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New Zealand farmers are the hardest working and most productive in the world, and the most productive group in New Zealand. Farming has had no subsidies since 1986 and then only 7%. Many USA farm products still get 50%.

Now NZ dairy farmers have to pay Dairy NZ about \$1,000 each for research, totalling ten million dollars a year, and for what? They haven't even worked out and promoted the most simple and basic things in farming, such as calcium and trace element requirements, and the optimum number of cows to milk. I got one farmer to reduce from milking 420 cows to 320, and to get back to basics, and their three seasons ago loss of \$220,000 changed to \$200,000 profit this milking season.

However, NZ farmers over-produce everything they get into - wool, lambs, beef, dairy, venison, velvet, mohair, fruit, Kiwifruit, avocados, vegetables, flowers and, in 2010, even wine, so the prices of their products drop. Wool became almost worthless because of surpluses, costs and synthetics, and milk dropped to a third, and is now half what it was 50 years ago, which was \$14 equivalent per kg of milk solids in 1955.

Fonterra keeps trumpeting about how high its milk payout is, but the above shows it is not.

All farm products except goat milk, the production of which is controlled by one company, are now below the cost of production. Farmers solve the dropping prices by streamlining, working harder, buying more land, and farming more animals per hectare, but they can't do this forever. They have increased average dairy herd sizes from 60 cows in the 1950s to 360 in 2011. In the 1960s the average herd size was 100, when an average farmer could put three children through private boarding school. They could not do this now with 600 cows.

The lambing percentage is up by 50%, but their profits are down. Now in February 2011, the wool price has increased, mainly because there are no surplus wool stocks anywhere, and production is down, but costs are way up.

Problem

With grazing, farmers can't keep increasing animal numbers forever, because, for example with dairy cows, about 1,000 is the maximum number possible through one milking shed (parlor), because of the walking required to graze sufficient pasture.

The odds are against farmers, because most sell wholesale and buy retail, and governments worldwide aim for cheap food for voters.

Solution

If all New Zealand farmers and the larger lifestylers combined, they could form and own a farmer trust bank into which more than half of New Zealand's annual overseas earnings could go. They could then lend at interest rates more like the Western world, rather than at our excessively high rates that farmers are charged, which is higher than townie home owners are charged, despite farmers being a much lower risk, and are the ones who earn most of the overseas income.

No New Zealand banks collapsed in the recent downturn, but 20 did in USA during January and February 2011, 157 in 2010, 140 in 2009, 25 in 2008, etc. Some lost a hundred billion dollars of others money. For more dismal details by year back to 2001 click <http://www.fdic.gov/bank/historical/bank/index.html>

New Zealand had many fraudulent finance institutions fail, often run by a few greedy, crooked thieving racketeers allowed to use cheating systems because governments wiped all rules in the interest of free-enterprise.

Apparently NZ have the least fraud in the world and is recognised as safe and stable, so others must be dreadful. Overseas investors place funds in our major banks to earn only 3%, which is three times more than they would earn in Japan, Switzerland, etc. This could happen in the Farmer Bank. Farmers could then borrow at about 4% which is a 33% margin. TSB, New Zealand's most efficient, safest and best bank by far, lends at a much lower margin above their borrowing interest rate.

Phone them on 06-968-3797. A person will answer every time very quickly, and be able to answer most questions.

Changing to TSB in 1997 saved us \$1,100 per annum when a dollar was worth a lot more. By now we

are at least \$13,200 better off and with no ulcers. An auditor told me that TSB is 100% safe.

Our three major banks are Australian owned, and in 2008 sent a total of \$11 billion in profits to Australia. This could change to the Farmer Bank receiving half this profit, or about \$5 billion a year, for their 100,000 members, which could include the bigger lifestylers, and average about \$50,000 profit each.

\$11 billion is the amount that the New Zealand dairy industry earned in overseas in that year, so all the dairy farmers, their families, staff and many living in the rural areas, worked for the Australian banks.

TSB can do what they do because they are a trust bank with no shareholders.

In 1948 and 49 I did a Commercial course which would now be called something like "High Finance." Our tutor was a Jew, and the best financier I've known or learned from. He was against anything that allowed anyone else to control your money such as share and finance companies.

Farmers must learn that they can't win from the sideline.

Currently farmers are losing billions collectively. They lose because of a high exchange rate caused by New Zealand's stability, which has been created by farmers. China's main reason for success is their controlled low exchange rate, while New Zealand's failure is mainly because of its high exchange rate.

In April 2010, for the umpteenth time, the slight increase in some dairy export prices caused an increase in our exchange rate, so farmers can't win, unless they control finance.

The solutions are simple, but not easy, and won't happen without farmer action. Townies control the politicians and they won't do it.

In 1984 had Labour's Act American policies, continued by National, not occurred, we would not have had the current downturn, nor the disappearance of millions of dollars from thousands of investors.

Both our governments are to blame for allowing Act's Rogernomics policies to wipe the 20% deposit required before borrowing.

ACT rules are 'no rules', but with people sports have to have both rules and umpires, so businesses certainly need them. Without them, big businesses allow their greed to cause the rich to get over-fat while the workers at \$13 an hour suffer cruelly. Do a budget using it.

Builders with no rules, thanks to National removing them, and allowing anyone to be a builder with any material, cost home owners billions collectively, and ratepayers millions of dollars fixing leaky homes.

Labour's Act policies removed lender rules so finance companies went broke, costing savers billions of dollars collectively.

Banks under no rules and with so much overseas money coming in to them to invest, were wrong in lending 100% and more on properties. Now banks own empty houses, and farms.

If borrowers can't save at least 20% of what they plan to borrow, which they had to before ACT, how can they pay New Zealand's high interest rates?

Free Enterprise, which is the rich getting richer, and the poor getting poorer, has nearly killed USA. If New Zealand had never had ACT's free enterprise policies, we would not have had 25% interest rates in the late 1980s which bankrupted many, and would not have had leaky homes, crashed finance companies, and a very few becoming rudely, repugantly, abhorrently rich.

The ignorance by governments of the voters' knowledge was shown by National when they only got in because Labour's greedy ACT policies were voted out, and then allowed Ruth Richardson to continue the policies that have wrecked New Zealand.

The politicians in power from 1984 to now should be paying, out of their own pockets, the costs of failed finance establishments and leaky buildings. There is no justification for those who lost millions, to now be paying them through rates and taxes.

Governments in those years divided the races, the rich and poor and ruined New Zealand by increasing criminal activities by both the rich, who have to be controlled for their own good, and the poor who need to be helped constructively.

My advice, as always, is to avoid over-capitalisation, which has broken home owners, some New Zealand farmers, and thousands of northern hemisphere ones, and to reduce mortgages, unless the money is used to borrow and invest directly (not through uncontrolled capitalists) in good urban retail shops, the best of which are in the main or business streets of affluent rural towns - not in cities! See vaughan@vaughanjones.info Investing.

Borrowing in New Zealand to buy farm land is now not profitable because the net return is less than the borrowing rate. In most overseas countries land is half the price of ours, and interest rates are half, and many get subsidies, so New Zealand farmers can't compete and make a profit against them.

We can't lower land prices, although bad Fonterra and government management have lowered some.

The problem is that no one is making any more land! However, with a bit of work and combined farmer support, interest rates can be halved. Hungry Australian profit making banks will never do it. They are loving what New Zealand farmers are doing for their profits.

New Zealand's entrepreneurial hard working farmers pushed up land prices, and government policies increased interest rates which rose to the highest in the western world, which then encouraged overseas investments in banks in New Zealand where investors can earn two or three times more than in Japan, Switzerland, etc. This is still happening so banks have lots to lend and are encouraging farmers to borrow and buy more cows, but most have too many already.

Banks have lots

Banks currently have plenty to lend, so farmers should negotiate interest rates down. We and many companies have two banks which is the only way to keep them sharp. We don't tell our banks that we have two, and we never play one against the other. They see when we move funds. We invite rates for sums and decide where to invest.

Farmers with no, or low mortgages, are currently surviving, but their number will gradually decrease. A Farmer Bank lowering interest rates and increasing payouts, not just for milk, would put many farmers back into net profit on their investment.

The Farmer Bank constitution should be that the board has one accountant, one lawyer, and all the rest bona fide farmers, and the name will always be the Farmer Bank.

Nothing will put every farmer into healthy profits for the simple reason that, like townies, many spend beyond their income, and many don't read, learn or implement.

Fonterra will continue to break farmers because they have the North American attitude (I wonder why?), of growth at any cost, borrow to pay their bad policy debts, and pay their large number of managers millions, and give the producers what is left over.

Crafrers would not have collapsed under NZ Dairy Board's smoothing of payouts. Crafrers could take back their farms and debts under today's payout and thrive. Meanwhile the parasitic receivers have spent four million dollars and achieved nothing and the farms' production has dropped. Worst of all, the receivers and those who foreclosed, haven't worked out that anyone buying with a 100% mortgage in today's financial structure will go broke, until the Farmer Bank sorts things out.

Farmers, your only solution is so simple: get your hooks on your earnings from as close to the consumers as possible and keep control of it in your bank with branches in the main countries, and lower your borrowing costs through your own farmer controlled, Farmer Bank, I repeat, with branches overseas, so funds are held there. Doing this could prevent the exchange rate from rising when export prices and sales increase, and overseas earnings go up, but farmers get less.

Importers would then have to buy exchange from the Farmer Bank, at their rate, take it or leave it. New Zealand would again become heaven.

The current situation of China keeping their exchange rate low, and ours kept artificially high, is unproductive for farmers and New Zealand.

In the 1960s the fixed exchange rate favoured importers and penalised exporters. Cliff Emeny, I and a few others campaigned for a floating exchange rate which had to balance so that no debt or surplus built up. National and Labour said that it would not work, because it was not their idea. It will and is needed now.

Other exporters are likely to join what could end up as the only large bank in New Zealand, saving our country about \$11 billion a year currently in overseas exchange losses to Australia.

Additional

A bank CEO told me that their bank makes a lot out of overseas exchange, and I can add, "Using farmers' money."

In 1989 I wrote in National Farming News that the then meat marketing and publicity official didn't even know what was happening under his nose. He replied, dwelling on the negative and trying to justify the lack of success in the meat industry, and didn't comment on my positive and helpful suggestions.

I remember pointing out to a Waikato sheep farmer in about 1964 that the share (%) farmers received for lambs was declining, and showed no signs of increasing. I based this on the first frozen lamb exported by New Zealand farmers getting 80% of the Smithfield British market price to them. In 1964 it was about 50%, and in the last figures I saw it was only 14%. As in many things, middlemen are inefficient and fleecing farmers.

The drop in New Zealand lamb production will certainly help slow this trend for a while, but to do so permanently will mean improving the quality of lamb processing, freighting and marketing. To reduce freight rates, a system of lowering the moisture content to reduce the weight may have to be found, but really the processing, marketing and freighting industries need to become as efficient as the farming one.

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