

## **New walnut processing and marketing company: Registration of Interest for sector stakeholders**

### **Introduction**

You are invited to be party to the purchase of A Cracker of a Nut and to the establishment of a processing and marketing walnut company to create long term value and maximise returns to member growers. This is an invitation to register your interest and agreement in principle.

While it is not a firm commitment to invest, it is a statement of good faith –

- to provide the transitional board with a strong indication of the level of likely support, and
- to ensure that you are kept informed of developments, and will be given the opportunity for an informed decision to invest.

This information and the registration of interest form are available on-line:

<https://www.surveymonkey.com/s/nznuts14>

### **Background**

Malcolm and Jenny Lawrence have indicated that this is their last season owning and running A Cracker of a Nut (ACOAN). They wish to sell the business. They are not selling their land and buildings, but would be willing to lease the factory site to the new owners of the business.

Jenny and Malcolm briefed a small group they had chosen so that a business case might be prepared for some future ownership of the business. That group was Nelson Hubber, Andrew Horsbrugh and Graeme Nicholas. They were joined by Barbara Nicholas in their deliberations and in preparing the case to put to industry members.

A general meeting of walnut suppliers to A Cracker of a Nut Limited and interested parties was held in West Melton on Thursday 6 November. At that meeting most of those present – about 45 people - indicated agreement in principle with the direction outlined by the group briefed by the Lawrences.

The meeting received and discussed a presentation. Key points were:

- The Lawrence's will sell the operation or close it after this season.
- A viable company needs growers' support. Without this the path to market will be lost resulting in long term diminished returns and land values.
- To make a profit will require improvement in quality and quantity of nuts supplied.
- Analysis indicates that the operation can be run as a profitable enterprise supporting current levels of pay-out to growers in the medium term but only after some investment by growers and a collective approach as an industry.
- It is proposed to establish a sector-owned entity to purchase the operational assets of ACOAN.
- In the short term growers will need to fund the acquisition and development of ACOAN through a levy resulting in reduced grower prices.

The meeting agreed to the following:

- Establish a transitional board to negotiate purchase of ACOAN and establish a legal and financial structure for a sector-owned company.
- To support a registration of interest from sector stakeholders – agreement in principle, but not a firm commitment to invest.
- Establish a company (co-op) funded by sector stakeholders and retained profits.
- Profits not needed for capital passed to growers (according to quality/quantity supplied)
- Governance “rules” to be established.
- Transition Board Authority. Able to spend initial capital raised to establish new company up to \$30,000.
- Member growers get preference to supply; the supply of crop from non-members was a question to be determined.
- Capital to be raised from suppliers based on volume supplied. If initial paid up level of capital not needed it will be returned, if more is needed it will be retained from future payments.

A transitional board of seven people was elected and affirmed by motion and carried without dissent at the meeting. The members of the board are (alphabetically) Frank Brenmuhl, Andrew Horsbrugh, Nelson Hubber, Basil Meyer, Graeme Nicholas, Heather North, and Colin Prebble.

The board was charged with the following:

- commission/undertake the establishment of a legal and capital structure,
- negotiate the purchase of ACOAN before 31 January 2015,
- prepare the prospectus by 31 January 2015,
- seek sector investment (by 28 February 2015), and
- arrange for the election of a new board to take control by 28 February 2016.

Other responsibilities implied in this are to employ appropriate staff to manage the company and exercise governance responsibility for the company on behalf of shareholders until the election of a new board. It was stated clearly at the meeting that the dates attached to the items above were estimates and subject to discussion and change. The Transitional Board will also consider conditions of supply for those who do not wish to invest in the company.

Please register your interest by filling-in the on-line form at <https://www.surveymonkey.com/s/nznuts14> (password=juglans),

or by completing and returning the form on the following page by 30 November.

Graeme Nicholas, for the transitional board

10 November 2014

## Registration of Interest

I/we register our agreement in principle with the following:

*Subject to adequate controls/governance -*

- We have read attached introduction and background document.*
- We expect to buy into the proposed company at a level based on our volume of supply.*
- We expect to maintain our commitment to the proposed company for at least five years.*
- It is likely that this will mean a minimum upfront investment of \$1-2/kg supplied plus retention of return on crop supplied to fully pay for our shares and/or future capital requirements.*
- We agree to let the elected board spend up to \$30,000 on establishing the structure needed to advance this.*

Signature:

Name:

Company or entity you are representing:

Contact details:

Mailing address:

Email:

Phone:

Please tick the appropriate box below:

- We are currently a supplier of walnuts to A Cracker of a Nut.
- We intend to supply all or a high proportion of our crop to the proposed company (subject to it being established with adequate controls and governance along the lines indicated above).
- We are part of the New Zealand walnut sector but not currently supplying crop.

How many kilograms of walnuts do you estimate you will supply in 2015 (assuming no major event affecting production)? \_\_\_\_\_

This form can be completed on-line at: <https://www.surveymonkey.com/s/nznuts14> (password=juglans); OR, return this form to Graeme Nicholas, 480 Rattletrack Road, RD4, Christchurch, 7674; OR : scan and email to Graeme@nicholas.net.nz.