



To: Hon Dr Megan Woods, Associate Minister of Finance
Hon Damien O'Connor, Minister for Land Information

ASSESSMENT REPORT: **Craigmore Permanent Crop No 12 Limited**

Date	14 September 2022	Classification	IN CONFIDENCE: Commercially sensitive
OIO reference (Report reference)	202200217 (BRF 23-101)	Deadline	12 October 2022 (being 20 working days from the date of the report)

Purpose

We seek your decision on an application for consent to acquire an interest in sensitive land under the Overseas Investment Act 2005 ("Act").

Action sought

1. Review this report and consult with each other if desired.
2. Determine whether to grant consent and, if so, on what conditions.
3. Indicate your decision from page 3.

Assessment timeframe requirements

A decision is required by 12 October 2022 to meet the statutory time frame.

OIO Contacts

Name	Position	Contact	First contact
Marcus McMillan	Manager Applications	+64 4 830 1917	<input checked="" type="checkbox"/>
Daniel Mumford	Senior Solicitor	+64 4 830 3959	<input type="checkbox"/>
Caitlin Marshall	Advisor	+64 4 462 4460	<input type="checkbox"/>

A. Summary

1. Craigmore Permanent Crop No 12 Limited ("**Applicant**") is a company owned by the Craigmore Permanent Crop Limited Partnership ("**CPC LP**"), which is a horticultural investment vehicle created in 2016.
2. The Applicant seeks consent to acquire a freehold interest in approximately 234.3661 hectares of land at 68 Cat Creek Road, Blenheim ("**Land**"). The Applicant intends to develop part of the Land into a vineyard to supply grapes to Marlborough wineries for processing into Sauvignon Blanc wine. The remainder of the Land will be used for related infrastructure, possible additional vineyard planting, and existing (and possible future) forestry. Some of the Land that is unsuitable for planting is likely to be subdivided and sold.
3. The Land is currently being used as a sheep and beef farm (with part of the Land containing a crop of pine trees).
4. For the reasons set out in this report, our recommendation is to **grant consent**.

Key information

Applicant	Craigmore Permanent Crop No 12 Limited Germany (54.93%), Netherlands (18.63%), Hong Kong SAR (7.43%), United Kingdom (6.29%), Ireland (4.29%), Various (8.44%)
Vendors	Barbara Ann Straight and Kevin Dennis Straight (as trustees of the Straight Family Trust) New Zealand (100%)
Land	234.3661 hectares of land located at 68 Cat Creek Road, Blenheim.
Consideration	\$[s 9(2)(b)]
Sensitivity	Is more than 5 hectares of non-urban land
Relevant tests	Investor test: s18A Benefit to New Zealand test – farm land benefit test s16A(1C)

Timing

5. The Overseas Investment Regulations 2005 specify the total assessment timeframe for this application is 100 working days. This application is currently on day 80, therefore a decision is due to the applicant by 12 October 2022.
6. The contractual date for satisfaction of the OIO consent condition in the Agreement for Sale and Purchase is 10 November 2022. However, the Applicant has requested an earlier decision if possible. We recommend a decision is made by 12 October 2022, being 20 working days from the date of this report and the assessment timeframe.

B. Decision

Core tests

7. I determine that:

- 7.1 The '**relevant overseas person**' is (collectively):

Relevant overseas person	Role
Craigmore Permanent Crop No 12 Limited	The Applicant and acquiring entity

Craigmore Permanent Crop LP ("CPC LP")	100% owner of the Applicant
Craigmore Permanent Crop GP Limited ("CPC GP")	General Partner of CPC LP
[s 9(2)(b)(ii)]	Investment Manager

7.2 The 'individuals with control of the relevant overseas person' are:

Individuals with control	Role
Leslie Che Charteris	Director of the Applicant and CPC GP, and Investment Committee Member
Peter Luke Klaassen	Director of the Applicant
Hillary Anne Bleach	
Mark William Cox	Director of CPC GP and Investment Committee Member
John Lindsay Holland	Director of CP GP
John William Donkers	
Andrew Brain Gibbs	
Forbes Herbert Elworthy	Investment Committee Member
William Robert Nicholas Tapp	

7.3 None of the relevant overseas persons and individuals with control of the relevant overseas person have established any of the factors contained in section 18A(4) of the Act.

8. I am satisfied that the investor test in section 18A has been met.

Hon Dr Megan Woods

Agree



Disagree



Hon Damien O'Connor

Agree



Disagree



9. I am satisfied, in relation to the benefit to New Zealand test, that:

9.1 the criteria for consent in sections 16 and 16A have been met;

9.2 the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders);

9.3 the benefit is proportionate to the sensitivity of the land and the nature of the transaction;

9.4 the benefit will be, or is likely to be, substantial in relation to one of more of the factors of high relative importance for farm land; and

9.5 the farm land offer criteria have been met.

Hon Dr Megan Woods

Agree

☐

Disagree

☐

Hon Damien O'Connor

Agree

☒

Disagree

☐

National interest assessment

10. I note that the overseas investment in sensitive land is not a transaction of national interest under section 20A of the Act and the Minister of Finance has not notified it is a transaction of national interest under section 20B of the Act.

Hon Dr Megan Woods

Noted

☐

Hon Damien O'Connor

Noted

☒

Decision about whether to grant or decline consent

11. My ultimate decision is to:

Hon Dr Megan Woods

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

☐

Grant consent with amended conditions provided on:

☒

Decline consent

☐

Hon Damien O'Connor

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

☒

Grant consent with amended conditions provided on:

☐

Decline consent

☐

Hon Dr Megan Woods

Date: / /



Hon Damien O'Connor

Date: 6/10/22

Hon Dr Megan Woods

Agree

☒

Disagree

☐

Hon Damien O'Connor

Agree

☐

Disagree

☐

National interest assessment

10. I note that the overseas investment in sensitive land is not a transaction of national interest under section 20A of the Act and the Minister of Finance has not notified it is a transaction of national interest under section 20B of the Act.

Hon Dr Megan Woods

Noted

☒

Hon Damien O'Connor

Noted

☐

Decision about whether to grant or decline consent

11. My ultimate decision is to:

Hon Dr Megan Woods

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

☒

Grant consent with amended conditions provided on:

☐

Decline consent

☐

Hon Damien O'Connor

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

☐

Grant consent with amended conditions provided on:

☐

Decline consent

☐

Hon Dr Megan Woods

Date: 19 / 10 / 2022

Hon Damien O'Connor

Date: / /

C. Background and proposed transaction

12. The Applicant seeks consent to acquire the Land to develop a vineyard to supply grapes to Marlborough wineries for processing into Sauvignon Blanc wine.
13. The proposed vineyard is likely to be at least [s] canopy hectares with a further [s] hectares of marginal land that could be used for further vineyard planting.
14. The Land contains approximately 10 hectares suitable for related viticulture infrastructure, as well as approximately 21 hectares unsuitable for vineyard planting that is likely to be subdivided and sold. The Land also contains a 50 hectare crop of trees as well as 17 hectares suitable for conversion to forestry. The remainder of the Land (approximately 60 hectares) includes practically unusable areas (such as ridges, gullies, and other areas unsuitable for use or development including approximately 20 hectares that is either riverbed or land in the Level 3 Flood zone) as well as a house and farm buildings that will be retained.
15. The development of the vineyard is likely to take place over a five year period and would involve capital investment of between \$4.5 - \$5 million. The funds will be spent on purchasing and planting grape vines, installing water infrastructure, trellis structures, frost protection, ground preparation and drainage, as well as other related expenses.

Land

16. The Land is comprised of two adjoining records of title and is outlined in blue in Figure 1 below:



Figure 1 – Aerial photo provided by the Applicant. This photo shows the land parcels in the two records of title that comprise the Land

17. The Land is currently being used as a sheep and beef farm, with part of the Land containing a crop of pine trees.
18. The property consists of approximately 40 main paddocks, one set of cattle yards, a shearing shed and covered yards, and five farm sheds of varying sizes. There is also one house on the Land built in 2014.
19. The current business operations on the Land involve 100 beef cows, 330 trading beef stock, four breeding bulls, and 20 sheep. Approximately 50 hectares of the Land is planted in *Pinus Radiata*, with a crop of 13-14 year old trees. The Vendor has a forestry right over this crop of trees.
20. The Land also contains fresh water areas, being the river beds of four separate water ways that traverse the Land (Cat Creek, Timms Creek, Wairau River, and an unnamed river). The fresh water areas are shown in blue in Figure 2 below.

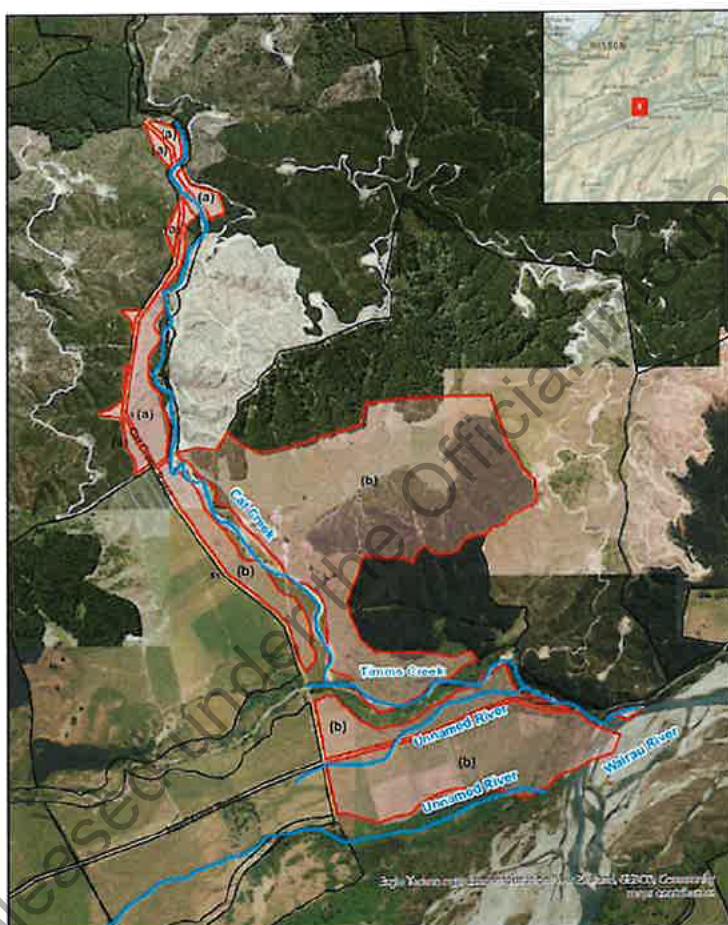


Figure 2 – Aerial photo provided by the Applicant. This photo shows the fresh and seawater area located on the Land

D. Application of the Act

21. The Land is sensitive because it is non-urban land over 5 hectares in size,¹ so consent is required.² The following criteria for an investment in sensitive land apply to this application:³

¹ Table 1, Part 1, Schedule 1 of the Act.

² Under sections 10(1)(a) and 12(1)(a) of the Act.

³ Set out in section 16(1) of the Act.

- The investor test must be met.⁴
 - The benefit to New Zealand test must be met.⁵
 - Where the land is farm land it must have been offered for sale on the open market⁶, unless exempt⁷.
 - You must also note whether the investment is a transaction of national interest and, if so, whether the Minister of Finance has decided that the investment is contrary to New Zealand's national interest.⁸
22. In order to satisfy the benefit to New Zealand test, the decision-maker must:
- determine that the overseas investment will, or is likely to, benefit New Zealand;⁹ and
 - determine that benefit will be, or is likely to be, substantial in relation to one or more of the factors of high relative importance for farm land¹⁰ (unless the farm land benefit test is disapplied¹¹).
23. As this transaction includes fresh water areas (the river beds of four separate water ways), the automatic condition relating to fresh and seawater areas applies.¹² The Crown must acquire, and the owner of the Land must allow the Crown to acquire, the fresh and seawater interests.¹³ However, the Crown need not acquire the fresh or seawater interests if the owner is notified of a decision not to acquire.¹⁴
24. We assess the investor test in Part E, the benefit to New Zealand test in Part F, and discuss national interest matters in Part G.

E. Applicant and investor test

25. This section describes the Applicant and assesses whether the investor test is met.

Business Activities

26. The Applicant was established in February 2020 as a 100% subsidiary of CPC LP. It does not currently hold any assets or carry out any activities. This will be the first direct land acquisition being made by the Applicant.
27. The Applicant and CPC LP belong to the Craigmore Sustainable Group Limited Partnership ("CSG LP"), which manages farm and forest investments in New Zealand. CSG LP's other investments are a mix of dairy, grazing, forestry and horticultural properties spread over both the North and South islands of New Zealand and covering more than 18,000 hectares.
28. CSG LP has significant experience with investment in New Zealand farmland and forestry assets via Craigmore Forestry Limited, Kauri Forestry LP, Craigmore Farming NZ LP, Craigmore Dairy II LP, and Totara Forestry LP which collectively have been the subject of over 35 OIO consent applications.

⁴ Section 16(1)(a) of the Act.

⁵ Section 16(1)(c)(ii) of the Act.

⁶ Section 16(1)(f) of the Act.

⁷ Section 20(1)(a) or (b) of the Act.

⁸ Section 16(1)(g) of the Act.

⁹ Section 16A(1)(a) of the Act.

¹⁰ Section 16A(1C)(b) of the Act. This criterion applies because the Land is farm land over 5 ha in size.

¹¹ Section 16A(1D) of the Act.

¹² Section 25D of the Act.

¹³ Clause 3, Part 2, Schedule 5 of the Act.

¹⁴ This is accordance with Clause 4 or 5, Part 2, Schedule 5 of the Act.

Ownership

29. The Applicant is 100% owned by CPC LP.

Craigmore Permanent Crop Limited Partnership

30. The ownership of CPC LP is held by its limited partners who are professional investors including high-net-worth individuals, family offices, and institutional investors, largely domiciled in European Union member states. The following are the CPC LP limited partners owning more than 5% interest in the Applicant:

a) [s 9(2)(b)(ii)]

b)

c)

Craigmore Permanent Crop GP Limited

31. CPC LP's general partner is Craigmore Permanent Crop GP Limited ("CPC GP"), a company incorporated in New Zealand.

32. CPC GP is wholly owned by CSG LP.

Craigmore Sustainables LLP

33. CPC GP has appointed [s 9(2)(b)(ii)] ("Investment Manager") to manage CPC LP and its business and assets on a sole and exclusive basis in accordance with the Investment Management Agreement and Limited Partnership Agreement. The Investment Manager is a limited liability partnership registered in England and Wales and is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Craigmore Sustainables Group Limited Partnership

34. CSG LP's limited partners include [s 9(2)(b)(ii)] some high net worth individuals and family offices. It is 76.90% owned by non-overseas persons and 23.10% owned by overseas persons. The owners, together with their voting rights as of 31 March 2022, are the following:

Owners	Percentage of Voting Rights
Non-overseas persons	
[s 9(2)(b)(ii)]	54.65%
	5.76%
	5.7%
	5.06%

Owners	Percentage of Voting Rights
<i>Overseas Persons</i>	
[s 9(2)(b)(ii)]	15.98%
	6.34%

35. The general partner of CSG LP is Craigmore Group GP Limited, a company registered in New Zealand. It is wholly owned by Forbes Herbert Elworthy (New Zealand citizen).
36. A diagram of the intended ownership structure is in **Attachment 2**.

Control

37. The Applicant is controlled by CPC GP and the Investment Manager.
38. CPC GP manages the Applicant and has full discretion on the acquisition of investments, development of investments, management of the land, and the ultimate divestment of investments.
39. CPC GP has appointed the Investment Manager to manage CPC LP and make decisions regarding investments or assets on their behalf. CPC LP (or its subsidiaries) may not make or dispose of any investment without prior approval from the Investment Manager.

Relevant overseas person and individuals with control

40. We recommend that the 'relevant overseas person' is (collectively):

Relevant overseas person	Role
Craigmore Permanent Crop No 12 Limited	The Applicant and acquiring entity
Craigmore Permanent Crop LP ("CPC LP")	100% owner of the Applicant
Craigmore Permanent Crop GP Limited ("CPC GP")	General Partner of CPC LP
[s 9(2)(b)(ii)]	Investment Manager

41. We recommend that the 'individuals with control of the relevant overseas person' (IWC)¹⁵ are:

Individuals with control	Role
Leslie Che Charteris	Director of the Applicant and CPC GP, and Investment Committee Member
Peter Luke Klaassen	Director of the Applicant
Hillary Anne Bleach	
Mark William Cox	Director of CPC GP and Investment Committee Member

¹⁵ Section 15.

John Lindsay Holland	Director of CP GP
John William Donkers	
Andrew Brain Gibbs	
Forbes Herbert Elworthy	Investment Committee Member
William Robert Nicholas Tapp	

Summary of investor test

42. The relevant overseas persons and individuals with control established none of the factors contained in section 18A(4) of the Act. All but one of the IWCs (William Tapp) are either New Zealand citizens or ordinarily resident in New Zealand, so they are not required to meet the investor test in accordance with s18(2) of the Act.
43. For the reasons set out above, our conclusion is that **the investor test has been met.**

F. Investment plan and benefit to New Zealand test

44. This section describes the proposed investment and our assessment of whether it is likely to meet the benefit criteria in the Act.

Investment plan

45. The Applicant wants to acquire the Land to develop a vineyard to supply grapes to Marlborough wineries for processing into Sauvignon Blanc wine, with the majority of the wine produced expected to be exported.
46. Due to the contour of the Land (including a number of small, non-adjointing parcels), the layout for required planting, and the space needed for headlands the Applicant proposes to develop approximately [s] canopy hectares of grape vines. A further [s] hectares will be used for associated infrastructure.
47. The development of the vineyard is likely to take place over a five year period and would involve capital investment of approximately \$4.73 million. The Applicant intends to plant around [s] hectares in [s] and around [s] hectares in [s] with a planting density of [s] vines per hectares using Sauvignon Blanc [s 9(2)(b)]. Due to reduced nursery capacity there is a delay for grapevine nursery plants, with the earliest the Applicant can expect vines being [s] 9(2).
48. The capital investment for the vineyard development costs include:
- ground preparation (approximately \$[s] per hectare);
 - water/irrigation (approximately \$[s 9(2)] per hectare);
 - trellis structures (approximately \$[s 9(2)] per hectare);
 - grape vines and planting (approximately \$[s 9(2)] per hectare);
 - frost protection (approximately \$[s 9(2)] per hectare); and
 - other associated expenses eg buildings (approximately \$[s 9(2)] per hectare).
49. During the development, the Applicant will construct a water storage dam to assist the production of grapes through the dry summer months. Work on developing the infrastructure is expected to begin in [s] in preparation for first planting to begin later that year.

50. During the vineyard development, the sheep and beef farming operations will be progressively reduced between [s 9(2)(b)] while preparations are being made for the vineyard development (which will begin planting in [s]). As a result, the number of jobs, level of production, and export receipts from sheep and beef farming will reduce over the [s 9(2)(b)] period. From [s] the number of new jobs, level of production, and export receipts from grape production will increase until reaching a steady state of production (when the vines have reached maturity) around [s].

Uses of the Land

51. There is around [s] hectares of land considered marginal for vineyard planting due to flood and frost risk, which may be developed in the future. The Applicant will likely make a decision in [s] on whether to plant this area.
52. There is an existing crop of Pinus Radiata trees (aged 13-14 years) on approximately 50 hectares of the Land, and the Vendor has a forestry right over this crop of trees. The Applicant advises that an adjoining area of approximately 17 hectares is suitable for conversion to forestry, and the Applicant may plant this area or grant a third party a forestry right over this area.
53. There is around 21 hectares at the northern end of the Land that is unsuitable for vineyard planting. The Applicant intends to subdivide and dispose of this part of the Land.
54. The Land Use Capability ("LUC") classes for the Land are illustrated in the diagram below in Figure 3.

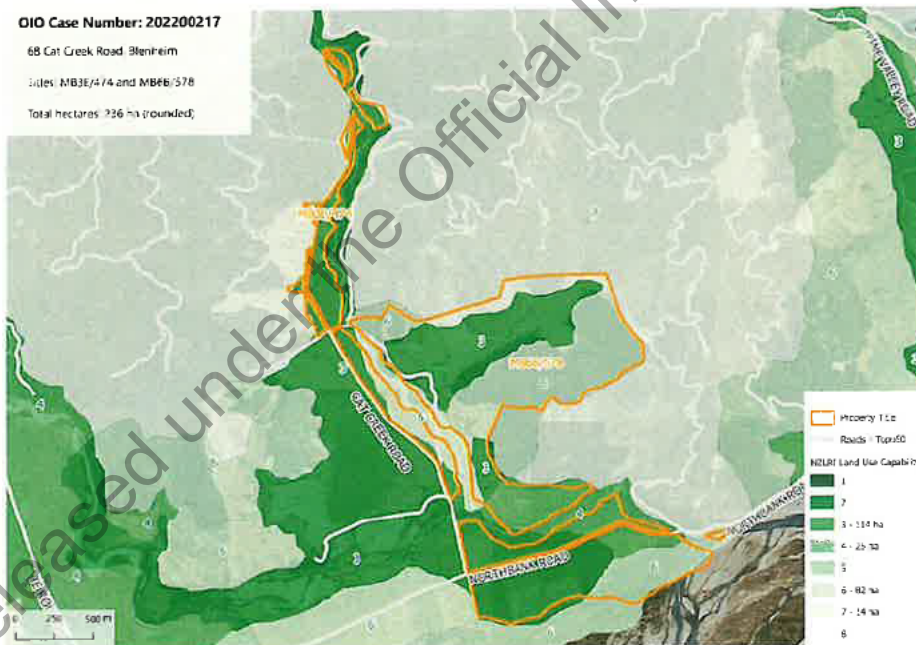


Figure 3 – LUC illustration prepared by OIO. This illustration sets out the relevant LUC classes for the different parts of the Land (Land boundaries in orange).

55. The LUC rating system ranges from 1 (most productive land) to 8 (least productive land).
56. As the Land contains farm land, the farm land benefit test applies to this investment.¹⁶ However, as certain parts of the Land are not used as farm land, the level of benefit

¹⁶ Section 16A(1C) of the Act.

required to meet the threshold is assessed on a proportionate basis, taking into account the sensitivity of the land (as well as the nature of the transaction).¹⁷

57. We have set out the details of these areas of the Land that are not farm land and the reasons proposed for these to have a low level of sensitivity in the Figure 4 table below.

Land use	Size (ha)	Status	LUC	Outcome
Existing pine forest	50	Not farm land (land used for forestry)	6	Low sensitivity
Non-sensitive land	7.8	Small (less than 5 hectares) non-adjoining land parcels of non-urban land	3-4	Low sensitivity
Land unsuitable for planting	21	This land will be subdivided and sold	3-4	Low sensitivity
Unusable land	20	Practically unusable areas (approximately 20 hectares that is either riverbed or land in the Level 3 Flood zone)	6	Low sensitivity
Subtotal	98.8			

Figure 4 – Table prepared by OIO (using information provided by the Applicant). This table details areas of the Land for which low sensitivity should apply to the farm land benefit test and benefit to New Zealand test.

58. The unusable land is shown in the Figure 5 photo below on the left (coloured white) with a topographical map on the right (showing the contours of the Land).

¹⁷ Section 16A(1A)(b) of the Act.



Figure 5 – Aerial photo and map provided by the Applicant. The photo on the left shows the unusable land (in white), the topographical map on the right shows the contours of the Land.

59. As a result of the low sensitivity applicable to the areas detailed in Figure 3 table above as part of the benefit to New Zealand assessment, the level of benefit resulting from the investment is assessed in proportion to the sensitivity of the Land, which is further detailed in paragraphs 82-83 below.

Paper Roads

60. The Applicant also seeks consent to acquire a freehold interest in the paper roads that adjoin the Land (and are not included in the records of title), if these become available for acquisition from the local Council. The paper roads (marked in purple on the Figure 5 photo below and adjoining the light blue lines showing the legal boundaries of the Land) bisect the Land, are unformed, and are not currently used by the public.



Figure 6 – Aerial photo provided by the Applicant. This photo shows the location of the paper roads (in purple) that adjoin the boundaries of the Land (in light blue).

61. The photo in Figure 3 below sets out the different areas of the Land and their intended uses.

[s 9(2)(b)(ii)]



Figure 7 – Aerial photo provided by the Applicant. This photo shows intended uses for different parts of the Land

Current state (counterfactual)

62. As noted above in para 17-21, the Land is currently being used as a sheep and beef farm, with part of the Land containing an existing crop of pine trees.
63. The Vendor advised that the current business operations on the Land involve 100 beef cows, 330 trading beef stock, four breeding bulls, and 20 sheep. The trading beef stock are supplied to freezing works at an average weight of approximately 320kg at approximately \$2,000 plus GST per animal, generating approximately \$660,000 per annum.

Farm land benefit test

64. This investment involves the acquisition of farm land exceeding 5 hectares in area. As a result, the farm land benefit test applies unless you decide it need not be met for one of the reasons set out in the Act.¹⁸
65. Accordingly, as required by the Act, we have treated the following factor as having high relative importance:¹⁹
- the economic benefits factor (section 17(1)(a)) and, in particular, the creation or retention of jobs, introduction of technology or business skills, increased export receipts, and increased processing of primary products
66. For the farm land benefit test to be met, the applicant must demonstrate, in relation to one or more of those factors of high relative importance, that the benefits of the

¹⁸ Section 16A(1C)–(1D). You may decide not to apply the farm land benefit test if: the transaction is minor or technical; the transaction does not materially change the level of ownership or control that the relevant overseas person has over the asset; or the farm land has no or limited productive capacity as farm land and will, or is likely to, be used promptly, as a result of the overseas investment, for industrial or commercial development (for example, a supermarket) or for the construction of 1 or more buildings that, taken together, will consist of 20 or more new residential dwellings.

¹⁹ Section 16A(1C)(a).

investment are of a size or nature that represent a substantial benefit to New Zealand on a proportionate basis.

Summary of benefits

67. The benefits to New Zealand that are likely to result from this investment and our assessment of the relative weight to be given to each are set out in the table below.
68. Factors that we considered were either not relevant to the investment, or the benefit to New Zealand was not sufficient to be relied on, are noted in **Attachment 4**.
69. In applying the benefit to New Zealand criteria, you are required to consider each of the benefit factors, decide which of them are relevant and determine the relative importance of those relevant factors. The weight and relative importance to be given to each factor is a matter to be determined by you as the decision-maker (except where the farm land benefit test requires a factor to be given high relative importance). This report sets out our assessment to guide your consideration, however, it is not determinative.
70. Consultation undertaken in our assessment is discussed following the table.

Released under the Official Information Act 1982

Summary assessment: benefit to New Zealand test

71. This table assesses the benefits to New Zealand likely to result from the investment and the relative weight to be given to each.

Relevant Benefit factor	Economic benefits
Indicative Strength	Strong
Proposed special conditions	Invest at least \$4.5 million of capital expenditure on vineyard development by 30 September 2028. Report on new jobs and export receipts.

New jobs

Applicant's claims: what they intend to do	Current state
The investment is likely to create new jobs as a result of the vineyard development starting in winter/spring [s]. From [s 9(2)(b)] the number of new jobs will likely increase from 4.8 up to 7.1 full-time equivalent ("FTE") jobs per year when full production is reached in [s]. The direct FTE jobs include vineyard and machinery supervisors, seasonal work (development and operations tasks).	The current sheep and beef farming operations have approximately 4.2 FTE employees.
OIO analysis	The number of jobs will initially reduce between [s 9(2)(b)] as the sheep and beef farming operations are gradually reduced, while preparations are made for the vineyard development in winter/spring [s]. However, the number of new jobs will then likely increase from [s 9(2)(b)] up to full production in [s] and is likely to be approximately 2.9 FTE more than under the counterfactual.

Capital investment

Applicant's claims: what they intend to do	Current state
The Applicant will invest approximately \$4.5 million over five years, predominantly involved in planting [s] hectares of vines in [s] and [s] hectares of vines in [s]. 9(2)	The current sheep and beef farming operations do not currently involve any significant level of capital investment.
OIO analysis	The vineyard development is likely to result in more capital investment than under the counterfactual.

Increased export receipts

Applicant's claims: what they intend to do	Current state
<p>The investment is likely to lead to increased export receipts as a result of the grapes produced from the vineyard.</p> <p>The amount of export receipts will increase from [s] up to full production in [s] with annual export receipts of approximately \$[s 9(2)(b)]. The amount of export receipts is based on [s] hectares of Sauvignon Blanc vines yielding approximately 756 tonnes of grapes per year with a conversion rate of approximately 720 litres of wine per tonne of grapes.²⁰ Approximately 86% of the wine produced is expected to be exported at an average export price of \$6.29 per litre.²¹</p>	<p>The current sheep and beef farming operations produce \$580,000 of export receipts per annum (\$660,000 of beef produced²², with approximately 88% of beef exported).²³</p>
<p>OIO analysis</p>	<p>The amount of export receipts will initially reduce between [s 9(2)(b)] as the sheep and beef farming operations are gradually reduced, while preparations are made for the vineyard development in winter/spring [s]. However, the amount of export receipts will then increase from [s 9(2)(b)] as the planted grape vines develop up to full production in [s] and is likely to be more than under the counterfactual.</p> <p>While the claimed annual yield of grapes appears to be high, even a more realistic reduced figure is still likely to lead to greater export receipts than under the counterfactual.</p>

²⁰ Based on average industry production figures provided by New Zealand Winegrowers: <https://www.nzwine.com/media/22702/nzw-annual-report-2022.pdf> (last accessed on 30/8/2022).

²¹ Based on average industry export figures provided by New Zealand Winegrowers: <https://www.nzwine.com/media/22520/nzwine-kpis-may-2022.jpg> (last accessed on 30/8/2022).

²² Based on production and sales figures provided by the Vendor.

²³ Based on average industry export figures provided by Beef + Lamb New Zealand: <https://beeflambnz.com/sites/default/files/news-docs/NZRM-Industry-summary.pdf> (last accessed on 30/8/2022).

Relevant Benefit factor	Significant government policy	
Indicative Strength	Weak	
Proposed special conditions	No conditions recommended.	
Applicant's claims: what they intend to do		Current state
<p>The Applicant submits that the investment will give effect to or advance the following government policies:</p> <ul style="list-style-type: none"> a. Fit for a Better World: Accelerating our Economic Potential – this is the Government's 10-year action plan for the food and fibre sector.²⁴ b. Economic Plans for a productive, sustainable and inclusive economy.²⁵ c. Productive and Sustainable Land Use which focuses on building a productive and sustainable economy that supports the well-being of New Zealanders. 		<p>The current land use likely already supports these policies.</p>
OIO analysis	<p>The investment is likely to advance a number of government policies focused on the economy.</p> <p>This is a low level of support to government policies, compared to the size of the Land, resulting in a weak weighting.</p>	

²⁴ <https://fitforabetterworld.org.nz/about/> and <https://www.mpi.govt.nz/dmsdocument/41031-Fit-for-a-Better-World-Accelerating-our-economic-potential> Accessed 24 August 2022.

²⁵ <https://www.mbie.govt.nz/business-and-employment/economic-development/economic-plan/> Accessed 24 August 2022.

Consultation and submissions about the investment

72. No third-party submissions were sought or received in relation to this application.

Ministry for Primary Industries

73. In undertaking our assessment, we consulted with the Horticulture Sector Policy Team at the Ministry for Primary Industries ("MPI") about the investment. MPI advised that the investment appears straightforward and achievable (subject to the granting of relevant resource consents), and that there are suitable economic drivers in the Marlborough District for the conversion from sheep and beef farming to grape growing. MPI further advised that the conversion will lead to a reduction in biological greenhouse gas emissions (methane and nitrous oxide) for the property due to destocking.
74. MPI advised that they consider the investment is likely to result in more new FTE jobs (as vineyards are more labour intensive than cattle farming) and greater export receipts (as vineyards generate greater returns per hectare and the majority of Sauvignon Blanc produced is exported).
75. MPI confirmed that delays in sourcing planting stock for Sauvignon Blanc in the near future are a real issue, and that the Applicant's claims regarding the availability of vines for planting appear reasonable. MPI further noted that the location of the vineyard (further away from Blenheim than most other vineyards) could affect labour supply due to competition with other vineyards. The applicant's submissions on labour supply are discussed under *Key Benefits* below.

Proposed conditions and rationale

76. In order to adequately secure the key benefits resulting from the investment, we recommend imposing a special condition requiring the Applicant to invest at least \$4.5 million on specific developments by 30 September 2028. The investment of these funds is likely to lead to the development of the vineyard, the creation of the proposed new jobs, and the production of grapes for processing into wine (and ultimately exported).

Fresh or seawater areas

77. As noted in paragraph 24, the investment includes fresh water areas (the rivers beds of four separate water ways) being:
- Cat Creek;
 - Timms Creek;
 - Wairau River; and
 - An unnamed river.
78. If the Applicant is granted consent for this investment, the Applicant will lodge a water areas acquisition notice²⁶ immediately on acquiring the records of title for the Land. A separate decision will be made by decision-making Ministers subsequently. We have included the automatic condition that the Applicant must comply with the provisions of Schedule 5 of the Act.

²⁶ The water areas acquisition notice records the Crown's right to acquire the fresh or seawater area and the Crown may acquire the fresh or seawater area at any point within the subsequent 10 years.

Conclusion – benefit to New Zealand test

Key benefits

79. After considering the application, we are satisfied that the investment is likely to result in the benefits considered above. In particular:

- **New jobs** – new additional FTE jobs including vineyard and machinery supervisors (as well as seasonal work).
- **Capital investment** – approximately \$4.5 million of capital investment (predominantly involved in planting approximately [s 9(2)(b)(ii)] hectares of new grape vines).
- **Increased export receipts** – increased export receipts resulting from the exporting of the wine produced with the grapes grown on the Land.
- **Significant government policy** – support government policies that promote productive and sustainable land use.

80. In relation to the creation of new jobs, the Applicant has advised that it is currently in discussions with wine companies regarding the offtake of grapes and potential management of the site (any agreements cannot be finalised until OIO consent has been granted). The Applicant has advised that it will work with its winery partner to determine the best labour supply for the site. This will supplement their current labour demands, while also providing opportunities for graduates in management opportunities. The Applicant has advised that rates for this work will be set by the winery partner or contract labour supplier, and will be in line with industry norms.

81. [s 9(2)(b)(ii)]



Proportionality

82. We have undertaken our assessment having regard to the sensitivity of the Land and the nature of the overseas investment transaction, reflecting the proportional nature of the benefit to New Zealand test. The Land is non-urban land greater than five hectares and is currently used as farm land, specifically for raising sheep and beef cattle. As noted in paragraphs 51-53, part of the Land is currently used for forestry and other parts are either unsuitable or marginal for growing grapes.

83. As noted in paragraphs 51-59, parts of the are considered to have low sensitivity for the assessment of the farm land benefit test and the benefit to New Zealand test. Taking into account the reduced levels of sensitivity, the size of the Land, the current uses of the Land, and the level of development likely to occur under the investment, we consider the overseas investment is likely to benefit New Zealand. Accordingly, we consider that the overall level of benefit is strong on a proportionate basis.

Farm land benefit test

84. In addition to the benefit test set out in s16A(1)(a), the Applicant must also satisfy the modified benefit test for farm land.²⁷ This requires that two factors are given high relative importance, the oversight and participation factor and the economic benefits factor (and, in particular, the creation or retention of jobs, introduction of technology or business skills, increased export receipts, and increased processing of primary products). To satisfy this test, one or both of these factors need to be of a size or nature that represent a substantial benefit to New Zealand (on a proportionate basis).
85. We consider in this case that the level of benefit under the economic factor is substantial, particularly when considering the likely benefit resulting from the new jobs, increased capital investment, and increased export receipts. In these circumstances, we consider these likely benefits are of a size or nature that represent a substantial benefit to New Zealand when taking into account a proportionate approach to the benefits, and that the modified benefit test for farm land is therefore met.

G. Farm land offer test

86. Because the Land is farm land,²⁸ we note that it was advertised for sale on the open market with the required information for a period exceeding 30 working days²⁹ on realestate.co.nz³⁰ and in the Marlborough Weekly³¹ and Marlborough Property Express.³²
87. We are therefore satisfied the regulations requiring the farm land to be offered for acquisition on the open market have been complied with.³³

H. Not a transaction of national interest

88. The investment does not involve a transaction of national interest under the mandatory criteria of the Act.³⁴ This is because the investment does not involve a non-NZ government investor, or an investment in a strategically important business (as defined in the Act).
89. We have not referred this transaction to the Minister of Finance for him to call it in for a national interest assessment on a discretionary basis.³⁵ He has therefore not declined consent to the transaction.
90. We are directed³⁶ that the starting point is the assumption that overseas investment is in New Zealand's national interest and that we should only seek the Minister of Finance to exercise his discretion for a national interest assessment if the proposed investment:
- could pose risks to New Zealand's national security or public order
 - would grant an investor significant market power within an industry or result in vertical integration of a supply chain
 - has foreign government or associated involvement that was below the 10 per cent threshold for automatic application of the national interest test, but granted

²⁷ Section 16A(1C) of the Act.

²⁸ Currently being used primarily as a sheep and beef farm (see the definition of farm land in s 6 of the Act).

²⁹ For sale by offer.

³⁰ From 18 February 2022 to 14 April 2022.

³¹ On 15 March 2022M

³² On 24 February 2022, and 3, 10, 17, 24, 31 March 2022.

³³ Overseas Investment Regulations 2005, regulations 5 to 10.

³⁴ Under s 20A of the Act.

³⁵ Section 20B of the Act

³⁶ Supplementary Ministerial Directive Letter (8 June 2020).

that government (and/or its associates) disproportionate levels of access to or control of sensitive New Zealand assets,

- would have outcomes that were significantly inconsistent with or would hinder the delivery of other Government objectives,
- raises significant Treaty of Waitangi issues, or
- relates to a site of national significance (eg significant historic heritage).

91. We do not consider that this investment engages any of these risk factors.

I. Conclusion

92. After considering the application, our view is that:

- the investor test has been met; and
- the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and
- the benefit is proportionate to the sensitivity of the land and the nature of the transaction; and
- the benefit will be, or is likely to be, substantial in relation to one of more of the factors of high relative importance for farm land;
- the farm land offer criteria have been met; and
- the transaction is not considered to be a transaction of national interest.

93. Therefore, we consider that the criteria for consent in section 16 have been met and our recommendation is to **grant consent**.

Marcus McMillan
Manager, Applications
Overseas Investment Office

Date: 14/09/2022

J. List of Attachments

1. Proposed Decision
2. Intended Ownership Structure
3. Other Benefit Factors

ATTACHMENT 1 PROPOSED DECISION

Consent for Overseas Person to Acquire Sensitive New Zealand Land

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the land and/or be subject to fines or other penalties.

Consent

Decision date: [date]

The following people have been given the following consent:

Case	202200217
Consent	The Consent holder may acquire the Land subject to the Conditions set out below.
Consent holder/s	Craigmore Permanent Crop No 12 Limited (Company number 7879808) We will refer to the Consent holder as you.
Land	A freehold interest in approximately 234.3661 hectares of land located at 68 Cat Creek Road, Blenheim, contained in Records of Title MB3E/474 and MB6B/578 (Marlborough).
Timeframe	You have until 30 September 2023 to acquire the Land.

Conditions

Your Consent is subject to the Special conditions, Standard conditions and Reporting conditions (Conditions) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions you may be subject to fines or other penalties, and you may also be required to dispose of the Land.

In the Consent and the Conditions, we refer to the Overseas Investment Office as **OIO, us or we**.

Act means Overseas Investment Act 2005

Paper Roads means the parcels of land comprising paper roads that adjoin the Land (and are not contained in records of title)

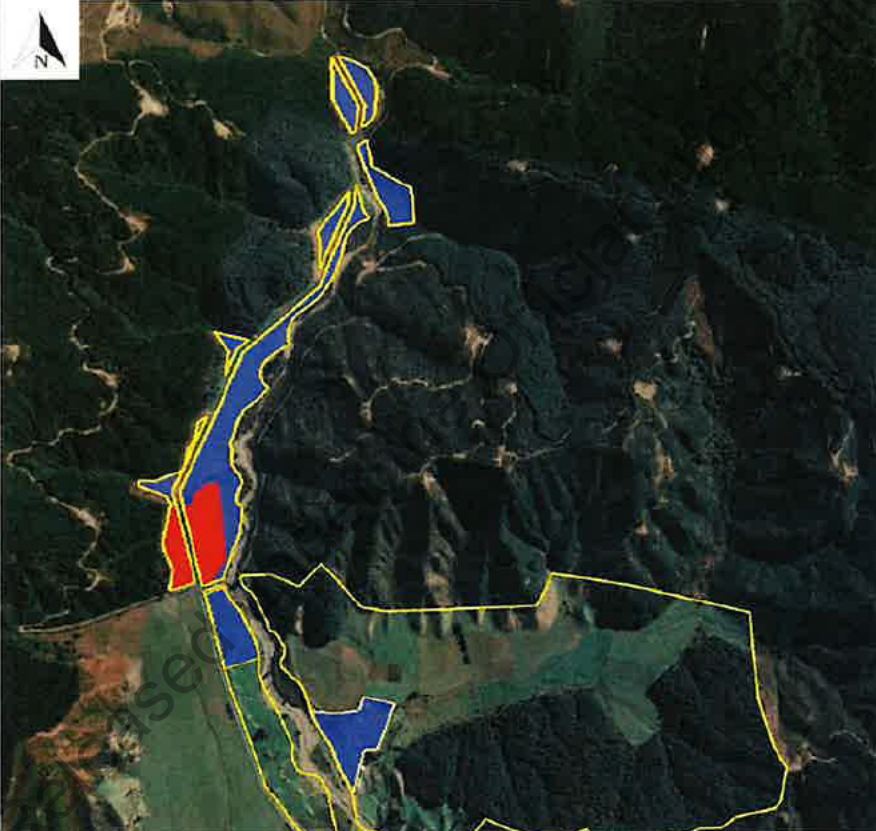
Regulations means Overseas Investment Regulations 2005

Any term or expression that is defined in the Act or Regulations and used, but not defined, in this consent has the same meaning as in the Act or Regulations.

Special conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and were considerations that particularly influenced us to give consent:

Details	Required date
Automatic condition: Fresh or Seawater Areas	
You must, in relation to the fresh or seawater area(s), comply with all provisions of Schedule 5 of the Act. You must provide a draft WAAN to FSAapplications@linz.govt.nz . You must lodge the WAAN on the title.	By the times set out in schedule 5. At least 15 working days before settlement. Immediately following the transfer and before registering any other interests on the title.
Special condition 1: Invest at least \$4.5 million	
You must invest at least \$4.5 million in developing the Land into a vineyard of at least 15 canopy hectares in size. If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.	30 September 2028
Special condition 2: Acquire paper roads	
You may acquire a freehold or leasehold interest in the Paper Roads (if these become available for acquisition), in one or more transactions. You must tell us in writing when you have acquired any of the Paper	30 September 2028

Details	Required date
<p>Roads. Include details of:</p> <ol style="list-style-type: none"> 1. the date you acquired any of the Paper Road (Settlement), 2. consideration paid (plus GST if any), 3. the structure by which the acquisition was made and who acquired any of the Paper Roads, and 4. copies of any transfer documents and Settlement statements. 	
<p>Special condition 3: Disposal of unsuitable land</p>	
<p>You must subdivide and dispose of those parts of the Land comprising approximately 21 hectares in size (coloured blue on the photo below) that are deemed unsuitable for planting grape vines.</p> 	<p>[s 9(2)(b)(ii)]</p>

Standard conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire sensitive New Zealand land, including you:

Details	Required date
Standard condition 1: Acquire the land	
<p>You must acquire the Land:</p> <ol style="list-style-type: none">by the date stated in the Consent. If you do not, your Consent will lapse or become invalid and you must not acquire the Land, andusing the acquisition, ownership, and control structure you described in your application. Note, only you - the named Consent Holder - may acquire the Land, not your subsidiary, trust, or other entity.	As stated in the Consent
Standard condition 2: Tell us when you acquire the Land	
<p>You must tell us in writing when you have acquired the Land. Include details of:</p> <ol style="list-style-type: none">the date you acquired the Land (Settlement),consideration paid (plus GST if any),the structure by which the acquisition was made and who acquired the Land, andcopies of any transfer documents and Settlement statements.	As soon as you can, and no later than two months after Settlement
Standard condition 3: Allow us to inspect the Land	
<p>Sometimes it will be helpful for us to visit the Land so we can monitor your compliance with the Conditions. We will give you at least two weeks' written notice if we want to do this. You must then:</p> <ol style="list-style-type: none">Allow a person we appoint (Inspector) to:<ol style="list-style-type: none">enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (Inspection),remain there as long as is reasonably required to conduct the inspection,gather information,conduct surveys, inquiries, tests, and measurements,	At all times

Details	Required date
<p>e. take photographs and video records, and f. do all other things reasonably necessary to carry out the Inspection.</p> <p>2. Take all reasonable steps to facilitate an Inspection including:</p> <ul style="list-style-type: none"> a. directing your employees, agents, tenants, or other occupiers to permit an Inspector to conduct an Inspection, b. being available, or requiring your employees, agents, tenants, or other occupiers to be available, at all reasonable times during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required. <p>During an Inspection:</p> <ul style="list-style-type: none"> a. we will not compel you and your employees, agents, tenants, or other occupiers to answer our questions or to let us look at, copy or take away documents, b. our Inspector will comply with any reasonable instruction and co-operate with any reasonable health and safety policy or procedure you notify to us before the Inspection. 	
Standard condition 4: Remain not unsuitable to Invest in New Zealand	
<p>You, and to the extent that you are not an individual, the Individuals Who Control You must remain not unsuitable to own or control the Assets in accordance with section 18A(1) of the Act.</p> <p>The Individuals Who Control You are individuals who:</p> <ul style="list-style-type: none"> a. are members of your governing body b. directly or indirectly, own or control more than 25% of you or of a person who itself owns or controls more than 25% of you, and c. are members of the governing body of the people referred to in paragraph b. above. 	At all times
Standard condition 5: Tell us about changes that affect you, the people who control you, or people you control	
<p>You must tell us in writing if any of the following events happens to any of the Consent holders:</p> <p>1. You become aware that you and/or any Individual Who Controls you establishes any of the investor test factors listed in section 18A(4) of the Act.</p>	Within 20 working days after the change

Details	Required date
<p>2. You cease to be an overseas person or dispose of all or any part of the Asset.</p> <p>3. Your New Zealand Service Address changes. This is the address you provided us in your application as the address which we will send any legal document we need to serve on you.</p>	
Standard condition 6: Dispose of the Land if you do not comply with key special conditions	
<p>If all or part of this Standard Condition 6 applies to a special condition, we have said so in that special condition.</p> <p>If we consider you have failed to comply with one of those special conditions in a material way we may require you to dispose of the Land.</p> <p>We will give you written notice if we require you to dispose of the Land. After we have given you notice, you must:</p>	
Value the Land: obtain and send us a copy of a market valuation of the Land from a New Zealand registered valuer.	Within six weeks of the date of our notice
Market the Land: instruct a licensed real estate agent to actively market the Land for sale on the open market.	Within six weeks of the date of our notice
Dispose of the Land: dispose of the Land to a third party who is not your associate.	Within six months of our notice
Offer without reserve: if you have not disposed of the Land within six months of our notice, offer the Land for sale by auction or tender without a reserve price or minimum bid and dispose of the Land.	Within nine months of our notice
Report to us about marketing: tell us in writing about marketing activities undertaken and offers received for the Land.	By the last day of every March, June, September, and December after our notice or at any other time we require
Report disposal to us: send us, in writing, evidence of the following: <ul style="list-style-type: none"> a. that you have disposed of the Land (including copies of sale and purchase agreements, settlement statements and titles showing the purchaser as registered proprietor), and b. that the purchaser is not your associate. 	Within one month after the Land has been disposed of

Reporting conditions

We need information from you about how your investment plan is tracking so we can monitor your progress against the Conditions.

In addition to Settlement reporting (as set out in Standard Condition 2), you must provide the OIO with reports detailing the progress of the investment. The reports must:

1. be submitted via our [Webform](#) by these dates:
 - a. 31 December 2026; and
 - b. 31 December 2028;
2. contain information about:
 - a. your progress in implementing the special conditions (which can include photographs, maps or aerial imagery as evidence of compliance with relevant conditions);
 - b. the amount of capital expenditure expended to date on the vineyard development;
 - c. the number of new FTE jobs created to date as a result of the vineyard development (with reference to the agreed FTE calculation methodology);
 - d. the amount of export receipts generated from the grapes grown on the Land (the provision of farm gate prices and references to standardised figures produced by the exporter(s) is sufficient);
3. follow the format of the template annual report published on our website.

If requested in writing by the OIO, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:

- a. the representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the Consent was granted, or
- b. the conditions of this Consent.

Power to vary reporting date

The dates on which reports are due to be provided may be changed by agreement between the regulator and the consent holder, provided that this power may not be used to give a time extension for an individual report.

Power to narrow scope of reports

The regulator may temporarily or permanently waive the requirement to report on a particular matter.

Power not to require further reporting

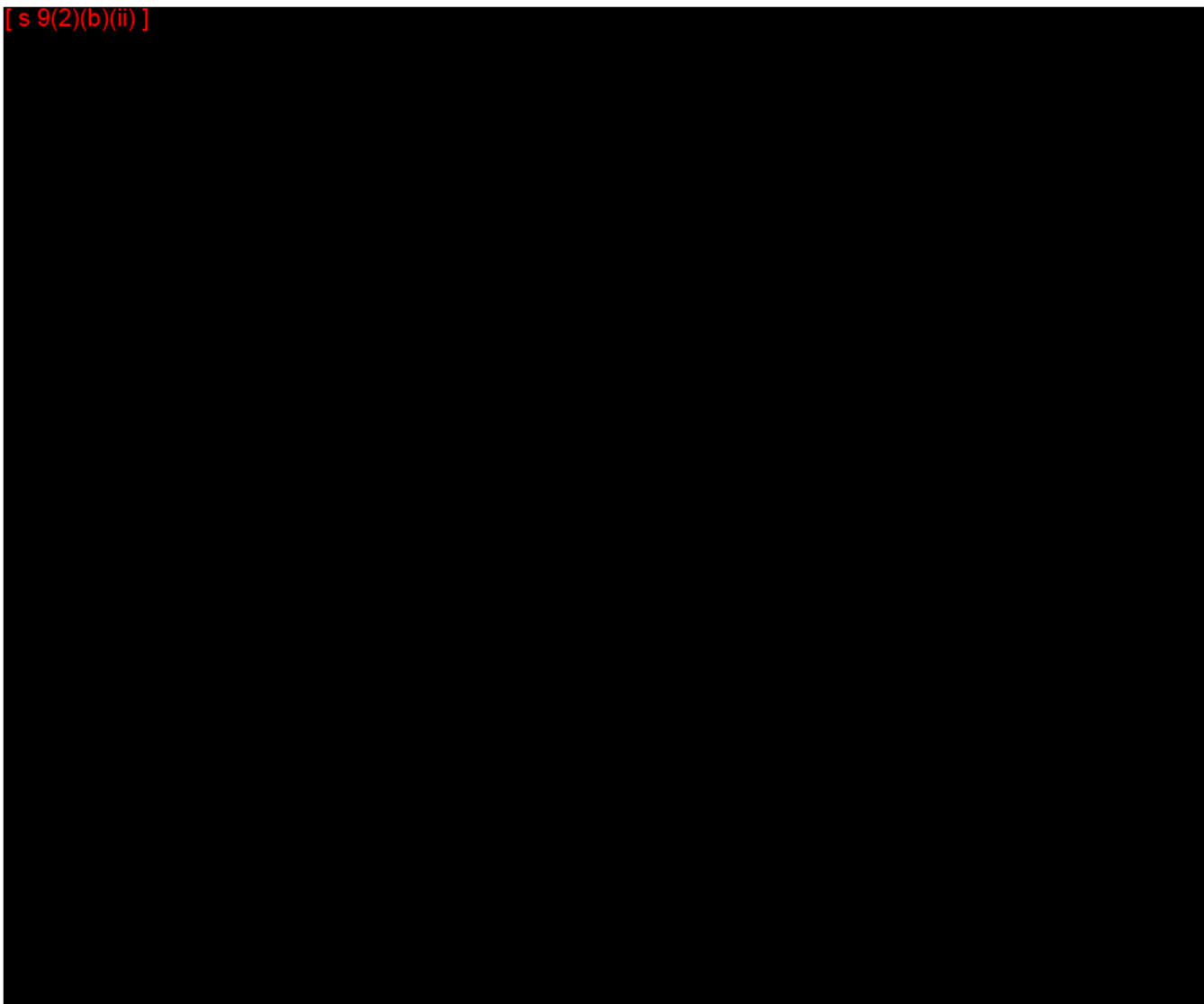
The regulator may waive the requirement to submit a report and may waive the requirement for future reporting.

Power to agree reporting methodology

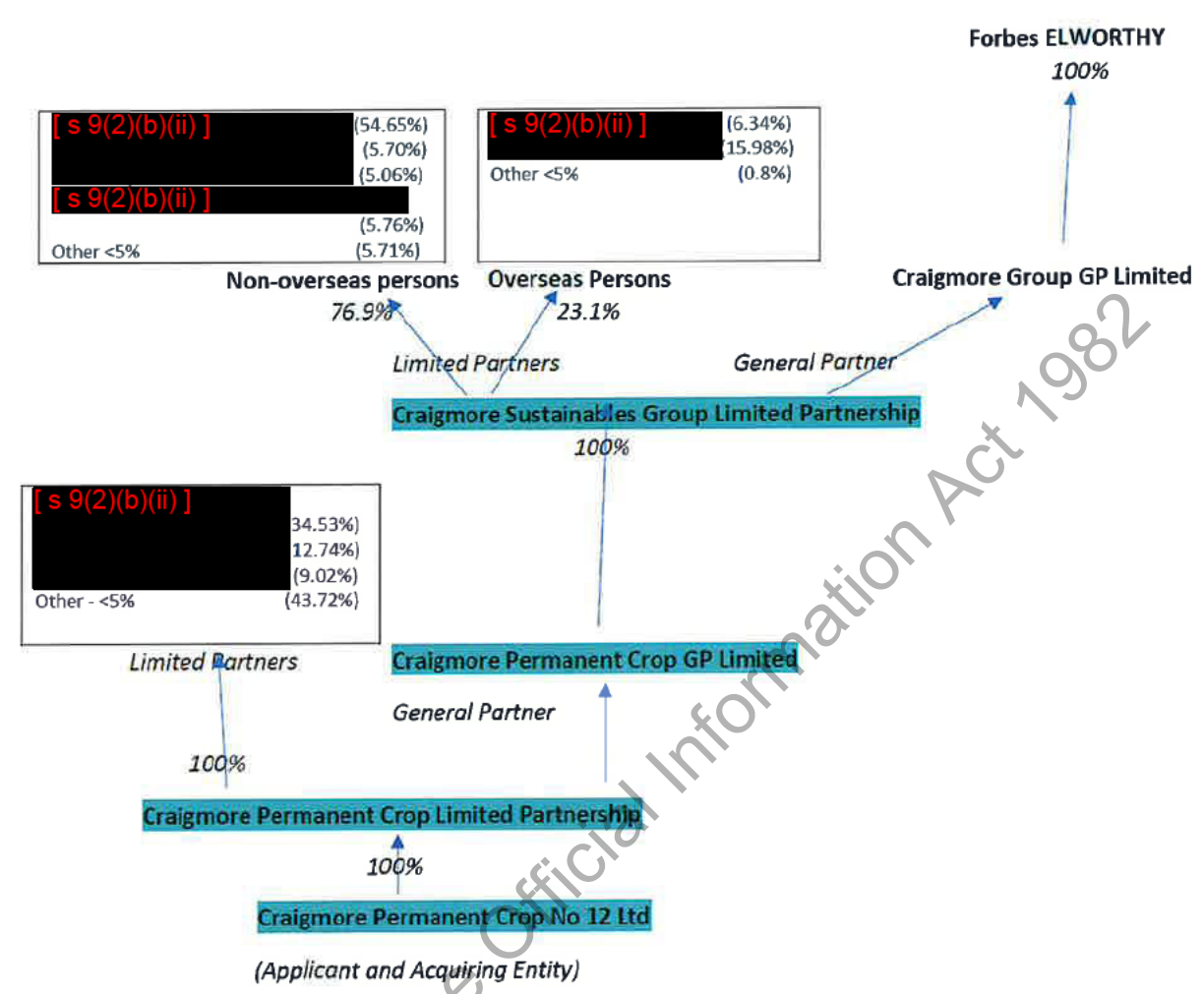
The regulator and the consent holder may, by agreement, adopt an agreed methodology for reporting on a particular matter, that allows the consent holder to efficiently provide the regulator with adequate information to monitor compliance.

ATTACHMENT 2 – INTENDED OWNERSHIP STRUCTURE

[s 9(2)(b)(ii)]



Released



Released under the Official Information Act 1982

ATTACHMENT 3 – OTHER BENEFIT FACTORS

The table **below** lists other factors in the Act for assessing the benefit of overseas investments.

We considered that the factors below were either not relevant to the investment, or the benefit to New Zealand was not likely or sufficient to be relied on for the purposes of our assessment.

Factor	Reason not relevant or insufficient
Environmental benefits	Not met – No specific protective measures are proposed (except for developing away from the wetlands) that would materially increase environmental protection as a result of the investment.
Public access	Not relevant – There is no practical walking access over the Land.
Historic heritage	Not relevant – There are no known areas of historic heritage on the Land.
Significant government policy	Not met – The investment is unlikely to materially advance or support a significant government policy.
Oversight or participation by New Zealanders	Not met – The investment will result in a net reduction in New Zealand ownership.
Consequential benefits	Not met – No consequential benefits were proposed to result from the investment.
Extraction of water for bottling	Not relevant – The investment does not involve any water bottling.