Nippert, 2015

BUSINESS

The Big Read: Crafar farms saga over

21 Dec, 2015 8:14pm

Some of the land on the Crafar farms. Photo / Christine Cornege

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The Crafar farm saga has finally concluded, with receivers officially signing off from the troubled dairy empire leaving banks licking their wounds after being left $143.3 million short.

The collapse of the Crafar farms in 2009 had triggered a national debate on farm leveraging and foreign land sales that continues to reverberate today.

Brendon Gibson and Michael Stiassny of KordaMentha were appointed in October 2009 by banks to four linked companies controlling 16 farms, Plateau Farms, Taharua, Hillside and Ferry View Farms.

On Friday Gibson and Stiassny filed their final reports with the Companies Office showing bank lenders, headed by Westpac but including Rabobank and PGG Wrightson in a security sharing arrangement, were still owed $143.3 million.

The shortfall in bank debt is understood to include penalty interest accrued during the time of receivership. Calls to Westpac seeking comment were not returned.

The report said preferential creditors were paid in full, but other unsecured creditors owed $10.457m received nothing.

Gibson described his six-year tenure administering the companies as "an interesting assignment".

The sale of the farms attracted national attention, with Prime Minister John Key weighing in part-way through the process saying he did not want New Zealanders to become tenants in their own country.

Restrictions governing the sale of agricultural land to foreign buyers were subsequently tightened.

The debate became especially fierce in response to concerns over the credentials of prospective farm buyer May Wang, whose bid to buy the properties was eventually turned down by the Overseas Investment Office when she was bankrupted. She was later indicted by Hong Kong authorities on corruption charges.

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The Crafars properties were eventually sold in April 2012 to Chinese conglomerate Shanghai Pengxin.

Gibson said the receivership was unusual as the drawn-out process saw him take over day-to-day management of the farms for nearly three years.

"It was a difficult time of the year when we took over, at the beginning of Spring in October, and it was certainly full-on in the early days," he said.

Reports showed that, including the sale proceeds of the properties, the receivership had collected $304m in receipts.

"It was a bit of a saga, there's no doubt about that. But I think we got the right results in the end."

Crafar patriarch Allan Crafar, who once boasted of his ability to manage his nine-figure farming empire without the aid of a computer, did not return Herald calls.

In a 2009 interview Crafar described his debt-funded expansion strategy as "double or quits," and claimed his business was worth $400m if the Fonterra's milk price remained at $7 per kilogram of milk solids.

The subsequent collapse of the milk price, along with a drought and the credit squeeze that followed the global financial crisis, quickly saw his lenders turn from partners to adversaries.

Allan had claimed, given he was in charge of a 20,000-strong herd of dairy cattle, to be living the dream.

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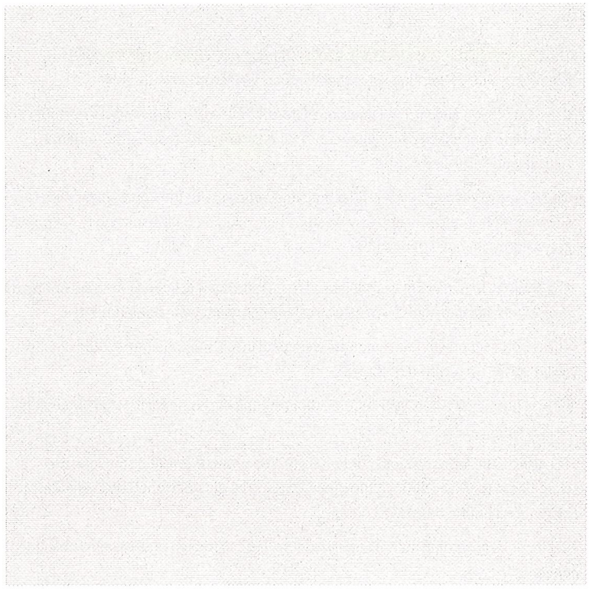
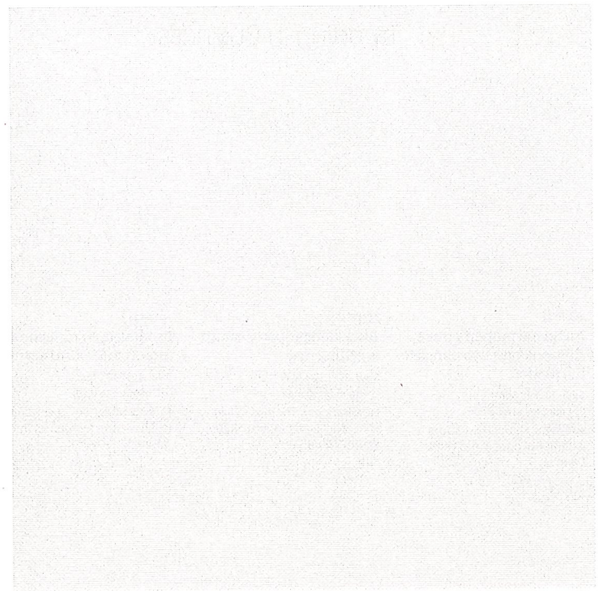


May Wang. Photo / Nick Reed

May Wang

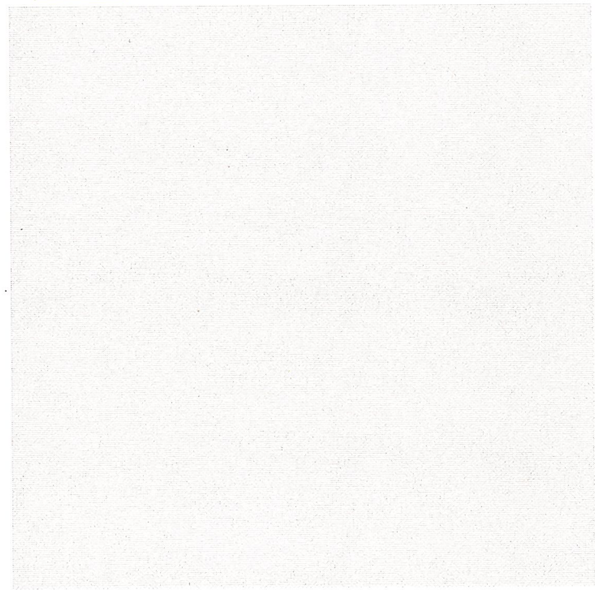
- The mysterious Hong Kong businesswoman become the leading candidate to buy the farms, but part-way through the process was bankrupted leading to the Overseas Investment Office scuppering the deal in December 2010. Things went from bad to worse for Wang as she was then charged by Hong Kong's Independent Commission Against Corruption with allegedly producing false accounts for the farms in an attempt to flip them to a listed company for a quick profit. That trial is ongoing and is expected to take until March.



Crafar Farm cows walk back to the paddock after milking. Photo / Christine Cornege

The Farms

- The 16 farms in the Crafar empire become for a time the country's most notorious as their receivership was contemporaneous with complaints of dirty dairying and animal maltreatment. A drawn-out and high-profile process saw the farms finally sell in April 2012, nearly three years after the appointment of receivers, to Chinese conglomerate Shanghai Pengxin who promised to upgrade the properties.



Allan Crafar. Photo / Christine Cornege

The Crafar Family

- In the space of 18 months family patriarch Allan went from heading a private farming empire considered New Zealand's largest to hunting possums as a scavanger and in a ultimately futile battle against eviction with receivers. The family made several unconventional efforts to secure funds to retain control of their former properties, including flying to Bahrain to pay thousands of dollars to alleged advance-fee fraudsters Western Gulf Advisory and trying to cash in a dubious credit note from a Maori group claiming to be owed hundreds of millions of pounds by the Queen of England.

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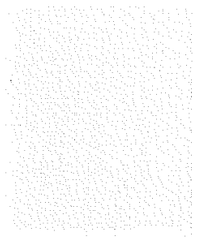

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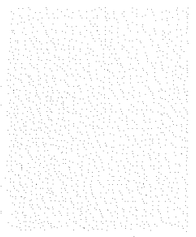

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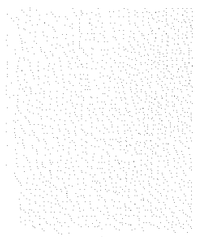

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