



Report to:

Taranaki Regional Council

CASE STUDY: PKW FARMS LIMITED

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PKW Farms Limited

Parininihi Ki Waitotara Incorporation (PKW) is a Maori land incorporation formed in 1976 to protect and promote the interests of the owners of a large number of lots of rural land totalling 22,000 hectares, leased in perpetuity under Reserve Land leases known as West Coast leases. PKW is based in Taranaki and manages the interests of its 8,000 shareholders, who are widely spread around New Zealand and offshore¹.

A subsidiary, PKW Farms Ltd, owns the land and improvements on approximately 2,400 hectares, operated as 13 farms with 50:50 sharemilkers milking about 7,000 cows. On the remaining 19,600 hectares PKW owns the unimproved value, or 'everything below the roots of the grass'. We understand that about 13,000 hectares of this land would be suitable for dairying. The remaining 6,000 hectares plus would be suitable for dry-stock farming or other extensive uses, including presumably some appropriate for indigenous bush regeneration.

PKW commitment to the environment

PKW is showing strong commitment as kaitiaki of their land, resources and all taonga.

PKW is committed to be a leader in the field of on-farm environmental protection and restoration. It works closely with Taranaki Regional Council on a range of environmental investments funded by PKW Farms.

To improve surface water quality, they are fencing and planting indigenous plants in riparian strips along all rivers, streams and waterways on their farms. Some were completed a few years ago and are already establishing a thriving ecological association of native plants protecting the waterways, harbouring insects and other animal life to improve the riparian environment.

PKW is also replacing on-farm fords through streams with substantial bridges, including investment of \$120,000 in a centre pier bridge of about 22 metres length on one farm visited by BERL. They are creating culverts and other measures to reduce degradation of waterways and soils on the farms. Another environmental measure has been to install a number of road underpasses to keep the solid waste from the public roads, contributing to preventing disease transfer by vehicles. These underpasses cost about \$60,000 each to purchase and install.

¹ Information from company website: www.pkw.co.nz

On their farms, PKW is fencing native bush remnants and facilitating re-generation which in one case has encouraged establishment of a tourist lodge and corporate retreat in a previous farm house.

The older effluent settling ponds on the smaller farms are often less-effective than they should be. Some are now weeping, and when constructed they had been allowed for shed effluent to pass through two settling ponds and into the creek. When they become silted up, the effluent can be still relatively raw when passing into the creek. Therefore as PKW farms are being amalgamated the settling ponds are being replaced with permanent irrigation equipment to spray-irrigate effluent on pasture. This allows some aerobic ultra-violet sterilisation of the effluent, and there is little if any surface run-off into creeks.

PKW and the Dairying and Clean Streams Accord

In the overall national picture, the Dairying and Clean Streams Accord between Fonterra, Ministry for the Environment, Ministry of Agriculture, and Regional Councils envisages 90 percent of farms complying with the Accord by 2015.

PKW is committed to a standard of environmental performance faster than this. We understand they are intending to enter a Memorandum of Understanding (MoU) with Taranaki Regional Council (TRC) that will see all PKW farms fully complying with the Accord by 2012. PKW will undertake to make best endeavours to have their lessees on the remaining land also comply.

PKW is becoming a leader in dairy production

PKW is demonstrating that protecting the environment can also increase production. PKW Farms Ltd and its sharemilkers are producing at well above the region's average. Its dairy production in the coming season 2008-09, will come from 13 farms run by 50:50 sharemilkers on the 2,400 hectares of land and improvements directly owned by PKW. These farms are expected to overwinter 7,000 cows, and produce 2.3 million kgs of Milk Solids² (MS), an average of about 960 KgsMS per hectare.

PKW Farms Ltd is showing that by amalgamating farms it is achieving economies of scale in production. To this end it has a specific Land Management Plan and within that Plan stands ready to purchase key properties. The profile of farms in 2008-09 is shown in Table 1.

² The MS figure is a measure of the MS per *total* hectares, whereas the regional data available is MS per *effective* hectares, i.e. omitting gullies, streams etc. On the latter basis the average for Taranaki in 2006-07 was 925 kgsMS per effective hectare.

Table 1 PKW farm profile

Farm size	Number of farms	Average size	Number of cows	Production 07-08
Small	2 farms	66 ha	150-240	857 kgs MS/ha
Medium	4 farms	137 ha	300-500	861 kgs MS/ha
Large	7 farms	245 ha	500-900	927 kgs MS/ha

The large farms have state-of-the-art 60 bale rotary cowsheds at present; one large farm is having automation installed into the rotary bales to provide a range of information on the shed computer and to carry out a number of tasks for the farmer. These range from monitoring individual cow weight and production, to feeding individual cows with production-related feed supplements, and even monitoring when individual cows are 'on heat' to facilitate their Artificial Insemination.

PKW is showing that, while respecting and improving the environment, it is also generating a high level of production for the economy and community from the productive land asset.

Potential broader role for PKW

PKW is a very substantial incorporation by any measure, with Net Assets of the PKW group³. Of these assets, \$156.4 million were Property, Plant and Equipment.

The continuation of the Land Management Plan will see PKW become a state-of-the-art on-farm dairy producer, with a scale that will make it potentially significant in the international market. This scale and commitment to leading technology and environmental management means that PKW Farms Ltd can create a base for enlightened processing and innovation in the range of dairy products, from foods to health and sport supplements and medical remedies. This will generate a range of quality, challenging occupations that local Maori can take up if they prepare for the opportunity by obtaining the necessary skills and experience.

It can be expected that PKW's commitment to be a sound kaitiaki of the taonga in their on-farm production will continue as they will presumably move into participation in processing, research and the higher aspects of the dairy industry.

³ \$185.5 million as at 30 June 07.



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