

Monday 19 March 2012

## Transport cost index: A first step to overcome the tyranny of distance in Australian agriculture

Many assume that the *Tyranny of distance* mentioned by the Australian historian Geoffrey Blainey has now been overcome thanks to modern communication technologies. This is however far from the truth for the agricultural sector where food and fibre products still need to travel long distance before reaching their markets.

The study '*Transport costs for Australian Agriculture*' released today by the Australian Farm Institute provides an index of transport cost as a percentage of farmgate value for twelve different case studies and shed some light on the question of the importance of transport costs for agriculture businesses.

Executive Director of the Institute, Mick Keogh, explains that "*Despite the importance of transport costs to farm businesses, there is little published research that identifies either the scale of these costs for Australian farmers, or the extent to which these costs are changing over time*".

"*The available statistics estimating that transport only represents 4% of the total Australian agricultural output are a far cry from the reality. This research finds that from the farm to a foreign customer (delivered to the foreign port of entry of domestic central market), transport cost of Australia's agricultural products represent between 4% and 48.5% of the farm gate value, with an average of 8.75% for domestic delivery and 23.64% for international delivery.*" Mick Keogh says.

"*While these results cannot be extrapolated to respective agricultural industries as a whole, they demonstrate that for many products, particularly beef cattle and grain, transport costs are a major part of the total cost to produce and deliver the product to its destination.*

"*This research shows that for certain routes, although ocean freight is often a major part of the cost and highly sensitive to the world price of oil, rail freight can constitute the highest share of the total transport costs.*

"*The great advantage of this research is that it constitutes a benchmark against which changes in transport costs can be assessed and compared over time. It is also hoped that the Australian agricultural transport costs identified, as part of this research, will be able to be compared with transport costs incurred by agricultural producers in other countries.*" Mick Keogh concludes.

This research has been carried out by Garry Goucher & Associates, '*Transport cost for Australian agriculture, Australian Farm Institute, Sydney*' is available at the Australian Farm Institute. The online version of the report is free for the member of the Institute. More information on [www.farminstitute.org.au](http://www.farminstitute.org.au)

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