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FARM MANAGEMENT REPORT

PROPERTY: 2127 KAIPARA COAST HIGHWAY

CLIENT ABIB (OAMARU) LTD



PREPARED BY:
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JOB REFERENCE: H2202-001

Ref: H2202-001

14 February 2022

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RE: ABIB (Oamaru) Ltd- 2127 KAIPARA COAST HIGHWAY

The initial instructions were from Barry Kaye, subsequently confirmed by yourself. The report was completed by myself for Hollis and Scholefield Ltd, Reg. Valuers. The report on the proposed development for the farm at 2127 Kaipara Coast Highway was dated **March 2020**

Instructions to update the report based on the final scheme plan are from Zoe Avery and is dated 14 February 2022. As I no longer have contractual arrangements with Hollis and Scholefield this update is in my own name.

1. SCOPE OF REPORT:

- Property report, Current Land use and post development land use.
- Farm Economic Analysis – Current **pre-development** and **post development** with proposed, communally owned farm lot of 126.2 hectares comprising:
 - 66.8** hectares conservation of existing and re afforestation land
 - 52.6** hectares of effective farmland. Being mainly lot 28
 - Balance area: 25 rural-residential sites, ROW roads and farm buildings
- The impact of the proposed development on:
 - Environmental enhancement
 - Investment in farm improvements including upgrade of fencing, access and farm water reticulation.
- Relationship between Rural Residential Holdings (25 proposed) and Farm Management.
- Conclusions and Recommendations.

2. QUALIFICATIONS AND DISCLOSURE

- My name is Ramon George Hollis, aged 80.
- I have been a Farm Management Consultant and Valuer in the Rodney and Kaipara Districts for over 50 years.
- I hold a Diploma in Valuation and Farm Management – Lincoln University. I am a Fellow of the New Zealand Institute of Primary Industry Management (NZIPIM).
- I developed Gracefarm Park and Conservation Estate at Wellsford commencing 2004 and reference this herein as it applies to the subject property.
- Gracefarm was a finalist in the Balance Farm Environment Awards in 2018 which promotes sustainable and profitable Farming and won the Auckland Council Water Quality Enhancement Award.
- I am familiar with and have acted professionally for other co-operative styled farming developments which are sometimes referred to as Farm Parks.

3. PROPERTY DESCRIPTION

LOCATION

This west coast property is situated between Wellsford in the North (36km) and Helensville to the South (21km). Auckland Central is approximately 58 kilometres south and the inland, West Coast road, connects with Warkworth on State Highway 1, approximately 31 kilometres.

The predominant feature of the location is the relationship to the Kaipara Harbour and while the property has a boundary to the Makarau River, on the eastern side it does not appear to have any direct access to the harbour itself.



LEGAL DESCRIPTION & AREA

138.0722 hectares Part Makarau 4A Block and Park Makarau 4B Block and Section 1 Survey Office Plan 328128 and Part 50 Block 2 Kaipara Survey District on Title Identifier 165841 (copy enclosed).

RESOURCE MANAGEMENT & ZONING

Predominant Zone – **Rural Coastal (136.2744 hectares)** and **Rural Production (1.7975 hectares)**.

This last area may be an old quarry site. Predominant use within these Zones are farming and forestry with some restrictions on building sites associated with the Rural Coastal Zone.

LAND USE

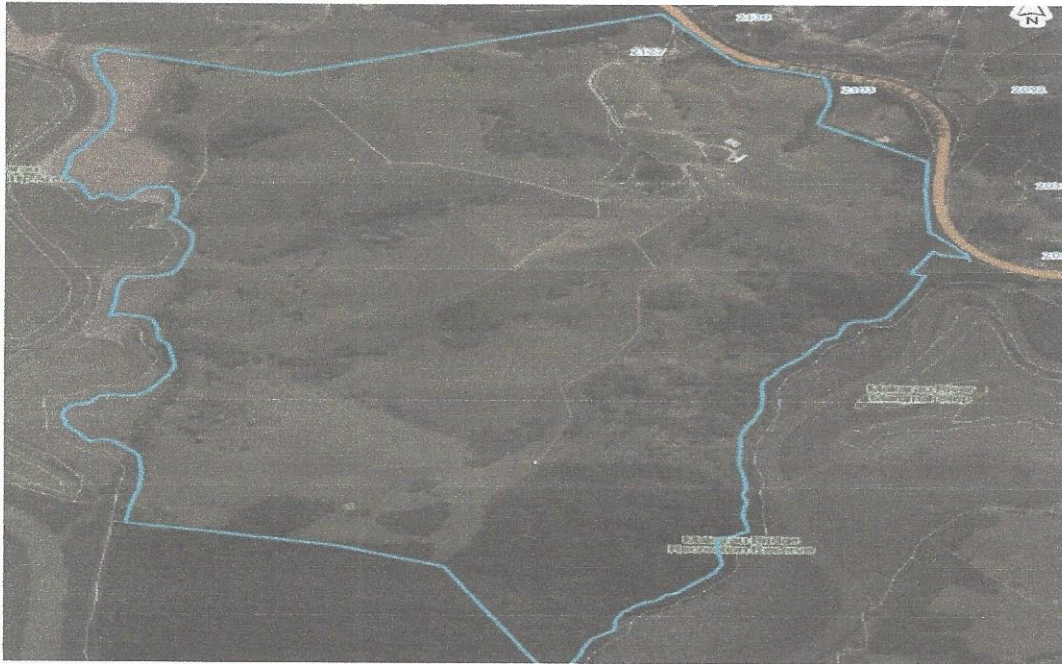
The dominant Land Use Classification is 4 (brown colour) Land suited to pastoral farming with limitations for arable use. A smaller area Class 3 (green) around Kakanui Creek, while potentially suitable for arable use, is not included in the farm area but is rightly conservation and recreational in this scheme plan. This land may be also subject to coastal inundation. None of the land is Class 1-3 elite or prime soils that are a focus for productivity potential protection in the Unitary Plan.

Contour is variable with steep land to the east along the Makarau river boundary. This area is proposed for retirement from grazing and enhancement native vegetation plantings.



Pre development--Current Land Use

Around 100 hectares effective grazing area with some 38 hectares of bush and scrub, variable quality and density with some sparse grazing.



Dairy farming has been undertaken in the recent past. There is a good herringbone cow shed and associated calf housing and rearing buildings.

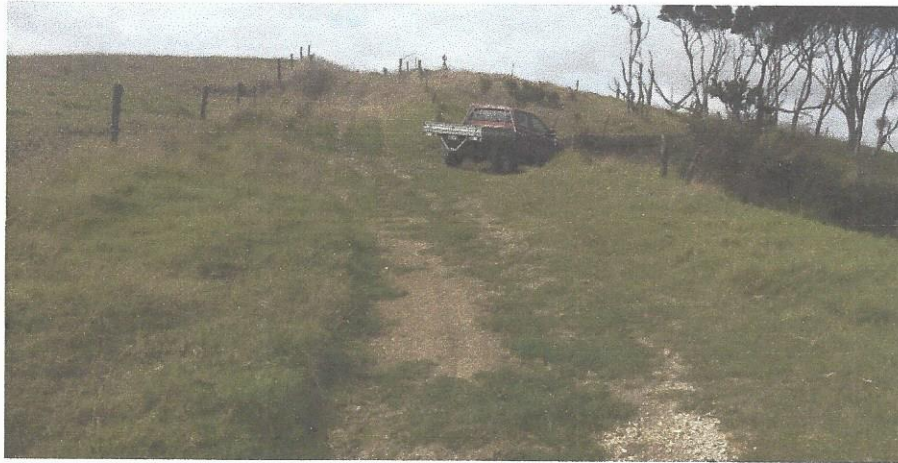
Pastures are kikuyu dominant. This subtropical grass survives in the dry conditions, growing well through summer and autumn with low winter and early spring growth. It produces fibrous stolons if uncontrolled during rapid growth. This grass is best managed with intensive paddock subdivision to concentrate stock grazing management. On the day of inspection in 2020 this northern region is declared a drought area, but the subject property has good kikuyu pasture cover.

Productive Infrastructure – Fencing, Access & Farm Water Reticulation

The property is well subdivided using three wire electrical fencing which is operative. The main fences are considered in fair condition.

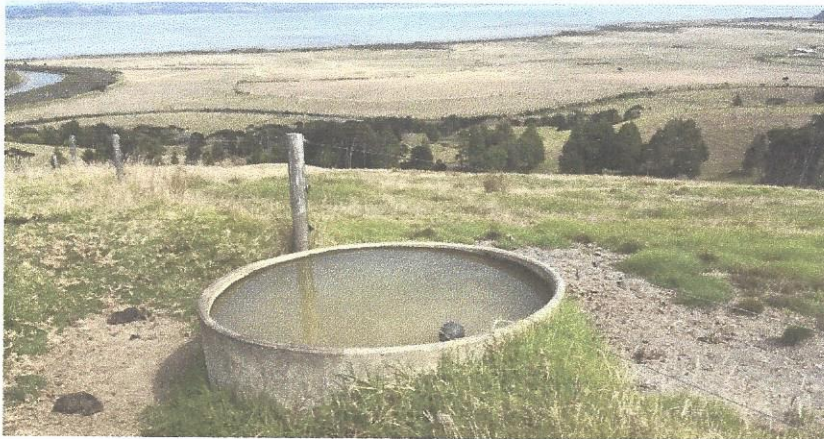


While there are good internal access roads to various areas of the farm from the cowshed area, they are generally in fair to poor condition.



Water Supply & Reticulation

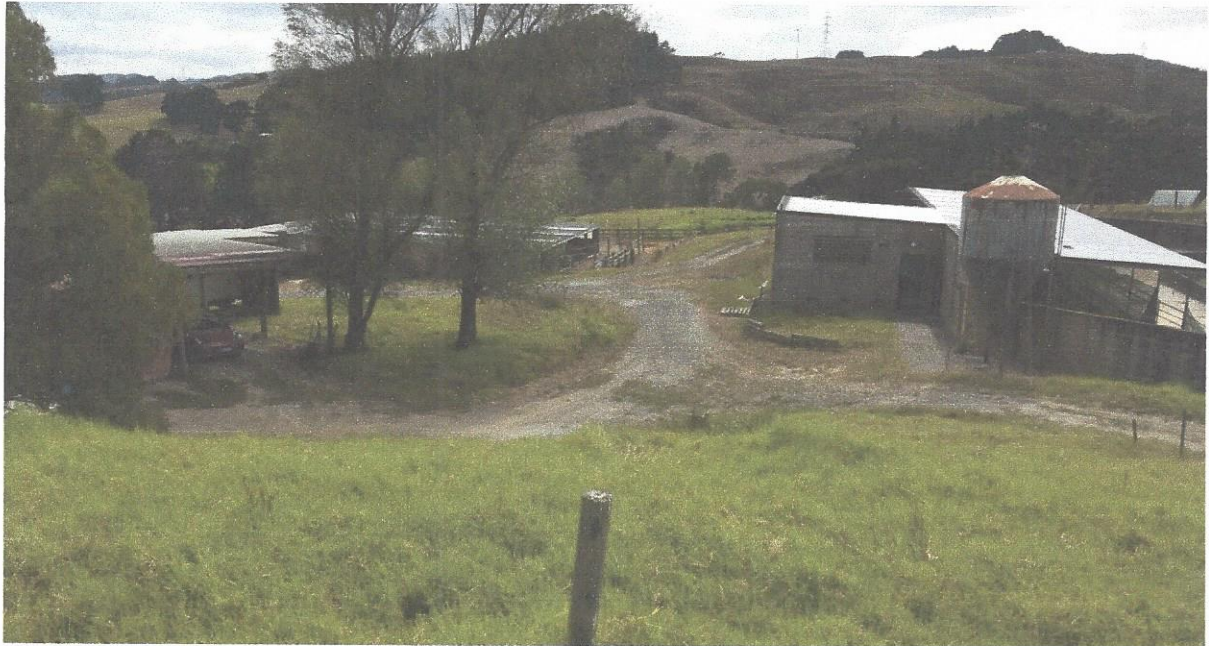
There is a water bore near the entrance to the property. We understand the water quality is fair with a high iron content. This is generally not a problem for stock water. In some farming situations an iron filter system is installed to improve water quality. The water is pumped to a reservoir at the cowshed and at the high point of the property near a trig. Water is reticulated through an Alkathene pipe to troughs in all paddocks. This appears to be working well. All dwellings will have water tanks for domestic use.



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Farm Buildings:

A herringbone dairy shed is not now used to supply milk commercially. It can be useful as part of a calf rearing enterprise. There is a large calf rearing shed nearby. The relative size of the property, the steepness of access to the dairy shed and the compliance requirements by the Dairy Company renders this land uneconomic for any future commercial supply of milk



The land is categorised by broad pasture ridges with predominantly maturing Kahikatea trees and manuka scrub in the gullies between.



Other Land

10 hectares, steep, rough grazing on the eastern side interspersed with scrub and bush.

28 hectares in bush areas to the south east and through a series of gullies running west to east. The bush is predominantly Kahikatea with Ti Tree, Puriri and other species.

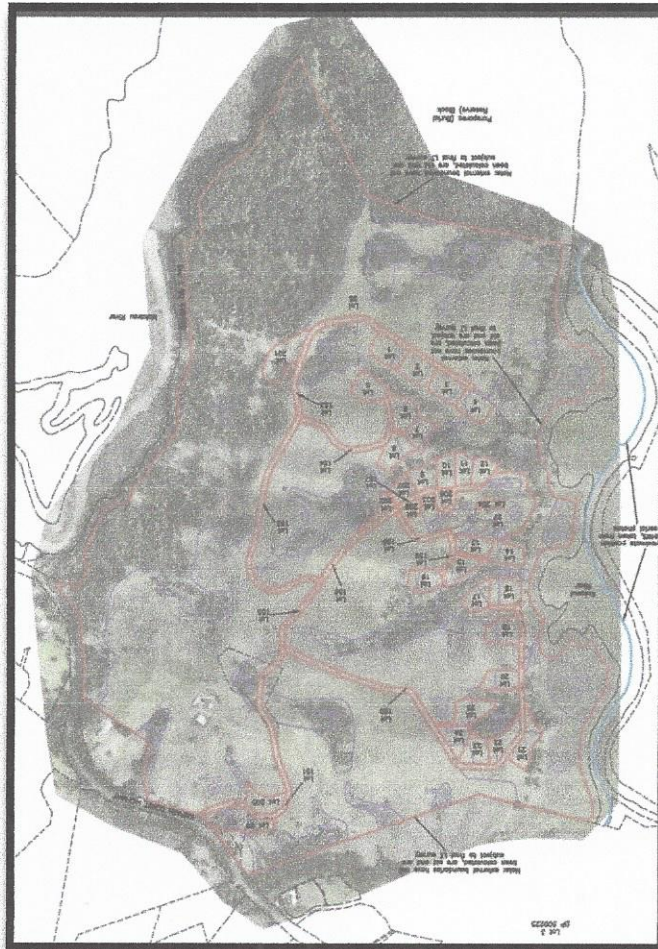
Stock access and grazing through much of these bush areas has prevented development of undergrowth and is likely to be damaging the root structures of the maturing Kahikatea and undermining the ecological integrity of bushed areas. These gullies and bush areas require preservation and enhancement for land protection, water management and the preservation of flora and fauna, which is a strategic part of this development.

4. PROPOSED DEVELOPMENT

- A rural residential development as presented, integrates farming and conservation on the farmland. The 25 residential owners will have undivided and equal shares in a balance farm area of around 126 hectares being lot 28.
- Twenty five rural residential sites which are generally between 2500 and 4000 square meters and averaging 3560 square meters in area. They are generally situated around the fringe of the proposed conservation land and are moderately clustered.

Internal access to residential lots does cut through farm lot 28 in various places. The interaction between these land uses will need to be managed carefully to avoid conflict or interference with farm management. This does have some impact on the choice of farming operations and therefore farm profitability.

- Covenant fencing off conservation areas of gullies and riparian margins, protecting the re afforestation with native trees.
- Retiring and enhancement planting of steeper hill country to the east and bordering the Makarau River.
- Creating pedestrian walkways.
- Intensification of residue farmland by improving access, fencing and water reticulation to the farm. The residual productive farm area is 52.6 hectares. The balance of the 126 hectare residual communally owned farm lot will be bush conservation areas of 66.8 hectares.



Final Scheme Plan

5. POST DEVELOPMENT LAND USE

Final Areas

Around 66.8 hectares conservation of native bush including enhancements.

Around 52.6 hectares improved pasture with more intensive paddock subdivision – possibly 30 paddocks.

6. ECONOMIC ANALYSIS

Current

We understand that the farm is currently leased at a rental of \$40,000 more or less plus GST. We understand that this rental includes the house on the property together with the dairy shed and calf rearing shed.

Infrastructure

This rental is consistent with other farm rentals at between \$300-\$350 per hectare of effective pasture grazing land. This allows \$10,000 per annum for the rental value of the house.

We have not sighted the lease but understand that the Lessee is responsible for the farm infrastructure maintenance and pasture care with weed control and possible fertilizer application.

Post Development Economic Farm Analysis

We have considered two approaches to this:

Firstly, the land productivity and profitability based on 52.6 hectares effective pasture land with a cattle capacity of 150 yearlings.

Our analysis includes the rearing of 90 calves in the facilities available on the land and the purchase of a further 60 eight to ten month old cattle in the autumn (see Appendix 1).

Financial Analysis Summary

Gross Income

Sales 147 head at 18-20 months @ \$1,100 \$161,700

Less Purchases:90 Calves @\$120 = \$10,800

60 - 8 mth @\$800 =\$48,000

Less Calf rearing cost @\$250 = \$22,500

Total Costs \$ 81,300

Gross Margin \$80,400

Less Farm Costs and rent \$55,000

Net Profit for Wages of Management \$25,400

We consider an enterprise of this scale is approximately 30% to 35% of a full time position therefore equating to a full time wages of Management of some \$75,000-\$80,000 per annum.

Secondly, farm rental assessment. Based on 52 hectares of improved pastoral land and subject to the upgrading of fences and access, a rental of \$450 per hectare, or \$23,000 per annum plus GST excluding any rental value for the house on the property.

The rental range is between \$400 and \$500 per hectare. The final rental is subject to how the relationship between residential owners and the farm Lessee is organised and managed. The rent is also based on the following:

The Lessee being responsible for maintenance of farm improvements, weed control and fertilizer application, electric power to sheds and fences and farm water supply.

The Lessor would pay rates if any. It appears from the documentation; the ownership of the common land is to be held by the 25 rural residential Lot owners by way of a 1/25th share as tenants in common in equal shares and therefore the lot owners will be paying the rates within the ownership of their residential title.

7. COMPARATIVE ANALYSIS

While the proposed development has, in my opinion, unique characteristics, there are other similar developments which are useful for comparison and as confirmation of sustainable long term rural land use.

Example 1 – Grace Farm Development at Wellsford is a productive farm and conservation estate which was consented in 2006.

Originally comprising: 65 hectares pasture.
36 hectares non covenanted bush

Pre development gross income from 60 hectares	\$50,000
Less farm running expenses	\$25,000
Leaving Cash Profit for Management	\$25,000

Post Development Land Areas & Land Use

45 hectares pasture

52 hectares covenanted conservation of which 20 hectares is registered under the Emission Trading Scheme, being enhanced planting area.

4 hectares - 12 rural residential Lots.

Note: the gross income from the reduced grazing area of improved pastureland has not changed significantly, remaining around \$50,000 per annum.

The land is leased to a neighbouring farmer and yields \$20,000 per annum total rent which includes rent on farm shed. This is approximately \$450 per hectare land rental plus the added rent from farm sheds. This is annual income to the Body Corporate.

Example 2 - Takahoa Bay – Oneriri Kaiwaka

Developed early 1990's as a farm park. Original farm area of approximately 200 hectares. Post development 80 hectares effective pastoral grazing land area on generally strongly undulating contour with kikuyu dominant pasture.

The farmland is currently leased with a rental \$20,000 per annum or \$250 per hectare.

8. RECOMMENDATIONS

1. Careful planning of access to rural residential Lots to avoid conflict with the farming operation. This includes the siting of rural residential Lots so not to adversely impact on the farm management. This has largely been achieved in the final plan. The interaction between the different land uses will need careful management.
2. Clear rules around governance of the common land that protect the owners and Lessees rights and responsibilities.
3. I did suggest consideration be given to smaller rural residential sites. The final average rural residential section size at 3500 square meters is appropriate
4. In my opinion, this is a well-planned development inter relating primary land uses of conservation and productive farming according to land classes and sensitivity. The rural residential living sites are located to benefit from the harbour vista and rural views without seriously detracting from the land productivity.

9. SUMMARY & CONCLUSIONS

1. The proposed development identifies sensitive areas of land which require conservation by retiring the land from stock grazing and including enhancement plantings on steep, sensitive and poor producing land. This protects the land through permanent covenanting. Some of the areas of existing native bush are currently being damaged by stock grazing which would cease under the proposal.
2. The easier contoured existing farmland is being retained for productive use. Improvements are planned for upgrading fencing, access and water reticulation to troughs in paddocks. More intensive paddock subdivision will further improve productivity. Capital generated from the development makes this possible.
3. Farm buildings including cow and calf sheds may be retained to provide infrastructure for calf rearing and farm use.
4. Approximately 50% of currently available grazing land changes to conservation which is a more appropriate land use given the harbour location, land classes and physical constraints. Notwithstanding this and that there are 25 rural

residential sites (occupying a relatively small land area), the overall farm productivity/profitability will reduce marginally. The conservation benefits outweigh any possible loss of productivity and income.(see also 5 following)

5. Certain areas of native re afforestation may qualify for inclusion in the Emission Trading Scheme as a permanent carbon sink. This could yield carbon credits of around 8 tonne per hectare per annum. At the current price over \$70 per tonne this could provide a resource/asset/income of around \$560 per hectare per annum from the re afforested areas that qualify.
6. Examples are given of other similar developments which demonstrate the benefits of appropriate and sustainable land use mixed with rural residential living.

Yours faithfully



R G Hollis
FARM MANAGEMENT CONSULTANT