



MINISTRY OF AGRICULTURE AND FORESTRY

MĀORI AGRIBUSINESS IN NEW ZEALAND:
A STUDY OF THE MĀORI
FREEHOLD LAND RESOURCE

MARCH 2011



MINISTRY OF AGRICULTURE AND FORESTRY

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New Zealand Government



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CONTENTS

Foreword	ii
Executive Summary	iii
Tier 1 – Well-developed businesses	iii
Tier 2 – Under-performing entities	iv
Tier 3 – Under-utilised lands	iv
1 Purpose of this report	01
2 Administration and management of Māori freehold land	02
3 Māori freehold land resource and current production base	07
4 Growth opportunity	11
1. Improving technology uptake and business performance by Tairāwhiti Māori farmers	12
2. Improving Māori dairy farmer involvement and Māori dairy farm performance	12
5 Framework description of enterprises centred on Māori freehold land	13
Tier 1: Well-developed businesses	13
Tier 2: Under-performing entities	14
Tier 3: Under-utilised lands	14
Cross Cutting Issues	16
6 Analysis	17
Governance	19
Skills, development and training	20
Effects of legislation on governance	21
Collective action	21
Social construct and balancing competing objectives	22
7 Recommendations	24
1. Skills development and training	24
2. Scale and support	27
3. Legislation	28
8 MAF role in realising the potential of Māori freehold land	30
9 References	31
Appendix 1: Methodology	32
Appendix 2: Framework for Describing the Māori Land Resource – As at 2 October 2009	35

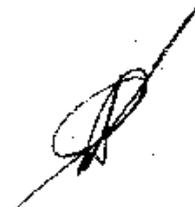
FOREWORD

E ngā mana	(To the many prestiges)
E ngā reo	(To the many gathered people)
E ngā rau rangatira ma	(To the respected leaders)
Tēnā koutou, tēnā koutou, tēnā tatou katoa.	(Greetings to you, greetings to you, greetings to us all)

New Zealand relies heavily on the primary industries to excel in order to provide for our economic, social and environmental well being. Māori have an integral part to play, and are major contributors to New Zealand's primary sectors. There are huge opportunities and growth potential in Maori agribusiness and, in particular, the Māori freehold land resource. This is land which is collectively owned and administered under the Te Ture Whenua Māori Lands Act 1993.

I fully support Māori in making the most of this opportunity, and I have made Māori agribusiness one of MAF's nine current Government priorities. This report – *Māori Agribusiness in New Zealand: A Study of the Māori Freehold Land Resource* – is the first step in identifying areas for focusing future efforts. The report reviews the governance and organisational structures of collectively owned Māori land holdings, to identify opportunities and barriers to lifting the productivity of Māori land and agribusiness. The report identifies that delivering on the productive potential of Māori freehold land will require a partnership involving a range of agencies and entities, both within government and within Māoridom.

I am enthusiastic about the future of Māori agribusiness. Economic growth in this area will build on an already thriving Māori economy and, in turn, will contribute to the New Zealand economy.



David Carter
 Minister of Agriculture
 Minister of Forestry
 Minister of Biosecurity
 Acting Minister for Economic Development

EXECUTIVE SUMMARY

The Government has set supporting Māori agribusiness as a priority and, as a first step, MAF has prepared this report *Māori Agribusiness in New Zealand: A Study of the Māori Freehold Land Resource*. The purpose of the report is to:

- › understand how the Māori freehold land resource, which is land administered under Te Ture Whenua Māori Lands Act 1993, is currently governed, managed and operated;
- › identify the issues and barriers to better management and performance of these lands;
- › provide an indication of current productive and economic performance based on available data;
- › identify how MAF can best contribute to achieving the productive potential of Māori freehold land.

MAF undertook a series of interviews and meetings around New Zealand with various individuals and organisations, and conducted a substantial literature review in order to inform MAF of the current state and future potential of Māori freehold land.

The study's findings were consistent with existing published literature in identifying the following key themes affecting Māori freehold land.

- › Governance – there is widespread consensus that appropriate and effective governance enables the delivery of the owners' aspirations (including realising productive capacity); lack of appropriate and effective governance accentuates management challenges.
- › Skills, development and training – there is a need for upskilling across the range of roles in Māori agribusiness. There needs to be greater investment by Māori organisations in the continual upskilling of their governors and their staff, from farm managers to junior shepherds.
- › Legislation – the administration and compliance costs associated with the Te Ture Whenua Act and the processes of the Māori Land Court impact throughout the framework description as a whole.
- › Collective action – a wide range of collective and collaborative development activities will deliver greater productive capacity into the future.
- › Social construct and competing objectives – the performance of Māori agribusiness is not determined by just the balance of the organisations' decisions financially but also socially, environmentally, culturally and spiritually.

A framework description was developed, which matched the key themes against productive performance and operation of land ownership entities, in order to describe the range of issues across the Māori freehold land resource base. The tier description is an important finding for the report.

»» TIER 1 – WELL-DEVELOPED BUSINESSES

This tier includes well-developed businesses with the potential for further growth. The consensus from discussions is that Tier 1 probably involves about 20 percent of Māori freehold land (approximately 300 000 hectares). Considerable areas of general land are farmed in conjunction with the core collectively-owned Māori freehold land.

»» TIER 2 – UNDER-PERFORMING ENTITIES

Tier 2 entities can be described as those with landholdings that are currently developed for productive use but which are clearly, often markedly, under-performing compared to similar enterprise benchmarks. The consensus from discussions is that Tier 2 probably involves about 40 percent of Māori freehold land (approximately 600 000 hectares).

»» TIER 3 – UNDER-UTILISED LANDS

Tier 3 represents a complex mix of circumstances and conditions – there is an amalgam of situations that contribute to this land being under-utilised. The drivers of under-utilisation range from the inherent physical production of the land not being realised, constraints on the physical capacity of the land itself through a lack of identifiable owners or management entities. There is also an under-contribution to the financial wellbeing of the ownership group. The consensus from our discussions is that Tier 3 probably involves about 40 percent of Māori freehold land (approximately 600 000 hectares).

As a result of the analysis, there are 10 recommendations to assist in unlocking the growth potential of Māori freehold land.

1. Develop a series of capability development programmes to assist those overseeing Māori entities.
2. Develop guidance, best practice manuals and training courses for those providing information to Māori land governors.
3. Establish bespoke support services (for both on-farm technical and financial management skills) for Māori land.
4. Develop training programmes for farm managers of Māori land.
5. Design capability development programmes specific to small entities.
6. Develop support networks for those tasked with governing Māori land.
7. Develop stronger communication channels between Māori and government.
8. Update Māori Land Court systems.
9. Update legislation to provide tools and options to deal with current issues.
10. Support trusts and incorporations to have greater input into the management of their assets.

Delivering the productive potential of Māori freehold land will require a multi-faceted approach involving a range of agencies and entities both within government and within Māoridom. This includes supporting social structures and the development of collective approaches to land management and development. Skills development and training are required at all levels – governance, business knowledge and skills, farm management. Specialist support is required to assist the development of land use options that are appropriate to small dispersed blocks of land and owners with limited skills and financial resources. Also, included is the streamlining and adjustment of the administrative requirements of the Te Ture Whenua Act and associated procedures.

The direct role for MAF in delivering work programmes targeting this multi-faceted approach is relatively limited. However, there is a particular role for MAF in providing sector knowledge and experience into the work programmes of other agencies and entities.

PURPOSE

OF THIS REPORT

1

Māori agribusiness constitutes a wide range of enterprises involving collectively-owned and managed Māori freehold land, general land that is owned and farmed in conjunction with entities owning and managing Māori freehold land, and Māori farming general land on their individual account. Therefore, there are significant challenges in defining what constitutes both “Māori land” and “Māori agribusiness”.

There are a number of published estimates of the contribution of Māori agribusiness to the economy, which variously include Māori freehold land, general land farmed in conjunction with Māori freehold land, and general title and freehold lands farmed by individual Māori. These estimates also vary in their method of calculation and, as a consequence, should be interpreted with care.

For the purpose of this report MAF has focussed its research, analysis and findings on Māori freehold land, which is land collectively owned and administered under the Te Ture Whenua Maori Lands Act 1993. This focus is due to these lands being of great economic, social and cultural significance, and worthy of attention in terms of unrealised potential for further agricultural development.

More specifically the purpose of this report is to:

- › understand how the Māori freehold land resource is currently governed, managed and operated;
- › identify the issues and barriers to management and to better performance;
- › provide an indication of current productive and economic performance based on available data;
- › identify how MAF can best contribute to achieving the productive potential Māori freehold land.

ADMINISTRATION AND MANAGEMENT 2

OF MĀORI FREEHOLD LAND

Māori agribusiness for the purposes of this project is defined within two bounds:

- › Land which is collectively owned and managed by Māori within the frameworks of the Te Ture Whenua Māori Land Act 1993.
- › Those collectively owned or managed Māori lands that are currently being utilised for the purposes of agriculture (not inclusive of forestry) or have the potential to be utilised for agriculture.

MAF has chosen to focus on organisations that operate under the Te Ture Whenua Māori Land Act 1993 (hereon referred to as “the Act”) due to Māori collectively-owned lands being administered predominantly within the structures offered under the Act. Lands that are administered under this Act are legally defined as Māori Freehold Land. There are other organisational structures and legislation that Māori operate under that have an effect on future development. These are outlined in Table 1.

All of the structures have a responsibility to a collective set of interests, and, in terms of this project, we have focused on the management of these land assets for the purposes of agriculture. Unlike general freehold land, Māori Freehold Land has some unusual constraints, and the opportunities and barriers to addressing these, and therefore unlocking productive potential, appear greatest with Māori freehold land.

Kingi in 2000 stated that Māori trusts and incorporations manage 64 percent of all Māori land. Half (751 000 hectares) is under ahu whenua trusts and 14 percent (210 000 hectares) under incorporations. The largest authorities are on the East Coast of the North Island, Bay of Plenty and the Central Plateau. In Table 2, is a summary of land holdings compiled by McClean in the Kellog Rural Leadership Programme Project Report.

Our research revealed that, due to succession and fragmentation, many areas have little value and provide little return to their owners (also supported by McClean, 2002). Historical confiscation of Māori land focused on better quality land. It is estimated that 80 percent of land held in Māori title is of non-arable class and 30 percent is landlocked. It also includes areas of unproductive land that is locked up under conservation estate through the Department of Conservation. Further details on the characteristics of Māori freehold land are provided in the next section.

In general terms Māori freehold land titles are small in size but many in number. There are 25 887 titles nationally with an average size of 59 hectares.

TABLE 1. OUTLINE OF LEGISLATION THAT MĀORI ORGANISATIONS OPERATE UNDER¹.

	MĀORI AFFAIRS ACT 1953	MĀORI TRUST BOARDS ACT 1955 AND TRIBAL ENACTMENTS	MĀORI COMMUNITY DEVELOPMENT ACT 1962	RUNANGA A IWI ACT 1989	TE TURE WHENUA MĀORI ACT 1993	INCORPORATED SOCIETIES AND CHARITABLE TRUSTS ACT, COMPANIES ACT
GOVERNANCE STRUCTURE	Section 438/53 Trusts	Māori Trust Boards	Māori Authorities, NZ Māori Council Māori District Authorities	Iwi Runanga set up to receive compensation from Waitangi Tribunal claims	Putea/Kaitiaki/ Whenua Topu/Ahu Whenua Incorporations	Charitable trusts/ incorporations
ACCOUNTABILITY	Māori Land Court/ Māori Trustee/ owners	Minister of Māori Affairs	Minister of Māori Affairs, Māori Trustee	Minister of Māori Affairs, iwi	Māori Land Court/ Māori Trustee/ owners	Members/ shareholders, IRD, DIA
PURPOSE	Leases, land development	Receive compensation from confiscated lands	Māori Social & economic development	Māori social & economic development	Retention and utilisation of Māori land by owners	To remove barriers to Māori development
BARRIERS TO DEVELOPMENT	Availability of funding/capital/ skills to develop assets	Trust Board members reliant on ministerial approval for investment approval. Some grassroots Māori do not align to them because they do not coincide with traditional iwi/hapu structure	Changes in Māori society and a movement towards iwi/hapu based representation may see these organisations struggle for support. Some grassroots Māori do not align to them because they do not coincide with traditional iwi/hapu structure	This Act has been repealed however some runanga still exist and have become government contractors of social service providers	Multiple ownerships, succession issues, finance and funding from lending institutions in most cases can be difficult to acquire because of their lack of knowledge of Māori land	Unknown

¹ Hau, Reo (2009). Māori Land Court Paper.

TABLE 2. SUMMARY OF MĀORI FREEHOLD LAND BLOCKS²

ADMINISTRATION TYPE	TOTAL AREA ('000 HA)	NUMBER OF BLOCKS	AVERAGE HA/BLOCK
Self-administered	850	650	1330
Administered by Māori Trustee	150	2800	53
Small blocks with trust structure	160	2500	62
Blocks with no administration structure	350	17 500	20

As outlined in Table 2, those blocks typed as self-administered and small blocks fit into the ahu whenua trust and Māori incorporation models. Ahu whenua trusts are the most common Māori land trust. The purpose of an ahu whenua trust is to promote the use and administration of the land in the interest of the owners. These trusts are often used for commercial purposes. In comparison, a Māori incorporation is a structure similar to a company. Its purpose is to facilitate and promote the use and administration of Māori freehold land on behalf of owners. Māori incorporations are designed to manage whole blocks of land and are the most commercial of all Māori land management structures.

Blocks that have no administration structure are strongly represented in the findings of the McClean report. Whilst there is little that MAF can do directly to assist blocks with no structure, these form a significant proportion of Māori land, with inherent issues of fragmentation, uneconomic block size, difficulty with identification of owners and succession to name a few.

Māori freehold land can be further distinguished by region in comparison to land area over the whole of New Zealand. PGG Wrightson compiled the figures shown in Table 3 in terms of its regional operation areas.

TABLE 3. TABLE OF MĀORI LAND HOLDINGS SHOWN BY PGG WRIGHTSON OPERATIONAL AREA³

PGG WRIGHTSON REGION	AREA (HECTARES)	MĀORI LAND AREA (HECTARES)	NUMBER OF MĀORI LAND BLOCKS
Northland	1 732 192	139 873	4 889
King Country	2 156 583	143 388	3 594
Bay of Plenty	1 936 270	426 595	5 074
Gisborne	1 169 091	310 631	5 320
Manawatu	1 936 492	88 608	1 254
Taranaki/Wanganui	1 284 284	334 207	3 710
South Island	16 715 185	71 769	1 795
	26 930 100	1 515 071	25 636

2 McClean, D (2002), *Development of Māori Land*, Kellogg Rural Leadership Programme Project Report.

3 Hemana, Clinton (2008). Presentation: PGG Wrightson, Māori Agribusiness.

In 2009 Te Puni Kōkiri completed an analysis of individual Māori freehold land titles. This analysis has identified:

- › 34 percent of titles have an associated management structure in place and account for 81 percent of the total area (approximately 1.2 million hectares);
- › 66 percent of titles, accounting for 19 percent of the total area (approximately 288 000 hectares), do not have an associated management structure – 70 percent of these titles are smaller than 5 hectares;
- › 61 percent of titles overall are smaller than 5 hectares;
- › 159 incorporations account for 25 percent of the total area (approximately 375 000 hectares), of which 40 incorporations of more than 2500 hectares account for 80 percent of all incorporation lands (21 percent of all Māori freehold land);
- › 5700 ahu whenua trusts account for 48 percent of the total area (approximately 730 000 hectares), of which 100 trusts larger than 1500 hectares account for 62 percent of all trust lands (30 percent of all Māori freehold land).

Kingi (Kingi, 2000, 2004, 2008, 2009a, 2009b) has provided extensive descriptions of the characteristics of, and challenges in, management of Māori land. Key conclusions can be summarised as follows.

- › Māori freehold land is characterised by ownership that is generally diverse and dispersed – with succession and title fractionation, large numbers of owners hold a small interest in individual titles or amalgamated entities (ahu whenua trusts and incorporations). The majority of owners do not live on the land and do not derive their livelihood from it – for the most part owners are absentee owners maintaining a sense of identity through connection to the land with succession of ownership passing from one generation to the next.
- › The Te Ture Whenua Act provides joint objectives for the management of Māori land – the retention of customary Māori land in Māori ownership and the development of that land for the benefit of the owners. Kingi asserts that there is a tension between these objectives – retention for cultural reasons constrains economic use. This tension results in a generally conservative approach, where owners are unwilling to accept actions that place the land at risk.
- › Decision-making is typically two tiered with a committee of land owners' representatives providing governance, and employed staff and advisers providing implementation.
- › Committees of management often reflect the political influence of families rather than the best available skills to oversee large, often complex agricultural businesses.
- › The costs of administration associated with large numbers of owners carry a significant compliance cost impost on the business.
- › Multiple ownership, restricted alienation clauses of the governing legislation, asset location and quality, and subdued appetite for risk constrains access to loan capital, external sources of equity and seasonal finance.
- › A wide range of aspirations and expectations in respect of the land, and its management, is typical.

White (1997) provides particular insights into the challenge for trustees and committee members to balance socio-cultural, economic and environmental objectives. Values of land as the source of identity and centre of

cultural pride are juggled with economic and financial objectives. White's research found that landowners had high expectations that incorporations and trusts would actively support tribal development by providing community grants and generating employment opportunities. The ability to meet social and cultural objectives was seen as having as much importance as maintaining commercial viability.

Kingi et al (1999) reinforce this finding. This study postulated that high performing enterprises would pay a greater level of benefits to owners (measured as dividends and grants paid as a percentage of net profit after tax). In fact, the study found that as the levels of profitability increased, the relative level of benefits paid to owners decreased at an increasing rate. Conversely a significant number of lower-performing entities provided much higher relative levels of benefit than their more profitable counterparts. Decisions about the level of retained earnings have a direct influence on funds available for development activities. Higher relative levels of benefit constrain development activity.

The particular land management constraints and challenges facing the owners of under-utilised land holdings are discussed in Kingi (2009b), Reid (2009) and Reid (2009). Lack of effective management structures, limited skill levels (governance and agriculture and land management), access to appropriate specialist advice, limited number of economic use options, farming by committee, managing for conflict avoidance in decision making are identified as factors constraining the utilisation of these lands.

MĀORI FREEHOLD LAND

RESOURCE AND CURRENT PRODUCTION BASE

3

Māori freehold land represents an area of some 1.5 million hectares. The Landcare Research GIS 2010 database provides a land use capability analysis of this area.

The major part of this land is rolling to steep hill country:

- › 34 percent (approximately 510 000 hectares) is classified as land use capability class VI – that is, there are moderate limitations to pastoral uses;
- › 31 percent (approximately 470 000 hectares) is classified as land use capability class VII – that is, land suitable for extensive grazing and erosion control forestry only;
- › 15 percent (approximately 230 000 hectares) is classified as land use capability class VIII – that is, it has severe limitations for agricultural use.

The balance⁴ of this land is more versatile:

- › 3 percent (approximately 46 000 hectares) is classified as land use capability classes I and II – that is, the most highly versatile multiple use lands in New Zealand;
- › 16 percent (approximately 236 000 hectares) is classified as land use capability classes III and IV – that is, limitations for arable uses but highly suited to pastoral uses.

There are general estimates that Māori agribusiness enterprises provide 8–10 percent of the national milk solids production and carry 10–15 percent of national sheep and beef stock units.

There are also a number of published estimates of the contribution of Māori agribusiness to the economy. The land base from which these estimates are derived is, however, often not well defined. The estimates variously include Māori freehold land, general land farmed in conjunction with Māori freehold land, and general title and freehold lands farmed by individual Māori. For example, in 2003 the New Zealand Institute for Economic Research estimated a \$700 million contribution to gross domestic product (GDP) based on Māori freehold lands and associated collectively-owned general lands, and general lands farmed by individuals. In comparison, in 2006 Ahie provided an estimated contribution to GDP of \$633 million based solely on Māori freehold lands. These estimates also vary in their method of calculation. The published estimates are therefore not directly comparable and, as a consequence, should be interpreted with care.

The performance of individual enterprises utilising Māori freehold land is also subject to significant conjecture. On average, Māori freehold land enterprises appear to perform at a level below comparable general land businesses. Production levels of 60–70 percent of national average are commonly referred to, but commonly not substantiated.

MAF's initial intention with this project was to provide a revised estimate of the current production value, and an assessment of the potential value available to further development, particularly in respect to collectively-owned Māori agribusiness centred on Māori freehold land. However, reliable, comprehensive and up to date data required to support the development of a useful estimate of current economic output or performance of

⁴ This analysis also includes a residual area of near 1 percent (approximately 10 000 hectares) that is not classified.

FIGURE 1: MĀORI FREEHOLD LAND, NORTH ISLAND – 2010

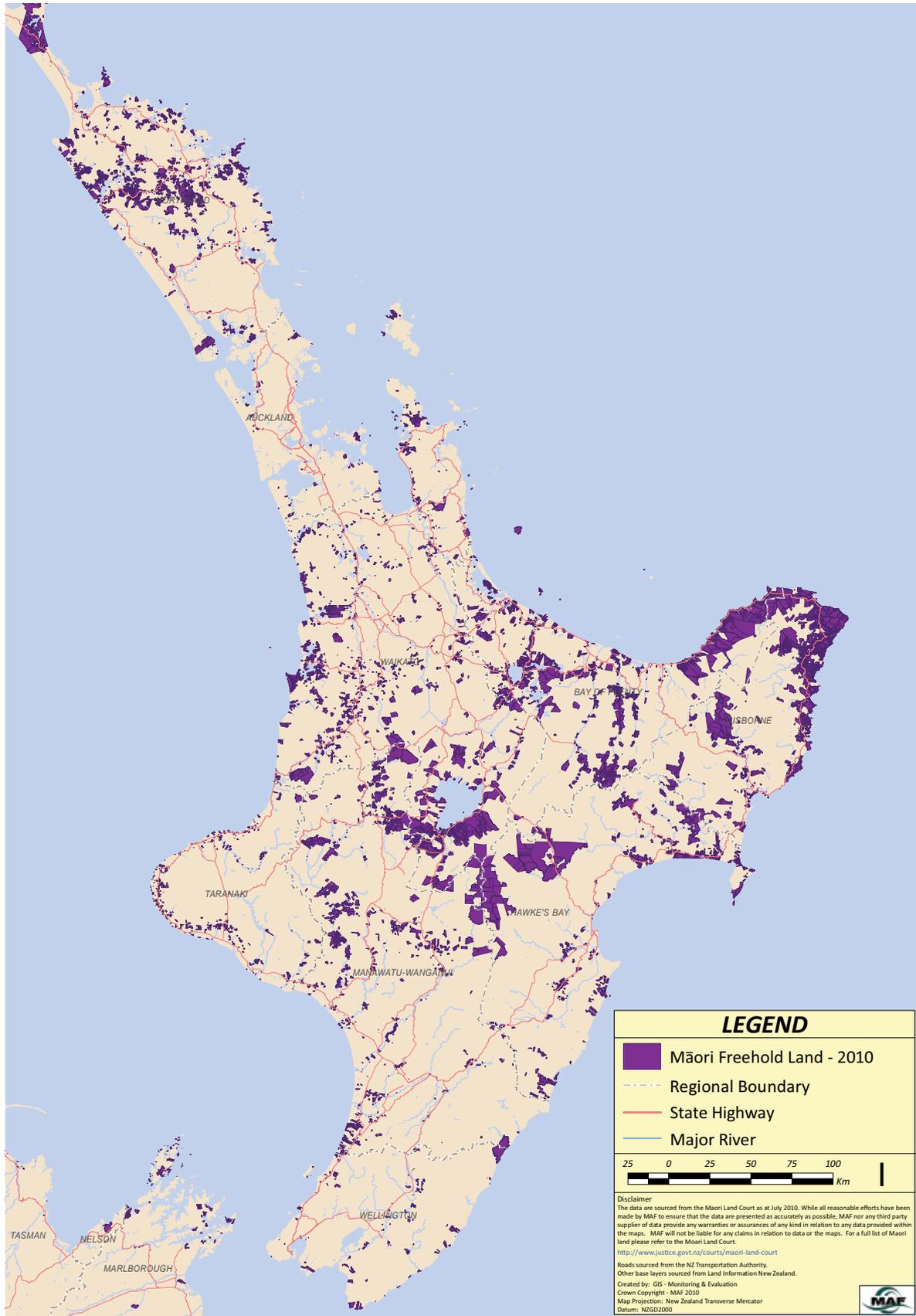
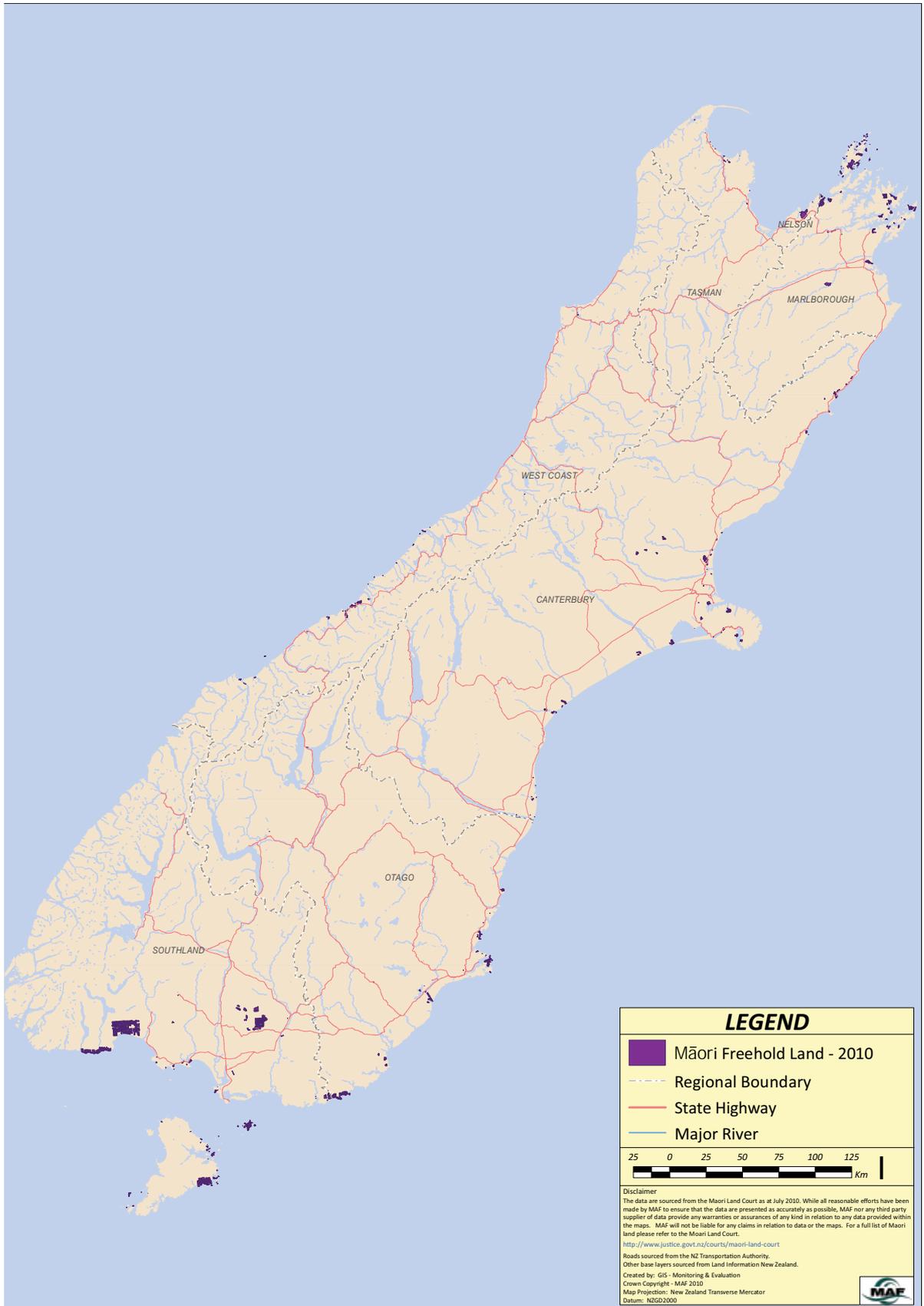


FIGURE 2: MĀORI FREEHOLD LAND, SOUTH ISLAND – 2010



“Māori land” at the national level is not available, and collecting such data was well beyond the resources available for the project.

Should future resources be available, a project that works on combining statistical data, with land holdings and potential land use (utilising land use capability data) would be useful not only for MAF but for Māori organisations and the agencies and industry bodies that interact with them. This project would lead from the findings of this report and seek to identify the productive potential unable to be captured due to the lack of data. A joint collaboration would again be appropriate due to the spread of information across the sector, this could include organisations and groups such as:

- › Te Puni Kōkiri
- › Statistics New Zealand
- › Ministry of Economic Development
- › Office of Treaty Settlements
- › Beef + Lamb NZ
- › Dairy NZ
- › Horticulture NZ
- › Training institutes and universities
- › Māori organisations and associated incorporated societies
- › Farming consultants

There is an opportunity here for all organisations to be better informed of the opportunity that is Māori agribusiness and for organisations to make better decisions about how they assist and interact in this space.

4

GROWTH OPPORTUNITY

MAF considers there is a considerable opportunity to grow the productive base associated with Māori freehold land through:

- › building stronger business units through partnerships, amalgamations and collective activity;
- › ongoing investment and development of post farm-gate value-added and whole-of-supply-chain activity;
- › the further development and intensification of currently developed agricultural lands;
- › realising the potential of land assets provided through the Treaty of Waitangi settlement process;
- › targeting obstacles to bringing currently undeveloped lands into production.

Realising this opportunity requires approaches that reflect the particular and unique management characteristics of collectively-owned lands.

MAF has some experience with now completed programmes, particularly in the Tairāwhiti region, that were intended to build capacity and production within Tier 2 – under-performing enterprises. These programmes provide important insights both to what can be achieved with specifically targeted support and to the challenges of resourcing of ongoing support and the extension and communication of results beyond the group immediately involved.

These programme activities have involved comprehensive approaches involving:

- › improving management skills at farm staff, farm management, governance and business decision levels;
- › improving access to targeted skills and technical training;
- › improving access to quality farm management and associated farm consultancy and specialist advisory services;
- › improving soil fertility and pasture and crop quality;
- › improving infrastructure, including subdivision to utilise increased feed quality and quantity and water supply and facilities;
- › improving performance by targeting stock management and genetics;
- › improving stock quality and returns by targeting genetics and farm management.

Between 1997 and 2000 an AGMARDT (Agriculture and Marketing Research and Development Trust) sponsored Hikurangi Focus Farm Group operated on principles similar to a successful Meat Research Development Council Monitor Farm⁵ programme, but adjusted to accommodate the particular situation of remote collectively-owned enterprises with a history of low production and financial performance. The work programme concentrated on the fundamentals of soil nutrient status, animal health, pasture measurement and performance, matching animal numbers to feed availability and utilisation. The three-year work programme resulted in substantial improvement in both production and financial performance. Lambing percentage lifted from 67 percent to 100 percent, calving increased from 77 percent to 91 percent while the economic farm surplus increased from -\$55/hectares to +\$26/hectares.

⁵ More latterly the Meat and Wool NZ and now Beef and Lamb New Zealand Monitor Farm programme.

The MAF-led Farm Improvement Co-ordinator Programme, that operated in the wider Tairāwhiti region in the period 2000-2003, continued the approach established in the AGMARDT project with similar results.

Direction is also provided by two completed Sustainable Farming Fund Projects.

1. IMPROVING TECHNOLOGY UPTAKE AND BUSINESS PERFORMANCE BY TAIRAWHITI MĀORI FARMERS

This project continued the work of the Farm Improvement Co-ordinator Programme. A small number of properties provided the basis for a wider demonstration farm and field day programme. Through focusing on improved farm management and putting in place development programmes, significant growth in production was achieved.

For example, lambing percentages on one property were lifted from 75 percent in 2004 to 119 percent in 2006 and on another from 98 percent in 2004 to 123 percent in 2006.

2. IMPROVING MĀORI DAIRY FARMER INVOLVEMENT AND MĀORI DAIRY FARM PERFORMANCE

The approach of this project was to take an existing Māori dairy farmers' discussion group in Taranaki to facilitate the formation of a Māori dairy farmers' discussion group in southern Hawke's Bay. Once established, members of the Taranaki group would continue to be mentors to the southern Hawke's Bay group, and both groups would be facilitated with the aim of improving Māori dairy farmer performance in both regions.

A key objective for the project was for the groups to improve productivity by at least 12 percent over the project's life. The measured result was a productivity increase of 15 percent across the two groups in the period.

The development of improved skills is the common underpinning core of these programmes. A key learning from these programmes is that a highly focused and clearly defined work programme for delivery, over an extended period, is a prerequisite for success. Success is based in *kanohi ki te kanohi*⁶ approaches that take the time to develop trust and relationships between programme facilitators and advisers, and trustees and directors, farm management and staff, and the wider ownership group.

While these programmes have been significant in clearly demonstrating the production effects that can accrue through targeted support of improving skills they are also resource intensive with the direct benefits accruing to the relatively small number of individual entities involved. Enterprise specific approaches and results are not readily transferable.

A strong focus on the development of improved management skills at farm staff, farm management, governance and business decision levels, will be required to progress the considerable opportunity to grow the productive base associated with Māori freehold land.

⁶ *Kanohi ki te kanohi* – means “face to face” or a “face seen is a face heard”, but can be regarded as establishing knowledge connections to develop a better understanding of issues important to individual entities and enterprises.

FRAMEWORK DESCRIPTION

OF ENTERPRISES CENTRED ON MĀORI FREEHOLD LAND

5

A literature review provided the background for a field programme to identify the institutional arrangements, both formal and informal, applying to the Māori land resource along with the business models that form the Māori agribusiness economy. This field programme involved discussions with individuals who collectively provided wide knowledge and experience of the current situation.

Informed by these discussions, the Framework for Describing the Māori Land Resource is provided in Appendix 2.

This framework provides a three tier stratification.

- › Tier 1 – Well-developed businesses
- › Tier 2 – Under-performing entities
- › Tier 3 – Under-utilised lands

Variations in key influencing factors provide for the differentiation between tiers. These influencing factors – governance, strategic and planned approaches, skills development and training, effects of legislation, and collective action are considered further later in this report.

»» TIER 1: WELL-DEVELOPED BUSINESSES

This tier is identified first and foremost as well-developed businesses with the potential for further growth. The consensus from discussions is that Tier 1 probably involves about 20 percent of Māori freehold land (approximately 300 000 hectares). Considerable areas of general land are farmed in conjunction with the core collectively-owned land.

TIER 1.1 – STRONG PRIMARY INDUSTRY BUSINESSES, WITH DIRECT LINKAGES TO THE VALUE AND SUPPLY CHAIN.

This small group of businesses have strongly diversified production, and have direct control of value-added processing and control of their products through significant portions of the value chain.

TIER 1.2 – STRONG PRIMARY INDUSTRY BUSINESSES

This group of businesses are differentiated from Tier 1.1 businesses through not having direct control of the value chain of the produce from their lands. That is, they are farm gate providers to downstream processors and value chains. However, they are well-governed and well-managed entities with strong commercial capabilities.

TIER 1.3 – STRONG PRIMARY INDUSTRY BUSINESSES WITH SIGNIFICANT CONSTRAINTS TO CONTINUING DEVELOPMENT DUE TO LIMITED CONTROL OF THEIR TOTAL LAND ASSET BASE

For this small group the land ownership entity is no more than a landlord over parts of its land, and therefore has little ability to drive production levels, farming practices or receive benefits from the performance of those lands. Whilst the governance entity has first right of refusal on the land interest if it comes up for sale, the capacity to build production in the mean time for the benefit of the owners is limited. Despite this, these entities are well-governed and well-managed.

»» TIER 2: UNDER-PERFORMING ENTITIES

Tier 2 entities can be described as those with landholdings that are currently developed for productive use but which are clearly, often markedly, under-performing compared to similar enterprise benchmarks. The consensus from our discussions is that Tier 2 probably involves about 40 percent of Māori freehold land (approximately 600 000 hectares).

They have a number of factors influencing their under performance and they involve a mix of:

- › governance deficiencies;
- › lack of planning and strategic approaches;
- › limited access to development capital;
- › limited skill level on farm;
- › under-developed on-farm infrastructure (subdivision fencing, reticulated water supply etc);
- › run down soil fertility and/or pasture quality.

While entities in this tier have governance structures in place that are actively engaged in the enterprise, they are often not providing effective direction and decision making to realise the full productive potential. Business and technical skills, along with specific agricultural knowledge, are usually not strongly represented in the governance structure.

Planning and strategic approaches vary in this particular tier. They range from limited planning and strategies in place through to no effective planning at all. This includes elements of being overly ambitious through to drifting with little aspiration for growth. These entities typically do not benchmark against similar enterprises regionally or nationally.

If plans are undertaken, the ability to give effect to those are often limited by available farm management and farm skills and access to skilled professional and technical advice. In addition, implementation can be hindered by limited access to capital and operating funds.

»» TIER 3: UNDER-UTILISED LANDS

Tier 3 represents a complex mix of circumstances and conditions – there is an amalgam of situations that contribute to this land being under-utilised. The drivers of under-utilisation range from the inherent physical

production potential of the land not being realised, constraints on the physical capacity of the land itself, lack of identifiable owners or management entities, through to an under-contribution to the financial wellbeing of the ownership group. The consensus from discussions is that Tier 3 probably involves about 40 percent of Māori freehold land (approximately 600 000 hectares).

TIER 3.1 – LAND WITH GOOD INHERENT PRODUCTIVE CAPACITY IN LONG TERM LEASE

This tier includes at least two distinct situations which both provide a low financial return to the ownership group:

- › land that is providing a significant financial return to the lessee which is not reflected in the return to the ownership group;
- › land where production inputs and farm management activity do not reflect the inherent productive capacity, for example a parcel of land utilised as a farm runoff.

TIER 3.2 – LAND WITH GOOD INHERENT PRODUCTIVE CAPACITY BUT IN LONG TERM LEASE DUE TO STATUTORY AND INSTITUTIONAL CONSTRAINTS (CROSS REFERENCES TO TIER 1.3.)

This tier is the partner to Tier 1.3 where the organisation is no more than a landlord over parts of its land. The difference to Tier 1.3 is that there are no business development objectives in this tier. Lack of access to total land resource frustrates the owners, as well as an overall lack of business development objectives. Financial returns are constrained as a consequence. It is also likely that much of this land is being utilised below its productive capacity.

TIER 3.3 – LAND PREVIOUSLY FARMED FOR COLLECTIVE BENEFIT BUT FORCED TO LEASEHOLD TO PROVIDE CASH FLOW TO SETTLE DEBT AND OBLIGATIONS ARISING FROM PREVIOUS BUSINESS DECISIONS

Interviewees advised during the course of this project that this situation is not uncommon. The effect of this situation is not only the loss of financial return to the ownership group and an inability to drive improved performance from the land resource, but also loss of control of access for cultural and spiritual needs.

TIER 3.4 – SMALL DISPERSED BLOCKS, WITH LOW CURRENT PRODUCTIVITY THAT ARE SUB-ECONOMIC FOR PASTORAL DEVELOPMENT BUT HAVE SIGNIFICANT INHERENT PRODUCTIVE POTENTIAL

There are many factors which confound the realisation of the inherent productive potential of these lands.

These factors include, but are not limited to, lack of practical physical access to the land, loss of identified ownership record, a deficit of effective management structures, limited financial resources, limited knowledge of land use options, access to and affordability of appropriate advice about land use options and whanau tensions constraining any management decision.

The limited number of practical land use options appropriate to small block owners with limited financial resources is also a key limiting factor.

The combination of these issues is such that potentially productive lands are limited to informal use, opportunistic use by others, reversion to indigenous woody vegetation, or providing harbour to pests and weeds.

TIER 3.5 SMALL DISPERSED BLOCKS WITH LOW INHERENT PRODUCTIVE CAPACITY

Much of this land is steep hill country with indigenous forest and scrub cover, or is reverting to scrub and weeds. Lack of practical access and loss of identified ownership records are significant issues. Land holdings of this type comprise a significant proportion of overall lands but provide little, if any, opportunity for agricultural development.

»» CROSS CUTTING ISSUES

We have also identified a number of cross cutting issues which impact on management and development decisions, particularly within Tier 1 and Tier 2.

- › **TENDENCY TO BE REMOTE** – a significant part of the Māori land resource is relatively remote from urban centres, which complicates access to specialist consultancy, technical advice, training and services. The tendency to be remote also impacts on the ability to access farm contracting services.
- › **EFFECT OF PLANNING AND RESOURCE MANAGEMENT LEGISLATION** – Māori farm businesses are impacted in the same manner as all farm businesses by local government planning and resource management requirements established by the Resource Management Act – that is there is no differentiation between Māori farm businesses and all other farm businesses. However, there is a practical difference that relates to the development state of many Māori businesses – propositions to pursue horticultural, pastoral development or plantation forestry opportunities may be restricted through irrigation water not being available due to fully allocated catchments, significant natural area designations or landscape values controls, all of which may preclude or restrict development.
- › **EFFECT OF DEVELOPMENT CAPS** – Māori land is strongly represented in the geographic areas impacted by the need to manage nitrogen loading in Lake Taupo and the Rotorua Lakes. The nitrogen caps in place have significant impacts on the growth and development of Māori farm businesses. A focus on low nitrogen management strategies is required to allow for productive growth within established environmental limits. The development of strong linkages between managers of Māori land and those undertaking science development and technology transfer is required.
- › **EFFECT OF CLIMATE CHANGE REGULATIONS** – the deforestation rules associated with the Emissions Trading Scheme will constrain the development options of significant areas of Māori land that are currently in scrub and forest cover. As well, potential additional costs may be put on the agricultural sector as a result of it entering the Emissions Trading Scheme. A focus on developing alternative business models and income streams will be required, some of which may arise from credits from carbon sequestration activities.
- › **TECHNOLOGY TRANSFER** – the transfer of technology and information associated with agriculture is usually poorly targeted for a Māori audience. Communication methods are often insufficient, which leads to the inability of Māori to clearly understand the information, therefore uptake of the technology/information is often low. Tailored and targeted technology transfer offers an opportunity for Māori entities to be better informed and improve their farming performance.

6

ANALYSIS

The generalised notion of under performance of enterprises based substantially on Māori freehold land is an unhelpful simplification.

There is clear evidence that demonstrates strong and innovative performance within trusts and incorporations that we have described earlier in this report as Tier 1 enterprises. This is not to say that these entities, in common with similar general title businesses, have reached their productive potential. Tier 1 trusts and incorporations have considerable room for development and growth – our premise is that the governance and management structures in place provide, with time and access to resources, for this potential to be realised.

There is however considerable weight to the notion that there is significant under-performance associated with Māori freehold land – notably within Tier 2 and Tier 3. Kingi (2004) reports several studies that support this proposition – Ward (1958), Davies (1964), Ishida (1966), Kawharu et al (1976), Andrews (1997), Hayes (1999), Kingi (2004).

The notion of under-performance is complex. Under-performance includes components of:

- › unrealised productive potential of lands currently in the direct management control of trusts and incorporations;
- › unrealised productive potential of lands currently being leased and managed by third parties;
- › financial returns to the beneficial owners of lands currently being managed by third parties, either through formal leasing arrangements or through opportunistic occupation, that do not properly reflect the value of production accruing to the third party;
- › land that has productive potential but is currently not being put to productive use;
- › land without a known ownership or management structure.

The observations, insights and conclusions of the wide ranging conversations through this project reiterate the position outlined by others in the literature reported earlier. In short, the issues and arrangements that are incumbent in the custody and management of Māori freehold land provide a circumstance such that generalisations in direct comparison with businesses utilising general title freehold lands risk gross over-simplification.

The interaction of cultural values, identity and pride with economic and financial objectives provides for the diverse and complex framework that we have described earlier. Our conclusion is that the delivery, or not, of the undoubted economic growth opportunity associated with enterprises centred on Māori freehold land is strongly linked to two key and dominant factors:

- › the ability to make decisions;
- › access to, and availability of, appropriate skills and capability.

These two factors are closely associated and strongly influence each other, to the point that they should not be considered in isolation of each other. MAF's proposition is that the dominant factors of decision-making and

access to appropriate skills and capability are the root of success at all levels within the framework that we have described earlier. At all levels decision-making relies on the governance structure in place and the advice available to support the decision makers. In turn, the execution of decision making relies on the collective interaction of the governance structure in place, the farm supervisor and/or consultant, the farm manager and the farm staff.

The aspirations and expectations of individual owners will also likely be influenced by the size of shareholding. There is often a strong difference in view between large shareholders, small shareholders, beneficiaries and descendants without direct shareholding.

The place of residence relative to the ownership interest is a further strong influence on aspiration and expectation. Those living on or close to the land, the *ahi kaa*⁷, may well have views that are strongly differentiated from those that live further away.

Any overriding expectation for wealth generation from Māori land presumes a collective ownership group preference for economic and financial growth, as distinct from a preference for primacy of spiritual and cultural values or a balance of spiritual, economic and economic financial values.

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⁷ *Def.* occupation rights (Ryan, P, 1997). In this context *ahi kaa* is used to refer to people who uphold particular purpose and responsibilities within a community, including for *marae*.

decision-making relies on the governance structure in place and the advice available to support the decision makers. In turn, the execution of decision making relies on the collective interaction of the governance structure in place, the farm supervisor and/or consultant, the farm manager and the farm staff.

Collective action is also a feature that strongly influences management and decision. incorporations and ahu whenua trusts, and their associated governance and management structures, are the results of title aggregation of the past. Collective action is also a strong and current feature that drives some of the following outcomes:

- › amalgamations and partnerships that provide for economies of scale;
- › joint ventures that help to develop stand alone processing and value chain capacity;
- › strong enterprises that provide the nucleus for collaborative development with owners of smaller and dispersed land holdings;
- › rununga based enterprises resulting from Treaty of Waitangi settlements that provide a nucleus and stimulus for owners of smaller and dispersed land holdings;
- › economies of scale and efficiencies from common purchasing arrangements;
- › collaborative approaches to skills development and training.

For the most part building skills, capacity and capability will be key determinants to progress in delivering the growth opportunity.

»» GOVERNANCE

Governance has different aspects to it; it is a combination of having the right skills at the board table and having an informed democratic electoral process to ensure that the combination of skills and experience is enabled at the board table. Common governance issues in various publications referred to in this report and views expressed by interviewees included:

- › lack of entity structure to enable appropriate and effective governance;
- › the need for professional development of governors generally (roles and responsibilities);
- › the need for agribusiness-specific professional development to empower decision making;
- › revamp of the democratic process which elects governors – the process continues to be centred on a voting system that often has no prerequisite for skill and experience.

There is wide consensus that:

- › appropriate and effective governance enables land utilisation that reflects the aspirations and decisions of owners;
- › the challenges of management are accentuated without appropriate and effective governance.

The continued improvement of governance is required for Māori agribusinesses in all tiers of the framework description. There are organisations that offer governance training, therefore access to this opportunity isn't the primary issue. Rather targeted training suited to where the entity sits in the tier structure is important. Many training packages are generic and a one size fits all approach won't work under these circumstances.

- › **TIER 1** enterprises have effective governance structures in place. Trustees and directors typically are experienced and bring individual business, technical, professional and tikanga skills to their task. Strong commitment to generic governance training, such as that offered by the New Zealand Institute of Directors, is common. The appointment of independent directors to provide specific agribusiness skills and knowledge is also common.
- › The opportunity for experienced trustees and directors to participate in seminars and short course training to provide both deeper agribusiness knowledge and strategic planning skills would strengthen current governance and decision making.
- › **TIER 2** governance typically involves trustees and directors who have less individual business, technical and professional skills than those prevalent within Tier 1. There is also likely to be a low level of agribusiness knowledge, experience and strategic planning skills.
- › Training and development needs include generic governance training and targeted governance and strategic planning training delivered at the capability and capacity level of the owners and trustees. Such targeted generic skills development would help re-organise many of these entities and get them on top of their administration requirements and necessary entity obligations. Once governance capability has been lifted, these organisations can start considering land development options and lifting performance. Base-level agriculture and agribusiness training would also assist with making the raft of business decisions required to guide the farm business.
- › **TIER 3** is typified by a general lack of effective governance and management structures. Activity to realise productive potentials cannot proceed until effective governance is achieved. In many cases there will be a range of issues that will need to be addressed before governance development can be progressed such as (but not limited to):
 - identification of owners;
 - creation of an entity/ structure to administer the land;
 - necessary Māori Land Court processes have been undertaken;
 - successions;
 - meetings with owners to develop vision, mission and goals for the land.

Therefore, governance training is secondary to self organisation of the owners. There is a limited role that external agencies can play in this stage of the process, other than the Māori Land Court, to manage processes.

»» SKILLS, DEVELOPMENT AND TRAINING

There is a need for upskilling across the range of roles in Māori agribusiness. There needs to be stronger reinvestment by Māori organisations into the continued upskilling of both governors and staff, from farm managers through to junior shepherds. There are courses available for the farming operations of the business that can be delivered on farm and off site on a range of skills and topics. The key development opportunities relevant for Māori agribusiness in this area are the potential development of “Farming 101” short courses targeted at trustees and directors of Māori farming enterprises.

A strong signal from the findings is the need for trustees and directors to understand farming to a level at which they can provide critical review of the advice of farm managers and consultants about proposals for the business, and have a level of assurance about their decision-making. This could be a five-day short course, designed in conjunction with training institutes and farming experts, as well as organisations skilled in working with Māori organisations. The purpose would be to design a course that provides the tools necessary to understand farming and associated processes.

Options to keep in mind would be:

- › delivery of the course on farm or off site (on campus);
- › subsidised fees for those trusts and incorporations with limited income;
- › practical content with site visits and hands on experiences;
- › the ability to adapt the course based on the major interest of the trust or incorporation (pastoral farming or horticulture interest or dairy);
- › information contained within an easy to use handbook that can be taken away.

»» EFFECTS OF LEGISLATION ON GOVERNANCE

The administration and compliance cost impost associated with the Te Ture Whenua Act and the processes of the Māori Land Court impact throughout the framework description.

For trusts and incorporations operating at Tiers 1 and 2, the cost of maintaining and servicing a large and expanding owners' share register are considerable. The need to hold unclaimed dividends against future claims also brings significant administration costs. These costs must be met at the expense of retained earnings available for operating and development capital, or for distribution as dividends.

Similarly the compliance costs associated with changes to arrangements or seeking a determination from the Māori Land Court relating to small whanau blocks can frustrate development opportunities.

Streamlining current administrative requirements and imposts would be a worthwhile step. Electronic records, particularly the ability to email and web-based data, presents opportunities that participants felt could be explored and the Act updated as a result.

»» COLLECTIVE ACTION

The Māori incorporations and ahu whenua trusts that are in place today are largely the result of collective action of the past. Individual titles have been amalgamated and collective management arrangements provide the ability to leverage off each other's size and capabilities to drive some of the following outcomes:

- › amalgamations and partnerships that provide for economies of scale;
- › joint ventures that help to develop stand-alone processing and value chain capacity;
- › strong enterprises that provide the nucleus for collaborative development with owners of smaller and dispersed land holdings;

- › rununga based enterprises resulting from Treaty of Waitangi settlements that provide a nucleus and stimulus for owners of smaller and dispersed land holdings;
- › economies of scale and efficiencies from common purchasing arrangements;
- › collaborative approaches to skills development and training.

It is important to note that collective action can be achieved through various forms; it could be a formal amalgamation process through the Māori Land Court, joint venture partnerships where autonomy is maintained, or informal to formal discussion groups for organisations to learn from each other.

Successful trusts and incorporations continue with collective activity today and there are numerous examples of recent and current examples. There are significant further opportunities for Māori agribusiness with this type of approach. A wide range of collective and collaborative development activities will deliver productive capacity into the future.

»» SOCIAL CONSTRUCT AND BALANCING COMPETING OBJECTIVES

The measure of success for Māori agribusiness on Māori freehold land is not only monetary but how all the other social, environmental and cultural objectives important to the organisation are met. This is an essential difference in the way Māori organisations make decisions for their business and the way many general title farmers make decisions for their farming businesses.

The expectations and aspirations of the ownership group of any particular holding (incorporation, trust or individual title) of Māori freehold land provides the core context for management and for the realisation of development opportunities. The protection of the land from alienation provides a universal objective.

Further to protecting the land from alienation, there is likely to be a range of views, some potentially conflicting, in any particular group of owners. The challenge for those with leadership and governance responsibility is to navigate the aspirations and expectations of the owners as a collective.

The strong cultural and spiritual values associated with ownership provide the central underpinning for land management and utilisation. The land provides a sense of both pride and identity, and a connection to those that have come before – the tupuna⁸. For some, these values are a sufficient benefit of ownership.

For most, kaitiakitanga⁹ – a balancing of cultural, spiritual, social, environmental, economic and financial factors – will be a core aspiration and expectation. The tikanga¹⁰ of individual trusts and incorporations will also have a strong influence on the general conduct of day to day affairs and in the balancing of values in management decisions.

⁸ Def. ancestor (Ryan. P, 1997)

⁹ Def. guardianship (Ryan. P, 1997)

¹⁰ Def. custom (Ryan. P, 1997)

The aspirations and expectations of individual owners will also likely be influenced by the size of shareholding. There is often a strong difference in view between large shareholders, small shareholders, beneficiaries and descendants without direct shareholding.

The place of residence relative to the ownership interest is a further strong influence on aspiration and expectation. Those living on or close to the land, the *ahi kaa*¹¹, may well have views that are strongly differentiated from those that live further away.

Any overriding expectation for wealth generation from Māori land presumes a collective ownership group preference for economic and financial growth, as distinct from a preference for primacy of spiritual and cultural values or a balance of spiritual, social and economic values.

This has been one of the more important findings of the report, as it gives an insight as to why some lands may have or may not have been developed. Whilst the economic gain from the development of the land may have been very good, the competing objectives of delivering on environmental outcomes and social benefits may have been perceived to be at risk of being compromised, so the venture did not go ahead.

¹¹ *Def.* occupation rights (Ryan, P, 1997). In this context *ahi kaa* is used to refer to people who uphold particular purpose and responsibilities within a community, including for *marae*.

RECOMMENDATIONS

7

1. SKILLS DEVELOPMENT AND TRAINING

RECOMMENDATION 1 – IMPROVE GOVERNANCE BY DEVELOPING CAPABILITY PROGRAMMES FOR THOSE OVERSEEING MĀORI LAND.

Development of a series of governance capability development programmes to assist those who are overseeing Māori entities would be valuable. Organisations that have the capability to deliver in this space would be AGITO (Agriculture Industry Training Organisation) and potentially universities with departments dedicated to agriculture. It would be possible to develop a programme that has a strong focus on governance but tailored to a farm system within the appropriate cultural context.

From the analysis to date and the feedback received from interviews, it is clear that good governance is critical. Those entities that are performing the best also have the best governance; they have a good sense of their goals and aspirations, know what is needed to drive towards those goals, and are attracting the best people and the resources needed for those goals to be realised.

Good governance is critical to the successful performance of collectively-owned Maori agribusiness, and should be the first issue addressed for Tier 2 and 3 organisations. Good governance often leads to other benefits, and this is self-perpetuating. If, as appears to be the case for many properties, there is a need for major investment (financial, physical or human capability), good governance is critical. Without strong governance by a board with long-term oversight to ensure that the initial investment is built upon, there is a heightened risk of the investment not realising the expected gains.

As governance functions may be separated from management, it means that people entrusted with such roles will need good governance skills similar to those you would expect to find on a well-performing company or trust board. Some boards have these skills (especially those in Tier 1.1), while others have these skills in varying degrees (Tier 2) and those in Tier 3 do not have them at all. The good thing is that these skills are available.

Within Māoridom there are multiple examples of collective ownership and good governance. One outcome of the Treaty settlement process is that more and more Māori have developed the skills necessary to oversee enterprises, and so they are well placed to run successful businesses within a Māori context.

There are also a number of organisations that can help develop these skills, for example, the Institute of Directors, and there are a range of organisations that also offer mentoring. Many Māori organisations have and are developing these skills, and should be encouraged to share these skills.

Directors need to understand the business they are trying to oversee and have some benchmarks as to what is possible. Farming is one of the most transparent businesses globally. In New Zealand there are multiple sources of information from government (MAF farm monitoring), industry (Beef & Lamb Economic Service), private consultants and the large number of people in the farming community willing to share their time and expertise.

RECOMMENDATION 2 – DEVELOP BEST PRACTICE GOVERNANCE MANUALS AND TRAINING COURSES PRIMARILY FOR TIER 2 AND 3 ENTITIES

RECOMMENDATION 3 – ESTABLISH BESPOKE SUPPORT SERVICES (FOR BOTH ON-FARM TECHNICAL AND FINANCIAL MANAGEMENT SKILLS) FOR MĀORI LAND

For some of these entities the likely future of their blocks is in forestry, sheep and beef farming, and carbon farming. Consideration should be given to helping establish a bespoke service to help these property owners, especially as this involves some of our most fragile land that is seeing the results of years of neglect.

These properties, especially around the East Cape, face unique challenges. The land is fragile, the summers are dry and they are exposed to extreme weather events on a regular basis. Therefore any advice has to be undertaken by those with the expertise in managing properties in these situations.

There is an opportunity for some of the largest and best Māori incorporations to extend their success by developing a bespoke service that could be offered to other Māori operations.

Often when one thinks of management of an agricultural property, one initially thinks of the day-to-day management of the farm. However, where the management and governance is separated, it is useful to think of management more akin to a corporate management team of listed companies or corporate farms. The management team also has to service the board. Even with a highly capable board they will require the appropriate information to make the decisions being asked of them and provide the oversight sought, such as annual budget and production targets, with regular updates, but also a strategic plan determining where the enterprise may head and what will be required to deliver it.

An owner-operator may do this more implicitly than explicitly, but where there is a separation of functions there is a need for good systems and documentation in a split-out governance structure.

It is important to think of this as a team. Even the best farm managers use accountants and other professional services. With small enterprises, the manager and owners/governors may differ. Therefore, how their advice is provided may change. With an owner-operator, a set of accounts and a conversation around the accounts may suffice. Where there is a governance board, a formal report and/or a presentation to the governors may be required.

Boards need to work closely with their managers to define expectations and agree on responsibilities for generating the information required of the board.

Farm management has always been a skilled occupation. However, it is rapidly changing as the demands on managing a farm are becoming more complex. Markets are demanding greater specificity and quality in what is being produced. Meat processors are paying premiums for certain types of lambs at different times of the year. As the cost of inputs such as fertiliser rise and society's expectations on how the environment is looked after change, the demands on the land manager are changing. This is made more difficult where the property is on fragile land and isolated. Services are either non-existent or more expensive and the financial returns smaller. Thus while this land deserves the best management possible current economics may make this difficult.

There are services that are available to help people become proficient as farm managers and provide the services and support to manage farms e.g. farm consultants, farm engineers (water supply, bridges, tracks, fencing), fertiliser and pasture specialists etc. The larger more profitable properties (those in Tier 1) probably already have skilled operators and good supporting services, and not only can they afford those services but are reaping the benefits of these services.

Those in Tier 2 and 3 are likely to be struggling to access such advisory services and, even when available, may not be able afford them. While there is no hard evidence of this, the current economics of North Island hill country makes this a realistic supposition. It is necessary to find a way to break the vicious cycle of low profitability, poor management, under-investment, and potentially degrading resources. It is likely to be unrealistic to expect those entities in this situation to seek these services on a straight commercial basis.

RECOMMENDATION 4 – DEVELOP AND TAILOR TRAINING PROGRAMMES FOR FARM MANAGERS OF MĀORI LAND

Within new or existing farm management training programmes modules could be developed that are tailored to the needs of Māori agribusiness. Such programmes could also recognise the type of farm operation these managers are likely to encounter.

Industry organisations such as DairyNZ and Beef and Lamb NZ are refining how they engage with their stakeholders, and as part of the reforms of the crown research institutes the Government is very explicit about a focus on technology transfer and adoption. All of the above organisations could give explicit consideration of how they could tailor their services to assisting those managing Māori land.

While there are many great farm managers in New Zealand, it is generally accepted that New Zealand is deficient in training and support services for farm managers. The situation is changing. For example, Massey and Lincoln Universities are looking to develop a Centre of Excellence in Farm Management.

2. SCALE AND SUPPORT

RECOMMENDATION 5 – TAILOR CAPABILITY DEVELOPMENT PROGRAMMES TO SMALLER ENTITIES

In designing capability development programmes it would be particularly important to design governance courses for very small entities with limited resources, much like is done for school boards of trustees.

RECOMMENDATION 6 – DEVELOP A SUPPORT NETWORK FOR MEDIUM TO SMALL ENTITIES

Given the nature of these entities, especially the medium to small size of their businesses, developing a forum and support network for those tasked with governing Māori land (which could also help co-ordinate training courses) would be beneficial. This could be co-ordinated by Māori themselves, and resourcing support coming from a multiple of agencies (inclusive of: AGITO, Te Puni Kokiri, Beef and Lamb NZ, Dairy NZ, MAF and potentially Federation of Māori Authorities (FOMA)). With the majority of these Māori entities being in the central North Island and East Coast, there may be an opportunity for a regionally-based organisation.

If such a network was established, it would also assist in encouraging those people with well-developed governance skills and experience to help mentor those still developing their skills.

There are entities that are too small and/or too poorly developed to justify the involvement of either multiple governors, or the intensity or frequency of engagement that is required to provide appropriate oversight for a commercial agribusiness operation.

This is a more complex problem. While the smaller entities have the same legal and cultural responsibilities as the large incorporations and trusts, how they discharge those responsibilities will be different as they have fewer resources and they will face different pressures. It is likely that such directors are going to have to rely more heavily on external professional services. In this situation it is likely that a strong focus for such directors is going to be on how best to use external help, what questions they should be posing to their accountants etc.

Once again, mentoring either through the Institute of Directors or Māori organisations such as FOMA could also be of assistance.

In designing capability development programmes it will be particularly important to design governance courses for very small entities – ones that are unlikely to have the supporting structures and information that you would usually expect where a governance board is established.

Also because of the strong community and cultural focus many of these governance entities have, it will be important to have a component on how the interface of acting in the best interest of the community can be aligned with acting in the best interest of the business.

RECOMMENDATION 7– GOVERNMENT PROGRAMMES

A stronger programme of communication between government agencies and Māori organisations is desirable.

The majority of Māori freehold land is Class VI and VIII. There have been a number of government programmes developed in recent years, such as High Country Erosion programme, East Coast Forestry Programme, Permanent Forest Sink Initiative etc, that are directly applicable to these classes of country. It is important that Māori are provided with the opportunity to participate in these schemes.

Sustainable Programmes advisers within MAF are key to the success of awareness, understanding and uptake of programmes specific to MAF as viable options for Māori organisations. In terms of other organisations, awareness of applicable programmes and available resources needs to be communicated to Māori organisations.

3. LEGISLATION**RECOMMENDATION 8 –SUPPORT THE MĀORI LAND COURT IN UPDATING AND IMPROVING PROCESSES AND SYSTEMS TO TAKE ACCOUNT OF MODERN COMMUNICATION METHODS AND TO REDUCE COMPLIANCE COSTS.**

The Māori Land Court needs to update its systems and remove unnecessary administrative clauses in the Act.

Currently trusts and incorporations are required to keep a share register of owners with the court, but the registry is not an electronic system and the system is still based on paper records. Emailing is not a recognised form of communicating with owners in the Māori Land Court system, instead they have to be written to with hard-copy letters. This is an unnecessary cost for trusts and incorporations, particularly for large incorporations with thousands of owners/shareholders, which therefore cost thousands of dollars for every mailed communication. Such costs would be better spent reinvested into the business, rather than administration.

Māori Land Court records of land holdings are paper records, which make the records and information difficult to access by landowners. Updating the system (which is currently happening) to an electronic format will make the information more accessible to owners and those who are trying to track down information in regards to becoming an owner (succession) and understanding their interests.

RECOMMENDATION 9 – REVIEW THE TE TURE WHENUA ACT

There is a need for an update of legislation to reflect these issues. A tool box of options could usefully be made available to owners that are looking for ways to minimise problems and improve the operation their organisation.

Succession and continued fragmentation of ownership of shares on Māori freehold land with multiple ownership is creating unnecessary administration costs on trusts and incorporations. Kingi (2009) estimates there are 185 000 registered owner interests being added to the register annually. This is on top of the two million-plus existing beneficial owner interests currently held by the Māori Land Court.

Some of the more progressive incorporations are encouraging their owners to form trusts so that the incorporations don't have to expend unnecessary resources trying to track down tens of thousands of people each year.

RECOMMENDATION 10 – HELP TRUSTS AND INCORPORATIONS FIND ALTERNATIVE MODELS FOR THE MANAGEMENT OF THEIR ASSETS THAT INCENTIVISE DEVELOPMENT AND PRODUCTIVITY, AND IMPROVE RETURNS

Further work needs to be done on how trusts and incorporations can have a greater input into the management of their assets, get productivity out of their lessees, and set rentals that reflect market values.

The review of legislative constraints on incorporations is an issue specific to a few trusts and incorporations that have governing legislation which determines the productivity potential of their land. Paranihi ki Waitotara (PKW) are a good example, where they have control over 2000 hectares of their land and the balance 18 000 hectares is in perpetual leases. The Māori Reserved Land Amendment Act of 1997 continues the legacy of perpetual leases but provided for a transition to market rents, and reduced the rent review period from 21 years to every seven years. In addition, lessees were required to give the owners a right of first refusal to buy should they wish to sell or transfer the lease outside their immediate family. This proposal was intended to accommodate the wish of the owners to regain full control of their land. However, PKW's current situation continues to be as landlord. Their only productivity potential is over 2000 hectares, forcing diversified investment away from their lands.

8

MAF ROLE IN

REALISING THE POTENTIAL OF MĀORI FREEHOLD LAND

Delivering the productive potential of Māori freehold land requires a multi-faceted approach that will include elements of:

- › supporting social structures and the development of collective approaches to land management and development;
- › skills development and training at all levels – governance, business knowledge, and farm management;
- › development of land use options that are appropriate to small dispersed blocks of land and owners with limited skills and financial resources;
- › streamlining and adjustment of the administrative requirements of the Te Ture Whenua Act and associated procedures.

The direct role for MAF in delivering work programmes targeting this multi-faceted approach is relatively limited.

There is a particular role for MAF in providing sector knowledge and experience into the work programmes of other agencies. Opportunities for MAF contribution include:

- › work programmes led by Te Puni Kōkiri, such as:
 - to inform the deliberations of the Minister of Māori Affairs Economic Task Force;
 - the intended review of the Te Ture Whenua Act;
 - the design and implementation of the Budget 2010 *Skills and Training in the Primary Sector* initiative;
 - follow on work from the current *Iwi Futures* and *Owner Aspirations Regarding the Utilisation of Māori Lands* projects;
- › work programmes led by the Agricultural Industry Training Organisation including:
 - the development and implementation of skills development programmes targeting Māori agribusiness;
 - the multi-entity governance project that is in development that will succeed the long standing New Zealand Trade and Enterprise Māori Governance Training Programme that has been discontinued;
- › work programmes and initiatives of the Federation of Māori Authorities.

Effective input will require MAF to maintain strong relationships with these agencies and active, but targeted, participation in particular initiatives.

9

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APPENDIX 1: METHODOLOGY

The process followed in preparing this report as well as the associated commentary is an opportunity to inform methodological approaches MAF and other agencies may consider in developing projects in the future.

The resource allocated to the development of this report was limited to the use of two existing staff within MAF on a part-time basis, and a small travel and incidentals budget. Therefore, how the methodology was framed and implemented had to fit within these bounds. The challenge for this report was how to get a broad range of viewpoints, within the resource allocated, and therefore given the broad range of viewpoints required, who do you talk to?

Participants were selected to ensure that our discussions provided a broad overview of the current situation and arrangements applying to the Māori land resource along with the business models that form the Māori agribusiness economy. It is important to note that this report would not get to everyone who is involved in this area of work, and this stocktake would be a starting point to a wider conversation that is needed to be had throughout the country. The participants were selected from existing contacts established within the project as well as referrals from MAF staff internally and through engagements with participants.

In overview participants provided:

1. experience in the Māori agribusiness sector either as:
 - › a consultant (farming or professional);
 - › an agency that has delivered programmes to the Māori agribusiness sector;
 - › a trustee on a Māori incorporation or Māori trust;
 - › a landowner/shareholder in a Māori incorporation or Māori trust;
 - › a business manager or farm supervisor.

2. Regional perspectives through individuals and groups in the following regions:
 - › Northland;
 - › Bay of Plenty (Rotorua, Whakatane, Ohope);
 - › central North Island;
 - › Taranaki;
 - › Tairāwhiti;
 - › Christchurch;
 - › Manawatu;
 - › Wellington.

3. Agency perspectives from:
 - › Māori Land Court;
 - › Te Puni Kōkiri;
 - › Federation of Māori Authorities;
 - › Meat and Wool NZ;

- › DairyNZ;
- › Landcare Research;
- › Agriculture Industry Training Organisation;
- › Massey University;
- › Hui Taumata;
- › Lincoln University;
- › Environment Bay of Plenty;
- › Northland Regional Council;
- › AgResearch.

There were different methods of data collation and information gathering utilised for this stocktake.

1. Literature review of existing material within MAF and externally.
2. Semi-structured face to face informal meetings with individuals.
3. Semi-structured face to face informal meetings with groups.
4. Phone meetings.
5. Email correspondence.

Initial contact was made with selected participants either through a phone call or by email. Information was provided to participants prior to meeting face to face. If participants were unable to receive the information (due to lack of email) they were talked through the purpose of the meeting via phone call, or directly during the face to face meeting. In most cases the participants were people that were unknown to the project team, so in essence it was a relationship building exercise first and foremost, and then information was able to be exchanged once the participant felt comfortable to do so. In other cases the project team were known to either one of the participants and there was an ability to exchange information earlier in the process.

A communications release form was developed for the purposes of the report and provided to participants. The purpose of the form was to allow the release of any information collated from the meetings or phone engagements to be publicly released for the purposes of this report. Most participants chose not to sign the form, but requested that their identities were kept confidential and the examples provided to the project team in some cases be kept anonymous but able to be used in a generic way to provide examples.

The face to face meetings were semi-structured, so whilst there were key questions asked, there was no strict format, and the interviews were more of a free-flowing conversation, and questions from the project team focused on questions of clarity and testing ideas or concepts that the project team had. It was also an opportunity to get into some of the detail of the issues and ideas being shared by participants. Face to face meetings provided the opportunity to validate literature, build our understanding of the breadth and scope of Māori land use and agribusiness and be briefed on the new and innovative work and approaches underway. Face to face meetings provided the most benefit in terms of information gathering and data collation, than the other methods. From the interviews a matrix of key themes was constructed. This matrix was sent to

participants to confirm the content and the matrix was updated to reflect their feedback. The matrix, now entitled *Framework for Describing the Māori Freehold Land Resource*, is the sole information on participants. All other interview paperwork (other than publications) was asked to be destroyed or made confidential.

The feedback loop of confirming content and updating information on feedback is a tool to be utilised in the future as this process was invaluable for keeping participants on board with the project and rechecking our processes as a project team. The only issue is that we were unable (due to timing) to circulate the draft report for feedback, however it is advised that any work programmes that are initiated from this report include the participants (in some way) that were engaged for this report.

APPENDIX 2: FRAMEWORK

FOR DESCRIBING THE MĀORI LAND RESOURCE – AS AT 2 OCTOBER 2009

TIER	SUB TIER	GOVERNANCE	STRATEGIC AND PLANNED APPROACHES	SKILLS DEVELOPMENT AND TRAINING	LEGISLATIVE	COLLECTIVE ACTION
TIER 1	1.1 Strong primary industry businesses – well integrated, include direct linkages/control to value chain.	Strong governance structures in place, individual trustees/directors bring a range of business and technical expertise and experience.	Effective planning and monitoring systems in place, bring a strategic outlook and approach to further business development.	Access to continuing professional development and training course work opportunities would further develop the depth of agriculture and agribusiness skills and knowledge of governors/directors and key management staff.	Significant issues with the Te Ture Whenua Māori Lands Act (TTW Act) in relation to the cost of compliance associated with maintaining a share register. Also views that the TTW Act needs to be updated to reflect improved technology (GIS, website, email etc).	Collective Action being joint venture opportunities for market and purchasing power, as well as information sharing discussion groups. The effect of scale evident in these businesses have been afforded to amalgamation processes undertaken in the past. This is further developed through partnerships and other aligned business models.
W E L L - D E V E L O P E D	Portfolio often includes other businesses/investments.	Independent directors with specific agriculture knowledge are a common feature.	Individual entities are at different stages in giving these planned approaches effect and putting in place the supporting monitoring and performance management evaluation systems.	Further training and development of farm staff, farm managers through to junior shepherds would underpin realising planned approaches and productive capacity.	Potential business opportunities affected by court processes.	
	1.2 Strong primary industry businesses but with direct control of land asset base.	Strong governance structures in place, individual trustees/directors bring a range of business and technical expertise and experience.	Effective planning and monitoring systems in place, bring a strategic outlook and approach to further business development.	Access to continuing professional development and training course work opportunities would further develop the depth of agriculture and agribusiness skills and knowledge of governors/directors and key management staff.	Significant issues with the TTW Act in relation to the cost of compliance associated with maintaining a share register. Also views that the TTW Act needs to be updated to reflect improved technology (GIS, website, email etc).	Collective Action being joint venture opportunities for market and purchasing power, as well as information sharing discussion groups. The scale evident in these businesses have been afforded to amalgamation processes undertaken in the past. This is further developed through partnerships and other aligned business models.
	Often with development options and physical capacity to build productivity.	Independent directors with specific agriculture knowledge are a common feature.	Individual entities are at different stages in giving these planned approaches effect and putting in place the supporting monitoring and performance management evaluation systems.	Further training and development of farm staff, farm managers through to junior shepherds would underpin realising planned approaches and productive capacity.	Potential business opportunities affected by court processes.	

TIER	SUB TIER	GOVERNANCE	STRATEGIC AND PLANNED APPROACHES	SKILLS DEVELOPMENT AND TRAINING	LEGISLATIVE	COLLECTIVE ACTION
	1.3 Strong primary industry businesses but with significant constraints to continuing development due to limited control of total land asset base.	<p>Strong governance structures in place, individual trustees/directors bring a range of business and technical expertise and experience.</p> <p>Independent directors with specific agriculture knowledge are a common feature.</p>	<p>Effective planning and monitoring systems in place, bring a strategic outlook and approach to further business development.</p> <p>Individual entities are at different stages in giving these planned approaches effect and putting in place the supporting monitoring and performance management evaluation systems.</p>	<p>Access to continuing professional development and training course work opportunities would further develop the depth of agriculture and agribusiness skills and knowledge of governors/directors and key management staff.</p> <p>Further training and development of farm staff, farm managers through to junior shepherds would underpin realising planned approaches and productive capacity.</p>	<p>Significant issues with the TTW Act in relation to the cost of compliance associated with maintaining a share register. Also views that the TTW Act needs to be updated to reflect improved technology (GIS, website, email etc).</p> <p>Potential business opportunities affected by court processes.</p> <p>Control of Asset base is determined by legislation which governs the Trust or Incorporation .</p>	<p>Collective Action being joint venture opportunities for market and purchasing power, as well as information sharing discussion groups.</p> <p>The scale evident in these businesses have been afforded to amalgamation processes undertaken in the past.</p> <p>This is further developed through partnerships and other aligned business models.</p>

TIER	SUB TIER	GOVERNANCE	STRATEGIC AND PLANNED APPROACHES	SKILLS DEVELOPMENT AND TRAINING	LEGISLATIVE	COLLECTIVE ACTION
TIER 2	Properties that are currently developed for productive use but which are clearly, often markedly, underperforming compared to similar enterprise benchmarks.	Governance structures in place and that are actively engaged in the enterprise but that do not provide effective direction and decision making to realise the full productive potential.	Range from strategic and planned approaches in place to minimal to no effective planning. Include elements of being overly ambitious through to drifting with little aspiration for growth.	Further development of general governance skills and knowledge, along with the development of basic agricultural and agribusiness knowledge and understanding is often required. Access to continuing professional development and training course work opportunities would further develop the depth of agriculture and agribusiness skills and knowledge of governors/directors and key management staff.	Significant issues with the TTW Act in relation to the cost of compliance associated with maintaining a share register. Also views that the TTW Act needs to be updated to reflect improved technology (GIS, website, email etc). Potential business opportunities affected by the required processes of the Act.	Significant opportunity for entities to develop collective approaches to areas including: <ul style="list-style-type: none"> > skills development and training; > partnership opportunities; > and/or purchasing.
U N D E R P E E F O R M I N G	Factors influencing under performance involve a mix of: <ul style="list-style-type: none"> > governance issues; > skill level on farm; > under-developed on farm; infrastructure (subdivision fencing, reticulated water supply etc); > run down soil fertility, pasture quality; > limited access to development capital; > weak cash flows leading to creditor risk. 	Business and technical skills along with specific agricultural knowledge not strongly represented in the governance structure.	Ability to give effect to plans often limited by available farm management and farm skills and access to skilled professional and technical advice, access to capital and operating funds.	A commitment to the training and development of farm staff, farm managers through to junior shepherds, is required to underpin realising productive capacity.		

TIER	SUB TIER	GOVERNANCE	STRATEGIC AND PLANNED APPROACHES	SKILLS DEVELOPMENT AND TRAINING	LEGISLATIVE	COLLECTIVE ACTION
TIER 3 U N D E R - U T I L I S E D	3.1 Land with good inherent productive capacity in long term lease. Low economic return to owners, not necessarily producing near productive capacity.	Governance structures are not actively engaged with the management and productive activity on these lands.	No effective future focussed planning in place.	Further development of general governance skills and knowledge, along with the development of basic agricultural and agribusiness knowledge and understanding is required. Specific attention to identifying the productive potential and associated potential returns to the beneficial owners would be useful.	Significant issues with the Act in relation to the potential lengthy timeframes and complexity of required processes and the associated cost of compliance.	Significant opportunity for entities to develop collective approaches to areas including: > skills development and trainings; > partnership opportunities and/or purchasing.
	3.2 Land with good inherent productive capacity but in long term lease due to statutory and institutional constraints. (Cross references to 1.3.) Lack of access to total land resource frustrates the owners' overall business development objectives.	The ability of governance structures to be actively involved in managing the capacity of the land is precluded by the institutional arrangements in place.	Ability to give effect to strategic and planned approaches precluded.	N/A	Significant issues with the Act in relation to the potential lengthy timeframes and complexity of required processes and the associated cost of compliance. (Also cross references to 1.3)	N/A

TIER	SUB TIER	GOVERNANCE	STRATEGIC AND PLANNED APPROACHES	SKILLS DEVELOPMENT AND TRAINING	LEGISLATIVE	COLLECTIVE ACTION
	3.3 Land previously farmed for collective benefit but forced to leasehold to provide cash flow to settle debt and obligations arising from previous business decisions.	The governance no longer has any direct ability to influence land management and production decisions – these matters are now with the lease holder.	No effective planning in place.	Further development of general governance skills and knowledge, along with the development of basic agricultural and agribusiness knowledge and understanding is required. Specific attention to identifying the productive potential and associated potential returns to the beneficial owners would be useful.	Significant issues with the Act in relation to the potential lengthy timeframes and complexity of required processes and the associated cost of compliance.	Significant opportunity for entities to develop collective approaches to areas including: <ul style="list-style-type: none"> > skills development and training; > partnership opportunities and/or purchasing .
	3.4 Small dispersed blocks, with current low productivity that are sub-economic for pastoral development but with significant inherent productive potential. Reversion to scrub and weeds often an issue.	Weak governance, absentee trusteeship, social issues, lack of access to capital etc.	No effective planning in place.	Further development of general governance skills and knowledge, along with the development of basic agricultural and agribusiness knowledge and understanding is required. Specific attention to identifying the productive potential and associated potential returns to the beneficial owners would be useful. Additional work to identify viable production options and associated business models is required.	Significant issues with the Act in relation to the potential lengthy timeframes and complexity of required processes and the associated cost of compliance.	Significant opportunity for entities to develop collective approaches to areas including: <ul style="list-style-type: none"> > skills development and training; > partnership opportunities and/or purchasing.

TIER	SUB TIER	GOVERNANCE	STRATEGIC AND PLANNED APPROACHES	SKILLS DEVELOPMENT AND TRAINING	LEGISLATIVE	COLLECTIVE ACTION
	3.5 Small dispersed blocks with low inherent productive capacity. Low to no current productivity. Currently undeveloped or reverting to scrub and weeds.	No entity or governance structure and possibly abandoned land (no owners).	No effective planning in place.	N/A	While these lands are included in the coverage of the TTW Act, there is no agency that currently fulfils a role in addressing the problems here.	N/A

»»» CROSS CUTTING ISSUES

TENDENCY TO BE REMOTE – a significant part of the Māori land resource is relatively remote from urban centres which complicates access to specialist consultancy, and technical training and services. The tendency to be remote also impacts on the ability to access farm contracting services.

EFFECT OF PLANNING AND RESOURCE MANAGEMENT LEGISLATION – Māori farm businesses are impacted in the same manner as all farm businesses by council planning and resource management requirements established by the Resource Management Act – that is there is no differentiation between Māori farm businesses and all other farm businesses. There is however in many situations a practical difference that relates to the relative stage of development of many Māori Businesses – propositions to pursue horticultural or pastoral development opportunities may be restricted through irrigation water not being available due to fully allocated catchments. Significant Natural Areas or landscape values may preclude/restrict development etc.

EFFECT OF DEVELOPMENT CAPS – Māori land is strongly represented in the geographical areas impacted by the need to manage nitrogen loading in Lake Taupo and the Rotorua Lakes. Significant impacts on the growth and development of Māori farm businesses – a focus on low nitrogen management strategies is required to allow for productive growth within established environmental limits. The development of strong linkages into science development and technology transfer is required.

EFFECT OF CLIMATE CHANGE REGULATIONS – the deforestation rules associated with the Emissions Trading Scheme will constrain the development options of significant areas of Māori land that are currently in scrub and forest cover, as will potential caps put on the agricultural sector as a result of agriculture entering the Emissions Trading Scheme. A focus on developing alternative business models and income streams will be required.

TECHNOLOGY TRANSFER – The transfer of technology and information associated with agriculture is poorly targeted when it comes to a Māori audience. This can be in terms of communication methods adopted as well as the ability of Māori to uptake the technology/information and apply it to their business.

