

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 74

Topic: Fall in Agricultural Income

Hansard Page: E12

Senator SHERRY asked:

Senator SHERRY—If the drought comes to an end we will still have the issue of the higher exchange rate and the impact that it will have on export prices from the rural sector in what is a corrupted world market.

Dr Gruen—Yes.

Senator SHERRY—Do you not believe there is any particular need for Treasury to examine the impact on this sector? You have not done any special work to date?

Dr Gruen—We have not done any special work to date. We would understand the general direction of the effect and it would be an effect operating not just on the rural sector but on all parts of exports that are not benefiting from the big rise in their prices.

Dr Kennedy—And of course we monitor the rural sector and we look at the amount of income that is being generated in the rural sector. Possibly for some parts of the rural sector it could be the case that the prices of their commodities might be rising at this time with the exchange rate. For example, wheat prices or something like that. Obviously they cannot benefit from it if they cannot get any production out because of the drought. We certainly stay abreast of it and we are certainly aware of the very large fall in agricultural income over the last couple of quarters in the national accounts, which is clearly drought related.

Senator SHERRY—What has been the evidence of the fall in income? Do you have approximate figures? Do you have anything that comes to mind?

Dr Kennedy—I will see if I can get something to hand, but the fall in agricultural income in the last two quarters was extremely large. The fall in farm production that we have for 2006-07 is of the order of 20 per cent.

Senator SHERRY—What about the income impact?

Dr Kennedy—I think it is larger. We will see if we can find it for you.

Answer: The Australian Bureau of Statistics' June quarter 2007 National Accounts (catalogue number 5206.0) show that agricultural income was \$762 million in the June quarter 2007, a 64.6 per cent decline compared with the June quarter 2006.