

Blog May 2025 – Rural Banking

It's Time for a Kiwi Solution to Rural Banking

Right now, many rural New Zealanders are being hung out to dry by the Australian-owned banks. While economists warned last year that mortgage rates could hit 7%, some farming families were already forking out 12%—despite having 50% equity in their land. That's not sustainable. Nor is the growing pressure on rural businesses to change the way they farm, without the financial backing to make those changes possible.

If we want farmers to adopt more sustainable practices, we have to back them—not just in words, but in finance. And the current rural lending environment simply isn't doing that.

Australian-owned banks are introducing harsh climate targets for their Kiwi clients—targets that don't even apply to their own customers back home. For example, Westpac NZ wants our dairy farmers to reduce emissions to 0.75 tonnes of CO₂-equivalent per tonne of milk by 2030. Meanwhile, they've set the target for Aussie farmers at 0.85. That's a double standard. And BNZ's parent company, NAB, doesn't even bother to set a target for Australian farmers at all.

Let's be clear: this isn't about farmers avoiding change. It's about fairness and the need for banking to support, not sabotage, progress.

We can't expect rural enterprises to experiment with new, sustainable growing methods—which come with financial risks—if they don't have access to fair and affordable capital. We can't build resilience against climate change if banks pull support the moment a cyclone hits. And we can't expect the next generation to take over farms if no one is prepared to offer loan terms longer than 25 years.

So, what's the answer? We believe it's time for a bold, homegrown solution: a Rural Investment Fund, backed by government-issued bonds and delivered through Kiwibank.

Here's how it would work. The Ministry of Business, Innovation and Employment (MBIE) would issue long-term rural bonds, secured with a partial government guarantee. The funds raised would be lent to rural businesses that meet recognised sustainability standards—like GAP in horticulture or verified animal welfare practices in livestock. MBIE would manage approvals, and Kiwibank would handle transactions.

This would bring real benefits:

- Lower-cost, long-term finance for sustainable farming.
- Competition in a market dominated by foreign-owned banks.
- Increased resilience for rural enterprises facing climate disruption.
- A way to attract young people into farming by giving them realistic access to capital.

Most importantly, it would strengthen New Zealand's position as a global leader in sustainable agriculture. As our trading partners tighten up on environmental standards, having a credible, NZ-centric finance system for green agriculture will give us a competitive edge.

And for those who say this is too radical: overseas-owned banks are already developing similar green lending products. But theirs serve shareholders in Sydney and Melbourne. Ours would serve New Zealand.

This is about putting the needs of our rural communities—and the future of our land—above offshore profit margins. Farmers are already subject to government climate targets and industry standards. They don't need overseas banks setting conflicting rules. What they do need is a fair go, and a bank that's genuinely on their side.

A Kiwibank-led rural lending initiative would deliver exactly that. It's time to act—before another generation of farmers walks away, or another cyclone leaves growers without a financial safety net.

New Zealand's rural economy deserves better. Let's build a future where sustainable farming isn't just a goal, it's a bankable reality.