

Rural Bank & Finance Corporation

A state bank – the State Advances Corporation - was formed in 1936.

In 1974 the State Advances Corporation became the Rural Bank & Finance Corporation. Its function was to service New Zealand's farming and associated primary sector activities. The bank had branches throughout New Zealand from Kaitaia in the North to Invercargill in the South.

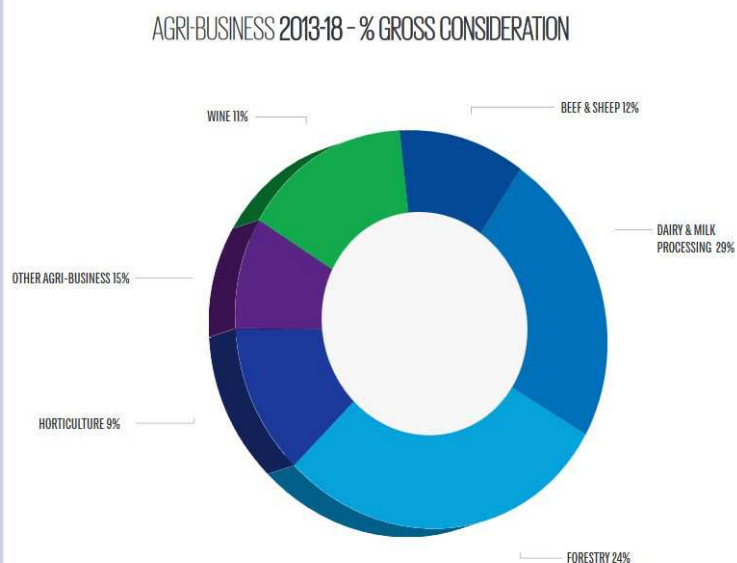
The fundamental objective was to get young men established on economic, one man farms that had the potential for further development and growth. In 1964 the Government decided that a break-even policy of development costs would be introduced, which reduced the rate of settlement. The Rural Bank continued to develop various forms of assistance for those seeking farm ownership, that by 1977 consisted of: Farm Ownership Savings Accounts, Loans to Sharemilkers and Lessees, Farm Worker Settlement Loans, Agricultural Contractors Base Establishment loans, Standard Settlement Loans and Special Settlement Loans.

For many years interest rates on all government loans to the rural sector were subsidised.

The Rural Bank was New Zealand's largest agricultural banker. It was sold to Fletcher Challenge in 1989.

The government also provided loans to the rural sector through the Maori Affairs Department, and Lands and Survey Department.

Much of the investment below could have been made through a Rural Bank, funded by the Reserve Bank, keeping the profits in New Zealand to benefit the New Zealand economy and retaining New Zealand ownership of the businesses.



Source: KPMG Foreign direct investment report

Refer "Funding Our Future" for the viability of using Reserve Bank Funding.