



## MONEY DUE REWARDS:

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### Hope in the Rural Sector

In his letter to the Romans, the apostle Paul wrote: “we glory in tribulations also: knowing that tribulation worketh patience; and patience, experience, and experience, hope” (Romans 5: 3-4). Whilst not all farmers will have had the faith to actually glory in their tribulations, the last few years have certainly brought a good many trials for most rural businesses. For most, the droughts and frosts of recent times have certainly been an experience, and they have undoubtedly required a good amount of patience as well.

The good news is that now, there is hope. Economically, we are seeing quite a few signs of better times ahead for rural producers.

Perhaps the most obvious of these, is a sharp decline in costs which has come with the global financial crisis. The sharp falls in mining commodity prices which occurred in 2008 have resulted in similarly sharp falls in the prices of both diesel and superphosphate fertiliser – both key inputs for almost all producers. For those with bank debt, the recent reductions in interest rates will also be very welcome. These changes alone are probably enough to put a smile on most farmers’ faces.

While the financial meltdown has caused some farm commodities (such as wool) to fall, the overall outlook for farm revenues remains positive, with world wheat stockpiles remaining low, and demand being underpinned by the urbanisation process occurring in Asia. Exporters are also greatly assisted by the recent 30% devaluation in the Australian dollar, which will translate into higher prices at the farm gate.

Phillip Glyde, the Executive director of ABARE, was recently quoted in the Australian Financial Review as saying “The general commodities story you are getting is...all doom-and-gloom – but on the agriculture side, it’s not too bad...Given that food and fibre tend to be relatively insensitive to changes in income, agriculture is holding up pretty well...If you think back to a year ago we were in a global food crisis, not a global financial crisis, and those fundamentals – in terms of low levels of stocks, high levels of demand and demand for grain and biofuels – they’re still there”.

Another positive factor for farms may well be the labour market. In recent years, rural areas have seen a substantial exodus of young men for the lucrative pay available in the mining sector. Now that the minerals boom appears to be over, some of these may return to farm work where the pay is a little more modest.

Of course some of these developments can be a two-edged sword, particularly the higher Australian dollar, which is making foreign manufactured machinery considerably more expensive. It is also worth remembering that none of this is of any benefit at all if the rain just doesn’t fall when it’s needed, or if your allocation of irrigation water is just too low under the circumstances.

Nevertheless, it is certainly good to see that something positive appears to be happening in this country’s long-suffering rural industries.

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