

*Kia Koutou Kokako Owners,
Ngā mihi e te whānau o Kokako.*



The Current Situation

GLORIA KOIA

We started the 2020 calendar year with much expectation of continuing our growth and development but in a short few weeks things have changed dramatically. The extended drought conditions are impacting on our production and the global reaction to Coronavirus is presenting health, cross border and economic challenges on a scale neither seen before nor wanted and now we are in lockdown. While it is early days and impossible to predict where this will all go we are putting in place plans to limit the impacts. Our dairy and drystock farms are essential business and continue to operate but under strict Covid-19 health protocols. The health and welfare of our employees and contractors is paramount. Amidst all the gloom at least the March rains have arrived.

We commenced harvesting our small woodlots in January but due to the lockdown forestry has now ceased. Replanting of harvested areas is planned for winter 2020 if permitted.



Hemp

We are delighted to advise that our Hemp licence has been granted and we can now proceed with moving this operation forward.

This is part of our diversification strategy to reduce reliance on milking cows. Plants are growing well:

This is a non essential business but we will work with the Ministry of Primary Industries when harvesting is due.

With the assistance of funding from TPK we have undertaken a review of future farming options and we will be looking at these options to further diversify our farms and work on our environmental footprint to ensure compliance with ever changing industry and global requirements.

Ongoing Dairy compliance necessitates increased capital expenditure on effluent disposal systems and due to current cashflow constraints we will inevitably need to increase our borrowings in the short term. Our debt remains low as repaying the bank has been a high priority for many years and we are in good standing with our bank.

Despite current challenges our long future remains very positive and we have many exciting projects to consider. Your Trustees remain actively involved in all operations and committed to working through to secure the best outcomes for Kokako Trust.

Trainee Trustees

“This is a wonderful opportunity for our young people to obtain experience and development in the role of a Trustee.”

The Trustees are inviting applications for up to two people to fill 2 year positions. Applications must be made on the Trust's application form, which can be obtained from the Secretary's office or the website www.rotorua.deloitte.co.nz. Applications close on Wednesday 13th May 2020 at 4pm. The Trustees will then review all applications and select suitable trainee trustees for the next two years of the scheme. Unsuccessful applicants may apply again in the future. The terms of the Trainee Trustee Policy are available on the website.

Trainee Trustees must at all times show their commitment to the role and be available for the Trust's 2 monthly meetings and farm inspections.

Farming Operations

TRUDY LAAN

MILK

TUATAHI (1) ▼ 16%

TUARUA (2) ▼ 5%

TUATORU (3) ▼ 2%

TOTAL PRODUCTION
AT THE 25 FEBRUARY
346,064KGMS

LAST YEAR
376,593KG

BUDGET
TO 25 FEBRUARY
373,344KG

LAMBS

SOLD

277

AVE PRICE

\$132

PER LAMB

AVE WEIGHT

18.2KG

TO SELL

230

This season has been challenging from a climatic view point. The spring was not great with a cold start to the season seeing a number of frosts and a delay to the October balance date. Low rainfall throughout the 2019 year with only two thirds of normal average rainfall falling meant we were already in dry conditions at the start of 2020 with production at that time down 7% across the dairy units. For the January/February period there has only been continued high temperatures and very little rainfall with less than 27ml for the January / February period compared to an average of around 160ml over this period. As a result, dairy production is well behind across the dairy units.

Milk solid production is down around 30,000kgMS on budget and last year. Tuatahi (1) is down 16%, Tuarua (2) is

down 5% and Tuatoru (3) is down 2%. Total production at the 25 February is 346,064kgMS compared to 376,593kg year to date last year and a budget of 373,344kg to the 25th of February. Total production is now dependant on whether any useful rainfall falls over the next few weeks. Herds at Tuatahi and Tuatoru have been on once a day already over February. There is maize and grass silage on hand to maintain cow condition and keep them milking until the rain comes. If there is no significant rainfall and cows need to be dried off at the end of March then total production is estimated to be around 374,583kgMS. This compares to a total of 370,106kg in the 2007/08 drought and 422,306kg in the 2012/13 drought. If this occurs there will be a shortfall compared to budget of 74,000kgMS which for Kokako is a drop of \$345,000 compared to budget.

Reductions will be made in expenditure where opportunities exist to help offset this but end of season bank position will still be significantly impacted.

The Fonterra forecast milk price is still holding at a forecast of \$7.30/kgMS. There may be down ward pressure on this related to the Coronavirus and positive pressure due to the lower production expected across the North Island but a lower exchange rate is helping.

On a more positive note lamb sale prices are very good and we have managed to get lambs away despite pressure on killing space. The average price of \$132/lamb for the 277 lambs sold to date. The average weight for the new season's lambs is 18.2kg. There are now around 230 lambs left to sell.



Financial

MURRAY PATCHELL

As indicated last year we were expecting to operate conservative budgets in 2020. With drought conditions impacting milksold production and the global health situation affecting export and import supply lines budgets must now move to tightening mode to focus on essential expenditure. The impact of the global crisis will not be known for some months when existing stocks of overseas sourced products run out and imports don't materialise. One possible outcome is the prospect of countries revisiting the strategy of outsourcing manufacturing to cheap labour countries and perhaps focussing more on internal business production to reduce reliance on offshore communities. Globally Governments and financial regulators are introducing financial packages to offset the impacts of the current crisis. This includes lowering of interest rates and economic and business support packages.

The current forecast of milk solid price remains positive so that will be of assistance to cashflow in October. It is too early to forecast ahead to 2021 year as the current season still has some way to go.

However the Trust has a strong balance sheet with over \$26million of net equity and good arrangements with its bank to maintain facilities to cover outgoings in the event of further economic challenges.

Grants

\$1001,250

A Kaumatua grant of \$250 was paid to Owners aged 65 years as at the date of the AGM on 7th December 2019 or if turning 65 before 31st December 2019. **If you have not been paid your grant then this can still be claimed up until the 2020 AGM on 6th December 2020 by contacting the Secretary's office.** If you are claiming a Kaumatua grant through a Whanau Trust that is the registered owner in Kokako Trust then you need to contact the office for a claim form. The 2019 AGM approved an owner's grant payment relative to shareholding with a minimum payment of \$75 per owner. Owner's grants are paid to owners who have supplied their address and bank account number to the Trust. If you have not supplied your details and claimed your grant then you may still do so before this year's AGM. Grant payments cannot be claimed for prior years, you can only claim in the current year.

2020 Education Grants

The Trust continues to support its students who are studying at tertiary institutions through education grants. Applications can only be made online at www.kokakotrust.co.nz Students are reminded to take care to complete their forms in full and supply all information requested. Education grants are paid at the rate of \$200 per student.

Applications for 2020 Education Grants must be submitted online by Wednesday 13th May 2020.

AGM

As requested at last years AGM we are moving our AGM to the first Sunday in December to avoid clashes with other important hui. The 2020 AGM is scheduled for Sunday 6th December 2020 at Ruapeka Marae.

Kokako Trustees:

Huimai Makela

Gloria Koia (Chair)

Airini Hepi

Riria McDonald

Kyle Amopiu

Farm Advisor: Trudy Laan (Perrin Ag)

Secretary/Accountants: Murray Patchell/Deloitte

More Information is available on Kokako Trust including annual reports, by visiting the website www.rotorua.deloitte.co.nz and looking for Kokako Trust under Trusts/Incorporations.

We remind owners to encourage whanau who are owners, that have not registered with the Trust, to do so and for those who have not completed their successions to become shareholders, to contact the Māori Land Court and get this done. Please take your Court Orders to the Deloitte office with details of all new owners so that records can be updated promptly and grant payments made.

Owners that have any queries or comments about the Trust are welcome to post or email their queries to the Trustees through the contact details below.

Tena koutou katoa

Gloria Koia / Chair / 19th March 2020