HD **Mining boom not all bad for agriculture say farmers, economists, despite high Australian dollar**

BY Babs McHugh

WC 872 words

PD 26 August 2014

SN Australian Broadcasting Corporation (ABC) News

SC ABCNEW

LA English

LP

Farmers say they need to concentrate on local strengths, not the weaknesses of a high exchange rate

The National Farmers Federation (NFF) says it's true the mining boom has hurt the value of farm sector by pushing up the Australian dollar.

TD

But it warns that's not the whole story, and says the mining boom also brought benefits like regional infrastructure which likely would not have been built otherwise.

A report by the found the higher exchange rate contributed to a 15 per cent decline in agricultural exports.

General manager of policy with the NFF, Tony Mahar, says Australia is a high cost agricultural producer globally anyway.

He says that, like all exporters, farmers need to manage the business risk, as they have little control over exchange rates.

Mr Mahar says that means concentrating on things like quality, traceability and safety.

"The high Australian dollar hasn't helped the export sector in general, but there are other factors at play, like purchasing decisions for consumers, organisations and countries," he said.

"So we have to deal with costs and trade on issues we do have control over - high quality product, traceability and food safety, which are increasingly important to new markets.

"If you take a step back, the mining boom has had broader benefits for the economy outside of agriculture, so there's a balancing up of that impact also.

"But there's no doubt there'd be those in the community, and I agree, who say the high Australian dollar hasn't been good for agricultural exports."

Chief economist with Bankwest, Alan Langford, agrees the high Australian dollar had made it difficult for farmers, but he believes the mining boom isn't the only reason it's so high.

"The dollar was probably pushed up by the mining, but I'm not sure that's the reason why it's stayed so high, which it has done even though mineral commodity prices, iron ore and coal particularly, have fallen.

"I think now there's factors such as having attractive interest rates compared to the rest of the world, or the rest of the advanced economies.

"That keeps interest in the Australian dollars and stokes foreigners' appetite for it.

"We're also one of the few countries that have Triple A rated government bonds, and they're very attractive to central banks, and, of course, to buy them they have to buy Australian dollars first.

"And the Australian dollar didn't actually go up as high as commodity prices themselves, so it's perhaps not entirely surprising that it's not coming down as quickly as commodity prices are."

Mining boom has flow-on effects for all Australia

Mr Langford concedes that without the **mining** boom the Australian dollar wouldn't be as high as it is, but he too believes that's offset by other economic factors.

"You've got to also remember that the **mining** boom is being driven by the rise, particularly, of **China**, and the rest of Asia as well.

"And their demand for agricultural products has risen in line with it.

"And there's been some offsetting benefits to the rural sector by lower machinery costs, for instance.

"But clearly if the boom hadn't happened, and the Australian dollar averaged 70-80 cents US, then farmers would have got a much bigger pay cheque in Australian dollars."

That may be the case for the agricultural sector specifically, but Mr Langford says there's also a flipside.

"As the RBA paper showed, there's been a significant flow through of benefits and that's what it was trying to quantify with its input-output analysis," he said.

"Clearly there has been a significant flowthrough, and if you just look at household consumption, for instance, it's more than 50 per cent of GDP.

"While hasn't been universally spread, there are some households and businesses that haven't directly or indirectly benefited from the **mining** boom, but a decent majority have."

Farmers aren't the only ones feeling the lingering effects of the boom and the high Australian dollar.

"Tourist operators are feeling the pinch, particularly on the **Gold** Coast, for instance," Mr Langford said.

"There wouldn't be a more discretionary expenditure and exchange rate exposed economy than on the **Gold** Coast."

So what would be an exchange rate that farmers would feel could benefit them?

It's a 'how long is a piece of string?' question that Tony Mahar from the NFF wouldn't be drawn on.

Alan Langford, from Bankwest, isn't such a fence-sitter on the 'preferred Aussie dollar' question.

"Of course, for farmers, the lower the better and they'd probably like to see it at 60 cents US, but when it goes to 60 US cents for a few weeks then back up to 80 US cents, such volatility isn't in anyone's interest.

"We'd probably like to see it just below 90 US cents reasonably quickly, heading for somewhere between 75-80 US cents.

"And I would expect it to settle around the 80-85 US cents some time next year."

CO naffed : The National Farmers' Federation

IN i0 : Agriculture

NS ecat : Economic News

RE austr : Australia | waustr : Western Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

IPD mining

PUB Australian Broadcasting Corporation

AN Document ABCNEW0020140826ea8q000dx

