



NEWS

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Farmers call for careful financial decisions

The Federal Government must consider carefully its fiscal policy, with the Reserve Bank expected to increase interest rates today by a quarter of a percent to 7.25%.

The NSW Farmers' Association is calling on the Reserve Bank to remain mindful of the situation and the impact that its decision will have across different sectors of the economy.

Speaking at the NSW Farmers' Association's Executive Council meeting in Parkes today, Association President Jock Laurie said if the Reserve Bank increases interest rates today it will be the twelfth time in under 6 years.

"Over this same period we have seen rural debt increase 74% from \$30.2 billion to \$52.8 billion and the Australian dollar appreciate by 73% from US\$0.5389 to US\$0.9336 both these factors affect farmers profitability with increased costs and reduced international competitiveness," Mr Laurie said.

"Unfortunately for the rural sector the predominant indicators are based on consumer spending, employment, and the housing and finance sectors. While these indicators are demonstrating sustained pressure the same picture is not true for the rural sector," he said.

"Rural debt is driven by reduced incomes and necessary borrowings to grow the next crop and is not a reflection of strong growth. Since 2002 the gross value of agricultural production has decreased by 13% to \$10.6 billion," he said.

Mr Laurie says the Federal Government needs to consider its fiscal policy in light of the sustained inflationary pressure.

"We would suggest that longer term investment in infrastructure would improve productivity, increasing our international competitiveness, and it would also support longer term employment without the impact of a direct cash injection that would result from tax cuts.

"With the increase in May 2007 only expected to now be taking effect, some may query whether an increase today is a precautionary measure or a premature reaction," Mr Laurie concluded.

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