

Application for Funding

About this form

This form enables you to make an application for funding under any of the three investment tiers for the Provincial Growth Fund:

- Regional Projects and Capability;
- Sector Investments; and
- Enabling infrastructure projects.

The information you provide will help us to assess and evaluate eligible projects and investment opportunities.

Next steps

We will review your application to further test suitability and risk and to make a decision on suitability for funding. We will be in contact where further information is required and we may provide you advice and support (i.e. from regional advisors) where necessary throughout this next stage of the process.

Instructions

Please complete the 'Application Form' section below, which is compulsory. In addition, please complete the parts of this application form that are relevant to your proposal. If the answer box is not big enough, please attach a document that provides the answer/s when you submit the form.

Please provide as much detail as you are able to, as appropriate to the size and complexity of your proposal.

If compulsory or relevant information is missing, this may slow down the application process as we will need to contact you.

You can find the terms and conditions of applying for Provincial Growth Fund investment in **Appendix 1**. You must agree to those terms and conditions as part of submitting this application.

We also attach a copy of the Eligibility and Assessment criteria in **Appendix 2** to provide further context.

Submitting your application

Please email your completed form to PGF@mbie.govt.nz.

A. Application Form (Compulsory section)

1. Proposal Name:

Sheep and Goat NZ Dairy Processing Business Case

2. Please provide the name of applicant organisation/entity:

NZ Food Innovation (South Island) Limited trading as FoodSouth

3. What is the physical address of the applicant's organisation?

South Drive, Lincoln University, Lincoln

4. Please provide the contact details for the applicant's organisation (including a specific person as a point of contact):

John Morgan; johnmorgan@foodinnovationnetwork.co.nz Privacy of natural persons

5. Please describe the principal role or activity of the applicant organisation.

FoodSouth, as part of the New Zealand Food Innovation Network (NZFIN) is government owned and tasked with growing New Zealand's value-added food and beverage exports. FoodSouth is a limited liability company and is 50.1% owned by ChristchurchNZ and 49.9% by Callaghan Innovation. In the case of this project, FoodSouth is acting as a catalyst to assemble a case for building new value added dairy processing infrastructure to stimulate development of the sheep and goat milking industry.

6. Please provide a brief summary description of the project, including its location, purpose and history.

This project will provide an assessment to support the development of the New Zealand sheep and goat milk industry. It will identify export market opportunities as well as processing infrastructure and farm milk supply requirements to meet market demand and the optimal locations for processing infrastructure. The project builds upon previous work undertaken including Project Alpha. Please see attached document for further detail.

7. Please describe (or re-affirm) which industry or sector/s the proposal is relevant to.

This proposal is relevant to the non-bovine dairy processing industry.

8. In what location/region/s is the proposal to be based? What is the name of the relevant District as detailed on the Local Government New Zealand website: <http://www.lgnz.co.nz/nzs-local-government/new-zealands-councils/>

The project will have a national focus and involve stakeholder engagement across six regions throughout NZ including Northland, Waikato/Central Plateau, Taranaki, Hawkes Bay, South Canterbury and Southland.

9. Please provide full names of the project's leadership team, including your chief executive, directors and trustees (as appropriate).

Working Group includes:

John Morgan, FoodSouth (Project Lead)

Shane Kells (Project Team Member)

Jan Hales (Project Manager/Team Member)

10. If different from the applicant, who would be the 'contracting party' with the Crown under any successful contract?
Please provide the full name.

N/A

11. Are there any other Partners within this project? (i.e construction, design or other significant partners).
If so, please provide their names.

The project will employ a market research company to undertake the market assessment component. Proposals are currently being sought by those with expertise in global dairy markets, including [Commercial Information] and [Commercial Information].

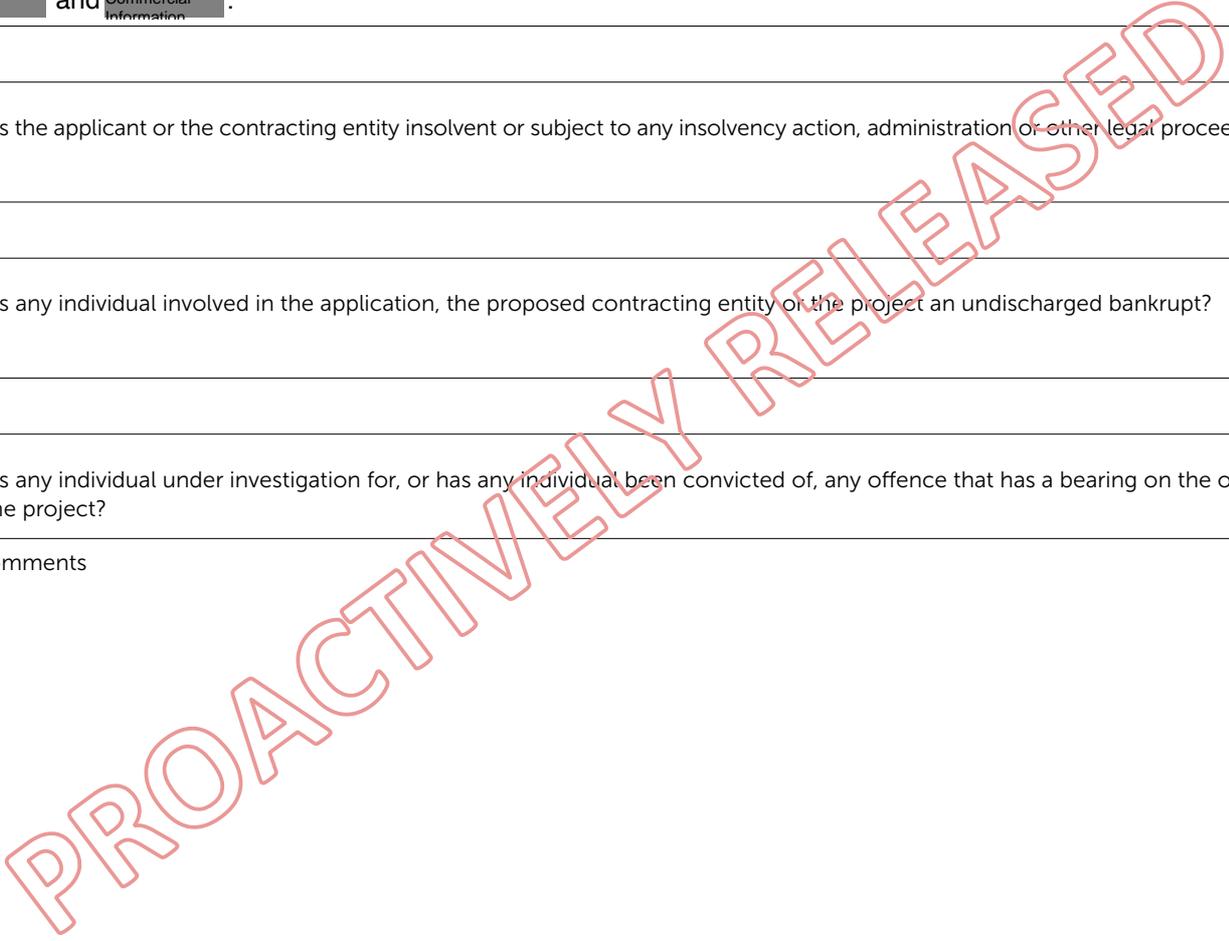
12. Is the applicant or the contracting entity insolvent or subject to any insolvency action, administration or other legal proceedings?
No

13. Is any individual involved in the application, the proposed contracting entity or the project an undischarged bankrupt?
No

14. Is any individual under investigation for, or has any individual been convicted of, any offence that has a bearing on the operation of the project?

Comments

No



15. Conflicts of Interest: Please detail any actual, potential or perceived conflict of interest that the applicant(s) or any of the key personnel have in relation to this project.

"In a small country like ours, conflicts of interest in our working lives are natural and unavoidable. The existence of a conflict of interest does not necessarily mean that someone has done something wrong, and it need not cause problems. It just needs to be identified and managed carefully..."

<https://www.oag.govt.nz/2007/conflicts-public-entities>

Comments

NZFIN has no shareholding within the sheep or goat industry and therefore is well placed to lead a project such as this, and make recommendations without bias, that will bring the greatest benefit to New Zealand.

The project will require input from experienced private sector consultants. Several of these have ties to the dairy industry, as follows:

Privacy of natural persons

Privacy of natural persons

Privacy of natural persons

B. Strategic Case and Regional Alignment

1. How does the project propose to act as a catalyst to lift the productivity potential of the region where the project is based?

2. How does the project align with the objectives of the Provincial Growth Fund:
- More permanent jobs;
 - Benefits to the community and different groups in the community;
 - Increased use and returns for Māori from their asset base (where applicable).

The project will provide feasibility data to underpin regional investment in the North and South Islands. It therefore has the potential to have a significant impact on regional economic development through the creation of a new industry across New Zealand and access to new export markets. This in turn would help create sustainable jobs.

The project also has potential to help New Zealand meet its climate change objectives, as sheep and goat milking is recognised as having a substantially lower environmental impact than conventional dairying.

The outcomes of the project also have potential to enhance the returns for Māori through their business investments and role as landowners.

3. Please provide a detailed description of the project, including the objectives and business need.

The project involves business case activity to assess the economic viability of investing in processing infrastructure to support the development of a sheep and goat milk industry in New Zealand. It will also provide recommendations on the business structure required to successfully manage the return on investment. This shall include investigation and review of:

- Global market opportunity for sheep and goat milk products i.e. which markets and which product formats offer the greatest potential for New Zealand?
- Global market dynamics and potential channels.
- Regional opportunities
- Farm supply requirements i.e. sheep and goat numbers; conversion costs
- Environmental implications of developing the sheep and goat industry
- Processing infrastructure requirements
- Manufacturing model
- Potential customers
- Business model – open access or private equity
- Potential shareholder or financial partners and their objectives
- Financial model

4. Please provide a description of how the project aligns to the Government's additionality objective under the Provincial Growth Fund (including infrastructure, Māori assets/development, sustainability, investment tiers and regional development plans).

The project will add to findings from previous research in the sheep and goat milk space and research in progress.

Project Alpha

Part of the Waikato Action Plan and funded by SRO to understand the viability of manufacturing whey powder and butter from sheep and goat milk to support future infant formula production at NZFIW. The project looks at all aspects from Farm to Market but only provides a high-level financial review. This project is broader and more detailed in scope, and will cover a wider range of products, a deeper analysis of the export market opportunities and comprehensive financial feasibility model of processing infrastructure. The development of the New Zealand sheep and goat milk industry cannot rely solely on nutritional powders and will require a diverse portfolio of high value product formats.

Horizons 3 Sheep Milk PGP Programme

Funding to Spring Sheep covering the market opportunities for sheep milk, development of quality sheep genetics and new product development. This includes research into the potential advantages of sheep milk for those with intolerances to cow's milk. The proposed project will consider developments from this programme but differs in its inclusion of goat's milk and being national in focus.

5. What benefits will the region get from the Crown's investment?

The regions will benefit from the Crown investment through the stimulation of economic development from creating a new agricultural industry and through the lower environmental impact achieved from a change in land use.

6. Please describe the current state of the proposal, and why the project has not been done before.

Sheep and goat milking is an emerging industry that has come about largely through the need to find alternative and diverse land uses that will secure a sustainable future for New Zealand agriculture. Projects to date, although a good starting point, have been regionally centric and narrow in focus. This proposal involves a broader, more detailed and impartial approach that will determine an action that is viable for New Zealand as a whole - it will however consult stakeholders in six regions throughout New Zealand to understand regional objectives, interests and initiatives to date.

Regional interests and initiatives that will be taken into consideration, include (but not limited to):

Southland
Sheep Dairy Demonstration Farm

Canterbury

7. Please provide a description, and evidence where applicable, of any local support for the project either through existing regional development mechanisms, or another relevant body, such as a council, iwi or other representative group (or reason for any lack of support).

PROACTIVELY RELEASED

8. Please provide a description of any consultation required.

9. Please demonstrate how this project will fit in with wider assets or infrastructure, projects and benefits in the region.

10. Has the project been discussed with a regional economic development governance group? If so, what was the outcome of the discussion?

11. Please provide evidence of Iwi consultation.

12. Please provide evidence of compliance with international obligations (where relevant).

N/A

C. Project costs, economics and benefits

1. Please provide details of the wider benefits, over and above those described in the above Strategic Case and Regional Alignment section.

[Empty response box for question 1]

2. Please provide a detailed breakdown of the benefits that will be enabled by the delivery of this project and the timeframes in which those benefits will be achieved/realised.

[Empty response box for question 2]

4. Please provide a cost breakdown covering the following:
- Total project cost breakdown (including contingency);
 - Total funding sought from the Provincial Growth Fund;
 - Type of funding sought (i.e grant, loan or other);
 - Description and breakdown of funding sought from elsewhere (approached/approved/declined) and what funding has been committed;
 - Details of ongoing costs and financial viability;
 - Required timing of costs; and
 - Maintenance costs and funding sources

The project is a Business Case development activity that spans twelve months, commencing on contract signing.

Most of the information gathering will be conducted in the first three months, allowing time for analysis, evaluation and debate of different workable models.

The total funding applied for is \$490,000 excluding GST. This includes a **Commercial Information** scope plus **Commercial Information** contingency allowance. The costs are operating investment only.

We are asking for this to be **Commercial Information** funded by the Provincial Fund. The resultant data set will **Commercial Information** and able to be shared in a way that secures the best outcome for New Zealand. **Commercial Information**

5. Please provide a demonstration of the impact the project will have on the applicant's balance sheet.

[Empty response box for question 5]

6. Please provide a demonstration of how you will ensure that your project represents good value for money.

[Empty response box for question 6]

7. If applicable, is there a financial model, financial forecasts, or a Cost Benefit Analysis which can be provided?
(If so, please attach to this application.)

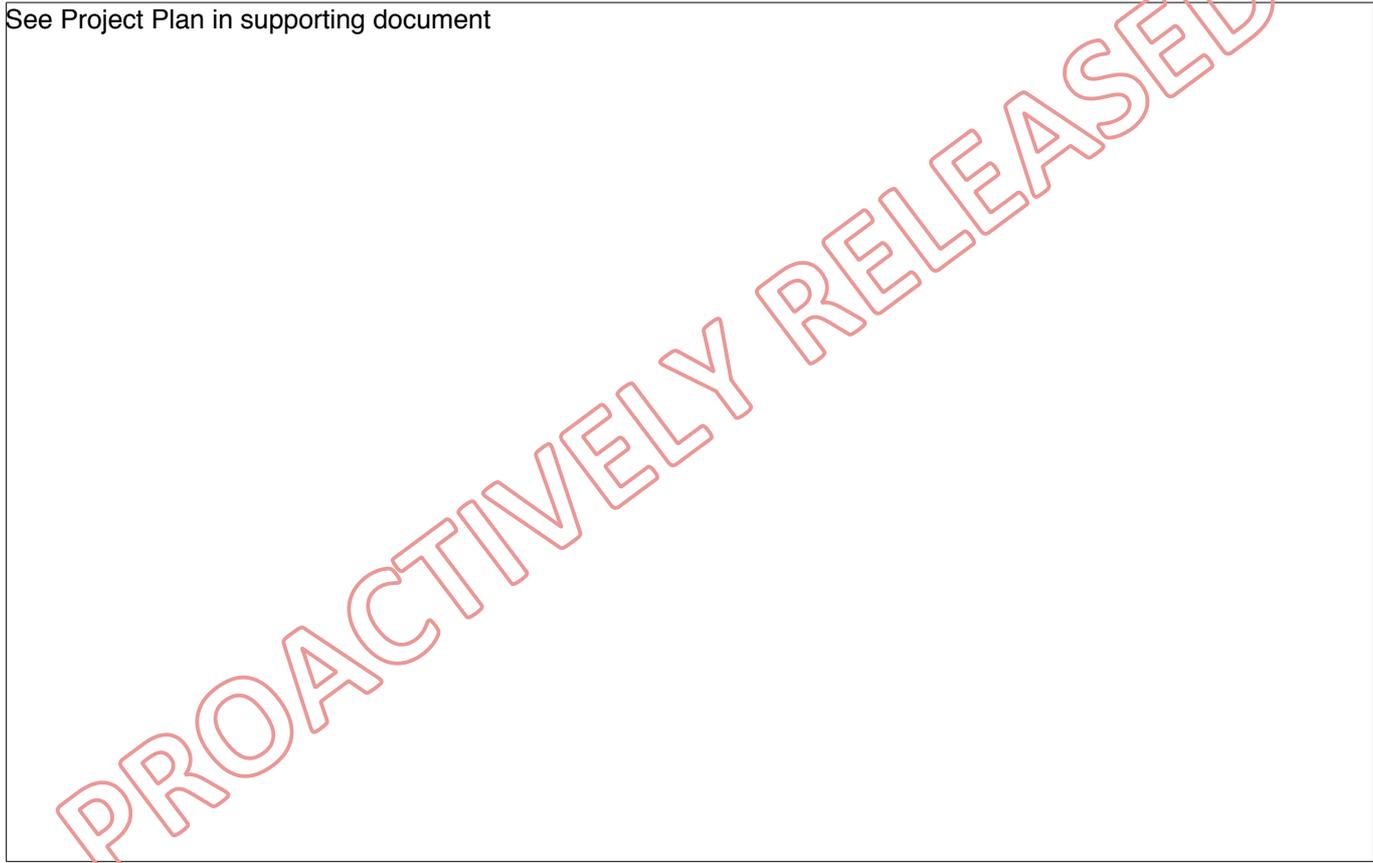
[Empty response box for question 7]

PROACTIVELY RELEASED

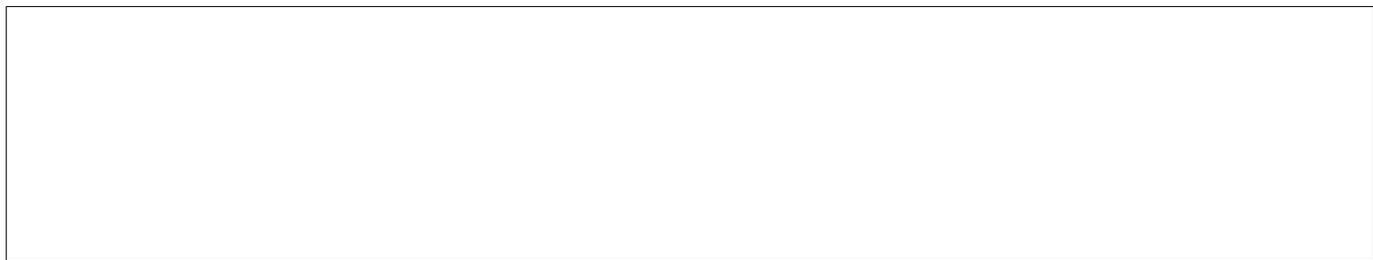
D. Project Plan

1. Please provide a project management plan covering the following:
 - Delivery methodology
 - Roles and responsibilities (including who will be managing/delivering the project and key contractors)
 - Timeline
 - Procurement
 - Constraints and dependencies
 - Risks associated with project
 - Risk management methodology
 - Governance arrangements (including using existing credible local and community input, funding, commercial and non-commercial partners)
 - Project delivery gates
 - Exit gates and stop/go points.

See Project Plan in supporting document



2. Please provide any feasibility assessment which has been conducted for the project.



3. Please provide details of the key risks associated with the project, as well as how they will be managed.

The project risks are considered to be low. The project will be limited in scope with FoodSouth as the prime contractor. It will be led by John Morgan with support from Privacy of natural persons who bring skills and experience to successfully deliver the project.

An expert Steering Group will oversee the actions and progress of the project team, providing guidance throughout the project and challenging recommendations to ensure robust and workable outcomes are delivered.

4. Please provide detail of any alternative project delivery options which have been considered and ruled out.

[Empty text box for alternative project delivery options]

5. Has the project plan been independently tested, or developed with assistance of a project management professional? If so, by whom?

The project plan has been developed and critiqued by the project team who have experience in managing and delivering similar projects.

E. Commercial Viability

1. Please provide an overview of the applicant’s track record in delivering projects of this nature.

NZFIN through FoodSouth and NZFIW have carried out several projects of this nature.
Examples include:
Project Alpha
Butter and Whey Protein Powder Infrastructure Feasibility funded by SRO to understand the viability of manufacturing whey powder and butter from sheep and goat milk to support future infant formula production at NZFIW.
Farmer's Mill Export Market Development
AgMARDT funded project to identify the most attractive export markets, channels, product formats and potential value propositions that will support the growth of Farmer’s Mill.
Non-Dairy Drying Powders in New Zealand

2. Please provide any demand analysis (customers and growth/utilisation forecasts) which has been conducted.

N/A

3. Please describe how the market has been, or will be, tested and engaged (if required) to assist in the delivery of this project.

[Empty text box for market testing and engagement]

4. Please describe what will happen upon delivery of the project, including the maintenance plan and plan for ownership of the asset.

This project involves the development of a Business Case for investment in new processing infrastructure that will support the development of the sheep and goat milking industry. The activities that will be undertaken on completion will ultimately depend upon the project findings and the viability of further investment. Providing this is the case, the next stage would likely be a bid into the Provincial Fund alongside key players to build dairy processing infrastructure in the South and North Islands.

A final report detailing the findings will be communicated to stakeholders.

5. Please describe how the project will be sustainable beyond the term of the Provincial Growth Fund investment.

The project will provide insights that will be needed to build a sustainable sheep and goat milk industry in New Zealand.

6. Please outline why Crown funding is required?

As a government owned entity FoodSouth does not have a budget to fund a project of this size and therefore requires the Crown to do so.

PROACTIVELY RELEASED

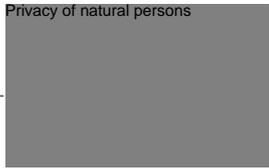
F. Declaration by lead applicant

By completing the details below, the applicant makes the following declaration about its application for PGF funding for the

project ("application"):

- A. I have read, understand and agree to the Terms and Conditions of applying for PGF funding which are attached as Appendix 1;
- B. The statements in the application are true and the information provided is complete and correct and there have been no misleading statements or omissions of any relevant facts nor any misrepresentations made;
- C. I have secured all appropriate authorisations to submit the application, to make the statements and to provide the information in the application;
- D. The applicant warrants that it has no actual, potential or perceived conflict of interest (except any already declared in the application) in submitting the application, or entering into a contract to carry out the project. Where a conflict of interest arises during the application or assessment process, the applicant will report it immediately to the PGF by emailing PGF@mbie.govt.nz; and
- E. I understand that the falsification of information, supplying misleading information or the suppression of material information in this application may result in the application being eliminated from the assessment process and may be grounds for termination of any contract awarded as a result of this application process.

Signature:



Full name:

John Morgan

Date: 10/07/2018

Title / position:

CEO

Name of applicant organisation:

New Zealand Food Innovation (South Island) Limited

PROACTIVELY RELEASED

Appendix 1 - Terms and Conditions of applying for the Provincial Growth Fund

General

The terms and conditions are non-negotiable and do not require a response. Each applicant that submits a request for Provincial Growth Fund ("PGF") funding (each an "application") will be deemed to have agreed to these terms and conditions without reservation or variation.

The Provincial Growth Fund is a government initiative which is administered by the Provincial Development Unit, a unit within the Ministry of Business, Innovation and Employment. Any reference to the Provincial Development Unit in these terms and conditions, is a reference to MBIE on behalf of the Crown.

Reliance by Provincial Development Unit

The Provincial Development Unit may rely upon all statements made by any applicant in an application and in correspondence or negotiations with the Provincial Development Unit or its representatives. If an application is approved for funding, any such statements may be included in the contract.

Each applicant must ensure all information provided to the Provincial Development Unit is complete and accurate. The Provincial Development Unit is under no obligation to check any application for errors, omissions, or inaccuracies. Each applicant will notify the Provincial Development Unit promptly upon becoming aware of any errors, omissions, or inaccuracies in its application or in any additional information provided by the applicant.

Ownership and intellectual property

Ownership of the intellectual property rights in an application does not pass to the Provincial Development Unit. However, in submitting an application, each applicant grants the Provincial Development Unit a non-exclusive, transferable, perpetual licence to use, disclose, and copy its application for any purpose related to the PGF application process. Any application or documentation supplied by you to the Provincial Development Unit will become the property of the Provincial Development Unit and may not be returned to you.

By submitting an application, each applicant warrants that the provision of that information to the Provincial Development Unit, and the use of it by the Provincial Development Unit for the evaluation of the application and for any resulting negotiation, will not breach any third-party intellectual property rights.

Confidentiality

The Provincial Development Unit is bound by the *Official Information Act 1982* ("OIA"), the *Privacy Act 1993*, parliamentary and constitutional convention and any other obligations imposed by law. While the Provincial Development Unit intends to treat your information as confidential, the information can be requested by third parties and the Provincial Development Unit must provide that information if required by law. If the Provincial Development Unit receives an OIA request that relates to your confidential information, where possible, the Provincial Development Unit will consult with you and may ask you to advise whether the information is considered by you to be confidential or commercially sensitive, and if so, to explain why.

The Provincial Development Unit may disclose any application and any related documents or information provided by the applicant, to any person who is directly involved in the PGF application and assessment process on its behalf including the Independent Advisory Panel ("IAP"), officers, employees, consultants, contractors and professional advisors of the Provincial Development Unit or of any government agency. The disclosed information will only be used for the purpose of participating in the PGF application and assessment process, which will include carrying out due diligence.

Limitation of Advice

Any advice given by the Provincial Development Unit, any other government agency, their officers, employees, advisers, other representatives, or the IAP about the content of your application does not commit the decision maker (it may be Senior Regional Officials, Ministers or Cabinet depending on the level of funding requested and the nature of the project) to make a decision about your application.

This limitation includes individual members of the IAP. The IAP's recommendations and advice are made by the IAP in its formal sessions and any views expressed by individual members of the IAP outside of these do not commit the IAP to make any recommendation.

No contractual obligations created

No contract or other legal obligations arise between the Provincial Development Unit and any applicant out of, or in relation to, the application and assessment process, until a formal written contract (if any) is signed by both the Provincial Development Unit and a successful applicant.

No process contract

The PGF application and assessment process does not legally oblige or otherwise commit the Provincial Development Unit to proceed with that process or to assess any particular applicant's application or enter into any negotiations or contractual arrangements with any applicant. For the avoidance of doubt, this application and assessment process does not give rise to a process contract.

Costs and expenses

The Provincial Development Unit is not responsible for any costs or expenses incurred by you in the preparation of an application.

Exclusion of liability

Neither the Provincial Development Unit or any other government agency, nor their officers, employees, advisers or other representatives, nor the IAP or its members will be liable (in contract or tort, including negligence, or otherwise) for any direct or indirect damage, expense, loss or cost (including legal costs) incurred or suffered by any applicant, its affiliates or other person in connection with this application and assessment process, including without limitation:

- a) the assessment process
- b) the preparation of any application
- c) any investigations of or by any applicant
- d) concluding any contract
- e) the acceptance or rejection of any application, or
- g) any information given or not given to any applicant(s).

By participating in this application and assessment process, each applicant waives any rights that it may have to make any claim against the Provincial Development Unit. To the extent that legal relations between the Provincial Development Unit and any applicant cannot be excluded as a matter of law, the liability of the Provincial Development Unit is limited to \$1.

Nothing contained or implied in or arising out of the PGF documentation or any other communications to any applicant shall be construed as legal, financial, or other advice of any kind.

Inducements

You must not directly or indirectly provide any form of inducement or reward to any IAP member, officer, employee, advisor, or other representative of the Provincial Development Unit or any other government agency in connection with this application and assessment process.

Governing law and jurisdiction

The PGF application and assessment process will be construed according to, and governed by, New Zealand law and you agree to submit to the exclusive jurisdiction of New Zealand courts in any dispute concerning your application.

Public statements

The Provincial Development Unit or any other government agency, or any relevant Minister, may make public the following information:

- the name of the applicant(s)
- the application title
- a high-level description of the proposed project/activity
- the total amount of funding and the period of time for which funding has been approved
- the region and/or sector to which the project relates

The Provincial Development Unit asks applicants not to release any media statement or other information relating to the submission or approval of any application to any public medium without prior agreement of the Provincial Development Unit.

Appendix 2 - Proposed operational criteria for all tiers of the Fund

Link to Fund and government outcomes

- Demonstrate the ways in which the project will contribute to lifting the productivity potential of the region
- Demonstrate how the project contributes to the Fund's objectives of:
 - more permanent jobs
 - benefits to the community and different groups in the community
 - increased utilisation and returns for Māori from their asset base (where applicable)
 - sustainability of natural assets (e.g. water, soil integrity, the health and ecological functioning of natural habitats)
 - mitigating or adapting to climate change effects, including transitioning to a low emissions economy
- Clear evidence of public benefits (i.e. benefits other than increased profitability for the applicant)
- Are in a Government priority region or sector

Additionality

- Project is not already underway, does not involve maintenance of core infrastructure or assets (except for rail and transport resilience initiatives), and does not cover activities the applicant is already funded for (funding could be considered to increase the scale of existing projects or re-start stalled projects)
- Demonstrated benefit of central Government investment or support
- Detail of any supporting third party funding (and any funding sought unsuccessfully)
- Acts as a catalyst to unlock a region's productivity potential
- Demonstrated links to other tiers of the Fund and related projects, to maximise value of Government investment

Connected to regional stakeholders and frameworks

- Evidence of relevant regional and local support, either through existing regional development mechanisms, or through another relevant body such as a council, iwi or other representative group (or reasons for any lack of local support)
- Has been raised and discussed with the region's economic development governance group
- Alignment with, or support for the outcomes of, any relevant regional development plan, Māori development strategy or similar document (whether regional or national)
- Demonstrated improvement in regional connectedness (within and between regions)
- Leverage credible local and community input, funding, commercial and non-commercial partners
- Utilise existing local, regional or iwi/Māori governance mechanisms

Governance, risk management and project execution

- Evidence of robust project governance, risk identification/management and decision-making systems and an implementation plan appropriate to the size, scale and nature of the project
- Future ownership options for capital projects, including responsibility for maintenance, further development, and other relevant matters
- Benefits and risks clearly identified and quantified, depending on the scale of the initiative
- Evidence of potential exit gates and stop/go points, and a clear exit strategy
- Clearly identifies whole of life costs (capital and operating)
- Dependencies with other related projects are identified
- Evidence of sustainability after conclusion of PGF funding
- Adequacy of asset management capability (for capital projects)
- Compliance with international obligations (where relevant)