

Milksops captives to banks

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Frank Greenall – July 11th 2019

We're big on trumpeting our mainly grass-fed dairy herds – the most efficient in the world, and all that - leaving aside for the moment the wee matter of serious downstream water and soil degradation.

Dairying rolls us in the clover when it comes to export sales: it's our champion, our dollar machine, our sugar daddy. Yet we have the flagship of one of our major dairy producing areas on the verge of being flogged off into foreign ownership - overwhelmingly voted for by the farmers themselves!

Westland Milk Products has apparently turned sour. A cash cow gone terminal. How so?

Well, it's complicated, but successive management regimes seemed to be a sandwich short of a picnic when it came to certain strategic decisions.

But a constant factor in the mix was the highly expensive cost of borrowing from off-shore banks to finance company operations. Bank executives naturally wish to be maintained in the manner to which they've accustomed themselves. But what the heck was Westland Milk Products doing borrowing off them in the first place?

NZ First's Winston Peters and Shane Jones and Labour's Damien O'Connor have tut-tutted about ownership of this key infrastructure going off-shore, but the only intelligent take I've heard on the whole affair has come from Chris Leitch, Social Credit Party leader.

Social Credit. Remember? Under Bruce Beetham, neighbouring Rangitikei was a stronghold. In 1978 the party pulled nearly a quarter of the national vote. If MMP had applied, SoCred would have had about thirty game-changing seats in parliament, instead of the miserly two FPP consigned them to.

Leitch asks why Government didn't offer Westland Milk the 1% Reserve Bank overdraft arrangement available to the Dairy Board from 1936 to the mid 80's, under both Labour and National governments.

This would have replaced expensive commercial bank created debt with much cheaper Reserve Bank debt, allowing the company's income to benefit West Coast farmers rather than Australian owned banks.

Gee! Such a simple expedient to keep Westland Milk viable. Why wouldn't we do that?

There's a very sad answer. Recent governments have become milksops to the private banks.

There was a time when a government with guts and vision took the bull by the horns and used resources at its disposal to promote national prosperity and equity. The 1935 Labour Government harnessed the newly created sovereign Reserve Bank to serve national well-being above private interest avarice. That's how all those houses got built, as well as a swag of highly beneficial public infrastructure. That's how 1% overdrafts were made available to the dairy industry to help build and diversify.

As Leitch also points out, why exactly is Government widely borrowing through expensive private off-shore banks, anyway, when the Reserve Bank can often perform precisely the same function at nominal rates, such as major nations like China and Japan already do, and we ourselves used to. Instead, we fork out over six billion dollars – six billion! - in interest costs alone per annum, instead of it going towards our own needs. Why, indeed!

For starters, ask Grant Robertson, Minister of Finance. Good luck on getting a coherent answer.

As a nation we've been suckered into hanging off the Big Banking teat - the same shysters who gave us the gratuitous greed-fest of the sub-prime mortgage debacle and a Global Financial Crisis. Our four major banks are Australian owned, which in turn are controlled by major UK and American banks. That includes ANZ, who last financial year sucked out more profit from Kiwis than the six largest companies on the NZSX combined, all while being in breach of regulatory requirements.

Government doesn't even conduct core business through our own bank – Kiwibank. It prefers Australia's Westpac, which naturally gratefully shovels up the attendant handsome fees.

Milksops. Sad, but true.

What use a Webb Ellis Cup on the mantelpiece, when we continue to be lickspittles with our own key livelihoods?