Kānoa
Regional Economic Development
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# Regional Infrastructure Fund Position Paper: Food Production

This paper outlines the Regional Infrastructure Fund (RIF) approach to investment in regional food production infrastructure proposals. The intent is to provide clarity on what the RIF is aiming to achieve for this focus area and its investment priorities.

## OVERVIEW

To be eligible for the RIF, applicants must be unable to access the investment their project requires from other sources. This is to ensure the RIF does not crowd out private investment. Applicants will also generally need to contribute co-funding, including evidence to show they are making the highest contribution that they financially can.

The position papers provide a guide for potential applicants and other stakeholders to support them to identify suitable projects and to frame their applications. Potential projects are not necessarily excluded because they are not covered in a position paper, provided the project meets the RIF eligibility criteria.

The position papers are designed to align with existing Government strategies and policies, and those in development. They will be updated from time-to-time to ensure they continue to align.

## FORM OF INVESTMENT

The RIF is a capital fund, meaning loans, equity and other capital investments are the preferred form of funding. Grant funding will only be available in very limited cases, to accelerate projects that don't have a viable source of debt repayment and would otherwise not progress.

Loans, whether concessionary, convertible, or suspensory, are the most preferred form of funding, as they are the most likely to encourage strong commercial incentives on RIF co-investors.

Each project proposal will be assessed against factors such as commercial potential and strategic alignment with the RIF to identify the most appropriate funding option to deliver the best value for New Zealanders.

## VISION

The RIF will support the resilience of regional food production and enable transition to more productive and/or sustainable activities within the food production sector, growing regional economies and New Zealand's export economy.

## OBJECTIVES

The key objectives of investment in food production infrastructure are to:

- Support the resilience of food production sectors to economic shocks, climate change impacts and to meet market and customer needs.
- Enhance productivity and enable more value-add opportunities in the food production sector.

## CONTEXT

New Zealand has a strong food production sector that includes horticulture, seafood, dairy, meat and value-added production (such as high value ingredients, nutraceuticals, meat and marine bioactives, biocosmetics and more). The sector is vital to many regional economies and makes up the majority of New Zealand's exports, generating over $51 billion of export revenue in 2023. However, the food production sector faces both barriers to productivity growth and risks to current production activities, driven in part by underinvestment in on-farm and surrounding infrastructure.

New Zealand's seafood is internationally recognised, with increasing interest in our aquaculture products like Greenshell mussels, King salmon, and Pacific oysters. The New Zealand government is targeting increases in aquaculture industry sales to $3 billion by 2035, extending into high value land-based aquaculture and accelerating aquaculture into the open ocean.

On land, New Zealand is reliant on farming practices that contribute to New Zealand's overall greenhouse gas emissions, or may not be resilient to a changing climate. Shifting to higher value, diversifying, or improving efficiency or sustainability of the food production system often requires significant upfront investment. Moving from commodity food exports to value-added food products is also needed to lift the productivity of the sector but will also require significant investment.

Continuous water supply remains a barrier to moving to higher value food production. Regions which currently have sufficient access to water for irrigation are likely to face an increased risk of water shortages in the future as droughts become more frequent and severe.

Whenua Māori has the potential to participate further in the food production sector but faces additional barriers to growth. It can be made up of small parcels of land that need to work together to be productive or can be land-locked and inaccessible. Accessing lending is often more difficult than for other land types, in part due to unwillingness from commercial lenders and land owners to use land as security.

Packing, storing and transporting goods to markets is a particular challenge for the food production industry because most production takes place in rural areas at a distance from cities and major ports and produce is often heavy. The availability and efficiency of storage, processing, freight and transport options therefore significantly influence food production possibilities in a given area.

## GAPS AND OPPORTUNITIES

Investment in on-farm food production infrastructure, as well as other types of infrastructure investment in surrounding areas, can address climate and other challenges and unlock growth.

Development of land-based hatcheries and nurseries and ocean-based aquaculture farms can increase seafood productivity sustainably, and add value to the industry through selective breeding and other technological means. There are opportunities to enhance the productivity of existing aquaculture farms and extend development into new water spaces.

High value horticulture can drive more productive land use and improve resilience to shocks and consumption changes by diversifying the types of produce New Zealand exports. Upfront investment in on-farm infrastructure is required to enable this development in both industries.

Irrigation is a key enabler of land-based food production, and there are opportunities to support higher value land uses and improve resilience of existing food production to droughts by investing in regional water storage infrastructure. As well as on-farm storage, larger scale shared water storage projects can benefit a wide range of users and support multiple uses.

Whenua Māori productivity can be unlocked through investment with a flexible approach to security that enables on-farm infrastructure development. Water storage infrastructure similarly can enable higher value land uses on multiple whenua Māori land block, realising opportunities for the wider community.

Other types of infrastructure, in particular packhouses, processing facilities, roads and transport infrastructure, can improve access to markets and increase productivity by lowering costs or adding value for food producers.

## INVESTMENT PRINCIPLES

Investment principles provide guidelines for how the RIF will primarily aim to invest in the food production sector. The RIF may invest in projects that can demonstrate the following attributes:

- Supports the resilience of the food production sector to anticipated risks by increasing diversity of produce, transitioning to more sustainable production methods or increasing resilience of food production to the impact of weather events.
- Enhances productivity of the sector by transitioning to higher value land/water uses, or value-added food production.
- Supporting innovation to add value, scale, and attract investment to New Zealand’s food production sector.
- The food production sector is market-led, and as such we expect that much of the RIF’s investment in food production infrastructure assets will be based around loans, equity, or other capital instruments. Some grant funding may be available to accelerate community-centric projects in very limited cases.

## RIF INVESTMENT PRIORITIES

- Land and ocean-based aquaculture infrastructure, e.g, recirculatory aquaculture systems, tanks, floating farms.
- On-farm infrastructure to support transition or development towards high-value or more sustainable and efficient food production systems, including on whenua Māori land blocks.
- Food production, packing or processing infrastructure which enables value-added regional food production.
- Water storage and irrigation projects, including on or supplying to whenua Māori land blocks.

## TYPES OF PROJECTS THAT THE RIF WILL NOT INVEST IN

- On-farm or other private business infrastructure which provides little or no spillover benefits for the community or region will not be eligible for RIF investment.
- The RIF will not prioritise investment in infrastructure to enable or expand land use for low-value food production.