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Banks in conspiracy with MDBA for mass foreclosures; CEC demands farm debt moratorium to protect farmers from banks

The City of London-directed Australian banking cartel is poised to call in huge numbers, and potentially almost all of their loans to farmers and small businesses in the Murray-Darling Basin, in order to crush the Basin's family farms and communities and so to destroy Australia's national food security. In fact, that mass foreclosure process is already well underway, as the MDBA's recent "Rizza report" abundantly documents.

Aided by Babcock & Brown water speculators and the so-called Wentworth Group of Concerned Scientists, as cheered on by Prince Philip's Australian Conservation Foundation, the Murray-Darling Basin Authority and most of the nation's banks have been involved for many months in a de facto plot to use the October release of the Murray-Darling Basin Authority's *Guide to the proposed Basin Plan*, to trigger "Material Adverse Event" (MAE) clauses written into almost all loans. These MAEs empower the banks to immediately call in those loans, and that is now happening.

The banks can classify whatever they feel like as MAEs, including even the prospect of an MAE as one, whether or not the prospective event even happens. But, as they have informed the MDBA, at the top of the list of prospective MAEs is the release of the MDBA's *Guide* itself, which thereby renders virtually every farm and small business loan in the Basin legally defenceless against immediate foreclosure by the banks—regardless of whether or not they are repaying their loans.

In response to these revelations, the Citizens Electoral Council immediately escalated its mobilisation to defend the national food bowl: CEC leader Craig Isherwood today called for the Commonwealth government to protect the Basin and its farming communities from this assault directed by the British Crown and carried out by its stooges in Australia, by instituting an immediate, retroactive farm debt moratorium, and by arranging a line of emergency Commonwealth government credit to keep the farmers producing.

"The Australian government and its loyal Opposition must stop acting on behalf of the Crown to destroy our family farmers—numbers of whom are presently committing suicide—and instead protect them with a debt moratorium," he said.

"Repeated government reassurances that Murray-Darling Basin irrigators won't be forced to sell their water to meet the MDBA's 3-4,000 GL/y environmental targets are a transparent lie. That has been happening for years already, as allocations to

irrigators were cut back by two-thirds on bogus 'environmental' grounds during one of the worst droughts in our history.

"But the present, actually British-orchestrated plot between the MDBA and the banks, as evidenced in the MDBA's recent 'Rizza report', is truly hideous, actually genocidal in the old British imperial tradition of 'land clearances'. Among other things, it proves beyond any doubt that all of the present hoopla about 'consultations', parliamentary or other 'hearings', 'revising the MDBA Guide', etc., are just an orchestrated dog-and-pony show to beguile the public—and the banks' intended victims — while the devastation proceeds. And both the Government and Opposition know this full well because they have debated the 'Rizza report' in Parliament, even while covering up its actual stunning import so no-one else would read it, as I just have, belatedly. They are therefore fully conscious—presuming that they are not brain-dead—that the banks will decimate the Basin through foreclosures long before any 'revised Guide' goes into effect. As we in the CEC have documented in our latest *New Citizen* newspaper, the British Crown is orchestrating this plot not so much to grab the water, as to destroy our national food supply, so as to destroy our sovereignty in the present deepening global financial collapse. So, Ms. Gillard, Mr. Abbott et al., why don't you act on behalf of Australia's national interests for a change? If you

The Hume Dam. There is no shortage of water in the Murray-Darling Basin at the moment, but much is just being let out to sea.

are Australians, and not butt-kissers for the Crown, you will dump this genocidal MDBA plan!"

Mr Isherwood then added, "But since that won't stop the banks, we must also enact a farm debt moratorium as effective as Jack Lang's *Moratorium Act 1930* in order to save our family farms — and our national food supply—legislation for which the CEC drafted already back in 1994." (See below.)

The "Rizza report"


Adrian Rizza.

The conspiracy between the MDBA and the banks is luridly documented in an official "Report to the Murray Darling Basin Authority" titled *The potential effects of changes to water allocation policy on financing the agricultural sector and businesses in the Murray Darling Basin*, now posted on the MDBA's own website. It was written by one Adrian Rizza, a so-called "independent banking consultant", but actually a senior executive from 2000-2010 of the now-crashed Babcock & Brown firm of speculators, where he boasted of developing a strategy to "purchase and 'bank' water entitlements". There he presumably rubbed shoulders with David Green, a former B&B water specialist who is now one of the six members of the Murray-Darling Basin Authority, and perhaps also with B&B supremo Phil Green, the third largest donor to the 2007 election campaign of Howard government Environment Minister Malcolm Turnbull, author of the *Water Act 2007*.

Before submitting his report to the MDBA in October, Rizza toured the Basin and, by his own account, held extensive consultations "with almost all banks which have financial exposure to agriculture in the Murray Darling Basin." Based upon those discussions, of which the MDBA would of course have been acutely aware well before releasing its own *Guide* the same month, he drew the following conclusions. They are presented here at some length in his own rather illiterate, poorly punctuated 'Summary of Key Findings', because they are so shocking, so draconian, that a mere summary of them would scarcely be believed:

1.0 Headline Issues

1.1-1.3 Banks are concerned that proposed changes in the amount of water that is available for consumptive purposes in the Basin will have on the level and certainty of cash flows and asset values of borrowers … significantly adding to uncertainty and thereby negatively influencing their funding decisions … banks consider a reduction in water allocated to consumptive use in the Basin of 20% will be equivalent to perpetual drought conditions;

1.6 Banks have the legal entitlement under their loan agreements to take action to call in any loan once the Guide is released if a reduction of water allocation is proposed which materially affects the financial position of their business;

1.7 Compensation or funds received from a water buyback scheme for licensed water holders is likely to transfer directly to the banks to reduce their loan exposure under the loan documentation. These funds will rarely be directly retained by the licensed water holders under current arrangements as banks will have first rights to the funds to repay outstanding debt. Accordingly, little of these funds will stay in the local community;

1.8 Debt levels in the Basin are at record levels; many businesses are being 'encouraged' to sell their water entitlements to reduce debt. A number of businesses and farms are unviable …

1.9 The sale of permanent water attached to farm land is likely to lead to a reduction in the productive capacity of that land even where temporary water of the same volume is available as banks will not provide as much debt funding when temporary water is used. Any debt provided would also be at higher margins to recognise the increased risk associated with using temporary water. The banks have recognised this as an outcome of water trading and the associated capital access issues it raises;

1.10 Around 80% of bank customers in the Basin are made up of individuals and small business;

1.11 Some banks have indicated they may start taking action to address their loan exposure to the Basin once the Guide is released, some have already started;

1.12 Banks are of the view generally that towns with a population less than 25,000 people, which predominantly rely on irrigation for its economy, are not sustainable in the longer term as a population centre without a thriving irrigation industry;

1.13 Banks have indicated that they consider, as a minimum, the following towns/communities may struggle to remain viable in the absence of sufficient water for irrigation: Coleambally, Leeton, Deniliquin, Griffith, Moree, St George, Mildura and Robinvale;

1.14 All small to medium businesses in the Basin require security for their loans. Banks indicate that for the overwhelming number of borrowers (i.e. greater than 80%) this security extends to the family home;

1.15 Banks consider, once the permanent water entitlement has been sold, that the remaining land needs to be treated as dry land for the purposes of determining loan capacity regardless of whether temporary water is available;

1.16 There is considerable uncertainty for capital providers (debt and equity) about the buyback, compensation and transition arrangements given the timing differences between the announcement of the water reductions and the offsets provided by compensation and transition. Banks indicated that they may not wait for these issues to be resolved before taking action to reduce their exposure;

1.17 The pending release of the Basin Plan and it's implementation has created considerable uncertainty which is affecting the ability of firms/farmers to raise equity. As a result, some of these have the potential to breach their debt covenants;

1.18 Banks are aware that the support mechanisms under the Water Act 2007 does not provide for compensation for loss for businesses dependent on the irrigation sector. They are identifying those businesses in the processing sector and communities effected by reductions in water to irrigators so that they may take pre-emptive action if required;

1.19 Banks interviewed would not seriously contemplate lending to a farm to restructure their business, i.e. to plant new types of crops, invest in new capital equipment or purchase of livestock without the borrower having significant equity;

1.20 Banks are observing increased mental distress in regions most effected by the drought which are economically reliant on irrigation;

1.21 Comments received from banks made it clear that they would be examining almost all loans individually to determine the impact of any change to water allocation. Subject to the water buyback regime, the amount of exceptional relief and other compensation would play a major part in their decision making process;

1.22 The application of Accounting Standard AASB 131 may require assets dependant on cash flow from assets, which are negatively affected by the release of the Guide, Proposed Basin Plan or Basin Plan to be written down. The write downs (which would particularly effect downstream industries) may cause a series of events related to banking covenants which lead to a breach of loan covenants (e.g. gearing) and force the loan to be called in; …

2.0 Banks' Ability to Take Action to Recover Loans

2.1 Almost all loans agreements have a number of covenants attached which when breached allows the bank to immediately take action to recover their loan;

2.2 A Material Adverse Event (MAE) clause in loan agreements allows banks to define the occurrence of any event that might materially negatively affect the cash flows underpinning a borrower's ability to repay a loan to be classified as an MAE and therefore a breach. MAEs can arise from an outcome that is expected to occur. It does not require the event to actually occur;

2.3 Banks are aware of a number of assets and businesses likely to be in a position of breach under the MAE clause if there is significant uncertainty associated with the allocation of water;

2.4 … the release of the Guide, proposed Basin Plan and Basin Plan could constitute an MAE. This would enable banks to try to recover any loans that they believe is affected immediately the Guide, proposed Basin Plan or Basin Plan's release;

2.5 Banks will lend on the basis that they have access to virtually all available cash flow in the forward years of a business and impose covenants, through the loan agreement, on the use to which the cash flows must be put;

2.6 Relatively small reductions in the project's cash flow can often produce a breach in a covenant causing a series of cascading events;

2.7 Gearing covenants may be breached because of the falling values attached to land and water, putting the loan in breach;

2.8 The release of the Guide may cause a write down of asset values under AASB 136, with a consequent reduction of equity and a breach of loan covenants;

3.0 Capital Availability, Allocation and Cost

3.1 Generally debt levels are at record highs within the Basin and banks have many customers under active management, with reviews on a monthly and quarterly basis;

3.2 A number of Banks are actively trying to manage down their exposure to the agricultural sector in the Basin;

3.3 Capital providers consider events such as a reallocation of water as a factor in their assessment of whether to allocate capital to the sector;

3.4 Banks are still cautious with their lending decisions since the Global Financial Crisis. In this market the effect of potential regulatory changes such as the release of the Guide or proposed Basin Plan, with the consequent reduction in water allocations, magnifies capital provider concerns;

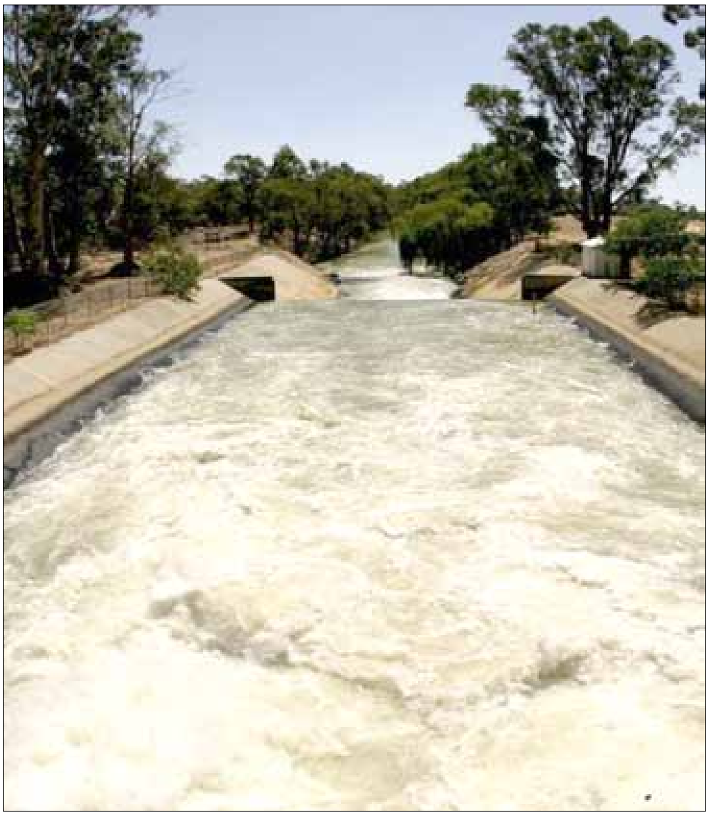
3.5 Perceived increased risk attached to capital allocated to the Basin increases its price, reduces its availability and tightens its allocation;

3.6 There is a tightening in the availability and cost of equity funding available, independently of changes in water allocations. Reduction in water allocation and uncertainty about implementation would exacerbate this;

3.7 Investors consider the Basin Plan will increase political and regulatory risk for investment in Australia and Australian agriculture in general;

3.8 In the short to medium term, it is the transitional arrangements which are creating the most concern amongst investors and are increasing their reluctance to allocate capital to the sector;

3.9 The drought has increased the cost of debt to the sector in some cases by 200 basis points (2%).



A full irrigation canal at Deniliquin. The water allocation of a farming enterprise often accounts for more than two-thirds of the farm's value.

In his concluding "Summary of Recommendations", Rizza observed that "banks have indicated that they consider a 20% reduction in consumptive water to be a continuation of the drought in perpetuity and will act accordingly in assessing their loans", and that "banks may take action immediately the Guide is released to reduce their loan exposure in the Basin if they wish to do so."

We must have a Debt Moratorium!

"Even putting aside all the loans which have already been called in, or which will be in the immediate future," Mr. Isherwood observed, "no bank is going to lend to farmers in 'perpetual drought', which just underscores the need for an immediate debt moratorium. This could be based on two pieces of legislation already drafted by the CEC in 1994, updated as required: the *Productive Industries and Farms Domestic Debt Moratorium, Amelioration, and Restructuring Bill 1994* [printed in the CEC's 2001 book, *What Australia Must Do to Survive the Depression*], and the *Homeowners and Bank Protection Bill 2008*.

"The principle that must be followed in this circumstance, is the government must do what is necessary to guarantee Australia's food security, by fostering food production and family farms," he said. "A retroactive debt moratorium is absolutely necessary, because many family farmers have already fallen victim to the double-whammy of green genocide and free market looting, and that must be reversed wherever possible, and/or compensation provided so they can start again if they choose.

"The Basin crisis is the catalyst for this action, but the moratorium should apply nation-wide, so that all family farm enterprises aren't just simply protected from immediate foreclosure, but are also further protected as required through the financial reorganisation provided for in the *HBPB 2008*."

He added, "The government must also ensure that the farming enterprises can continue trading, by extending low-interest credit to farmers to tide them over for the next 12 months or so. If the government can spend billions bailing out these same parasitical banks, and be prepared to spend at least $10 billion shutting the Basin down, it can definitely find the money to secure the immediate future of Australia's food bowl and its communities."

Things that you can do to defeat this Murray-Darling Basin Plan:

-Read the *New Citizen* to understand the deliberate intention to kill the food bowl

-Call the Citizens Electoral Council to order more copies of the *New Citizen* to distribute

-Join the Citizens Electoral Council as a member

-Terrify your local and federal members of parliament by telling them you have joined the CEC's campaign

-Read and distribute: "Banks in conspiracy with MDBA for mass foreclosures; CEC demands farm debt moratorium to protect farmers from banks". This shows how farmers in the food bowl are already being shut down.

-Push for a debt moratorium through the *Homeowners and Bank Protection Bill*