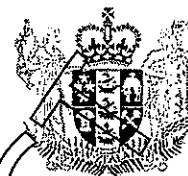


2013

Saudi-NZ Agri Hub  
Review Meeting – Farming house 19<sup>th</sup> December, 2013

Withheld under sections  
s9(2)(b)(i) + s9(2)(ba)

Ministry for Primary Industries  
Manatū Ahu Matua



16 December 2013

Dr Abdul Ghaniy Y.M. Al-Fadhl  
Permanent Delegate of KSA in OIE  
Vice-President of the OIE Regional Commission for the Middle East  
Director General of Animal and Plant Quarantine  
Ministry of Agriculture  
King Abdulaziz Road  
Riyadh 11195  
SAUDI ARABIA

As-salamu alaykum Dr Abdul Ghaniy

I extend greetings from New Zealand, and extend assurances of our highest consideration to you and your Department of Animal and Plant Quarantine.

I greatly appreciate your assistance during our technical negotiation of the draft *Arrangement between the Ministry of Agriculture in the Kingdom of Saudi Arabia and the New Zealand Ministry for Primary Industries on the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes*. Having concluded the technical negotiation, we now await an opportunity to formally sign the arrangement. The New Zealand Embassy in Riyadh will explore suitable opportunities with your Ministry.

In the meantime, I would like to formally invite you and a delegation of your Ministry of Agriculture colleagues to New Zealand on a familiarisation visit with our breeding livestock export programme. We propose to host your delegation in the week of 17-21 March 2014. A draft itinerary is attached. We suggest that your group would organise international flights to Wellington and from Napier at the start and end of your visit. We will cover arrangements and costs for internal travel.

We welcome your confirmation of the proposed draft itinerary, or any suggested modifications.

I am greatly looking forward to hosting you and your colleagues as we work towards concluding this mutually beneficial arrangement.

Yours sincerely

  
Dr. Matthew Stone  
OIE Delegate for New Zealand  
Director of Animal and Animal Products

Growing and Protecting New Zealand

Standards Branch  
Animal & Animal Products  
Pastoral House, 25 The Terrace, PO Box 2526  
Wellington 6140, New Zealand  
Telephone: 0800 00 83 33, Facsimile: +64-4-894 0300  
[www.mpi.govt.nz](http://www.mpi.govt.nz)

Proposed Itinerary for the Ministry of Agriculture Kingdom of Saudi Arabia  
visit to New Zealand for the purposes of familiarisation  
with the breeding livestock export regulatory programme

17-21 March 2014

**Sunday 16 March**

- Arrive Wellington New Zealand
- Rest and acclimatise. No official engagements.

**Monday 17 March**

- Official welcome and technical meetings (Wellington)
- Minister of Primary Industries, Parliament: Welcome and informal discussions (to be confirmed)
  - Ministry for Primary Industries: Overview of Competent Authority, export assurance systems, and livestock exports programme
  - MPI hosted welcome dinner

**Tuesday 18 March**

Morning

- MPI Animal Health Laboratory (Wallaceville, approx. 45min drive)
- Tour of diagnostic laboratory facilities and presentation of AHL functions and capabilities

Afternoon

Drive to Napier (4 hrs).

**Wednesday 19 March**

- Breeding livestock export supply chain (Napier, Hawkes Bay)
- Visits to Brownrigg Agriculture farms and on-farm isolation facilities

Lunchtime

- Reception Matthews Station (Tikokino, Hawkes Bay)
- Hosted by Mr George Assaf, Alkhalaf Group Ltd

**Thursday 20 March**

Morning

- Breeding livestock export supply chain (Napier, Hawkes Bay)
- Visits to Napier Port and MPI Certification Offices

Afternoon

- Meat processing premises visit (Hawkes Bay)
- Silver Fern Farms, Takapau (to be confirmed)
- Wrap up session (Napier, Hawkes Bay)
- MPI technical briefing to answer final questions and receive visit feedback from KSA delegation

**Friday 21 March**

Official itinerary ends. Depart New Zealand in accordance with travel arrangements.



10 December 2013

File Ref: EN/GVT-0007

Phil Goulin *10/12/13*  
Chief Financial Officer  
Ministry of Foreign Affairs and Trade  
Private Bag 18901  
Wellington 6160

Dear Phil

**SAUDI ARABIA FOOD SECURITY PARTNERSHIP**

Thank you for your email of 27 November 2013 with the attached paper, *Investing in a NZ demonstration breeding farm and operation in Saudi Arabia, November 2013*. We understand that the document is intended to constitute the final business case. It does not appear to us to be in the form of a traditional business case; however we note that it provides more information on the matters we have raised with you than the documentation we have seen previously.

I have outlined below the points made in Lyn Provost's letter of 20 August 2013 to John Allen, together with our Office's response having now received the paper, *Investing in a NZ demonstration breeding farm and operation in Saudi Arabia, November 2013*.

Comments as per Lyn Provost's letter of 20 August 2013 on the 17 June 2013 paper	Our additional comments, 6 December 2013, having received the November 2013 paper
We consider the financial case, as set out in the 17 June 2013 document, to be weak. In our view, there was insufficient information on the financial benefits accruing. We were told that there remained many unknowns about the potential earnings proposition.	<p>The November 2013 paper states that "the New Zealand investment needs to demonstrate commercial benefit both to the Saudi group as well as the involved New Zealand interests". We appreciate that commercial benefit will need to be realised but that, in contrast to what we would expect from a business case, the paper outlines the areas in which potential commercial benefit may lie (e.g. opening the door to potential, future commercial opportunities, relationships, connections, and partnerships; showcasing New Zealand technologies, products, expertise and best practices; and building awareness of the New Zealand "brand".)</p> <p>We also note that the paper clearly acknowledges that the agricultural hub initiative is central to the work to resolve the relationship issue with Saudi Arabia and, by extension, the Gulf Cooperation Council (GCC). We note the stated importance of this relationship in not only assisting progress with a free trade agreement but also in mitigating the risk to existing trade with the Gulf states.</p>

Comments as per Lyn Provost's letter of 20 August 2013 on the 17 June 2013 paper	Our additional comments, 6 December 2013, having received the November 2013 paper
<p>We considered there was insufficient information to give an assurance about the legality of the sheep export activity. The Ministry assured us that it would rely on the Ministry for Primary Industries' advice on this matter. Obviously compliance with the law is important for any public entity.</p>	<p>We note your advice, as per the paper, that any proposal to export livestock for breeding purposes must meet existing MPI criteria.</p>
<p>We noted the general lack of explicit assumptions underpinning the business case, the protection of intellectual property, the sheep export strategy (and whether this would be a one-off relocation of breeding stock or a continuing activity), and the financial sustainability of the agricultural hub.</p>	<p>We infer from the paper that the sustainability of the agricultural hub will rely on future investment by New Zealand agribusinesses (and Saudi interests). We also infer that the New Zealand firms involved will be responsible for protecting their own intellectual property which, as the paper advises, will be managed according to normal commercial arrangements.</p> <p>The Cabinet decision of 18 February 2013 covers the "relocation" of breeding stock to Saudi Arabia for the purposes of the new business model and, "<i>not to establish a new business in New Zealand in the export of livestock for breeding</i>". We were unable to infer from the paper the scale, frequency, or duration of the sheep export activity.</p>

We wish to reiterate that our feedback in this letter is based solely on reviewing the November 2013 paper. We have not performed any audit or assurance work on the business case, and we have not reviewed the supporting documentation listed in paragraph 66 of the November 2013 paper. As such, our comments do not provide assurance of any nature and neither do they constitute an endorsement of government policy, which is outside the Auditor-General's mandate.

Yours sincerely

Bill Robertson  
Sector Manager, Parliamentary Group

Cc John Allen, Secretary of Foreign Affairs  
Lyn Provost, Controller and Auditor-General

GOULIN, Phil (FIN)

**From:** s9(2)(a) [TSY] <l@treasury.govt.nz>  
**Sent:** Tuesday, 3 December 2013 11:36 a.m.  
**To:** GOULIN, Phil (FIN)  
**Cc:** MATHESON, Alex (MEA); AUSTIN, Jonathan (MEA); s9(2)(a) (OFS); COOPER, Peter (PRO); ^OAG: s9(2)(a) ; Fiona Ross [TSY]  
**Subject:** RE: KSA Plan v12pc 3  
**Attachments:** TSY comments\_ Saudi Food Security Partnership business case (final).DOCX

Hi Phil

Thanks for sending this through. We are generally comfortable with the business case. A couple of upfront points (the rest are attached in an annotated business case):

- It would be good if future business cases came according to the Better Business Cases template, which progresses through the proposal in a straightforward manner. This is available on the National Infrastructure Unit [website](#)
- In order to fulfil the Cabinet directive ('MFAT to work w Tsy on the execution and management of the contract') we are considering involvement in the proposed Steering Group. I'll get back to you soon on this, but it would be good to know if you were thinking of other ways to fulfil this directive.

Comment A5 of the attached is possibly the most important.

Thanks

s9(2)(a)

| Analyst, International | The Treasury

Tel: s9(2)(b) [l@treasury.govt.nz](mailto:l@treasury.govt.nz)

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**From:** GOULIN, Phil (FIN) [mailto:s9(2)(a)]  
**Sent:** Wednesday, 27 November 2013 5:48 p.m.  
**To:** ^OAG: s9(2)(a) [TSY]  
**Cc:** MATHESON, Alex (MEA); AUSTIN, Jonathan (MEA); s9(2)(a) (OFS); COOPER, Peter (PRO)  
**Subject:** KSA Plan v12pc 3

[UNCLASSIFIED]

s9(2)(a)

Attached is the updated final Business Case for your review and comment. The Procurement process has progressed well and the Ministry is now able to address some of the uncertainties that existed at the time the Indicative Business Case was drawn up.

The Ministry is looking to sign contracts in the near future so we would appreciate your comments early-mid next week.

We are happy to meet and discuss at your convenience.

Phil

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Investing in a NZ demonstration  
breeding farm and operation in Saudi  
Arabia

November 2013

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## Introduction

1. This paper outlines the proposed approach to designing and implementing the Government's commitment to invest \$6m in a demonstration breeding farm and operation in Saudi Arabia, in partnership with Al Khalaf Group, that will showcase New Zealand agribusiness capability and technology.
2. The purpose of this paper is to:
  - Confirm the strategic context and fit of the proposed investment. It demonstrates how the proposed investment is already assisting in rectifying the diplomatic issues outlined in the paper approved by Cabinet on 18 February 2013 (CAB Min (13) 4/7).
  - Outline how New Zealand and the Al Khalaf Group are jointly developing a New Zealand demonstration farm and agrihub in Saudi Arabia for the benefit of both New Zealand and Saudi Arabia; and,
  - Outline the proposed approach to manage the Government's investment.

## Strategic Context

3. For more than three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC.  
: and threatened to poison goods and services exports valued at over NZ\$1bn annually.
4. The problem stems from the grievance of influential long-term Saudi investor in New Zealand, Hmood Al Khalaf, about the imposition of a ban on the export of live sheep for slaughter and the effect this has had on his farming investment in New Zealand.
5. This initiative is central to our work to resolve this issue while pursuing a stronger relationship with the GCC (protecting and extending market access) and increasing agrisector export revenues in the GCC region. The progress that has been made to date has been documented in a range of formal communications from our diplomatic network and related updates to Ministers. The initiative has been significantly responsible for a normalisation in the diplomatic relationship between New Zealand and Saudi Arabia, which is fundamental to make progress with ratification of Free Trade Agreement between the GCC and New Zealand.
6. Saudi Arabia is the largest and most influential country in the GCC region. It is a significant importer of New Zealand agricultural goods. It is also increasingly becoming an important market for New Zealand's services expertise. At the same time the Kingdom is looking to invest in a range of food security initiatives, including in the red-meat sector. The Minister

## Commercial Partnership

7. A technical field visit of New Zealand private and public sector experts to Saudi Arabia was undertaken in April 2013 to gain a better understanding of Al Khalaf's business and Saudi

Arabian food security needs. The participants identified the following key investment objectives:

- Investment objective one: Research, plan and design a demonstration breeding farm and hub designed around a combination of Saudi Arabian and New Zealand on-farm best practices
  - Investment objective two: Develop a demonstration breeding farm and operation which supports Saudi Arabia's food security objectives. This may include the export from New Zealand of animals for breeding under a recently agreed animal export protocol.
  - Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain
8. As part of the technical visit, a value chain assessment was undertaken of Al Khalaf Group's current capabilities, and the proposed breeding operation. This identified several areas where assistance and support from New Zealand would be beneficial to the development of the breeding farm and operation. Based on the scale of New Zealand's proposed investment, this list was further reduced to the core areas that were both critical to Al Khalaf Group and where New Zealand could provide a demonstrable difference. The areas that have subsequently been agreed with the Al Khalaf Group are:
- Animal performance and management
  - Nutrition management
  - Design and provision of technology and equipment
  - Governance and marketing
9. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade. Funding has been allocated for this purpose.

#### Management Approach

10. MFAT, in partnership with NZTE, issued via GETS an expression of interest for a lead provider to develop an agribusiness hub around a demonstration breeding farm and operation. A selection panel consisting of NZTE, MFAT and independent consultant s 9(2)(a) (recently CEO of Landcorp) assessed the tenders in accordance with regular procurement procedures. Brownrigg Agriculture, a leading New Zealand agriculture firm, was been selected as lead provider. MFAT and NZTE are currently concluding contract negotiations with Brownrigg Agriculture.
11. MFAT undertook an internal audit of the procurement process following the selection of the preferred lead provider. This audit confirmed best practice had been followed.
12. The contract is being structured so that MFAT initially supervises the contract with NZTE taking it over following consideration by the NZTE Board at its February 2014 meeting. This collaborative structure is important to the Saudi interests as the discussions and understandings over the last few years have principally been with the Minister of Foreign Affairs and MFAT.
13. The first milestone of the contract seeks the lead provider's advice on the detailed design of the agrihub, and in particular how the associated work streams and technologies

connect with Al Khalaf's wider business plan, and with Saudi Arabia's food security programmes. This stage of work has been costed at \$500K, with delivery targeted for the end of March next year. The detailed implementation plans for the balance of the Government's investment will be considered and approved following this first milestone.

14. The contract will be overseen by a steering group consisting of MFAT, NZTE, Al Khalaf Group and the lead provider.

## Introduction

### Cabinet Decision

15. The Cabinet paper CAB (13) 71 approved on 18 February 2013 (CAB Min (13) 47) provides the strategic context to the decision to make an investment in the agrihub in Saudi Arabia.
16. In regards to the partnership with the Saudi interests, Cabinet:
  - noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long term food security partnership;
  - agreed there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by NZ agricultural service entities, and that the \$6 million will be undertaken in strict conformity with Government Procurement requirements;
  - noted that the cost of these initiatives will be met from the MFAT baseline;
  - noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with agreement of the Saudi partners, MFAT, and NZTE;
  - noted that any related proposal to export livestock for breeding purposes must meet existing MPI criteria and be the subject of an application in the normal way;
  - noted that any export of livestock for breeding purposes under the partnership must be undertaken to achieve the effective relocation of breeding stock to Saudi Arabia for the purposes of shaping the new business model, and not to establish a new business in New Zealand in the export of livestock for breeding.

### Background

17. In recent years, the New Zealand Government has been working with its counterparts in Saudi Arabia, and the wider GCC to better understand the food security needs of that region. The recent launch of the NZ Inc GCC strategy by the Minister of Foreign Affairs outlines food security as a key area of focus. This document is available at [NZ Inc Strategy - Opening Doors to the Gulf Region](#).
18. Annual goods exports from New Zealand to the GCC already exceed NZ\$1.5bn and have been growing steadily by 10% a year. Services exports are estimated at a further NZ\$250m on top of this. Aware that there is a finite aspect to petroleum based wealth, GCC countries have been seeking to invest to secure their post-petroleum futures. Future food security is therefore high on the list of priorities, and New Zealand; as one of the world's leading agricultural nations is a partner of choice.
19. That means more than just being a long term exporter of primary product to GCC markets, although food and beverage exports continue to grow at a great pace. It brings the potential

for partnerships between GCC capital and New Zealand agricultural expertise to contribute to long term food security in the Gulf.

20. One of the food security initiatives in Saudi Arabia is to increase the number of sheep, after seeing sheep numbers in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. The Saudis also want to make the industry sustainable. This will entail developing or importing technology, techniques, tools and expertise in diverse specialities including environmental protection, herd management, breeding improvement programmes and feed improvement.
21. The New Zealand Government has therefore provided up to six million dollars to be invested over the next two to three years to develop a demonstration breeding farm and operation which will enhance the capability of the New Zealand and Saudi Arabian red meat industries. A key focus of the project developing higher value products the Saudi market focusing on the Awassi sheep breed.
22. The intent is that the money will be used to develop or implement NZ agricultural technologies, techniques and equipment for the Saudi environment, in such a way that future business opportunities may be developed in Saudi Arabia and the states that make up the GCC region, and potentially into Africa.

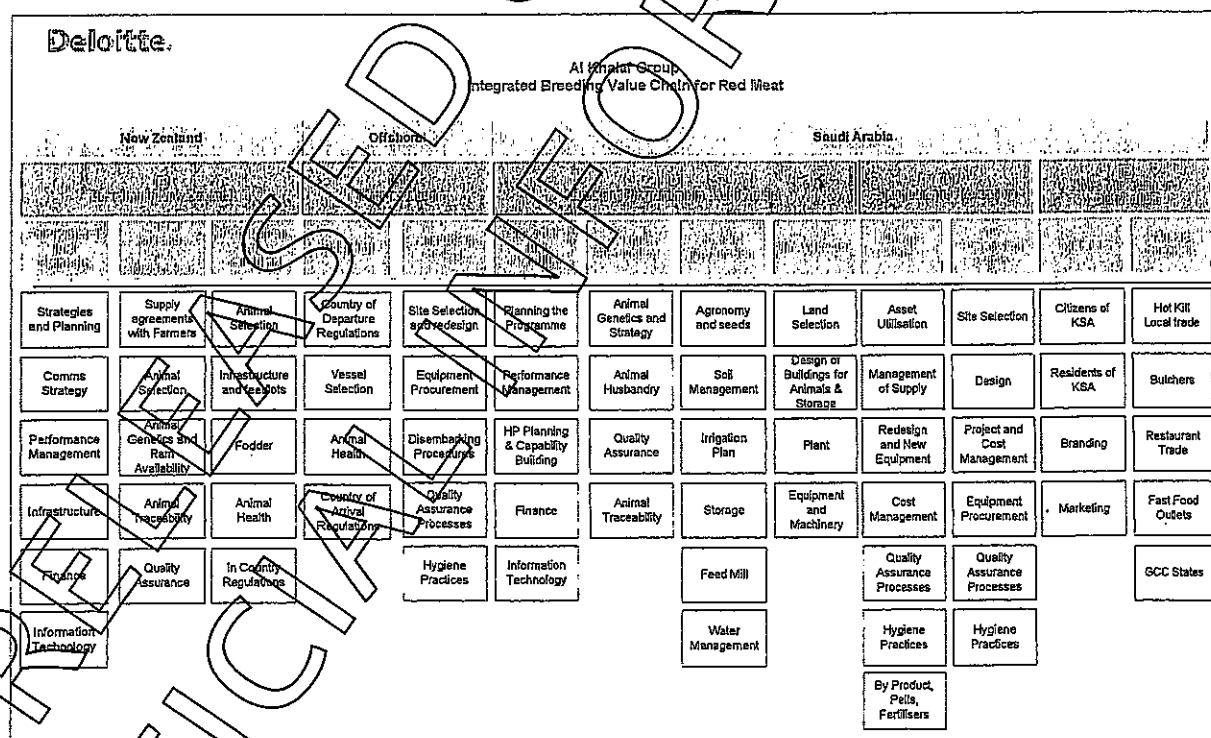
#### **Demonstration Breeding Farm and Operation**

23. The demonstration farm and operation will showcase a breeding and fattening unit that produces product that suitable to meeting the tastes of the growing middle class in Saudi Arabia and the GCC. While this will initially focus on opportunities for partnerships inside Saudi Arabia and the GCC, it is the government's ambition that it has the potential to serve as a base for creating partnerships between New Zealand agricultural expertise and GCC capital in third party countries, especially in Africa where 60% of the world's undeveloped arable land is to be found.
24. The farm and operation will be built in partnership with a group of long-time Saudi investors in the New Zealand red-meat sector whose investments and assets in transportation, farming, abattoir, property development, and retail in Dammam and Jeddah in Saudi Arabia are substantial. The group's main farm, near Dammam, (the site of the proposed demonstration breeding farm and operation) is a large one, into which major new investment is already being made around breeding livestock. This is a commercial operation, and as such the New Zealand investment needs to demonstrate commercial benefit both to the Saudi group, as well as the involved New Zealand interests.
25. A group of New Zealand agribusiness experts visited Saudi Arabia 9-16 April 2013. The purpose of the visit was to assess the opportunity for New Zealand. The participants of the study tour included officials from MFAT, NZTE and the Ministry of Primary Industries and representatives of the following firms: PGG Wrightson, Sourceworld, AsureQuality, Deloitte NZ, Proand, Brownrigg Agriculture and Awassi NZ.
26. While further research is needed to understand fully the local conditions to ensure that any New Zealand solutions are sustainable and scalable, the experts suggested that the farm and operation should:
  - Be assisted where possible by a New Zealand based research and development programme focusing on genetics and feeding of sheep adapted to Saudi Arabian conditions;

- Be designed around a combination of Saudi Arabian and New Zealand on-farm best practices;
- Involve and showcase in Saudi Arabia a number of New Zealand firms or technologies representing best practice across the value chain (genetics, nutrition, farm management systems and farm equipment, processing design and technologies and marketing were identified);
- Have staff capacity and capability to showcase the operation to interested business delegations;
- Leverage the Saudi group's brand, investments and expertise in both markets while providing a new sustainable business;
- Support Saudi Arabia's food security and safety objectives; and
- Build awareness of the New Zealand brand and complement the existing chilled and frozen meat trade.

#### Listing Arrangements and Business Needs

27. During the study tour to Saudi Arabia the participants developed an integrated breeding chain for red meat from New Zealand to Saudi Arabia – see the diagram below. Using this tool we identified those areas where New Zealand could best assist Al Khalaf and developed their new value chain.



28. An assessment was undertaken of Al Khalaf's current capabilities to deliver against their objectives. This identified several areas where they required assistance and support from New Zealand. Based on the quantum of the New Zealand's investment this list was further reduced to the core areas that were both critical to Al Khalaf and where New Zealand could provide a demonstrable difference. The four areas that have been agreed are:

- Animal performance and management

- Nutrition management
- Provision and design of technology and equipment
- Governance and marketing

29. Al Khalaf intends to build a processing plant next to the demonstration farm once planning consent is given. They anticipate New Zealand expertise will be procured to design and build this facility.

30. The overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand Agri-business excellence - showcasing New Zealand on-farm capability, products and expertise in market generating repeat purchases. Potential areas of focus or value include:

Investment Areas (Farm Business)	
<b>Animal Performance and Management</b>  Animal selection, husbandry, welfare, performance  Genetics  Infrastructure development (i.e. feedlots)  Nutrition management	This area focusses on the end to end breeding programme to meet a market specification. This will span a genetics programme in NZ through to a breeding and fattening operation in Saudi Arabia. This will be complemented by a nutrition programme developed for an extreme environment. A combination of NZ expertise and Saudi local knowledge will be needed to deliver a superior outcome.
<b>Technology and Equipment</b>  Processing design and technologies  Tag readers  Scanners and scales  Agricultural technology	Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use of it to achieve the best outcomes on farm in Saudi Arabia.
<b>Management and Marketing</b>  Planning and project management  Farm management  People development  Farmer selection and contracting  Marketing and branding	Demonstrated ability to deliver this project between New Zealand Saudi Arabia is a critical success factor. The project is part of sustainable long term business for Saudi Arabia will require capability and ambition to achieve this over the longer term – i.e. beyond the project funding horizon.

## Assumptions

31. The following assumptions have been taken into account, agreed with the Al Khalaf Group and will form part of the deliverables under the agreement with the Lead Provider:
- A high level objective for Al Khalaf is developing a high-value red-meat product for the Saudi market, focusing on the Awassi breed of sheep. This project will support that objective but it will not be a deliverable for the project.
  - Land and major infrastructure to support the breeding operation will be made available by Al Khalaf
  - Al Khalaf will assist with access to capability and people where required, and with the showcasing aspects of the project.
  - It is expected that successful delivery will involve a range of services and products, ranging from sourcing and installing New Zealand technology and equipment in Saudi Arabia, to research, design, training and consultancy services. We are expecting the Lead Provider and consortia to demonstrate the most effective emphasis and programme of work within the identified potential areas of focus.

## Commercial Operation

32. The New Zealand investment in a demonstration farm and operation outlined in this document is part of a wider a Saudi Arabian owned commercial breeding, farming and livestock operation. The design and implementation of any solutions will be done in close discussion between the Lead Provider/consortia and the Saudi interests.
33. Broad agreement on how much of the proposed funding will be invested in what specialist areas will be assessed during the detailed design phase. It is unlikely that all of the areas noted under the 'Potential Focus Areas' above, will receive the same level of focus or investment.
34. A large farm property outside of the port city of Dammam, has been identified as the site of the hub and demonstration breeding farm and operation for these New Zealand technologies and capabilities, and is being made available to the consortia.
35. It is anticipated that consortium will work with the Saudi interests to ensure that New Zealand agribusinesses can leverage off local relationships, networks and the physical demonstration of New Zealand agricultural techniques/equipment to win further business in Saudi Arabia and other GCC states and countries. The intellectual property of firms involved in the project will be managed via normal commercial arrangements.

## Breeding Protocol

36. An important part of the project is the supply of New Zealand breeding stock, focusing on the Awassi breed of sheep, to the Saudi Arabia farm. To facilitate this, the relevant Ministries in New Zealand and Saudi Arabia have negotiated the necessary documentation and approvals for this to occur – this awaits signing by Ministers, anticipated to occur in the first quarter of 2014. The Saudi interests are investing significantly into breeding infrastructure at the property near Dammam in preparation for the receipt of breeding stock, and the development of the breeding operation in Saudi Arabia.



## Strategic Context

37. The investment proposal aligns to New Zealand's interest in pursuing a stronger relationship with the GCC.
38. The GCC is a six member regional grouping of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. With a population of 28 million, Saudi Arabia is by far the largest and most influential GCC state.<sup>1</sup> The GCC comprises one of the wealthiest trading blocs in the world. Qatar has the highest GDP per capita (US\$102,000) in the world. Surrounded by the Arab Spring, GCC nations are utilising oil wealth to improve the lives of their citizens, as a means of ensuring longer term stability.
39. For the past three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC. While this issue has, at this stage, the more serious problem lies in the threat to existing trade in goods and services unless steps are taken to resolve it.
40. The GCC is a region where:
- Economies are growing quickly
  - Markets are maturing
  - Consumer demand for imported goods and services is high and on an upward growth trajectory
  - Economic indicators underline the importance of New Zealand securing a stable, strategic economic partnership on a par with other countries, and recognition as a supplier of choice.
  - New Zealand's exports to the Gulf region have experienced on average 10% growth per year over the last six years, compared with average growth in New Zealand's total exports of 3.7% per year over the same period.
  - New Zealand goods exports to the GCC already exceed \$1.57 billion (higher than the UK and India) and have grown at an average of over 10% over the past three years. This reflects a recognition by both the Government and the private sector of the fact that significant effort could see these figures lift dramatically. The only new New Zealand embassy opened anywhere in the world in the last three years was established in Abu Dhabi, and private sector interests have also invested heavily in their presence in the Gulf.

<sup>1</sup> Saudi Arabia (28 million people), United Arab Emirates (7.9m), Kuwait, (2.8m), Oman (2.7m), Qatar (1.8m), Bahrain (1.3m).

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42. Importantly for the depth of New Zealand's on-going relationship with Saudi Arabia, the investment proposal is aligned to Saudi Arabia's food security goals.
43. According to the Economist Intelligence Unit, the six GCC states currently import 90% of all food products. High reliance on imports means the region is particularly vulnerable to price increases when supplies are interrupted. For example, interruptions in supply and demand lead to shortages in food commodities and a surge in prices during the world food crisis from mid 2007 to mid 2008.
44. Saudi Arabia is currently investing US\$23.1 billion in food security initiatives, including a US\$12.3 billion allocation to the development of the food processing sector.
45. The proposal for a demonstration breeding farm is timed well with new Saudi initiatives to improve its food security. The Saudi Agricultural Development Fund has, for example, recently launched an initiative to increase the number of sheep after seeing sheep in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. They want to make the industry sustainable with the preservation of natural resources while also developing the methods used by herders, breeding-improvement programs, genetic improvement, and feeding methods.
46. New Zealand's best practice agricultural capability, and reputation for excellence, means that we are well placed to assist Saudi Arabia, and the wider gulf region, with food security initiatives.

#### Commercial Focus

#### Investment Objectives

47. The overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand

Agri-business excellence - showcasing New Zealand on farm capability, products and expertise in market generating repeat purchases.

48. To that end a technical field visit with key stakeholders was undertaken to identify the investment objectives and gain a better understanding of the business needs. The key stakeholders identified and agreed the following key investment objectives:

- Investment objective one: Research, plan and design a demonstration breeding farm designed around a combination of Saudi Arabian and New Zealand on-farm best practices
- Investment objective two: Build and implement demonstration breeding farm which support Saudi Arabia's food security objectives
- Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain

### Potential Commercial Benefits

49. The agrihub will enable the development of market demand for New Zealand products and capabilities by show casing New Zealand's primary sector capabilities within market (initially Saudi Arabia – and progressively through the GCC states). The programme will also contribute to stronger regional relationships with connections throughout the Saudi Arabian food value chain – through the promotion of Al Khalaf and his leadership role in the formation of a partnership and consequentially the development of closer Government-to-Government connections through contributing to Saudi Arabia's food security.

50. While the potential commercial benefits will be considered in more detail following through the initial design phase, it is anticipated that benefits beyond the initial investment will arise through:

- Increased export revenues from sales of products and services by New Zealand Companies in Saudi Arabia initially then the GCC
- Increased services and product sales
- Increased benchmarking services
- Potential for IP licencing fees
- Potential long term customer base

51. The first milestone of the contract seeks the lead provider's advice on the detailed design of the agrihub (investment objective one), and in particular how the associated work streams connect with Al Khalaf's business plan, and with Saudi Arabia's food security programmes. This stage of work has been costed at \$500K, with delivery targeted for the end of March next year. The detailed implementation plans for the balance of the Government's investment will be considered and approved following this first milestone.

Milestone		Activity
No	Description	

1.1	Al Khalaf Project Development, Oversight, co-ordination and Integration	<p>Work with the Al Khalaf Group in Saudi to gain a full understanding of their business within wider Saudi Arabia red-meat and food security industries. Agree with Al Khalaf the Agri-Hub priorities, scope of individual projects, and process and timeframe for design and delivery</p> <ol style="list-style-type: none"> <li>1. Obtain background and commercial detail on farm, feedlot operations, processing facilities, retail outlets, staff, office and accommodation facilities available.</li> <li>2. Visit facilities, agree Agri Hub priorities, scope, &amp; plan for overall design and delivery</li> </ol>
1.2	New Zealand Breeding Ewes	<p>Design the export breeding ewe supply chain including export protocols, preferred ewe breeds/specifications, mating protocols, sheep procurement, quarantine and pre-export procedures and quality control.</p> <p>Cost the implementation phase of research and development for the sheep export project. This project will include writing full supply chain SOPs including animal welfare; farm modelling; supply contracts; breeding logistics; design and installation of quarantine/ pre-export and sheep handling facilities, staff training.</p> <ol style="list-style-type: none"> <li>1. Identify quarantine facilities required, identify animal numbers and breeds required, identify pre-export procedures and protocols, and mating protocols and timing.</li> <li>2. Complete the preparation of supply chain standard operating procedures and budgets for the implementation phase for the live animal export phase of the project.</li> </ol>
1.3	Awassi Genetics and Breeding	<p>Complete a review of current Al Khalaf breeding policies in NZ and Saudi. Design and cost a genetic improvement project showcasing NZ technologies including a NZ/Saudi Awassi progeny test programme</p> <ol style="list-style-type: none"> <li>1. Obtain information on numbers and details of breeding ewes available in Saudi and NZ, timing of lambing, ram selection policies in place, main diseases affecting sheep in Saudi,</li> <li>2. Visit the Saudi and NZ facilities to ensure suitability for a genetics programme, and identify additional facilities required</li> <li>3. Design and cost the genetic improvement component of the project</li> </ol>
1.4	Forage and Nutrition	<p>Complete a review of the current status of forage production and sheep nutrition in the Al Khalaf Group. Design and cost a research and development programme to improve forage production and sheep performance on Al Khalaf farms/ feedlots</p> <ol style="list-style-type: none"> <li>1. Obtain information on animal feeds grown and bought in, cultivars and types grown and why, irrigated area available for cropping</li> <li>2. Visit farms, facilities, and suppliers to identify composition of pellets, quantities fed out daily, storage facilities available and appropriate, and identify alternatives potentially available.</li> <li>3. Design and cost a research programme to improve forage production and sheep performance on Saudi farms</li> </ol>
1.5	New Technologies	<p>Identify new agricultural technologies (and preferred NZ providers) suitable for use in the Al Khalaf Groups farm and feedlots. Prepare a plan, and costing, to integrate these technologies into the Al Khalaf operations</p> <ol style="list-style-type: none"> <li>1. Obtain information on stock numbers bred, farmed, and finished for slaughter, and electronic equipment in use.</li> <li>2. Visit the facility and proposed demonstration farm location and identify appropriate potential equipment for inclusion</li> <li>3. Visit key NZ suppliers and assess interest in participating in the project, and prepare costed workplan for project implementation.</li> </ol>
1.6	Abattoir and Feedlot Design	<p>Establish feedlot and abattoir design and build requirements, e.g. power, water, effluent, materials. Identify preferred NZ specialist sub-contractors to assist.</p> <p>Prepare costing to include detailed design work, provision and installation of specialist equipment/technology, supervision, commissioning and staff training</p> <ol style="list-style-type: none"> <li>1. Obtain information on animal numbers and types to be processed, chilled and frozen storage required, water availability, waste water requirements, management of hides, offal, blood, and</li> </ol>

		condemned product.
		2. Visit the proposed abattoir site to identify local requirements for building, construction construction company capability and availability, staff availability and training required
		3. Complete detailed design, provision for specialist equipment, costing, commissioning programme and training programmes required

52. The detailed implementation plan and associated contractual milestones following the detailed design phase, will focus on investment objectives two and three above. It is anticipated that the majority of the New Zealand Government's investment will be committed in the first 12 months following the detailed design phase, with any residual investment carried into the following year depending on the approval of the implementation plan.

53. NZTE and MFAT will work closely with the Saudi authorities, the Al Khalaf group, the lead provider, and the New Zealand firms involved, to that New Zealand agribusinesses can leverage off local relationships, networks and the physical demonstration of New Zealand agricultural techniques/equipment to win further business in Saudi Arabia and other GCC states and countries. The intellectual property of firms involved in the project will be managed via normal commercial arrangements.

### Management Approach

54. MFAT, in partnership with NZTE, issued an expression of interest for a lead provider via GETS to develop an agribusiness hub around a demonstration breeding farm and operation. Brownrigg Agriculture has been selected as lead provider, and MFAT and NZTE are currently concluding contract negotiations with Brownrigg Agriculture.

55. The decision to contract with Brownrigg Agriculture was made following the open tender process, and involved a selection panel consisting of NZTE, MFAT and independent consultants <sup>9(2)(a)</sup> who was recently CEO of Landcorp. MFAT undertook an internal audit on the procurement process following the selection of the preferred lead provider.

56. The contract with the lead provider is being structured so that MFAT, initially, and NZTE following consideration at its Board's February 2014 meeting, will supervise the contract. This structure is important to the Saudi interests as the discussions and understandings over the last few years have been with MFAT.

57. The contract will be overseen by a steering group consisting of MFAT, NZTE, Al Khalaf Group and the lead provider.

### Risk Management

58. A risk register will be developed as part of the contractual management framework developed with the lead provider and will be progressively updated as more detailed analysis is undertaken. The shape of the detailed implementation plans following Milestone 1 at the end of March will enable a more detailed assessment of risks across the various integrated work streams.

59. The Gulf region always presents a degree of risk for businesses. The firms participating in this initiative will need to develop their view on how these risks might affect their business prospects. As indicated above, this is also the approach that firms will need to take to managing ongoing risks and value from trading their intellectual property through this project.

60. The tight link between this initiative and good diplomatic relationships with Saudi Arabia, mean that ongoing Ministerial and diplomatic support, interest and visibility will assist in managing this country-to-country risk.

61. Sheikh Hmood Al Khalaf, and Al Khalaf Group, is a critical payer in the Kingdom's red meat industry.

s 6(a)

62. The contract with the lead provider is structured so that release of funding based on achieved deliverables and milestones (with progress payments as may be agreed). The contract allows for a managed exit process for either party.

63. Public perceptions about the breeding programme will need to be managed in discussion with NZTE, MFAT and MPI and relevant Ministers.

64. The table below outlines some of the high level operational risks and mitigants. As the detailed work plan is developed and approved, the risk register will also be refined

Operational Risks	High	Low	Operational Risks
Saudi border being closed to animal imports	High	Low	<p>Risk of an animal health risk</p> <p><b>Mitigate:</b> Al Khalaf are experienced in live animal exports and have the resources to manage pre-export animal checks, resources on the boat and in country to manage any issues</p> <p>The breeding protocol requires Saudi Arabia authorities to receive the shipment.</p>
The ability to scale up Awassi NZ's production or source of animals	Medium	Medium	<p>Lack of interest from local farmers to shift their production systems</p> <p><b>Mitigate:</b> Develop a supplier group with support and contractual certainty to support their transition and performance</p>
IP protection	High	Medium	<p>Benefits from investment are not attained because competitors duplicate our systems and capabilities</p> <p><b>Mitigate:</b> Processes and farming systems are easy to replicate but hard to apply, the focus is on continual refinement and development to stay ahead</p>

Information	Officer	Level	Challenges and Risk Management Strategies
Threat of new competitors (entrants) in the start exporting restricting access to animals	Medium	Low	<p>New entrants to the industry could provide additional competition, and reduce the impact of this programme by decreasing our market share and therefore decreasing uptake.</p> <p><b>Mitigate:</b> Al Khalaf's infrastructure, identity and experience provides an end-to-end capability that generates commercial efficiencies</p>
Security of supply of raw materials	High	Medium	<p>Reliance on suppliers of for supplementary feed to the farms</p> <p><b>Mitigate:</b> This programme itself mitigates this risk by developing the crop and pastoral capabilities on farm.</p>

### Funding sources

65. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade (NZTE has indicated that it would contribute 500K of this \$6m). Funding has been allocated for this purpose.

### Supporting Documentation

66. The following documents are available to provide more detail and context to this paper:

- Draft contract
- Cabinet paper dated [ ]
- MFAT internal probity report on procurement process
- Procurement process documentation, including Expressions of Interest (Parts 1 and 2), and suppliers' responses
- Draft breeding protocol
- Initial project plan supplied by Brownrigg Agriculture as part of its response to the Expression of Interest (funding milestones have been modified during the contract negotiation process)

## Due Diligence Report on Brownrigg Agriculture

This report comments of the financial information that accompanied Brownrigg's responses to the Due Diligence Questionnaire. The audited financial statements reviewed covered the financial year ended 31 July 2012 with comparative figures for 2011.

### Key Points

§ 9(2)(ba)

### Opinion

§ 9(2)(ba)

### Report

§ 9(2)(ba)

The remainder of this document is withheld  
under § 9(2)(ba)



1/11/13

# Brownrigg Agriculture REFERENCE CHECK

All reference checks are treated as

s9(2)(c) and s9(2)(b)(ii)

Company Name:	Brownrigg Agriculture
Company	
Referee's Name:	
Verification of Phone Number:	
Referee's Title	
Reference completed by:	

## Overview

What is the relationship of Satsuma Foods with Brownrigg Agriculture?

What is your role in the relationship?

Who do you deal with from Brownrigg most often?

What do Brownrigg provide to you?

How long have you had a working relationship?

Tell me, what words spring to mind when you first think of [name]?

On a scale of 1 to 10, how would you describe the professionalism of Brownrigg to work with?

What would you summarise as Brownriggs key strengths and skills?	<p>s 9(2)(a) and s 9(2)(b)(ii)</p> <p>REF ID: A111111</p>
How about your main contact [name]	
How would you describe [name] business to business relationship management skills?	
Any notable areas of improvement (Weaknesses)?	
Do you have any advice about how best work with Brownrigg and/or [name]?	
Please comment on [name] organisational skills.	
Governance arrangements – clearly defined roles relating to management?	
Has the relationship with Brownrigg added value to your business? Have Brownrigg introduced any new ideas or innovation?	
Have Brownrigg consistently met your expectations?	
Have you ever found yourself in dispute with Brownrigg? How did the deal with the situation?	
Would you have any reason to question the ethical standards of Brownrigg or personnel integrity of [name]?	
Processes to identify and manage risk related to a specific project or activity.	
Are Brownrigg or key staff involved in any organisations or movements that you believe may create a conflicts of interest or reputational risk to the Ministry.	
As mentioned earlier, we are considering [name] to [describe requirements] How do you think they would deliver against our expectations?	
Are there any aspects of the consortium leads responsibilities that you think Brownrigg may need more support/direction in?	
In what way?	
If the Brownrigg wishes to view this reference, are we able to share the information you have provided?	
Do you have any further comments?	

1/11/13

**Brownrigg Agriculture REFERENCE CHECK**

All reference checks are treated as CONFIDENTIAL.

Company Name:	Brownrigg Agriculture
Company	
Referee's Name:	
Verification of Phone Number:	
Referee's Title	
Reference completed by:	

**Overview**

What is the relationship of Progressive Meatss with Brownrigg Agriculture

What is your role in the relationship?

Who do you deal with from Brownrigg most often?

What do Brownrigg provide to you?

How long have you had a working relationship

Tell me, what words spring to mind when you first think of [name]?

On a scale of 1 to 10, how would you describe the professionalism of Brownrigg to work with?

What would you summarise as Brownriggs key strengths and skills?
How about your main contact [name]
How would you describe [name] business to business relationship management skills?
Any notable areas of improvement (Weaknesses)?
Do you have any advice about how best work with Brownrigg and/or [name]?
Please comment on [name] organisational skills.
Governance arrangements – clearly defined roles relating to management?
Has the relationship with Brownrigg added value to your business? Have Brownrigg introduced any new ideas or innovation?
Have Brownrigg consistently met your expectations?
Have you ever found yourself in dispute with Brownrigg? How did the deal with the situation?
Would you have any reason to question the ethical standards of Brownrigg or personnel integrity of [name]?
Processes to identify and manage risk related to a specific project or activity.
Are Brownrigg or key staff involved in any organisations or movements that you believe may create a conflicts of interest or reputational risk to the Ministry.
As mentioned earlier, we are considering [name] to [describe requirements] How do you think they would deliver against our expectations?
Are there any aspects of the consortium leads responsibilities that you think Brownrigg may need more support/direction in?
In what way?
If the Brownrigg wishes to view this reference, are we able to share the information you have provided?
Do you have any further comments?

5/11/13

# Brownrigg Agriculture REFERENCE CHECK

All reference checks are treated as CONFIDENTIAL.

59(2)(a), 59(2)(b)(i)

Company Name:	Brownrigg Agriculture
Company	
Referee's Name:	
Verification of Phone Number:	
Referee's Title	
Reference completed by:	

Overview
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What is the relationship of you with Brownrigg Agriculture	
What is your role in the relationship?	
Who do you deal with from Brownrigg most often?	
How long have you had a working relationship	
Tell me, what words spring to mind when you first think of [name]?	
On a scale of 1 to 10, how would you describe the professionalism of Brownrigg to work with?	
What would you summarise as Brownriggs key strengths and skills?	
How about your main contact [name]	
How would you describe [name] business to business relationship management skills?	

Any notable areas of improvement (Weaknesses)?	
Do you have any advice about how best work with Brownrigg and/or [name]?	
Please comment on {name} organisational skills.	
Governance arrangements – clearly defined roles relating to management?	
Has the relationship with Brownrigg added value to your business? Have Brownrigg introduced any new ideas or innovation?	
Have Brownrigg consistently met your expectations?	
Have you ever found yourself in dispute with Brownrigg? How did the deal with the situation?	
Would you have any reason to question the ethical standards of Brownrigg or personnel integrity of [name]?	
Processes to identify and manage risk related to a specific project or activity.	
Are Brownrigg or key staff involved in any organisations or movements that you believe may create a conflicts of interest or reputational risk to the Ministry.	
As mentioned earlier, we are considering [name] to [describe requirements] How do you think they would deliver against our expectations?	
Are there any aspects of the consortium leads responsibilities that you think Brownrigg may need more support/direction in?  In what way?	
If the Brownrigg wishes to view this reference, are we able to share the information you have provided?	
Do you have any further comments?	

## Probity audit of Saudi Agrihub tender process

### Planning documentation

The Procurement Plan for seeking an agri-business consortium lead and proposed partners for a demonstration breeding farm and operation was appropriately approved and endorsed. The Plan provided a clear analysis of the process to be undertaken and included:

- Detail relating to the members of the project team and the evaluation panel. It also identified a Chair of the evaluation panel, and the external parties assisting as members of the evaluation panel, and the role they will hold.
- A list of procurement process approvals and the stage and level of financial delegation at which they need to be sought at each stage of the process. The Procurement Plan did not state who would ultimately approve the panel's recommendation, but had been signed off by the CEO and given the value of funding being provided the CE is only person with the required level of financial authority.

Conflict of interest disclosures were sought from panel and project members. Some of these were not obtained until after the tender process had closed. Appropriate mitigations were put in place and agreed by the project manager.

### Advertising

The EOI was advertised on the Government Electronic Tenders ("GETS") website, and through NZTE's industry network so as to enable MFAT to gain the necessary market reach.

### The EOI process

#### EOI documentation

The EOI document was based on MBIE good procurement templates and contained the following:

- An overview in respect of the services and/or products intended to be purchased.
- Detailed description of the EOI process.
- A timetable for the process that allowed approximately one month for potential tenderers to prepare and submit their responses to MFAT.
- Closing date, time, address and method of receipt of proposals. The closing time on the EOI document noted a closing date and time of NZ3.00pm, Thurs 12 Sept whereas the closing date set out in the GETS advertisement was inadvertently shown as NZ 3.00pm Monday 16th September. The Project Manager consulted and advised tenderers that the later date and time would apply. This did not unfairly advantage any of the tenderers.
- Clear identification of MFAT's authorised representative, and a process of communication with MFAT regarding requests for clarification and additional information.

- Completed evaluators' scoring sheets, a summary of scores (and the mechanism for combining or arriving at evaluation team scores) and a record of the discussions of the evaluation team, including reasons for the scores were maintained and reviewed.
- The Panel has prepared a written report seeking the Divisional Manager's approval of a lead provider. The report also describes the EOI process.

**Notification procedures**

- Formal communication was provided to shortlisted and the one non-shortlisted respondent informing them of the outcome of the EOI process and the future process.
- A debrief was provided to the unsuccessful respondent.

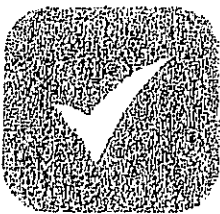
**Overall conclusion Quality and probity procedures throughout the tender process**

- MFAT acted, and was seen to act, in a fair, transparent and unbiased manner. Suppliers attending the 26 August briefing provided positive feedback on the procurement process.
- Conflict of interest declarations were obtained from the evaluation team and suppliers and were managed appropriately. Guidance was issued to those parties as to what constitutes a conflict of interest. Actual or potential conflicts were assessed and addressed on a case-by-case basis, in conjunction with the probity auditor.
- The EOI process followed that documented in the tender document, with the exception of the removal of a competitive tender process. A full explanation and reason for this departure are provided in the EOI recommendation to Div Mgr MEA.
- Formal communications between MEAT staff and their external advisors and any potential respondent have been recorded and retained on the tender file.
- Adequate documentation and records of the process have been kept to ensure that MFAT and external advisors have followed due process, , and there is a robust audit trail, so that any subsequent re-issue of a EOI can be adequately planned if necessary.

Richard Leverington  
Div Manager AUR  
November 2013



Nov 13



## Evaluation Panel Minutes / Report Saudi AgriHub EOI

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## Evaluation summary

Item	Response
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**Tender:** Expression of Interest - AgriHub Consortium Lead

**Agency:** MFAT / NZTE

**Scope of purchase:** Overview

The Ministry of Foreign Affairs and Trade (MFAT), along with its partner agency New Zealand Trade and Enterprise, is seeking a lead provider/consortium to develop a demonstration sheep breeding farm and operation in New Zealand and Saudi Arabia, which will form the basis of a sustainable agribusiness hub in Saudi Arabia.

The Government will provide up to six million dollars to be invested over the next two to three years to develop a research and development programme which will enhance the capability of the New Zealand and Saudi Arabian agricultural industries.

It is anticipated that the lead provider / consortium partners, will develop a demonstration breeding farm and operation in such a way that it will showcase New Zealand agribusiness expertise and technologies to Saudi Arabia, and the wider Gulf Co-operation Council (GCC) region.

The value of NZ developed farming techniques, technology and equipment will be showcased on an existing Saudi Arabian sheep breeding unit owned by the Al Khalaf Group.

The intent is that the money will be used to develop or implement NZ agricultural technologies, techniques and equipment for the Saudi environment, and in such a way that future business opportunities may be developed.

The agri-business hub will use an existing Saudi farming operation to showcase farming techniques, technology and equipment that can be

### Purpose of EOI

The focus of the EOI is to identify an organisation or organisations with the capability, networks, commitment and capital to establish and maintain an agribusiness hub in Saudi Arabia that will promote and assist NZ firms interested in selling their services or equipment into the Gulf states, and potentially further afield.

**Change to the proposed Procurement Process**

The original intent of the EOI was to shortlist supplier(s) whom MFAT/NZTE would take through a structured Competitive Dialogue process. It was envisaged that the detailed scope of work, milestones, deliverables, reporting and management information requirements would be developed through a competitive dialogue<sup>1</sup> process.

<sup>1</sup> Refer to accompanying MBIE guidance on the competitive dialogue process in a New Zealand context.

The written responses and presentations of the two short-listed providers have highlighted that in order to develop a detailed schedule of deliverables and associated project budget that they will need to work with the Al Khalaf Group to ensure that the balance of effort and investment meets the expectations of both parties. (The consortium lead representing NZ's interests (Cabinet's intent is that the \$6m is "for the delivery of services by New Zealand agricultural service entities") and the Al Khalaf group in Saudi Arabia).

Having received face to face presentations to clarify areas of concern raised during the assessment of each providers EOI response, it became clear to the evaluation team that only one provider was able to demonstrate that:

- they were strongly invested in the scope and success of the project; and
- had identified within their organisation a clearly accountable and sufficiently senior / experienced project lead.

Both criteria are key components to the success and sustainability of this project

For this reason the EOI has been used to select a preferred lead provider with which to enter into negotiations.

**Funding Committed :**

Cabinet have committed NZ\$6million to developing an agrihub and demonstrating the value that can be derived from NZ agricultural technology, expertise, equipment in the Saudi environment.

**Contract term:**

It is envisaged the initial funding agreement will be for a period of three years however the duration of the agreement will be driven by the completion of whatever deliverables are agreed during discussions between MFAT/NZTE, the selected lead provider and the Al Khalaf Group

**Recommended or preferred supplier/s:**

Three suppliers responded to the EOI

- Brownrigg Agriculture
- s 9(2)(b)(ii)
- 

Both Brownrigg and s 9(2)(b)(ii) were viable choices however Brownrigg is recommended as the preferred consortium lead. (Refer to the Recommendation section below for more detail)

**Fee proposal:**

Spending under this agreement will be capped at NZ\$6million but the money will only be released as agreed deliverables are completed to the satisfaction of NZTE.

**Expected contract start date:**

TBC

**Issues to be resolved:**

A heads of agreement will be negotiated with Brownrigg in advance of the Funding Agreement being completed with deliverables, milestones and budget.

The reason for this is that whilst Brownrigg have demonstrated considerable capability through the initial project plan they presented, the final scope of work still needs to be agreed with the Al Khalaf Group who are the Saudi partners to this arrangement.

The intent of the heads of agreement will be to ensure that a number of broad principles are agreed. Notably that whilst Brownrigg's core capabilities in regard to sheep breeding and fattening are central to establishing a successful

demonstration farming unit we will need assurances that a significant proportion of the \$6million will be directed toward NZ agribusinesses other than Brownrigg, in other speciality areas including technology and equipment research, feed, processing technology, irrigation

Contract Management Plan: To be developed by NZTE.

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## Evaluation panel minutes

### Panel participants

Name	Title and agency	Role (Chair/voting/non-voting/observer/advisor)
Peter Cooper	Divisional Manager - Procurement	Chair – non voting
Alex Matheson	Special Envoy – Government Commercial Partnerships	Evaluator – voting
Haylon Smith	Programme Leader – Global Agribusiness NZTE	Evaluator – voting
S9(2)(b)	Independent advisor (ex Landcorp CEO)	Evaluator – voting
Richard Leverington	Divisional Manager – Audit and Risk	Probity Advisor – non voting
S9(2)(b)	Office Solicitor – MFAT	Advisor
S9(2)(b)	Office Solicitor – NZTE	Advisor
Phil Goulin	CFO – MFAT	Advisor

Refer to Appendix for Instructions to Evaluation Panel and Guide to Scoring.

### Summary of responses

- Suppliers that submitted tenders

Supplier	Passed mandatory conditions stage?
Brownrigg Agriculture Group Limited	Yes
S9(2)(b)(i)	Yes
S9(2)(b)(i)	Yes

### Summary of evaluation:

### Shortlisted suppliers – qualitative score and price summary

Supplier	Commentary (Summary)	Overall ranking
Brownrigg	<ul style="list-style-type: none"> <li>Close alignment of Brownriggs core red meat business to the objectives sought by Al Khalaf from this partnership.</li> </ul>	1

	<ul style="list-style-type: none"> <li>Committed, enthusiastic and experienced and capable senior manager in David Brownrigg</li> </ul>	
s 9(2)(b)(i)	s 9(2)(b)(i)	2

Refer to Appendix for details of evaluation, including panel commentary

### Suppliers excluded from shortlist:

Supplier	Reasons for exclusion
s 9(2)(b)(i)	s 9(2)(b)(i)

### Summary of evaluation: Following presentations

The graph below represents the evaluation panels assessment of the two shortlisted providers against the evaluation criteria set out in Expression of Interest.

Both the potential consortium leads put forward strong proposals however Brownrigg Agricultural provided a much stronger proposition than s 9(2)(b)(i) in the following areas in particular:

- The alignment of the opportunity to their business objectives and core business
- Commitment of senior management to make a success of this project
- Level of detail in the proposed project plan to achieve the objectives set out in the EOI
- Governance structures

S9(2)(b)G17

### Recommendation

A key component to the success of this project and the sustainability of the Agrihub will be that the lead provider is clearly accountable and invested in the scope and success of the project.

For this reason the evaluation panel have recommended that MFAT/NZTE enter into negotiations with Brownrigg as the preferred bidder

### Issues to be resolved

The challenge to finalising the specification of services and deliverables that will be provided under the proposed funding agreement is that the selected lead provider will need to have detailed discussions with both the Saudi based representatives of the Al Khalaf Group and potential consortium partners. Once these discussions have been concluded the scope of work (milestones, deliverables, payment milestones) can be documented and agreed in the funding agreement.

To ensure the objectives of the NZ Government are met it is proposed that MFAT negotiated and agree terms of reference of the subsequent funding agreement which will clearly set out expectations in regard to splitting investment across a number of different areas and involving a minimum number of specified consortium partners to be involved

### Procurement Plan & probity practices

We confirm that the approved Procurement Plan and probity practices have been followed, with the exception of running a Competitive Dialogue process.

The terms and conditions of the EOI under clause 20g 'Buyers Rights' enables the Buyer (MFAT/NZTE) to 'proceed or not proceed to a Competitive Dialogue or other subsequent tender stage.

## Endorsement by the evaluation panel

Full name	Signature	Date
Peter Cooper Divisional Manager - Procurement	<i>[Signature]</i>	4 Nov 13
Alex Matheson Special Envoy – Government Commercial Partnerships	<i>[Signature]</i>	4 Nov 13
Haydon Smith Programme Leader – Global Agribusiness - NZTE	<i>[Signature]</i>	3 Nov 13
s 9(2)(a) Independent advisor (ex Landcorp CEO)		

## Approval to notify Supplier and progress to negotiations

Full name	Signature	Date
Jonathan Austin Divisional Manager - MPA		



Endorsement by the evaluation panel

Full name	Signature	Date
Peter Cooper Divisional Manager - Procurement	<i>[Signature]</i>	<del>4 Nov</del> 2013
Alex Matheson Special Envoy - Government Commercial Partnerships	<i>[Signature]</i>	4 Nov 13
Haydon Smith	<i>[Signature]</i>	3 Nov 2013
S 9(2)(a) Independent advisor (ex Landcorp CEO)	S 9(2)(a)	16 <sup>th</sup> Oct 2013

## Appendix

## Post Presentation Evaluation of Lead Providers

Criteria to be used in selecting a consortium lead and potentially potential consortium partners prior to this EOI	Weighting	Comments / Questions / Concerns / Points to discuss / Issues for suppliers address in their presentations
<b>Capacity and Credibility of the Supplier (as Lead Provider)</b> Applicant should have industry knowledge, proven capability to deliver and credibility in the New Zealand industry and balance sheet to support on-going involvement in the demonstration farm project.	34%	
Succinctly explain and provide evidence of your credibility and success as a business in the New Zealand agricultural sector	7	BA successful
Provide evidence that you have sufficient economic scale and expertise to be selected as the consortium lead responsible for managing this project	6	
What attributes / experience would make you a good lead for the consortium of companies required to deliver the expectations set out in this EOI?	7	Difference is BA development of squash and Wagu beef in tough markets. PASSION
Discuss any relationships or interests that you have with the proposed consortium partners.	7	Both providers have people known to Al Khalaf and both have a good understanding of the companies in the NZ agricultural sector who could contribute to the objectives of the consortium.
Declare any actual, potential or perceived Conflicts of Interest you believe you may have in regard to the tender.	7	Both suppliers have people who currently do work with Al Khalaf. The credibility these relationships provide is a both a strength and a potential issue around perception
<b>Capability and Commitment of the Supplier (as Lead Provider)</b>	31%	
Note the names and responsibilities of staff you would nominate to deliver the outcomes set out in this EOI. – Append brief CVs for nominated staff.	8	The Brownrigg presentation delivered considerably more confidence in that the owner/senior manager Dave was committed to ensuring his organisations name was not associated with anything other than a success.
Explain what offshore agribusiness interests you have currently and in which countries	6	
Describe the level, type and location of investment you have committed to develop offshore agribusiness.	5	BA have offshore links but no real presence.
Would you anticipate making any additional investment beyond the New Zealand Government investment to ensure the demonstration farm and operations effectively establish a successful GCC agribusiness hub? What	6	BA meat exports
What are the on-going opportunities for you and your proposed partners that will result from this project?	6	as above
How would you see this project benefiting other New Zealand firms not directly involved in delivery of the project	7	Happy to farm out activity not core their own businesses
<b>Industry Knowledge and Networks of the Supplier (as Lead Provider)</b>	14%	
Proven ability to collaborate with value chain participants and contribute to a wider programme of work/industry knowledge and networks in NZ/abroad/overseas	7	(Note) The Ministry reserves the right to provide the names of potential consortium partners noted below to the selected Lead Provider (or shortlisted potential Lead Providers) should you not be shortlisted or selected as the Lead Provider
Refer to the list of potential focus areas set out on page 8. Note the organisations and would create potential consortium partners and what value you believe the consortium could add to the Consortium (NZ/abroad/overseas)	7	Comments / Questions / Concerns / Points to discuss / Issues for suppliers address in their presentations
The specific/ist areas listed below are indicative only and not completed in the business planning or implementation phases of this project may identify other opportunities (NOTE: Processes, Design and technology are likely to be areas of strong interest)	7	BA Animal Genetics, farming and R and D strong
<b>Methodology</b>	35%	
Proposed project plan, governance structure	8	Comments / Questions / Concerns / Points to discuss / Issues for suppliers address in their presentations
What Project Management / Governance reporting arrangements would you suggest?	8	BA very committed and central to core business BA Detailed timeline and milestones proposed.
Append an indicative high level plan indicating what you believe may be useful milestones in terms of completing activities or deliverables	7	
What project and risk management processes would you suggest be implemented?	7	BA more focused, accountable, less constrained in relation to making decisions quickly
How would you provide assurance that you and the consortium partners are delivering value for money?	7	
How do you propose incentivising consortium partners?	6	Payment on completed targets
How would you suggest your performance is managed and by extension the performance of your consortium partners?	7	Strong leadership and clear accountability for success of the project communicated more clearly by BA

## Agreement Fit For Execution



### Who and when?

Completed by contract owner when the contract draft is ready for signing. This form should always be used for contracts with a value over \$100,000.

Agreement Title	FUNDING AGREEMENT LEAD PROVIDER, SAUDI AGRI-HUB PROJECT
Parties to the Agreement	Ministry of Foreign Affairs & Trade Brownrigg Agricultural Group Limited
Commencement Date	Date of last signature
Contract Form	OTHER Bespoke - modified JIG Grant Funding Arrangement
Agreement Term	This Agreement will remain in effect until "completion of all Milestones and Deliverables and payment of the final Claim".
Business Unit	MEA
Contract Owner	Jonathan Austin, Divisional Manager MEA
Relationship Manager	Malcolm Millar, Ambassador UAE and Alex Matheson, Special Envoy Government Commercial Partnerships
Maximum Total Estimated Value	\$6,000,000 (six million dollars) MFAT is responsible for paying an initial amount of \$500,000 for the first Milestone (policy advice and representation required to agree, with Al Khalaf, the detailed design of the Agrihub). The remainder of the \$6.0m will then be transferred by MFAT to NZTE and the Agreement will be novated to and managed by NZTE (subject to NZTE Board approval). NZTE have previously agreed to contribute \$500K to the project.



When contract risk and/or value is low to medium always try and use Government Model Contracts. For specialist or higher risk/value contracts contact one of the Office Solicitors for support.

### Budget

Within Budget?	<input type="radio"/> No <input checked="" type="radio"/> Yes
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## Background and Objectives

### What was the background to the contract?

[Reference content from the Business Case and/or Procurement Plan.]

### Background

The New Zealand Government has identified the drive by the Gulf Co-operation Council (GCC) countries toward establishing long term food security, and the resulting potential for New Zealand companies to both establish long term export markets in the region, and to develop partnerships between GCC capital and New Zealand agricultural expertise benefitting both partners.

As a result, the New Zealand Government approved \$10,000,000 in funding to support the development of a demonstration breeding farm and operation in Saudi Arabia to enhance the capability of the red meat industries in both countries, with a focus on the development of higher value products from the Awassi sheep breed. The \$6,000,000 funding to be provided under this Agreement represents the remainder of the original sum, \$4,000,000 having already been expended on initial policy advice and representation.

A representative group of New Zealand industry experts and senior representatives of relevant Government Departments participated in a Study Tour to Saudi Arabia 8-18th April 2013. Following the Study Tour, MFAT and NZTE advanced the concept of a demonstration breeding farm further through a request for Expressions of Interest from companies capable of converting the potential identified to reality, and through a process of competitive tender, Brownrigg was selected as lead provider to implement the Project.

### Objectives

Showcase New Zealand agricultural technology and expertise to the GCC region, and assist with the improvement of farming efficiencies in the region through the introduction of programmes of genetic improvement in breeding animals, improved feed production, nutrition, and feed efficiency, high technology animal processing facilities, and through the development of people employed in the industry.

### Scope of Project

The Project is comprised of six broad components:

- (i) Design and implementation of the export breeding ewe supply chain.
- (ii) Design and implement Awassi sheep breeding and genetics research programmes.
- (iii) Design and implement an appropriate forages and nutrition research programme.
- (iv) Identify appropriate new technologies available in NZ and integrate these into the Saudi partner's operations.
- (v) Design, provide specialist equipment for, and support the construction and commissioning of a state of the art abattoir and feedlot on the Saudi partner's land.
- (vi) Development of people capability on site to ensure programmes and facilities implemented are sustained.

Details on what is currently available in Saudi Arabia in relation to quarantine and export protocols, breeding programmes, forages and nutrition programmes, and agricultural and processing technologies are not available, therefore details and budgets for the overall work programme cannot be completed until Milestone 1 is completed in early 2014.

MFAT, NZTE and Brownrigg have agreed a Costed Workplan and progress payments for Milestone 1. On completion of Milestone 1, MFAT, NZTE and Brownrigg will agree the programme of work (including Milestones, activities, Deliverables, Costed Workplan and payment schedule) for the Project.

#### Governance

A Governance Group will be established to manage the Project. This group will consist of senior representatives of MFAT, NZTE and Brownrigg and may include a representative from Treasury. Responsibilities of the Governance Group include:

- ensuring the Project produces the Deliverables planned, and that professional standards are retained throughout all components of the Project;
- approving changes as required to the Costed Workplan;
- ensuring reports are completed as required.

### Termination Provisions & Minimum Annual Commitment

**What are the termination provisions of the contract?**

**Are there any penalties for early termination? No.**

**What is the minimum spend the Ministry must commit under this contract?** No minimum, but a maximum of \$6,000,000 with only the first \$500,000 payable directly by MFAT and the remainder paid by NZTE following novation of the Agreement.

#### Contractual Terms and Conditions

The Agreement is based on the New Zealand Aid Programme's Grant Funding Template. It was reviewed by NZTE prior to the procurement process and modified slightly to incorporate their requirements in relation to the processing of claims.

Brownrigg sought to negotiate a number of changes to the template after their selection as preferred lead provider. MFAT and NZTE worked with Brownrigg to reach an acceptable middle ground.

Features of the final terms and conditions include:

- MFAT-standard obligations on Brownrigg to manage their Consortium Partners and subcontractors.
- Flexibility for the parties to agree to the Funding being paid in arrears on completion of Milestones or as progress payments.
- Obligations on Brownrigg to provide sufficient detail with their invoices to prove the validity of each claim – these details were heavily negotiated to find a middle ground between NZTE's standard provisions; and Brownrigg and MFAT's preference for a simple, outputs focused payment mechanism.
- A right to audit Brownrigg (note that this does not extend to a right to audit Consortium Partners or subcontractors but does extend to an audit of how Brownrigg has spent the Funding).
- MFAT-standard provisions in relation to rights to audit, changes in personnel, information management (including confidentiality), promotion of MFAT's support for the Project, insurance, procurement, conflicts of interest and dispute resolution.
- An indemnity from Brownrigg for any loss or damage caused by their negligence, wilful act or omission, or breach of the Agreement.
- Mutual rights to terminate the Agreement for:
  - the other party's default, and
  - for convenience with 20 Business Days' notice, provided however that if Brownrigg terminates for convenience they are obliged to provide a proper handover of the Project to MFAT/NZTE or a third party
- Any intellectual property in the Deliverables created during the Project will be owned by MFAT (to pass on to the Project Partner – Al' Khalaf); but Brownrigg will have a licence to use it provided that they do not pass it on to any direct competitor of the Al' Khalaf.

## Price Review

**What is the price review mechanism in the contract?**

There is no price review mechanism in this Agreement since it is a Funding Agreement rather than a contract for services. The maximum amount of Funding is \$6,000,000, with that amount broken down into funding for each Milestone and Deliverable. As noted above, there will be a Costed Workplan that sits outside the Agreement and provides further detail as to how the Funding will be incurred against various activities and expenses, as per MFAT's standard 'outputs focused' contracting process.

The Costed Workplan will be reviewed, amended, or enhanced as required at each meeting of the Governance Group without requiring a contract variation, provided that:

- the amount of Funding payable in respect of each Deliverable, and the Maximum Funding Amount payable in respect of each Milestone, changes by no more than 15%;
- any change to the Costed Workplan does not result in a change to the agreed Milestones; and

the Total Maximum Funding Amount (\$6,000,000) is not exceeded.

## Previous Procurement Step Endorsements

**The following steps have already been completed:**

Refer to the email from Richard Leverington, attached. An EOI was undertaken, which was intended to be followed by a Competitive Dialogue. However, only two respondents to the EOI were considered able to provide the services, so the Competitive Dialogue was not necessary. Instead, those two respondents presented their proposed solution to the evaluation team. Brownrigg was considered to be clearly the most able to act as the lead provider, with the other respondent being a joint venture partner. In addition, Brownrigg has a very close working relationship with the Project Partner (Al Kahla) and is highly trusted to deliver a solution that Al Kahla is happy with.

## Recommendation

**In summary, why should this contract be signed in its current form?**

The Agreement in its current form represents the best negotiated deal that MFAT and NZTE could achieve with Brownrigg, who are the company best able to meet the objectives of the Project.

Approvals – that the Contract is Fit for Execution		
<b>Business Owner</b>	This procurement meets the requirements of our business case and within budget.	<p>Click here to enter text.</p> <p>Alex Matheson</p>
<b>Contract Owner</b>	The business unit is ready to take ownership of the contract and to manage the operational aspects of implementation and ongoing management.	<p>Click here to enter text.</p> <p>Jonathan Austin</p>
<b>Legal</b>	Has reviewed the contract document and verified that it is fit for purpose.	<p>s 9(2)(a)</p> <p>s 9(2)(b)</p>
<b>Information Technology</b>	The procurement complies with information technology standards and requirements	n/a
<b>Procurement</b>	The sourcing process leading to this contract is fit for purpose and complies with MFAT's policy and procedures as well as the Government Mandatory Rules for Procurement.	See attached email from Peter Cooper, who has since left the Ministry.
<b>Finance</b>	Has been consulted and confirms that, provided the Agreement is novated to NZTE as planned, the Agreement is acceptable from a financial point of view.	<p>Phil Goulin</p>

**EOI Response #2:**

(Please refer to a copy of

presentation for more detail)

**STRATEGIC DIRECTION**

b7(D)(a)

b7(D)(b)(i)

**OFFSHORE MARKET EXPERIENCE**

b7(D)(a)

b7(D)(b)(i)

**RESEARCH CAPABILITY**

b7(D)(a)

b7(D)(b)(i)

**SAUDI RELATIONSHIPS**

b7(D)(a)

b7(D)(b)(i)

**PROJECT GOVERNANCE**

b7(D)(a)

b7(D)(b)(i)



**RESOURCING & INTELLECTUAL PROPERTY**

**TIMING OF NEXT STEPS**

**PANEL QUESTION: WHAT WOULD SUCCESS IN THIS PROJECT LOOK LIKE?**

**EOI Response #1: Brownrigg Agriculture Group**

(Please refer to a copy of the Brownrigg presentation for more detail)

**STRATEGIC DIRECTION**

s 9 (2) (a)  
s 9 (2) (b) (i)

**OFFSHORE MARKET EXPERIENCE**

s 9 (2) (a)  
s 9 (2) (b) (i)

**RESEARCH CAPABILITY**

s 9 (2) (a)  
s 9 (2) (b) (i)

**SAUDI RELATIONSHIPS**

s 9 (2) (a)  
s 9 (2) (b) (i)

**PROJECT GOVERNANCE**

s 9 (2) (a)  
s 9 (2) (b) (i)

**RESOURCING & INTELLECTUAL PROPERTY**

s 9 (2) (a)  
s 9 (2) (b) (i)

**TIMING OF NEXT STEPS**

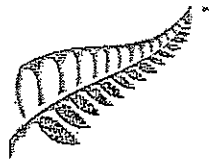
**RISKS**

**KEY AREAS**

**PANEL QUESTION: WHAT WOULD SUCCESS IN THIS PROJECT LOOK LIKE?**

15/10/13

The Government's 5 procurement principles: Plan and manage for great results – Give all suppliers a fair go – Get the right supplier – Get the best deal for everyone – including the planet – Play by the rules

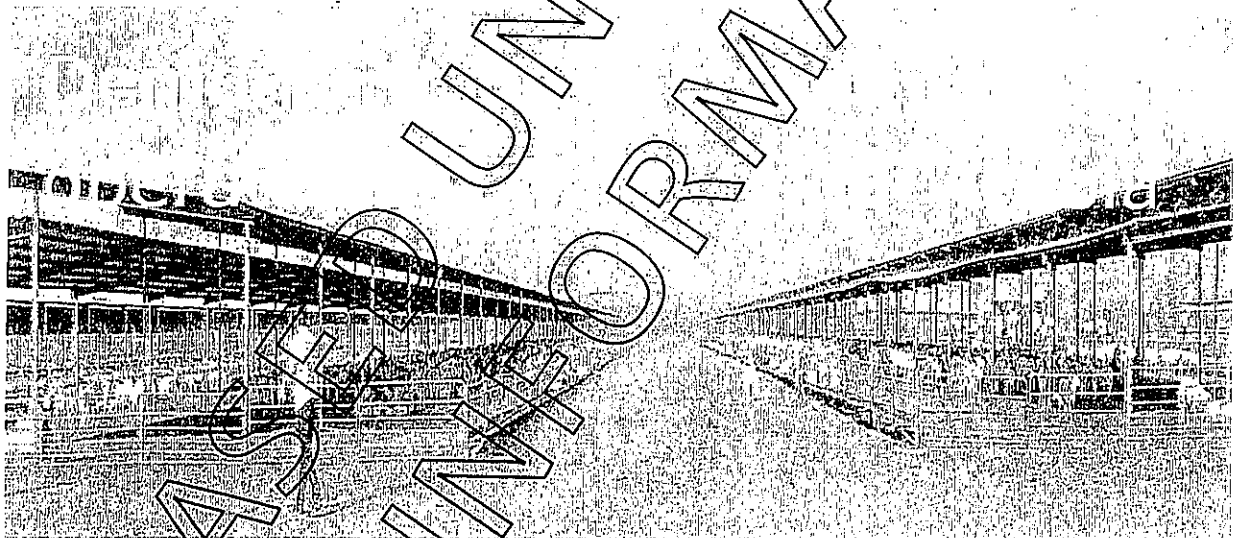


NEW ZEALAND

Kaitiaki Take Kōwhiri

# Procurement Plan

## Seeking an agribusiness consortium lead and proposed partners



The Government's Five Procurement Principles: 1. Plan and manage for great results. 2. Give all suppliers a fair go. 3. Get the right supplier. 4. Get the best deal for everyone - including the planet. 5. Play by the rules.