profitability, sustainability and competitiveness.

The Consultant will work as a team member with the Target Farmer's Mentor prescribing and agreeing the improved management practices required.

The Consultant will report to the Project Manager of the REVEI. The Consultant's appointment will be agreed by the Governance Board (consisting of the DairyNZ Regional Manager - Northland, Beef + Lamb Extension Manager - Northern North Island, independent Chair and funder representative).

Key responsibilities

1. Contribute to the identification and selection of Mentors for their Target Farmers
2. Contribute to the identification and selection of Target Farmers for their farm Cluster which will normally comprise 5 Target Farmers in the same geographical area.
3. Adopt and practise a Whole Farm Management philosophy and lead the Whole Farm Assessment for individual Target Farmers within the Cluster
4. In consultation with each Target Farmer and their Mentor, set the 3 Year Farm Development Strategy and Plan for each Target Farm
5. Coordinate the participation of Target Farmers in the Cluster to ensure they engage in all the development and assessment initiatives prescribed within the REVEI Business plan
6. Maintain regular and effective communication links with the Target Farmers and Mentor farmers within the Cluster
7. Organise and facilitate Cluster and public field days to enable other farmers to learn
8. Report as required on progress of Target Farmers and the Clusters to achieving the objectives and milestones identified in the 3 Year Farm Development Strategy and Plan
9. Communicate effectively with stakeholder groups and the public to promote the REVEI programme
10. Work closely with the Project Manager to manage the risks inherent in the REVEI to the satisfaction of the Governance Board.

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Appendix 7

Terms of Reference: Mentor

Purpose of Role:

The Mentor is engaged to provide support to their designated Target Farmer in understanding and implementing the changes identified in the Whole Farm Assessment for improving their business profitability, sustainability and competitiveness. The Mentor will work as a team member with the Target Farmer's farm consultant encouraging implementation of the agreed improved management practices.

The Mentor will be appointed by the Governance Board (consisting of the DairyNZ Regional Manager - Northland, Beef + Lamb Extension Manager - Northern North Island, independent Chair and funder representative) .

Key responsibilities

1. Participate in the selection of their Target Farmer
2. Participate in the Whole Farm Assessment of their Target Farmer's business
3. Participate in establishing the 3 Year Business Development Strategy and Plan for their Target Farmer
4. Applaud success of their Target Farmer
5. Challenge non engagement of their Target Farmer in the thinking or actioning on-farm changes recommended or pursuing the self-improvement programmes offered
6. Listen to and understand their Target Farmer
7. Explain and /or demonstrate to their Target Farmer the practice changes recommended by the Consultant to achieve the 3 Year Business Development Strategy and Plan
8. Maintain regular and effective communication links with their Target Farmer, his Associated Farmers and Consultant
9. Contribute to Cluster and public events promoting on farm change achieved by their Target Farmer

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Appendix 8. Indirect and Induced Benefits

Season ending Project year	Nominal PV	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6	2037 20
Indirect and Induced Benefits (\$'000)									
BACKWARD Linkages									
Dairy									
Regional									
Type 1	EBITR	0	300	940	2,070	2,060	2,629	2,615	3,448
	Gross output	0	804	2,519	5,548	5,521	7,047	7,008	9,240
	Value Added	0	384	1,204	2,651	2,639	3,368	3,349	4,416
	Employment	0	8	26	58	57	73	73	96
Type 2									
	Gross output	0	869	2,723	5,996	5,967	7,616	7,573	9,986
	Value Added	0	420	1,315	2,895	2,881	3,677	3,656	4,821
	Employment	0	10	30	67	67	85	85	112
Gross Output									
	Direct	0	612	1,918	4,223	4,202	5,363	5,334	7,033
	Indirect	0	192	602	1,325	1,319	1,683	1,674	2,207
	Induced	0	65	203	448	446	569	566	746
Value Added									
	Direct	0	300	940	2,070	2,060	2,629	2,615	3,448
	Indirect	0	84	264	581	579	738	734	968
	Induced	0	35	111	244	242	309	308	406
Employment									
	Direct	0	5	15	34	34	43	43	57
	Indirect	0	3	11	23	23	30	30	39
	Induced	0	1	4	10	10	12	12	16
Dairy Regional (\$'000)									
EBITR = 300									
Gross output = EBITR/Value Added to Gross Output Ratio * Backward linkage Output Multiplier									
eg Dairy 2018 = 300/0.49 * 1.31 = 804									
Value added = EBITR * Backward linkage Value added Multiplier									
eg Dairy 2018 = 300 * 1.28 = 384									
Employment = Gross Output \$m * Employment to Gross Output ratio * Backward linkage Employment Multiplier									
eg Dairy 2018 = 0.804 * 8.07 * 1.28 = 8									
Beef & Sheep									
Regional									
Type 1	EBITR	-	-	75	348	650	884	926	1,222
	Gross output	-	-	272	1,259	2,356	3,202	3,354	4,426
	Value Added	-	-	111	514	962	1,308	1,370	1,808
	Employment	-	-	3	14	26	36	38	50
Type 2									
	Gross output	-	-	291	1,348	2,522	3,428	3,592	4,739
	Value Added	-	-	108	502	939	1,276	1,337	1,764
	Employment	-	-	3	16	30	41	43	57
Gross Output									
	Direct	-	-	188	870	1,629	2,214	2,319	3,060
	Indirect	-	-	84	389	727	988	1,035	1,366
	Induced	-	-	19	89	167	227	237	313
Value Added									
	Direct	-	-	75	348	650	884	926	1,222
	Indirect	-	-	36	167	312	424	444	586
	Induced	-	-	3	12	23	31	33	43
Employment									
	Direct	-	-	1	7	13	17	18	24
	Indirect	-	-	2	7	14	19	20	26
	Induced	-	-	0	2	4	5	5	7

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Season ending Project year	Nominal	PV	2017 Setup	2018 1	2019 2	2020 3	2021 4	2022 5	2023 6	2037 20	
Indirect and Induced Benefits (\$'000)											
Support Services											
Regional											
Type 1	Cost	3,449	2,864	346	617	802	732	562	392	-	-
	Gross output	4,744	3,939	476	848	1,103	1,006	772	539	-	-
	Value Added	2,137	1,775	214	382	497	453	348	243	-	-
	Employment			9	16	21	19	15	10	-	-
Type 2											
	Gross output	5,545	4,605	556	991	1,289	1,176	903	630	-	-
	Value Added	2,575	2,138	258	460	598	546	419	292	-	-
	Employment			12	21	27	25	19	13	-	-
Gross Output											
	Direct	3,449	2,864	346	617	802	732	562	392	-	-
	Indirect	1,294	1,075	130	231	301	275	211	147	-	-
	Induced	801	665	80	143	186	170	130	91	-	-
	Total	5,545	4,605	556	991	1,289	1,176	903	630	-	-
Value Added											
	Direct	1,597	1,326	160	285	371	339	260	181	-	-
	Indirect	540	449	54	97	126	115	88	61	-	-
	Induced	438	364	44	78	102	93	71	50	-	-
	Total	2,575	2,138	258	460	598	546	419	292	-	-
Employment											
	Direct			6	10	13	12	9	7	-	-
	Indirect			3	6	8	7	6	4	-	-
	Induced			3	5	6	5	4	3	-	-
	Total			12	21	27	25	19	13	-	-
Total Backward											
Regional											
	EBITR			-	300	1,015	2,418	2,710	3,513	3,540	4,669
Type 1	Gross output			476	1,652	3,894	7,813	8,650	10,787	10,362	13,666
	Value Added			214	766	1,812	3,619	3,949	4,918	4,719	6,223
	Employment			9	25	50	91	99	119	110	145
Type 2											
	Gross output			556	1,860	3,014	7,344	8,490	11,044	11,165	14,725
	Value Added			258	880	1,423	3,397	3,820	4,953	4,993	6,585
	Employment			12	31	34	83	97	126	128	169
Gross Output											
	Direct			346	1,229	2,907	5,825	6,393	7,969	7,653	10,093
	Indirect			130	424	987	1,988	2,257	2,818	2,709	3,573
	Induced			80	208	409	707	743	886	803	1,059
	Off-farm			556	1,623	1,395	2,695	3,000	3,705	3,512	4,632
	Total			556	1,860	4,302	8,520	9,392	11,674	11,165	14,725
	% off-farm			100%	87%	32%	32%	32%	32%	31%	31%
Value Added											
	Direct			160	585	1,386	2,756	2,970	3,694	3,540	4,669
	Indirect			54	181	426	863	978	1,224	1,178	1,554
	Induced			44	114	210	324	291	328	275	362
	Off-farm			258	755	1,234	1,733	1,688	1,844	1,453	1,916
	Total			258	880	2,021	3,943	4,239	5,245	4,993	6,585
	% off-farm			100%	86%	61%	44%	40%	35%	29%	29%
Employment											
	Direct			6	15	30	53	56	67	61	81
	Indirect			3	9	20	38	43	52	49	65
	Induced			3	6	11	17	17	20	18	23
	Off-farm			12	26	44	67	69	79	67	88
	Total			12	31	61	108	116	140	128	169
	% off-farm			100%	84%	72%	62%	60%	57%	52%	52%

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Season ending	Nominal	PV	2017	2018	2019	2020	2021	2022	2023	2037	
Project year			Setup	1	2	3	4	5	6	20	
Indirect and Induced Benefits (\$'000)											
Total Forward											
Regional											
Type 1	EBITR		-	300	1,015	2,418	2,710	3,513	3,540	4,669	
	Gross output		-	1,010	3,497	8,511	9,822	12,775	12,913	17,030	
	Value Added		-	378	1,304	3,161	3,628	4,716	4,765	6,284	
	Employment		-	9	32	78	92	120	122	161	
Type 2											
	Gross output		-	1,036	3,588	8,738	10,091	13,125	13,268	17,498	
	Value Added		-	389	1,343	3,258	3,745	4,868	4,918	6,487	
	Employment		-	10	34	84	99	128	130	172	
Gross Output											
	Direct		-	-	-	-	-	-	-	-	
	Indirect		-	398	1,392	3,418	3,991	5,198	5,260	6,937	
	Induced		-	26	91	226	268	350	355	468	
	Off-farm		-	424	1,483	3,644	4,259	5,548	5,615	7,406	
Value Added											
	Direct		-	-	-	-	-	-	-	-	
	Indirect		-	78	289	743	918	1,204	1,224	1,615	
	Induced		-	11	39	98	116	151	153	202	
	Off-farm		-	89	328	841	1,034	1,355	1,378	1,817	
Employment											
	Direct		-	-	-	-	-	-	-	-	
	Indirect		-	4	15	38	46	60	61	80	
	Induced		-	1	2	5	6	8	8	11	
	Off-farm		-	5	17	43	52	68	69	91	
Total Backward and Forward											
Regional											
Type 1	Gross output		476	2,662	7,391	16,325	18,472	23,562	23,275	30,696	
	Value Added		214	1,144	3,115	6,779	7,577	9,634	9,484	12,507	
	Employment		9	34	82	169	191	240	232	306	
Type 2											
	Gross output		556	2,896	6,602	16,082	18,580	24,169	24,433	32,224	
	Value Added		258	1,269	2,766	6,655	7,564	9,821	9,912	13,072	
	Employment		12	40	68	167	196	255	258	340	
Gross Output											
	Direct	156,949	68,676	346	1,229	2,907	5,825	6,393	7,969	7,653	10,093
	Indirect	160,758	69,292	130	821	2,379	5,407	6,248	8,016	7,969	10,511
	Induced	24,012	10,610	80	234	500	933	1,011	1,237	1,158	1,527
	Off-farm	188,220	82,766	556	1,672	3,680	7,071	7,821	9,645	9,127	12,038
	Total	341,720	148,578	556	2,284	5,785	12,165	13,652	17,222	16,780	22,131
	% off-farm			100%	73%	64%	58%	57%	56%	54%	54%
Value Added											
	Direct	72,749	31,886	160	585	1,386	2,756	2,970	3,694	3,540	4,669
	Indirect	48,493	20,913	54	259	714	1,606	1,897	2,427	2,403	3,169
	Induced	9,124	4,127	44	125	249	422	407	479	428	565
	Off-farm	59,214	26,365	258	669	1,334	2,366	2,563	3,087	2,831	3,734
	Total	130,366	56,925	258	969	2,349	4,784	5,273	6,600	6,371	8,403
	% off-farm	45%	46%	100%	69%	57%	49%	49%	47%	44%	44%
Employment											
	Direct			6	15	30	53	56	67	61	81
	Indirect			3	14	35	76	88	112	110	145
	Induced			3	7	13	22	24	28	26	34
	Off-farm			12	30	61	110	121	147	136	179
	Total			12	35	78	151	168	208	197	260
	% off-farm			100%	86%	78%	73%	72%	71%	69%	69%

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Appendix 9: Northland DairyNZ Discussion Group areas

The 23 discussion groups below are based on geographic areas and indicate the diversity of farming sub-regions in Northland from which clusters could be established.

Tangiteroria

Matarau / Hukerenui

Te Kopuru

Aranga

Ruawai

Mid Western

Maromaku

Titoki/Kokopu

Tomarata

Tapora

Ararua

Bream Bay

Kaiwaka

Maungaturoto

Helensville

Warkworth

Kerikeri

Kaikohe

Kaitaia

Umawera

South Hokianga

Waiharara

Whangarei Heads

Waitangi Mountain Bike Park

Report By: Vaughan Cooper, GM Investment & Infrastructure

Dated: 23/11/2015

Background

Focus Paihia is a grass-roots organisation that was born out the belief that Paihia has the potential to become an exceptional place to live, work and visit. Focus Paihia has spent considerable time thinking through its vision, strategy and the future structure of Paihia. It has done this by listening to the community and building on their views in the early stages of its own development. It also set a mechanism for working in concert with local councils and other agencies.

Focus Paihia has been willing to search out expert external advice, such as that of the architects and planners Stephenson and Turner and the 'place-making' consultancy Creative Communities International. Since its fomation, Focus Paihia has undertakn many successful projects, with the help of voluntary input of the local residents. These projects culminated in Paihia receiving the '2015 Community of the Year' award (as part of the New Zealander of the Year awards) as well becoming the Supreme Community Trust Power Award winner in March 2015.

Focus Paihia have been working closely with the Department of Conservation for the past 2 years to obtain a Management Agreement to build a world class mountain bike park in the Waitangi Endowment Forest.

Whilst the Bay of Islands is renowned for its large range of water based activities, it has very few land based adventures. An opportunity was seen to develop the existing Waitangi Endowment Forest land which is administered by the Department of Conservation, into a World Class Mountain Bike Park without interrupting the existing commercial forestry business.

The Waitangi Mountain Bike Park will open up the forest and attract far more use of this magnificent area. It will be a world class mountain bike park in the Bay of Islands, adding a much needed land-based activity for all, locals and tourists alike. Driven by Tiffany & Robin Holland, supported by Jeff Carter of Southstar Trails, this project will have positive affects throughout the Bay of Islands and the wider community in social, health and economic terms.

The Master Plan for the Waitangi Mountain Bike Park contains 5 zones which will be developed in three stages:

- Stage 1 - Zones 2 & 3 – Trails totalling 39kms and includes a pilot trail of 1.9kms
- Stage 2 - Zones 1 & 4 – Trails totalling 26kms
- Stage 3 - Zone 5 – Trails totalling 7kms
- A total of 70+kms costing an estimated \$1.3m

Business Case

A full copy of the business plan and supporting information is included as Appendix A. This includes:

- Waitangi Mountain Bike Park Business Plan
- Economic Impact Analysis by APR Consultants Ltd
- Waitangi Mountain Bike Park Operating Budget
- Waitangi Mountain Bike Park Development Budget

Further background on Focus Paihia and their recent Community Projects is also included.

The Park will provide a land-based activity which can strengthen the visitor season by providing an all year round activity. It is estimated, by APR, that the park will attract 15,000 visitors in year 3 and this could rise to 50,000 by year 10.

Economic benefits, inclusive of flow-on effects are estimated, by APR, to be \$6.4M in year 3, building to \$21.2M after 10 years.

Funding

Development of the mountain bike park is budgeted at \$1.2M. Focus Paihia is proposing this be funded by three funding partners equally; Focus Paihia, Foundation North and the Investment and Growth Reserve. An application to Foundation North will be lodged in January – interim discussions suggest this will be viewed favourably. Focus Paihia has already raised half of its contribution.

Focus Paihia is requesting funding of \$400,000 through the impact investment funding category within the Investment and Growth Reserve.

Discussion

The most obvious risk to the project is in regard to ongoing maintenance of the tracks in the event of the projected visitor numbers and therefore project income not meeting expectations. Focus Paihia has committed to continue to maintain the Park. When questioned on their ability to provide such a commitment the following factors were identified that gave Focus Paihia the comfort they needed to plan for this eventuality.

- Focus Paihia is confident (and has a proved track record with past projects), that the local community (both business and residents) will provide materials and labour on a voluntary basis.
- Focus Paihia has other income streams from activities such as the Ops Shop (+-\$80k pa) that would be channelled into the Park if it was necessary.
- Focus Paihia has developed a new alliance with the New Zealand Department of Corrections in Kaikohe, which means they believe that the costs of maintaining the tracks as outlined in budget projections are overstated and that a lot of the ongoing maintenance can be covered by this resource.

The Economic Impact Analysis by APR Consultants does provide some good evidence of expected visitor numbers which confirms the expectation that the facility will be more than capable of meeting its ongoing costs.

The management agreement with the Department of Conservation provides for a five year lease with one right of renewal for a further five years. Whilst the intention is for the mountain bike park to be permanent this is the longest term of lease that DoC is able to provide for this particular site.

More detailed information is included within the business case which confirms the view that the project will have a significant economic impact. Therefore it is considered appropriate for funding through the impact investment category of the Investment and Growth Reserve.

Recommendations:

1. That the report be received.
2. That \$400,000 of impact investment funding be approved for the Waitangi Mountain Bike Park from the Investment and Growth Reserve.



Waitangi Mountain Bike Park

*To create and maintain a world class Mountain Bike Park in the Waitangi
Endowment Forest.*

Business Plan

August 2016

Contact Information

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Executive Summary

This Business Plan has been prepared by the Focus Paihia Community Charitable Trust to outline the development and operation of the Waitangi Endowment Forest Mountain Bike Park (WMBP). It covers the capital cost of developing the park, the proposed method of funding the development and its on-going operation in the future. The significant benefits that will accrue to the Northland region, and in particular the economy of the greater Bay of Islands, are outlined in the Economic Impact Assessment prepared by APR Consultants Ltd.

- The WMBP will provide the Bay of Islands with a much needed land-based activity which can be enjoyed all year round
- It is estimated that after 3 years the WMBP will attract 15,000 new visitors to Northland and that this figure could potentially rise to 50,000 visitors after 10-15 years operation
- The all-weather nature of the surfaces of the trails will help to broaden the shoulder seasons and attract visitors in the quiet winter months
- The capital costs of implementing the full Masterplan are budgeted at \$1.6m
- This will provide 76 kms of 'landmark' trails which will achieve a silver rating from the International Mountain Bike Association
- The Northland economic benefits, inclusive of the flow-on effects, are estimated to be \$6.4m after 3 years and \$21.2m after 10-15 years
- This will result in the creation of 50.4 FTE jobs after 3 years and 167.9 FTE jobs after 10-15 years

Background - Focus Paihia Community Charitable Trust

Focus Paihia is a grass-roots organisation that was 'born' out of the belief that Paihia has the potential to become an exceptional place to live, work and visit. It has spent a considerable amount of time thinking through its vision, strategy and the future structure of Paihia. It has done this by listening to its community and building on their views in the early stages of its own development. It also set up a mechanism for working in concert with local councils and other agencies, at the staff level as much as with councillors.

Going through this important stage was the key contribution of Tania McInnes, now the FNDC Deputy Mayor. It has also been willing to search out expert external advice, such as that of the architects and planners Stephenson and Turner and the 'place-making' consultancy Creative Communities International.

Taking these developmental and evolutionary steps has enabled Focus Paihia to work with the grain of local opinion and external advice rather than asserting its own opinions as a Board, although we would also argue that there has been no lack of leadership at this level. Nevertheless, going back to the community for further views and even a renewed 'mandate', especially through public meetings, has been part of its ongoing modus operandi.

The Trust represents a wide range of the Paihia community including representation from:

- Business community
- Local Hapu
- Paihia and Surrounds Resident & Ratepayers
- Paihia Youth (including local schools)
- Local History groups
- Local Environmental groups

Since its formation Focus Paihia has undertaken many successful projects which have all been undertaken with the help of voluntary input of the local residents. These projects culminated in Paihia receiving the '2015 Community of the Year' award at the prestigious New Zealander of the Year awards held in Auckland (February 2015) followed by the Trust becoming the Supreme Community Trust Power Award winner in March 2015. (For more details please see the timeline appended of the Trust's projects to date.)

Vision

To create & maintain a world class mountain bike facility, which embraces and celebrates the cultural heritage of the area and provides a land-based healthy activity for people of all ages and skill levels, and which results in increased visitor numbers to Northland with the associated benefits for all.

Goals

1. To build a community owned and operated world class Mountain Bike Park that will increase visitor arrivals to Northland
2. To create a value of mountain biking/cycling to the Paihia economy from the current \$0 per annum to \$6.4m in 3 years and to treble it to \$21.2m in 10 to 15 years
3. To create directly and indirectly over 50 new jobs in 3 years and 168 jobs in 10 to 15 years through track construction, events, services, guiding and retail outlets servicing the biking visitor

Other Stakeholders

The idea of a mountain bike park and the benefits it could bring to the greater Bay of Islands area came about at the beginning of 2013 from local biking enthusiasts, Robin and Tiffany Holland. Since then a Steering Committee, set up under the auspices of Focus Paihia, has carried out exhaustive consultation with all the other stakeholders.

Department of Conservation

As managers of the Waitangi Endowment Forest, DoC will effectively be the landlord for the mountain bike park. They have been hugely supportive of the project which will take place alongside their existing commercial forestry operation without any disruption. Two long years of negotiations and working together were finally rewarded in July 2015 when the Trust and the Department signed a Management Agreement covering the land on which the park will be built.

Waitangi National Trust

The Waitangi National Trust benefits from the land (via the Waitangi Endowment Forest Act) on which the park will be built, as well as owning the bordering land, and maintains the road (in conjunction with FNDC) that leads to the proposed carpark. As supporters in principal of the project WNT have worked closely with the Steering Committee to ensure that any actual or perceived negative impacts are mitigated. Their approval was a key piece of the jigsaw puzzle that allowed DoC to enter into the Management Agreement with Focus Paihia.

Local Hapu (Iwi)

Consultation began with the local Hapu at the Te Tii Marae and this was later extended to include Ngati Rahiri Hapu. The Park will work closely with members of both Hapu with regard to the placement of trails to avoid any tapu sites and to ensure that the signage provides an authentic interpretation of the cultural and conservation values of the area. The sustainably built and maintained trails will also assist conservation efforts with pest control initiatives in the area to restore native birdlife and the spraying of gorse and other weeds.

Local and Business Communities

As with all Focus Paihia projects, the community will be a major contributor to the Mountain Bike Park. The many willing and talented people in this community have already committed to contribute to the build and upkeep of the park with donations and volunteer labour, donate food and accommodation for contractors and provide other specialist skills such as marketing, photography and design to help with promoting the park. When letters of support were requested from the community for funding applications and the management agreement process over 200 letters flooded in from the area. (Please see the list appended to see who supported. Copies of the letters can be provided if required.)

Southstar Trails

Southstar Trails are a well-regarded trail construction team who have built mountain bike parks around the globe for many years. They originate from Rotorua and have an impressive mountain bike trail construction CV, having successfully built MTB trails in Nelson and Whistler, B.C, Canada for international MTB competitions. The owner of the company, Jeff Carter is a past president of the Rotorua Mountain Bike Club and was in charge of the construction of the Whakarewarewa Forest Mountain Bike Park, New Zealand's premier bike park.

New Zealand Prison Service

The NZ Prison Service at Ngawha Springs has confirmed to Focus Paihia that they wish to 'adopt' the Waitangi Mountain Bike Park as an ongoing project for their Periodic Detention inmates. The plan is that they will provide the Park with a work detail of 8 inmates who will be trained up in the maintenance of the Bike Park and who will work on the Park on a continuous basis. The continuity of this project is what appeals to them as they have the certainty of being able to place PD's on 'their' project.

Products and Services

The Product -The Waitangi Mountain Bike Park

It's important to understand at the outset that this project goes well beyond the needs of a basic community facility. To achieve the recognition as a "World Class" Mountain Bike Park requires facilities that have a definite WOW factor, which will encourage riders to return for multiple visits and bring other riders with them to experience what's on offer. The trails need to be "landmark trails" – a term used to describe trails that are so amazing you can't wait to ride them again.

Our MTB Park will be a series of sustainable trails that:

- protect the environment and are culturally sensitive
- meets the needs of all users with differing skill levels
- require little maintenance
- minimise conflicts between different user groups and will not be available for motorbikes
- are single track and single direction trails of variable difficulty and length for all year round use
- will be well sign posted to notify the directional use, difficulty and distance, whilst providing an opportunity for sponsors to advertise on the signs and provide the appropriate cultural information
- will be affordable for all user groups
- have a maximum 'wow' factor with stunning views over the Bay of Islands

Events

These will be run by MTB organisations, schools, local groups and event professionals. The WMBP will promote a mix of commercial and community events with a flat charge of \$5 per entrant to help support the mountain bike park plus an administration fee for each event. While the park will derive a relatively small income from the events, the wider business community will receive the commercial benefit of the increased visitor arrivals.

The Services

In order to achieve all this, associated services will need to be provided at the Park. It is intended that these services will be provided by existing and new local businesses by way of concessions, with the

concession fees being charged as a percentage of turnover or a fee per head. Below is a list of the products and services that will be available on completion of the WMBP.

Shuttle Uplift Service

A shuttle service from town to the Park and from the car-park at the bottom of the Park to the top is a vital service that presents a great business opportunity for a new business. A shuttle service allows mountain bikers to ride downhill all day on some of New Zealand's best trails. The Park will receive a fee of 5% of the turnover of the shuttle services provided.

Maps

This will be a guide to the WMBP in full colour and on waterproof paper and will be sold at the entrance to the park and in local outlets. It will include a trail map and information about each trail to provide riders with the information they need to choose the most appropriate ride for their abilities and fitness. Cultural and environmental information will also be included as well as helpful information required for a MTB visit to the area. Like the Redwoods Park in Rotorua, the WMBP will derive significant income from these maps.

Apps

A smartphone app will provide accurate information for the bike riders by using the phone's GPS to show your position in the park. The GPS can be used with your phone cell data service turned on or off, so once the app is downloaded, there are no data charges from your carrier. New trails will be added to the app via free updates, so you constantly have the latest info. The Park will derive income by designing and selling the app via online app stores.

Note that the app will be introduced as and when the funds are available. The costs of developing the app are relatively high compared to the income it will generate and therefore it hasn't been included in the Operating Budget at this stage.

Guided Rides/Tours

A business opportunity for a new or existing business in the local community will offer guided rides in the WMBP. This will give visitors local knowledge of the area and add another level to the experience by providing a pick-up and drop-off service, informative commentary, and bike/gear for those without their own equipment. The Park will derive its income from a fee of \$5 per person.

Bike Hire

This is another service which is vital to the success of a Bike Park and provides another great business opportunity for a new business. This service is particularly important for international visitors as well

as domestic visitors who arrive without any gear. The WMBP will derive its income from a fee of \$5 per rental.

Skills Clinics

MTB Skills Clinics are run by www.mtbskillsclinics.co.nz at venues all around New Zealand. They offer instructor training, online booking and nationwide marketing. Typically these clinics will be run during weekends but private clinics can be run for individuals or groups at any time. The park will derive an income from this via a \$5 fee per client attending the clinics.

Cafe

As part of the park a facilities building including a cafe will be built alongside the carpark, pump-park and dirt track. This will allow non-riders somewhere to relax while everyone else is off enjoying the tracks and the bikers somewhere to grab a drink or food at the start or end of the ride. The park will charge a concession fee of 5% of the turnover plus a rental for the building, should the park outlay the capital for the building.

D.O.C. Concession Fee

The services outlined above will be provided under concessions granted to individual operators and a concession fee will be payable to DoC in respect of each concession. The DoC fees are \$5 per head for events and guided tours, \$1 per rental for services such as bike hire and a percentage of turnover for the café and will be paid by the concessionaire directly to DoC. In our projections we have allowed for the concession fees in respect of the events.

Competitors

There are no direct competitors for the WMBP in the Bay of Islands area, however in the wider upper North Island there are the following options for mountain bikers.

Woodhill Mountain Bike Park

A commercial MTB park with over 100km of purpose-built single track, loaded with over 250 man-made features and 4 Disc Golf Courses. Just 40 minutes from downtown Auckland this park offers over 100 hire bikes, an on-site mechanic service, pro-shop and cafe and is open all year round.

Riverhead Mountain Bike Park

A West Auckland community facility 40 kms from Auckland city created by the local MTB club. This forest is home to some great old school trails. There are two areas for riding:

- **Old School at Barlow Road** – Old school adventure rides, there are tracks everywhere in this area, beware there aren't many trail markings, shared with motorbikes so a couple of ruts to deal with, best ridden when dry, awesome for developing your technical skills!! Heaps of gravel roads too if you are into that.
- **New School the WCRC Compound** – purpose built MTB trails, one of Auckland's best pump tracks. Intermediate – Advanced.

Fourforty Mountain Bike Park

Fourforty Mountain Bike Park is a commercial gravity mountain biking park located about an hour's drive south east of Auckland. Boasting 440 meters in vertical height the first trail takes average rider 10+ minutes to descend. Trails cater for most abilities of riders. From grade 3 trails right through to grade 5 downhill race tracks.

The Redwoods

The Whakarewarewa Forest - aka The Redwoods - has one of the oldest mountain bike networks in the country. These master crafted trails are an unbeatable blend of riding surfaces, topography and scenery. With around 90km of continually evolving trails, there is something to cater for all levels of rider, from beginners and family groups through to experts looking for extreme action.

Target Market

New Zealand offers cycling trails for a variety of cycling levels and experiences. The Waitangi Mountain Bike Park will add to this offering for locals and visitors alike and will cater to both recreational cyclists and passionate mountain bikers. With easily accessible trails and all-weather surfaces, the Park will provide a world-class land-based facility for all levels of bikers all year round

There are three major groups of potential users for the WMBP:

Local Users

Who will use the Park?

- absolutely everyone who can ride a mountain bike and even those who haven't yet
- complete beginners to mountain bike enthusiasts of all levels
- locals kids, families and the wider Northland community
- commercial operators offering mountain biking safaris and tours around New Zealand
- local schools – mountain biking is part of the school curriculum. Kerikeri High School, Bay of Islands College and Paihia Primary School have all shown great interest.

- sports clubs – Kerikeri Mountain Bike Club and Striders
- professional and non-professional competition riders and multi-sport participants in potential competitions.

Domestic 'Out of Town' Visitors

The Auckland domestic market will be the main market that we target initially as this is already Northland's largest market (approximately three hours away). Tourism research clearly shows how important this market is and this is also emphasised in the APR Consultants 'Economic Impact Assessment' of the WMBP.

The Bay of Islands is renowned for its large range of water-based activities, however, it has very few land-based adventures. In fact there are currently limited land-based activities throughout Northland. The development of the WMBP provides a very real opportunity to attract a new and different visitor from this market sector and will enhance the current visitor experience in the area.

International Visitors

Over the last 5 year period 318,000 international tourists to New Zealand participated in cycling or biking sports. Annually around 4% of international holiday visitors do some sort of cycling sports while visiting New Zealand. Tourists that cycle during their trip spend more on their visit compared to a typical visitor. On average international tourists that participate in cycling spend \$3,800 compared to the \$2,500 average spend of all visitors. There is a significant high value segment in the cycling market with 22% of international cycling tourists saying they spend over \$5,000 on their visit to New Zealand (April 2013). Currently the vast majority are drawn towards central North Island or South Island locations where these facilities have been developed in Auckland, Rotorua, Taupo and Queenstown. (http://www.tourismnewzealand.com/media/1030290/cycling-tourism_profile.pdf)

Significant international marketing to cyclists is currently being undertaken by Tourism New Zealand and the WMTB has a great opportunity to benefit from this through joint marketing initiatives and to link in with Nga Haerenga, the New Zealand National Cycle Trail.

Cost of Participation

The Park will be available for all participants on a 'ride for free' basis, but as with other Bike Parks, a rider will become a member of the Waitangi Mountain Bike Club by paying a membership fee. This will cover the rider for unlimited usage of the Park for a 12 month period and this income will be utilised entirely for the maintenance and ongoing development of the Park. Given the socio-economic status of the area, we have pitched the fees at an affordable level so as to encourage maximum participation by all. As a comparison the membership fee in Queenstown is \$40 per adult.

	Adult	Child
Locals	\$20	\$10

Out-of-area Domestic	\$30	\$15
International	\$30	\$15

Market Needs

The WMTB parks fulfils a number of needs in the Bay of Islands community as well as the wider Northland community.

The community is aiming to be a vibrant place to work, live and play, and the WMBP will help to achieve that vision through the following outcomes. It will

1. Provide a land-based, all-weather, all year sports activity which is relatively inexpensive and accessible to all.
2. Provide a world class, potentially low cost community health related sports facility, keeping local kids positively focused, which is also attractive to local families with skill and experience level of riders from beginner to expert being catered for in the design of the park.
3. Provide local job opportunities created by the economic stimulation from the increase in visitor numbers to the area.
4. Create great business opportunities for the local Hapū to start a mountain bike rental business for the park or guiding service.
5. In time attract national and international competitions to Paihia.
6. Assist in pest control and kiwi conservation through the use of the tracks to allow easy 'baiting' of the area.
7. Benefit the health targets set out by District Health Board and Sport Northland objectives – Northland has some of the worst health related statistics in the country.
8. Symbiotically extend the use of Waitangi Endowment Forest from its current commercial forestry commitments and progress it towards a more responsible public recreation facility.
9. Potential for the park to promote cultural, community and conservation information for users.
10. Attract the Auckland mountain biking market to experience the Bay from another perspective.
11. Complement the National Cycle Trail from Opuā to Hokianga and the proposed cycle way from Kerikeri to Paihia through the Waitangi Forest.
12. Support the goals set out by the current local and central government re cycle ways.
13. Support the Bay of Islands' business community and Northland Inc, especially in the off-season.

14. Is easily accessed from Paihia by shuttle or bike.

Mountain biking is a hugely popular sport around the world which provides revenue streams far beyond the trail itself. International visitors expect facilities like this to be available and are often frustrated when it's not. Biking on Northland's roads are perceived to be dangerous, hence the need to create safe bike friendly areas is paramount for visitors and locals. Northland lacks any such facility and it would be an enormous positive for the area.

Strategy and Implementation

Marketing Plan

Positioning

The Waitangi Mountain Bike Park will create and maintain a world class mountain bike facility which embraces and celebrates the cultural heritage of the area and provides a land-based healthy activity for people of all ages. This will be created via a series of sustainable trails which

- Protect the environment and is culturally sensitive
- Meet the needs of its users
- Require little maintenance
- Minimise conflict between different user groups, and ☐ Will increase visitor numbers to Northland.

Promotion

Website

The most important marketing and selling tool will be the website. A live booking engine will be used, and all transport, activities and accommodation bookings will go through the Park website. Accommodation and other operators will pay the normal industry commissions.

Trade marketing

Develop packages that can be booked either online or through trade partners (I-Sites, travel agents and travel wholesalers)

Package variety

From all-inclusive packages, such as bike hire, accommodation, food and transport, to transport only back to the biker's accommodation.

Themed packages

- Heritage package - staying at a colonial B&B, history booklet/commentary (by guide or downloadable onto iPod/i-phone).
- Indulgence package, e.g. spa/massage treatments included, 5 star accommodation and a top chef.
- Dual packaging with the operator providing day trips from Paihia to Opononi such that the National Cycle Trail from the Hokianga to Opua is linked with the WMBP.

Consumer marketing

- Competitions on website: win an indulgence cycle package, photo competition
- Brochure: downloadable from the website and in time New Zealand wide distribution at key outlets

Public relations

- Supply themed editorial and media releases to targeted New Zealand and Australian media
- Pitch story ideas to targeted media (e.g. Wilderness magazine)
- Participate in Tourism NZ's and Northland Inc's international media programme

Northland Inc

Work with Northland Inc (DNL) on joint marketing plans and leverage off their domestic and international marketing activities. Keep DNL up to date with stories, packages, etc, that they can market and distribute to their trade and media contacts.

Bay of Islands Marketing Group

Work with Bay of Islands Marketing Group (BOIMG) and leverage off their domestic marketing activities. Keep Mango PR (PR company for the BOIMG) up to date with stories, packages, etc, that they can market and distribute to their trade and media contacts.

In the long term we would need to review the marketing plan and update as needed. Key items will be to grow the international market and look at opportunities to encourage the domestic market to return.

Milestones

Milestone	Due Date	Who's Responsible	Details
Trail Master Plan	Completed	Jeff Carter	Done in conjunction with all stakeholders
DOC Application Submitted	Completed	Focus Paihia	
DOC Management Agreement Approved	Completed	Focus Paihia	
Pilot Trail	Completed	Southstar Trails	
Mark Trail Alignments in Zone 2	Completed	Southstar Trails	
Car park layout and design	Completed	Focus Paihia	
Pilot Trail Signage	Completed	Focus Paihia	
Carpark construction	Completed	Focus Paihia	
Opening of Pilot Trail	Completed	Focus Paihia	
Signage for Zone 2 Trails	Completed	Focus Paihia	
Cafe and Facilities Design	Completed	Focus Paihia	
Cafe Geotech Design	Completed	Focus Paihia	
Zone 2 Construction	Completed	Southstar Trails	23 km of track on 12 trails in Zone 2 as per Master Plan

STAGE 2			
Facilities Building Permit	Confirmed not required		Possibly not required if use temporary items such as shipping container
Pump Track Design	October 2016	Southstar Trails	
Marking of trail alignments Zone 3 & 4	October 2016	Southstar Trails	
Pump Track Construction Completed	December 2016	Southstar Trails	
Signage for Zone 3 & 4 installed	January 2017	Focus Paihia	
Zone 3 & 4 Construction Completed	March 2017	Southstar Trails	35 kms of track as per Master Plan
Café & Facilities completed	March 2017		
Pump Track Landscaping	March 2017	Focus Paihia	PPP Project including planting, rock, retaining walls, grassing, seating etc
STAGE 3			
Marking of Trail alignments in Zone 1 & 5	October 2017	Southstar Trails	
Zone 1 & 5 Construction Completed	December 2017	Southstar Trails	14 km of tracks as per Master Plan
Dirt Jump Park Design	January 2018	Southstar Trails	
Signage installed for Zone 1 & 5	January 2018	Focus Paihia	
Dirt Jump Park Construction Completed	February 2018	Southstar Trails	

SWOT Analysis

Strengths

- Attractive to visitors in the shoulder seasons
- New destination product for the Bay of Islands
- Sustainable product: enhances clean & green image
- Current accommodation availability
- Attracts repeat visitors
- Able to comfortably link into other activities
- Business development opportunities
- Growing the market to the Bay of Islands

Weaknesses

- Currently insufficient facilities at end of trail
- Operators on the trail have limited connections with tourism trade (inbound operators and wholesalers)
- Need to up-skill potential local providers
- Some crime risk

Opportunities

- Attract more visitors in the shoulder and low seasons
- Strong recognisable brand in the Bay of Islands
- Create set of marketing tools for tourism trade, operators, RTO's etc.
- Development of events around the park
- Development of products and packages for different markets/target groups and distribution through existing and new databases
- Future investment in more services around the WMBP such as bike hire, accommodation, etc.
- The demand for a new exciting product that will further develop community pride

Threats

- Cultural- Archaeological / historical sites - wāhi tapu sites within the forest / land. Working with Hapu to mitigate any threats.
- Commercial forestry activity – during tree harvesting bike riding will be restricted to the 'safe trails' or even closed until the stakeholders declare the trails safe. Potential health and safety issue. Temporary issue.

- Horse riding tours in the forest - horse riders tend to use the larger forestry roads whilst MTB's use single trails. On shared tracks appropriate cautionary signs would be used to alert riders of each other's activity.
- Kiwi birdlife - protection
- Environmental - Soil erosion / Forestry. Professional trail design address potential drainage and harvesting problems.
- Motor bikes – will not be allowed onto trails by DoC or WMBP. Policing issue.
- Safety issues - this can be mitigated by good signage with unidirectional usage. The Health and Safety plan would outline accessibility to all areas of the tracks.
- Parking / vehicle security – if this becomes an issue at the carpark, CCTV monitoring can be installed fairly cheaply as done at the beginning of the Haruru Falls walking track.
- Funding requirements. Whilst the funding requirements are fairly large, the fundraising initiatives to date have been very positive.
- Competing destinations

Funding Requirements

Capital Construction Costs

The WMBP is an ambitious project and is by far the largest that Focus Paihia has undertaken to date. The Master Plan for the Waitangi Mountain Bike Park contains five zones which will be developed in three stages over a three year period.

Stage 1 – Zone 2	Total cost \$487,000
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Stage 1 has now been completed and has been fully funded by Focus Paihia. This provides trails totalling 23 kms.

Stage 2 – Zones 3 & 4	Total cost \$700,000
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This is scheduled for the period April 2016 through to March 2017 and will provide trails totalling 35 kms.

Stage 3 – Zones 1 & 5	Total cost \$240,000
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Scheduled for the period October 2017 to March 2018 and will provide a further 14 kms of trails.

Total trails of 72 kms	Total cost \$1,427,000
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10% Contingency allowance	\$142,700
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Total Project Cost**\$1,569,700**

A detailed breakdown of these costs is included in the file 'Development Budget for Waitangi MBP 311015' attached to our application. Note also that these costs are exclusive of GST but the Trust is registered for GST purposes and will be able to claim the GST back.

Fundraising

Fundraising for this project has been ongoing since the beginning of 2015 but stepped up as soon as the Management Agreement with DoC was signed in July. The fundraising efforts by Focus Paihia will continue throughout the 3 year construction period of the project.

Whilst there are numerous smaller charitable institutions that we can and will continue to approach for smaller specific grants, we believe that a project of this magnitude requires a far higher level of fundraising activities to be successful.

Prior to starting Stage 1 we anticipated that the costs of the project would be \$1.2m. To this end we approached Northland Inc and Foundation North on the basis of a 3-way funding partnership whereby each party contributes \$400,000. To date Focus Paihia have raised \$487,000 which includes a \$70,000 grant from the Far North District Council and \$7,000 from BOI Whangaroa Community Board. This fundraising has fully funded the entire costs of Stage 1. We were also awarded a grant of \$200,000 from Foundation North on 30 May 2016 and they have indicated that we will be eligible to make a second application for further funding in next year's funding round.

After completion of Stage 1 of the project and the benefit of that experience, we have re-costed the project and indications are that the full project will cost \$1.6m rather than the initial \$1.2m. We plan to fund this extra amount through the new Tourism Growth Partnership funding announced by MBIE on 18 August, with applications closing on 15 September and funding decisions due in mid-October.

Operating Budget

	Year 3		Year 10
INCOME			
Membership fees	\$ 176,609		\$ 549,457
Event Concession Fees	\$ 2,609		\$ 13,957
Shuttle Concession	\$ 2,291		\$ 6,005
Map Sales	\$ 33,035		\$ 106,255
Guided Rides	\$ 4,087		\$ 13,587
Bike Hire	\$ 4,852		\$ 16,033
Skills Clinics	\$ -		\$ -
Café	\$ 1,534		\$ 4,848
Total income	\$ 225,017		\$ 710,141
EXPENSES			
Wages	\$ 93,600		\$ 176,800
Employee related expenses	\$ 18,720		\$ 35,360
Motor vehicle expenses	\$ 5,970		\$ 13,940
Uniforms	\$ 600		\$ 600
Trail maintenance - materials	\$ 5,000		\$ 25,000
Equipment	\$ 2,000		\$ 5,000
Bank charges	\$ 750		\$ 1,250
Accounting fees	\$ 2,400		\$ 3,600

Audit fees	\$ 1,500		\$ 2,500
Office supplies	\$ 1,000		\$ 1,500
Insurance	\$ 1,500		\$ 1,500
Subscriptions - Bike NZ	\$ 360		\$ 360
Annual Website Hosting	\$ 500		\$ 500
Annual Domain Name Network Solutions	\$ 300		\$ 300
Advertising - Magazines, Online	\$ 2,500		\$ 5,000
Marketing expenses	\$ 5,000		\$ 30,000
One-off set-up costs of maps	\$ 5,850		\$ -
Cost of maps sold	\$ 5,332		\$ 17,150
DOC Concession fees	\$ 2,500		\$ 11,250
Total Expenses	\$ 155,382		\$ 331,610
Operating profit/loss	\$ 69,635		\$ 378,531

See the Detailed Operating Budget for further details and workings

Benefits

The Waitangi Mountain Bike Park will provide a 'win-win' situation across the entire board with benefits accruing to all parts of the community.

- Provides a much needed land-based all-weather sports facility
- Provides the community with a healthy low cost activity that can be enjoyed by all ages and skill levels
- Will assist in pest and weed control through the use of the tracks

- Provides an opportunity to promote the cultural and conservation aspects of the area
- Will complement the National Cycle Way 'Nga Haerangi Trail' from the Hokianga to Opua
- Will attract new visitors to Northland throughout the year, not just in the peak summer months
- Provide local job opportunities from the increase in visitor arrivals
- Create new business opportunities to service the needs of this new market

To help fully understand the economic impact of the Park on the Northland economy, Focus Paihia employed APR Consultants from Rotorua to assess and quantify these benefits. This extract from their report clearly shows the huge impact the Park will make.

Economic impact estimates associated with visits to Northland Region by those who will mountain bike in the Park are shown in the table below. To achieve defensible and realistic estimates, relatively conservative parameter settings were used (as detailed in Section 6.4) and estimates are shown across a potential range of annual visits to Northland.

The estimates show that after three years of operation, a total of 15,000 annual visitors to Northland could potentially visit the Waitangi Mountain Bike Park. The Northland Region economic impacts associated with this level of visitor activity are estimated by APR as follows:

- \$2.4 million direct output (ie, raw turnover/cash flows)
- \$6.4 million total output (ie, turnover/cash flows inclusive of all regional flow-on effects)
- \$2.9 million total value added (ie, increase in the size of the Northland's economy, inclusive of all regional flow-on effects)
- 50.4 FTE jobs sustained or created (this includes all regional flow-on effects).

After 10 to 15 years of the Park's operation, the Waitangi Mountain Bike Park could potentially be associated with 50,000 annual visits to Northland. The Northland Region economic impacts associated with this level of activity are estimated to be:

- \$7.9 million direct output
- \$21.2 million total output
- \$9.7 million total value added
- 167.9 FTE jobs sustained or created.

WAITANGI MTB PARK DEVELOPMENT BUDGET

	Stage 1	2015-16
	Stage 2	2016-17
	Stage 3	2017-18

	Item	Budgeted Amount (excl GST)	Comments
Mar-14	Trail Masterplan	\$ 3,150.00	Paid
Jun-15	Assessment of Environmental Effects	\$ 1,413.00	Paid
Apr-15	Archeological Assessment	\$ 2,406.80	Paid
Oct-15	Economic impact assessment	\$ 9,900.00	Paid
Oct-15	Mark & Construct 1.9km Pilot Trail in Zone 2	\$ 23,187.20	Paid
Oct-15 to March-16	Marking & construction of 20km of Trails in Zone 2	\$ 425,953.00	Paid
Mar-16	MTB Park Signage for Zones 2	\$ 6,247.88	Paid
Oct 15 to Apr 16	Accommodation costs for crew	\$ 11,280.00	Paid
Oct-15	Car Park layout and landscaping design	\$ 2,296.00	Paid
Mar-16	Car park grass stripping, site prep and metalling	\$ 1,200.00	Paid
	Total for Financial Year 2015/2016	\$ 487,033.88	

June-Oct 2016	Café and Facilities Construction	\$ 150,000.00	Budget Amount, TBC following Cafe design
Oct-16	Pump Track Design	\$ 500.00	Budget Amount, \$500 if done onsite at the time of construction, up to \$5000 if plans and engineering specification documentation is required for construction and surfacing contracts
Oct/Nov 2016	Pump Track Construction	\$ 7,500.00	\$100K for 500m concrete surface pump track recently designed for Napier City Council, by Southstar Trails. A basic pump track with no surfacing, and free imported dirt (eg. from a nearby roading project) could be built for \$5-\$10K, but to create a "world Class facility" will require significantly more investment in design, materials and surfacing. I would suggest these funds are better spent on the in-forest trails.
Mar-17	Pump Track Landscaping	\$ 15,000.00	Planting, rock, retaining walls, grassing
Oct-16	Marking of trail alignments in Zone 3 & 4	\$ 15,000.00	Estimate by Southstar Trails
Oct 2016-March 2017	Construction of 35kms of trails in Zone 3 & 4	\$ 506,000.00	Based on costs to date
Jan-17	MTB Park Signage Zones 3 & 4	\$ 5,600.00	Based on Stage 1
	Total for Financial year 2016/2017	\$ 699,600.00	

Oct-17	Marking of trail alignments in Zone 1 & 5	\$ 5,000.00	Estimate by Southstar Trails
Oct-Dec 2017	Construction of 14 kms of Trails in Zone 1 & 5	\$ 202,000.00	Estimate by Southstar Trails
Jan-18	Dirt Jump Park Design	\$ 5,000.00	Estimate by Southstar Trails
Feb-18	Construction of Dirt Jump Park	\$ 25,000.00	Estimate by Southstar Trails for construction work only, excludes dirt which is typically dug onsite or for flat sites free supplied from a local roading project
Oct-Dec 2017	MTB Park Signage Zone 1 & 5	\$ 3,360.00	Based on Stage 1
	Total for Financial year 2017/2018	\$ 240,360.00	

Total \$ 1,426,993.88

Contingency 10% \$ 142,699.39

Total Budget over 3 years	\$ 1,569,693.27	+ GST
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Focus Paihia - Waitangi Mountain Bike Park

Proposed Key Terms for Northland Regional Council Investment and Growth Reserve Loan Facility

The following key terms are requested to be included in an offer of a term loan facility arranged by Northland Inc Ltd for Northland Regional Council. The terms will be fully detailed in a subsequent Loan Documentation. If there is any conflict between the terms of this Letter of Offer and the Loan Documentation the Loan Documentation will prevail.

Lender	Northland Regional Council
Borrower	Focus Paihia
Facility Type	Finance and Impact Investment
Loan Amount	NZD \$400,000
Loan Purpose	To assist the funding of the construction and commissioning of a Mountain Bike Park at Waitangi. This funding will be targeted at the design and construction of up to 30 kms of new trails together with the required signage.
Term	Five years.
Availability Period and Drawdowns	<p>Loan available to be drawn in periodic tranches from Commencement Date for a period of one construction year.</p> <p>Payment is linked to proportion of work done and or in relation to the purchase of construction related services. Payment is anticipated to be made upon presentation of invoices on a monthly basis.</p>
Interest rate	Fixed at 4% (Official Cash Rate plus 1.75%) - interest payments conditional on forecast surpluses being achieved annually. If not achieved, then interest payment is a maximum of 25% of annual surplus for that year.
Loan Forgiveness	Annual loan forgiveness of \$100,000 starting in year two conditional on interest payments being met.
Security	1. None
Conditions	<p>1. Focus Paihia agrees that future profits from the Mountain Bike Park (post debt repayment, opex and maintenance) will be directed into priority projects such as the linking of the Mountain Bike Park to the Paihia Waterfront and the Paihia Waterfront to the start of the Twin Coast Cycleway (currently Opuia). Focus Paihia will seek input from the Northland Regional Council prior to making any decisions on the use of future profits (post debt repayment, opex and maintenance).</p>

Investment and Growth Reserve NRC Decision making process Extension 350

This document is based on the criteria for the Investment and Growth Reserve (IGR) adopted by Northland Regional Council on 18 February 2014.

Questions for council staff to ask:

1. Is the recommendation for funding either for a grant or purchase of services for operational expenditure for Northland Inc.?

r Yes. Refer to Finance Manager.

☒ No. Go to question 2.

2. Is the request for funding from the IGR for Loan Funding or Directly Invested Funds for one of the following -

- a. Capital expenditure for new ventures or expanding of existing businesses;
- b. A specific project's operating expenditure for a finite period of time (on condition of sufficient capital expenditure committed to the project and a satisfactory business plan to demonstrate how operating expenditure will be covered after this time;
- c. Equity investment (that is the reserve can be used to buy shares/an ownership interest in a company)?

r Yes. Go to question 4.

☒ No. Go to question 3.

3. Is the request for funding from the IGR for Impact Investment Funding?

☒ Yes, continue to question 4.

r No. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc. or the proposer to take to Northland Inc. (If another funding stream is being proposed then the IGR criteria do not apply. Please refer the proposal to the Finance Manager for consideration under the council's financial policies and in particular the council's Treasury Management Policy.)

4. Is there a business case assessment and recommendation from the Northland Inc. Board to fund the project from the IGR?

☒ Yes, continue to question 5.

r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc. or the proposer to take to Northland Inc.

5. Is the project in Northland?

☒ Yes. Go to question 6.

- r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc. or the proposer to take to Northland Inc.

6. Does the business case demonstrate that the project promotes viable, long term economic development (i.e. beyond immediate short-term employment and business activity)?

- ☒ Yes. Go to question 7.
- r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc.

7. Does the business case demonstrate potential achievability and affordability?

- ☒ Yes. Go to question 8.
- r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc.

8. Does the business case demonstrate project management capacity and capability?

- ☒ Yes. Go to question 9.
- r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc.

9. Can the project or venture be achieved in a way that is consistent with social, environmental and cultural well-being?

- ☒ Yes. Write up draft council agenda item for approval by GM FIT/CEO based on this assessment. Discuss quantum of funding to be recommended. Consider whether the terms and conditions of the contract including any distribution expectations, milestones and key performance indicators should be included in the agenda item or whether these will be brought back to council.
- r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc.

Investment and Growth Reserve NRC Decision making process Waitangi Mountain Bike Park

This document is based on the criteria for the Investment and Growth Reserve (IGR) adopted by Northland Regional Council on 18 February 2014.

Questions for council staff to ask:

1. Is the recommendation for funding either for a grant or purchase of services for operational expenditure for Northland Inc.?

r Yes. Refer to Finance Manager.

☒ No. Go to question 2.

2. Is the request for funding from the IGR for Loan Funding or Directly Invested Funds for one of the following -

- a. Capital expenditure for new ventures or expanding of existing businesses;
- b. A specific project's operating expenditure for a finite period of time (on condition of sufficient capital expenditure committed to the project and a satisfactory business plan to demonstrate how operating expenditure will be covered after this time;
- c. Equity investment (that is the reserve can be used to buy shares/an ownership interest in a company)?

r Yes. Go to question 4.

☒ No. Go to question 3.

3. Is the request for funding from the IGR for Impact Investment Funding?

☒ Yes, continue to question 4.

r No. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc. or the proposer to take to Northland Inc. (If another funding stream is being proposed then the IGR criteria do not apply. Please refer the proposal to the Finance Manager for consideration under the council's financial policies and in particular the council's Treasury Management Policy.)

4. Is there a business case assessment and recommendation from the Northland Inc. Board to fund the project from the IGR?

☒ Yes, continue to question 5.

r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc. or the proposer to take to Northland Inc.

5. Is the project in Northland?

☒ Yes. Go to question 6.

- r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc. or the proposer to take to Northland Inc.

6. Does the business case demonstrate that the project promotes viable, long term economic development (i.e. beyond immediate short-term employment and business activity)?

- ☒ Yes. Go to question 7.
- r No. Stop. The proposal should not be considered for IGR funding. Refer the matter back to Northland Inc.

7. Does the business case demonstrate potential achievability and affordability?

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