

Case Study

Recovery to Resilience – Strategic Review of crisis-hit Hope Vale Banana Farm



Background

Hope Vale Banana Farm (the farm) is a 70 hectare farm approximately 46 kilometres northwest of Cooktown in North Queensland, on a parcel of land leased from the Hope Vale Aboriginal Shire Council (the council) until 2042. The farm began operations in 2012, but in 2014 was hit by Cyclone Ita which destroyed nearly 90% of its crops. Production and income never recovered and the farm has not turned over a profit since, with most effort spent on cleaning and maintenance. A relatively inexperienced management and the modest skills of the local workforce made recovery, already a huge task, even harder. Then in March 2016 the farm's industry partner and 25% shareholder Dole Australia (local subsidiary of global fruit and vegetable giant Dole Food Company), closed all Australian operations and discontinued its operational involvement at the farm. This ended an arrangement whereby Dole Australia provided operational expertise to the farm and purchased all fruit produced at an agreed price through an offtake agreement.

Despite enormous challenges, the farm has strong potential productivity: its location is well suited to banana growth with a desirable combination of temperature, sunshine and soil type. The climate supports constant yields throughout the year, unlike farms further south with reduced volumes during winter. Pending a well-managed recovery phase and with robust farming practices, it is thought that yield and quality could be at least equal to that of the successful Tully/Innisfail and Atherton Tablelands regions.

As well as generating financial returns for the community and generating local employment, a community enterprise like the farm (which is 75% owned by the local Hope Vale Foundation) brings a strong sense of pride. With the farm's future very much in the balance, in April 2016 an urgent request for assistance by the Hope Vale community was forwarded to Cape York Enterprises, a division of Cape York Partnership. Given the scale of the project, Cape York Enterprises' General Manager Ranjan Rajagopal looked to the Jawun program for additional support.

Approach

In May 2016, Macquarie Capital Associate Matthew Robinson was deployed for a three month secondment. Matthew spent the first phase of the strategic review understanding the issues the farm faced and the changes required to ensure a commercially viable business over time. Matthew also developed a financial model of the banana farming cycle, to determine the capital required to recommence operations and to forecast the farm's ongoing cash flow and working capital requirements. The model used operational data collated from the farm itself, and industry benchmarking information, and Matthew spent much of his secondment consulting local stakeholders as well as industry experts. Praising the energy and skills he brought to the task, Ranjan said: *"Financial modelling and general commercial and business management skills were prerequisites for*

this project. Matt certainly excelled in these areas. However, what distinguished Matt were his soft skills, principally stakeholder management and emotional intelligence, which were vital in establishing a relationship of trust and confidence with the various stakeholders associated with the farm”.

In August 2016, Matthew handed the project to KPMG’s Sarah Cowley, who brought skills in financial modelling and business management to a three month secondment. Focusing on the recovery period Matthew had detailed, Sarah met an independent restructuring firm, a farming contractor who had previously worked at the farm, and sector experts. Further refining the financial forecast and detailing governance arrangements, she developed a term sheet sequencing actions needed to turn the farm around. This became a vital tool in conversations with prospective funding partners.

Sarah, along with farm and council representatives, also met senior executives from Dole Australia to discuss options for the farm’s restructure and recovery. This resulted in a verbal offer from Dole to fund a voluntary administration process that would clear the farm’s operational and statutory liabilities. Further meetings were held in September with Indigenous Business Australia, The Indigenous Land Corporation, and the Department of Aboriginal and Torres Strait Islander Partnerships to establish recovery funding that would return the farm to normal operations and prepare for its future success.

Outcomes

The Hope Vale Banana Farm was impacted by a ‘perfect storm’ of economic and social conditions: a cyclone, the withdrawal of a multinational partner and investor, and the inability of an inexperienced and under-skilled human management and staff team to avert disaster. The strategic review highlighted that it requires considerable repair and maintenance before it can resume normal operations – from irrigation, drainage and road upgrades to machinery purchase and fixing. A conservative scenario indicates the farm will continue to generate losses up to and including FY19, then break even or generate modest profits in FY20. The review was able to detail the funds and conditions needed for a three-year recovery period that will also lay foundations for the farm to sustain itself as a successful and proud community-owned enterprise.

In a well-coordinated sequence, Matthew and Sarah not only reviewed the farm’s prospects for recovery and rebuilding, but also supported farm and council representatives to prepare detailed plans and secure partners for this. Ranjan praises the secondees’ impact: *“Having a dedicated and appropriately skilled resource for the project on a full time basis was invaluable and necessary to undertake the required task. It is fair to say that CYP would not have been able to deliver the outcome within the tight timeframe, without that dedicated resource”.*

Next Steps

Cape York Enterprises, with possible support from Jawun secondees, will oversee future restructuring of the farm. This includes winding up the existing legal entity, overseeing its transfer back to Hope Vale Foundation, designing and implementing a strong operational model, and securing additional funding. A farming contractor will be engaged for a ‘clean up’ process, experienced management will be appointed, and a skilled local labour force will be developed over time. Negotiations are planned with an industry partner regarding a marketing agreement and provision of consultancy service.

It is anticipated that restoring the farm and ‘building back better’ will not only increase employment opportunities and revenue for the Indigenous community in Hope Vale, but also establish a vital means of empowerment. By developing their own opportunities, the community aims to move away from dependence on government to a self-sustainable future where their business enterprises are funding social and education programs for their people.

As Cape York Enterprises, Jawun and the Hope Vale Foundation prepare for the next steps, few know the importance of this Indigenous-owned business better than Tim McGreen, Hope Vale Elder and Traditional Owner:

“The farm is really important for our young people, it gives them employment opportunities and a chance at a career. For the older people, it gives us pride that our community has an Indigenous-owned business of this size. For our community empowerment it is very important – it gives us the opportunity to create our own future”.