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Media Release

PGG Wrightson Finance Cuts Lending Rates

One of the prime lenders in the rural sector, PGG Wrightson Finance, announced today that it has substantially cut lending rates to farmers – immediately passing on interest rate cuts announced by the Reserve Bank.

Head of PGG Wrightson Finance Mark Darrow commented: “We have been dropping rates right through the past six months. The latest cut in the official cash rate (OCR) – of 1.5 percent – is a clear and strong move that gives us comfort that rates will stay low for the medium term, and may yet have further downside during this year.

“It is great to be able to pass on rate relief to farmers during a time when many of their incomes are under pressure from lower world commodity prices.”

Lending rates are not perfectly correlated to the OCR, and there are a number of factors that go into setting them – most notably the increased cost of raising funds amidst the world financial crisis.

The OCR has decreased 4.75% since July 2008, to the lowest level since it was introduced on 17 March 1999. Over the same six months period PGG Wrightson Finance has moved prime lending rates by a commensurate amount.

“While our new rates come into force on 1 February, some of the variable rate reductions have been backdated to 1 January to ensure the appropriate savings have been passed directly through to the farmer,” Mr Darrow said.

He said PGG Wrightson Finance is committed to maintaining a competitive offering to farmers. “We have been providing finance to the rural sector for nearly 80 years as a specialist provider – rural finance is all we do. While banks have traditionally been the first funding option for many, this no longer has to be the case. We have a more comprehensive finance offering than the major banks – including full transactional facilities such as cheque books, eftpos cards, on-line services etc. – and, yes, our pricing is competitive.”

Mr Darrow also points out that rate cuts are a double-edged sword. “We have just as many loyal deposit clients as we have lending clients. The interest rate dynamics reduce the deposit rates we pay and therefore affect our clients’ interest income. This is particularly relevant for our many retired farmer clients, who rely on interest income. While much is made of the positive effects of reducing rates, and there are many, we also need to be mindful that there are two sides to the equation. We also need to look after our investors.”

PGG Wrightson Finance is still lending actively in the face of growing market evidence that some banks are holding the purse strings much tighter. “Our funding position is better than it has ever been,” Mr Darrow said. “We are looking for additional lending opportunities to further support the rural sector. We are still growing our lending assets, and will continue to do so going forward.”

For further information:

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