case study 2.3

New Zealand Farming and its Form of Business Ownership

Tenders for the Crafar family farms have closed with the receivers reporting ‘significant’ interest, but just how strong the buyer competition was, is for now anyone’s guess.

The only two certainties at the 4 pm deadline were state-owned enterprise Landcorp, which today announced its bid would be a joint venture with its Wairakei Pastoral farming partners, businessmen Trevor Farmer, Mark Wyborn and Ross Green, and Chinese company Natural Dairy.

The Hong Kong-registered company had a purchase agreement for the 16, mainly dairy, farms conditional on getting Overseas Investment Office consent, and providing the receivers got no offer that suited them better.

Receivers Brendan Gibson and Michael Stiassny said in a statement today they expected ‘a number’ of other tenders before 4 pm. Assessing the offers would take some time and no further comment would be made until a decision had been made.

The Crafar farms, totalling 8,000 ha in the southern and central North Island, were put into receivership in October by their financiers, owed $200 million. Family spokesman Allan Crafar was reported today as saying he hoped to raise $200 million to settle the debts by 4pm. He declined to comment a short time ago.

Natural Dairy only applied for OIO consent yesterday after a drawn-out process that has included court action to try to get around the OIO obligation, and return of the company’s first application for want of detail and the correct fee. The company has lodged an appeal over a High Court dismissal of its case to circumvent OIO approval.

Landcorp chief executive Chris Kelly said the joint venture bid with the Wairakei partners was for ‘all 16 farms or nothing’.

The Wairakei farming partnership was formed six years ago after the three businessmen bought the former 25,000 ha Fletcher Forests. Landcorp has developed 9,000 ha into dairy farms and leases them from the partnership under a 40-year agreement, Mr Kelly said.

He said Landcorp’s prospective partners in the Crafar farms bid were ‘New Zealanders and long-term farm owners and investors’.

A new 50:50 company would be formed if the bid was successful.

‘This would be a long-term partnership. We are no strangers to one another, and they are sound reputable businessmen.’

The new company could sell some of the Crafar farms on, but that was a decision for later, Mr Kelly said.

The joint venture offer would be conditional on vacant possession of three farm houses the Crafar family has so far resisted leaving.

SOURCE: Andrea Fox, ‘Tenders Close for Crafar Farms’, 7 July 2010, *Business Day*. Last accessed, 27 August 2010: http://www.stuff.co.nz/business/farming/3893313/Tenders-close-for-Crafar-farms.

Questions

1 Provide a brief synopsis of the article, outlining the key parties involved.

2 What is meant by the term ‘tender’?

3 Landcorp announced its bid for the Crafar Farms would be a joint venture with its Wairakei Pastoral farming partners. What is meant by the term ‘joint venture’?

4 The Wairakei farming partnership constitutes three partners and was established in 2004 after a land purchase of 25 000 hectares of Fletcher Forests. Explain what is meant by ‘mutual agency’ and how this would affect these partners.

5 Landcorp states that it developed 9000 hectares of land into dairy farms and leases them back from the partnership. Outline the advantages and disadvantages for Landcorp in this arrangement.

6 If this bid were successful a new company would be formed. Outline the potential advantages for the owners in forming a new company. What are the potential disadvantages to the company’s suppliers and how can they minimise their risk?

7 Landcorp chief executive Chris Kelly states that if the bid were successful a new company would be formed. He then comments, ‘This would be a long-term partnership’. Critically discuss what is meant by this phrase.