

TEKAU PLUS<sup>10+</sup>

Export Excellence

## MĀORI GLOBAL AGRIBUSINESS – TEKAU PLUS

### SIX-MONTHLY REPORT

30 December 2008

#### Introduction

This report is a contractual requirement and is intended to provide assurance of the progress of the project, and in particular of delivery on the contract between Te Puni Kokiri and the Partners for the project – the Māori Trustee, Federation of Māori Authorities and Poutama Trust (described as the Business Advisory Group) and known as the Tekau Plus Board.

#### Reporting

The Māori Global Agribusiness contract (in Schedule C) requires:

The six-monthly reports will report on:

- a. the outputs and success indicators in Schedule A (with specific Reference to the milestones and indicators in the three year work plan attached as Schedule G)
- b. the financial requirements in Schedule D and Schedule E
- c. the work of the Overview Panel
- d. the outputs, outcomes and processes set out in the three year plan

This report is in several parts:

1. Overall description of progress ((c) and (d))
2. Description of progress against the 3 year plan (a)
3. Financial reports (b)
4. Key documents

## Tekau Plus

### Summary Highlights

#### July-December 2008

- First cluster business formal letter of intent dated 28 November 2008 received from Waituna Brewing Company (Leverage Indigenous Beverage – Ale Study).
- Second cluster business formal letter of intent dated 23 December 2008 received from Tohu Wines (Leverage Indigenous Beverage – Wine Study).
- Verbal commitment to form Tekau Plus cluster received from 2 other businesses in December 2008, with formal letters of intent received in January 2009. (Sheep & Beef sector and Kiwifruit & Horticulture sector).
- Cluster structural systems developed and finalised including due diligence, terms of reference, confidentiality, and cluster methodology to achieve e10+ plan.
- Considerable engagement with many Maori businesses occurred in mid-late 2008 including regional workshops Rotorua, Auckland and Nelson.
- Dialogue and cluster development with 11 potential clusters: (Kiwifruit, Agribusiness Training Systems, Nutraceutical, Cosmeceutical, Beef & Sheep, Dairy, Aquaculture, Seafood/Crayfish, Future Foods, Wool & Fibre, Organics & Growers).
- Launch of Tekau Plus website with the full programme of services on 7 July 2008.
- Tekau Plus Export Excellence Symposium (The next 10 Years) held at Te Papa in Wellington on 11-12 Sept 2008 with 130 participants over 2 days.
- Symposium presenters were of particular interest and strategic importance, with keynote speakers including speakers 'new' to the Maori economic world:
  - Mary Boyd (*The Economist*)
  - Graeme Harrison (Chair ANZCO)
- Positive feedback received for Symposium in Sept 08.
- An updated Work Programme for the next 18 months to 30 June 2010 has been developed and is appended to this Report.

## Overview and Progress

### Governance and Management

Management reporting through board reports and minutes remains a clear indication of the underpinning approach of the board to operate in a businesslike way, ensuring that the decision-making is robust and transparent. A review and update of the Project Operating Charter was undertaken in the Oct – Dec 2008 quarter and a fully revised and updated work programme for the remaining contract period to 30 June 2010 has been completed.

The period of July 2008 - December 2008 for governance and management had three key areas for focus:

- The symposium “The next 10 years” on 11-12 September
- Discussion with TPK on progress and contract issues
- Tekau Plus cluster focus

#### Symposium

The symposium was a significant event and publicly launched the Tekau Plus programme on the NZ export scene. It galvanized action among Maori export businesses and potential exporters to start engaging with one another, and more importantly, with key NZ business leaders and agencies who are committed to growing NZ's export earnings. It was also as a time to test the concepts that had been developed within the Tekau Plus strategy context. Powerful messages from the (then) Minister of Trade – Hon Phil Goff and Mary Boyd, from the world-recognised Economist Intelligence Unit in Shanghai, provided confirmation of the strategy and direction for Tekau Plus. As well, there were many positive business stories and provocative discussions from a range of world class speakers from Maori, indigenous Australia, and from throughout NZ's business community.

A copy of the Symposium programme was included in the Koha Magazine (Spring 2008 edition) and provided to all symposium participants.

#### Te Puni Kokiri (TPK) – contract issues

During the six month period Tekau Plus has worked with TPK to provide information and explanation of the programme. TPK noted that Tekau Plus had not met the terms of the contract for the clusters deliverable, and withheld a portion of the September Quarterly payment. The Board accepted this, and continued to implement the programme with an expectation that the next milestones would be achieved according to the 3 year plan.

#### Tekau Plus cluster focus

The board has reviewed the cluster deliverables and agreed to focus all efforts on achieving the 8-10 cluster propositions by 30 June 2010, with the aim to have 3-4 clusters in place by June 2009, and 8 clusters by 30 March 2010. Further detail on progress achieved in the first 18 months is set out in the Cluster section below.

An outline of the work programme, focusing on the clusters, is provided in Appendix 1.

## Strategy

Over the last 3-6 months three key areas of change have been identified:

- The global financial and economic situation
- The NZ election and change in government priorities
- The impact of the global economy on the willingness of Maori and other stakeholders to continue to participate in Tekau Plus.

Tekau Plus was envisaged and established under financial and economic conditions far more favourable to businesses than the situation in December 2008. However, the Tekau Plus board has identified that the basic strategic approach remains valid, and that these new factors tend to strengthen the approach taken.

The overall strategic context within which the programme operates remains intact – NZ needs to export with an emphasis on adding value to our natural advantages. The basic approach of developing the scale and scope to use the competitive edge, take advantage of and share market intelligence and relationships remains a sound approach, and potentially more important in seeking to share and minimise risk, create opportunity and to provide the economic impetus to sectors and regions that Maori have significant resources in.

The change in the government and its priorities has also been considered. However, through the course of discussion with many of the new Ministers and Maori business leaders it is clear that the programme remains aligned to the goals and strategic intent of Ministers.

Hon Tim Groser

*...study of total factor productivity...showed that in a 20 year period from 1978 to 1998 total factor productivity of NZ agriculture was almost three times higher than total factor productivity from the economy as a whole....*

*...our Government will aim to increase the ratio of exports to GDP by 10 percentage points by 2020*

Rt Hon John Key

*New Zealand knows very well that one of the critical factors for getting out of this current downturn will be our ability to trade our way out of it. We're a small cog in the global economy and we know that the only way we can lift our living standards is by growing our role in global markets....Now is most definitely not the time for any individual country to allow their worsening domestic economy to lead to a retreat from global trade and engagement.*

The impact of recession on the potential Maori participants in Tekau Plus, and the stakeholders – as sponsors, partners, service providers – is as yet not known. There is potential for cashflow and investment to be reduced. However, there has been continued

positive support and it is increasingly widely recognised that Maori assets have a high productivity and growth potential.

As part of the planning process, a plan for 2009 has been produced to outline the key elements of the Tekau Plus strategy and the work to be undertaken. This has been developed to reflect the greater emphasis on the development of clusters and providing support through analysis, relationships and information.

### Communication

In the first six months of the programme communications were targeted towards engaging with key government groups and sector organisations to ensure relationships and understanding of the programme. Following this broader publicity was built, and information material developed.

The Tekau Plus website has been developed to increase the profile and accessibility of the programme to. Alongside the symposium and ongoing engagement to increase and maintain stakeholder support were the main focus of the communications for the last six months.

Fomana's *Koha* magazine has been seen as a 'high quality' document profiling Maori business interests and stories in the export arena. The next edition of *Koha* will be produced in the first half of 2009 as an online web based magazine promoting Tekau Plus and will include stories and video interviews with the first 2 cluster participants and other Maori businesses.

The symposium drew much positive feedback – with many indicating their support for the Tekau Plus concept and new thinking, as well as the event itself with the informative and targeted array of speakers.

Continued meetings with key business people from in and out of 'Wellington' remains an important plank of communications; maintaining the momentum of the programme and broadening the base of potential participants. For example, a number of regional hui were held in Gisborne, Rotorua, Auckland and Nelson. The Rotorua and Auckland hui included three presentations:

- Tekau Plus strategy and cluster framework
- Mary Boyd presentation on opportunities/issues (*Economist* magazine)
- Maori Farm investment study in China (Tiroa and Te Hape trusts)

The messages of Tekau Plus are gaining traction under the new administration. The Minister of Maori Affairs, Hon Dr Pita Sharples, for example talked of the Maori Edge in his Address in Reply to the Speech from the Throne:

*Maori Agribusiness on its own, already contributes over one billion dollars to our economy, with another 450,000 hectares of Maori land to be further developed. Michael Ahie, Chief Executive of Shirlaws, has challenged us to "release the economic potential in Maori,*

particularly on the land, where most of the assets are held". He described this as the Maori edge, the resilience and flexibility, with an inherent acquired trading ability.

Numerous meetings and hui have been held with key personnel from universities, iwi organisations, trusts and incorporations and support organisations (eg CRIs, venture capital). A strong relationship has been forged with NZ Trade & Enterprise.

### **Analysis and Research**

The on-going research and analysis is a core component of the work of Tekau Plus and the Board is provided with regular situational analyses, up to date market information including Market Intelligence Reports from NZTE. Over the last six months, the focus has shifted to the strategic context for exporters and the impact of the volatile global economic situation on NZ exporters.

Over the next phase of the project, it is expected that the research and analysis will continue to drill down, with more emphasis on areas that are specific to the needs of the sectors and markets identified in the clusters.

### **Clustering**

In the last six months, there has been substantial progress in cluster development, with the establishment of the first cluster (comprising 2 cluster businesses), the implementation of a robust set of structural systems to support the cluster programme, and intensive dialogue with potential cluster participants including 2 verbal commitments that are likely to formally enter the Tekau Plus programme within the quarter to 30 March 2009.

#### Clusters Implemented - Leverage Indigenous Beverage Cluster (2 cluster propositions)

The first two cluster businesses submitted their formal letters of intent in November and December 2008 and will be working on two distinct cluster programmes (Indigenous Ale study and Indigenous Wine study) within the Leverage Indigenous Beverage Cluster. The businesses are: Waituna Brewing Company (brand is TaaKawa Ale) and Tohu Wines. There is future potential for additional beverage businesses to enter this Cluster.

#### Cluster Structural Systems in place

As part of the risk management approach a due diligence document has been developed to assess the viability of any businesses participating in clusters. An independent reviewer is engaged to complete the due diligence for each cluster participant and writes a report that forms part of the documentation considered by the Tekau Plus Board in making its decision on whether or not to accept a business as a Tekau Plus cluster participant.

Cluster participants also complete Terms of Reference & Confidentiality documents and sign up to cluster methodology framework that includes international market research, design study, audits and which forms the foundation for the e10+ Plan, the plan for achieving the \$10m+ goal.

#### Cluster development progress to date

Verbal commitment from 2 other businesses was received in the quarter to 30 Dec 2008 with formal letters of intent received in January 2009. (Sheep & Beef sector and Kiwifruit & Horticulture sector).

Over the past six months there have been several regional hui and follow up meetings with specific businesses that have serious intentions to participate in Tekau Plus Programme. These businesses operate within the following sectors:

- Sheep & Beef
- Dairy
- Kiwifruit & Horticulture
- Agribusiness Training Systems
- Nutraceuticals
- Cosmeceutical
- Aquaculture
- Seafood/Crayfish
- Future Foods
- Wool & Fibre
- Organics & Growers

#### Cluster development plan for next 6 month period

This is contained in the forward work programme for the next 18 months reflect this (copy attached).

## Overview Panel

The membership of the Overview Panel is made up of a minimum of the Māori Trustee and Te Puni Kokiri (represented by Dave Samuels as the Contract Manager).

The Overview Panel has two broad roles:

- To provide an overview and monitoring function to assist TPK and Māori Trustee to meet the contract requirements and intent (mainly through peer review of the 6 monthly reports)
- To provide Tekau Plus assistance, advice and liaison to assist in the delivery of the project

Over the period of July-December 2008, the Overview Panel has not met, albeit there has been a formal meeting with TPK and the Tekau Plus board in September. At that meeting an explanation of the membership, role and function was discussed.

Nevertheless, Tekau Plus has continued to maintain communication with key members of the panel from NZTE, DoL and TPK, emphasising the sharing of information and strategy. DoL, NZTE and TPK participated in the symposium.

Tekau Plus has sought advice from NZTE in relation to the due diligence process and the cluster methodology framework.

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## Summary

This second six-monthly report indicates that there is a broad base of support, strong communication with stakeholders, and increasing interest from potential clusters of Maori export brand/businesses, particularly now that the first two cluster businesses have joined the programme.

The time taken to develop and implement a robust cluster framework methodology and due diligence process as part of the Cluster programme provides Maori business participants with a stepped process for developing their e10+ plan and gives all Tekau Plus stakeholders a high level of assurance that resources will be committed in a systematic and accountable manner.

A major event for the past six month period was the Tekau Plus Export Excellence Symposium. This attracted positive media attention, an array of excellent and 'new' speakers and strengthened relationships across Maori and mainstream export businesses. Ongoing communication about the Tekau Plus programme including feature articles and interviews with cluster participants will be maintained via the *Koha* magazine.

The Board and Management continue to conduct regular analysis of the new environment – both economic and political – to ensure that the fundamental approach of Tekau Plus remains supported and useful to Maori economic growth, and the NZ export led economy.

It is important that each cluster has a shared kaupapa and expectations before moving to implementation, and this has been a key focus over the period. It is, however, recognised that the key work for the coming months will be moving the clusters 'across the line' and through implementation phases. This is outlined in Appendix 1.

## Progress against outputs and success indicators

This section provides a synopsis of progress with specific reference to the milestones, outputs and success indicators in the contract (ie Schedule A and Schedule G)

Schedule A		30 June Report	
Outputs	Success Indicators	3 Year Plan	
		3 <sup>rd</sup> 6 months (July-December 2008)	
<b>Management and Governance:</b> Provide overall co-ordination and project management including reporting and accountability.	There is robust accountability to reporting and project remains on track.	12 month work programme, project governance and management o New work programme	<ul style="list-style-type: none"> <li>• There has been a change in the contract management confirmed from 8 July 2008. A number of meetings occurred and correspondence was offered between July and December to provide information and explanation of the programme. Dave Samuels, Joanne Silberstein and Scott Baldwin attending Board Meeting on 24 September (<i>see management report 24 September</i>)</li> <li>• Website launched in July</li> <li>• Assistance to TPK in answering MASC questions</li> <li>• September symposium a key focus early in the period, including establishing direction and purpose</li> <li>• Updating of the work programme commenced (<i>October management report</i>)</li> <li>• Updating of Project Operating Charter to enable among other things the appointment of alternates, confirm new TPK contacts, conform rotation of Chair of Board, update templates for financial and other reporting and register of interests (as per <i>24 September Minutes</i>)</li> <li>•</li> </ul>
<b>Strategy:</b> Development of strategy and buy-in to, the strategic approach by participants.	The documentation is developed and implemented.	Agribusiness workshop with CRIs, NZTE and private investors o Strategic workshop	<ul style="list-style-type: none"> <li>• Feedback and support for futures thinking in the New Zealand Institute and NZX paper "Economy on the Edge: Swan dive or belly flop? A draft strategy for coming out of the crisis stronger"</li> <li>• Consideration of strategy in light of economic and political scene; revised business plan for 2009</li> </ul>

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<p><b>Communications:</b> Providing information to enable open participation and identification of partners.</p>	<p>Distribution of information through various media and when the level of participation is sufficient to enable implementation of the strategy.</p>	<p>Hui to illustrate research data, promote One Channel and Brokerage system</p> <ul style="list-style-type: none"> <li>o Pool of key Maori agribusinesses keen to participate</li> </ul>	<ul style="list-style-type: none"> <li>• 11-12 September: Tekau Plus Symposium – The next 10 years 11/12 September (ca 100 participants – from Govt, CRI, NZTE, Maori business, other businesses, investment and branding experts etc). Positive feedback from TPK, other depts, key Maori stakeholders – including e-mails noted in <i>Minutes from 24 Sept meeting</i></li> <li>• Sponsorship received in cash and kind from departments, CRIs, Sealord, PGG Wrightsons Marsh Mercer Kroll</li> <li>• Media – NBR, Maori TV, TV One, Radio Watea</li> <li>• Koha magazine from symposium has had positive feed back</li> <li>• Regional hui held in: Rotorua, Auckland</li> </ul> <p><i>Mgmt report Minutes 24 September</i></p> <ul style="list-style-type: none"> <li>• Communications meetings continued as a key part of the strategy – with range of meetings and discussions with large trusts and incorporations, iwi and with mainstream – eg science/innovation services (eg IRL, FAME, Marino Ltd) and sector organisations (eg Horticulture NZ). Growing interest from Wananga o Aotearoa and AUT on continuing to participate – eg Awatoru and ‘leading by design’ approach</li> </ul>
<p><b>Analytics and research:</b> Development of information and analysis to inform decisions and identify strategic pathways.</p>	<p>The prioritizing and identification of strategic pathways and informed development of clustering and strategic implementation.</p>	<p>Further market research, key niche studies implemented</p> <ul style="list-style-type: none"> <li>o market research and key niche studies</li> </ul>	<ul style="list-style-type: none"> <li>• Market channel study and branding strategy in discussion with entities in the food sector (<i>Mgmt report Minutes 24 September</i>)</li> </ul>
<p><b>Clustering:</b> Facilitation, brokerage and specific analysis is undertaken for cluster projects.</p>	<p>3-4 cluster propositions are developed per annum, 8-10 cluster propositions over the</p>	<p>Structural systems finalised for first cluster group, 1-2 new clusters formed</p> <ul style="list-style-type: none"> <li>o cluster system</li> </ul>	<ul style="list-style-type: none"> <li>o Significant effort on developing cluster groups – with key sector interests (eg aquaculture, honey, dairy, brand designers) – (<i>Mgmt report Minutes 24 September</i>)</li> <li>o Regional hui to form clusters in Rotorua and Auckland, with Te Arawa keen to form a cluster</li> </ul>

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	contract period.	finalised	<ul style="list-style-type: none"> <li>○ Sector clusters in <i>August report</i> on a number of discussions               <ul style="list-style-type: none"> <li>○ Sheep and Beef - verbal commitment to a cluster</li> <li>○ Dairy likely to come from this as well</li> <li>○ Manuka – meetings have occurred, and there is a wider discussion with key players, including a wider range of interests from different regions to be brought into the discussion</li> <li>○ Nutraceutical – meetings held</li> </ul> </li> <li>○ Sector clusters in <i>October report</i> listed actions and timing for 2009 as:               <ul style="list-style-type: none"> <li>○ Nutraceuticals, honey and wellness</li> <li>○ Wool and fibre</li> <li>○ Beverage – wine and ale</li> <li>○ High value beef brand</li> <li>○ High value sheep brand</li> <li>○ Kiwifruit and horticulture</li> <li>○ Dairy and offshore investment</li> </ul> </li> <li>○ Cluster strategy developed and refined for beverage (<i>December report</i>)</li> <li>○ Due diligence started for beverage cluster – including initiating financial report and information on one of the potential cluster companies (<i>December report</i>)</li> </ul>
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## Financial Performance

This section provides a summary of the progress of the contract with reference to the financial reporting requirements in the contract (ie Schedule D and Schedule E)

### 3 Year BUDGET

		Year ending		
		30 June 2008	30 June 2009	30 June 2010
Communications	200,000	100,000	100,000	100,000
Clustering	1,600,000	200,000	680,000	720,000
Strategy	500,000	100,000	50,000	50,000
Analysis/Research	300,000	200,000	150,000	150,000
Management/Governance	420,000	120,000	100,000	200,000
<b>TOTAL</b>	<b>3,020,000</b>	<b>720,000</b>	<b>1,080,000</b>	<b>1,220,000</b>

### Key points on period July 2008-December 2008

- Income was reduced by \$100,000 as at September 2008 Quarterly payment, based on TPK indication of non-compliance with the contract

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Year 1	Income to 30 June 2008	Expenditure To 30 June 2008	Variance	Variance explanation
	\$	\$	\$	
Communications	100,000	122,611	-22,611	Over, due to extra work undertaken to communicate on clustering (as mitigation action)
Clustering	200,000	101,750	98,250	Under, slower progress than expected
Strategy	100,000	132,000	-32,000	Over, providing extra workshop with VUW
Analysis/Research	200,000	132,300	67,700	Under, dependent on clusters forming
Mgmt/Governance	120,000	104,952	15,048	Under, focus of effort on strategy and communication
Interest	6,632			
<b>TOTAL</b>	<b>726,632</b>	<b>593,613</b>	<b>133,019</b>	<b>18% variance</b>
Year 2 6 mth YTD	Income to 30 December 2008	Expenditure To 30 December 2008	Variance	Variance explanation
	\$	\$	\$	
Communications	50,000	39,783	10,217	Under budget with symposium costs lower and sponsorship
Clustering (funds withheld)	340,000 (100,000)	138,500 (100,000)	201,500 (100,000)	Under with effort focusing on clustering facilitation
Strategy	25,000	32,500	(7,500)	
Analysis/Research	75,000	80,000	(5,000)	
Mgmt/Governance	60,000	56,452	3,547	
Interest	4,740		4,740	
<b>TOTAL</b>	<b>454,740</b>	<b>347,236</b>	<b>107,504</b>	<b>23% Variance</b>

Note that at present December funding as per the contract that has yet to be received is \$275,000 exclusive of GST. Hence Actual income received in cash is only 179,740.00 being the first quarter instalment of 275,000 less 100,000 plus interest leaving shortfall to meet actual accounts of some 167,496.00.

Total period	Contract	Income	Expenditure	Variance	Variance explanation
October 07 December 08	-				
		<b>1,181,372</b>	<b>940,849</b>	<b>240,523</b>	<b>20% variance</b>

## 18 Month Forward Programme Overview from January 2009 to 30 June 2010

Table: 18 month (Quarter 7 to 12) Programme Overview. (From Schedule G of Investment Agreement)

3 Year Programme	7 Quarter Jan/Mar 2009	8 Quarter Apr/Jun 2009	9 Quarter Jul/Sep 2009	10 Quarter Oct/Dec 2009	11 Quarter Jan/Mar 2010	12 Quarter Apr/June 2010	Budget
<b>Governance</b>	2 Governance meetings	2 governance meetings	2 governance meetings	2 governance meetings	2 governance meetings	3 governance meetings	\$261k
<b>Key Milestone</b>	<ul style="list-style-type: none"> <li>Contractual requirement 8 – 10 Cluster Propositions</li> <li>Quarterly and six monthly reports</li> </ul>						
<b>Clusters</b>	1-2 cluster propositions	3-4 cluster propositions	4-6 cluster propositions	6-7 cluster propositions	8 cluster propositions	8-10 cluster propositions	\$1.3m
<b>Analysis</b>	<ul style="list-style-type: none"> <li>Analysis: research to assist establish and clusters and market data for clusters.</li> </ul>						\$285k
<b>Communication Strategy</b>	<ul style="list-style-type: none"> <li>Communication: quarterly articles published, PR support, stakeholder management to support clusters.</li> <li>Strategy: symposium and new revenue options to support clusters.</li> </ul>						\$35k
<b>Resources: Cluster direct and in-direct services to be provided to cluster propositions.</b>							\$1.75m

Instalments	Amount	Work Programme	Deliverable
# 5 30 Sep 2008	\$100k	Cluster and methodology	Cluster analysis, cluster methodology and promotion.
# 6 30 Dec 2008	\$275k	Cluster	1 Cluster propositions -1. Wine & 2. Ale (Leverage Indigenous Beverage)
# 7 30 Mar 2009	\$275k	Cluster	1 Cluster proposition - Kiwifruit (Indigenous Branding & Indigenous Marketing)
# 8 30 June 2009	\$275k	Cluster	1 -2 Cluster propositions
# 9 30 Sep 2009	\$275k	Cluster	1-2 Cluster proposition
# 10 30 Dec 2009	\$275k	Cluster	1 -2 Cluster propositions
# 11 30 March 2010	\$275k	Cluster	<u>8 (9) Cluster Propositions</u>
# 12 30 June 2010	\$375k	Cluster propositions	1 Cluster proposition / 1 Cluster proposition <u>Goal: 8-10 Cluster propositions. Project evaluation and final report</u>

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