

# ONLINE ARTICLE

<b>Title:</b>	"The rise and rise of transport costs"
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<b>Date:</b>	Thursday, 9 February 2012
<b>Publication:</b>	Beef Central
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<b>Address:</b>	< <a href="http://www.beefcentral.com/p/news/article/1208">http://www.beefcentral.com/p/news/article/1208</a> >
<b>Accessed:</b>	Friday, 22 June 2012

Products	Origin	Destination	Transport modes	Transport costs % farmgate value
Grain	NSW	Export, Japan	Road, rail, bulk shipping	48.5%
Grain	WA	Export, Egypt	Road, rail, bulk shipping	40.5%
Cattle/beef	Qld	Export, Japan	Road, refrigerated container shipping	13.1%
Cattle/beef	Vic	Export, Japan	Road, refrigerated container shipping	13.9%
Cattle/beef	WA	Export, Japan	Road, refrigerated container shipping	21.5%
Cattle/live export	NT	Export, Indonesia	Road, livestock ship	29.7%
Cotton	NSW	Export, China	Road, rail, dry container shipping	7.1%
Wool	SA	Export, China	Road, rail, dry container shipping	4.7%
Table grapes	Vic	Export, Singapore	Refrigerated road, air freight	33.8%
Apples	NSW	Domestic, Sydney	Refrigerated road	4.1%
Bananas	Qld	Domestic, Melbourne	Refrigerated road	13.4%
Wine	NSW	Export, UK	Road, dry container shipping	n/a

Australian Farm Institute 2012

Transport costs as a percentage of farmgate value. Source: Australian Farm Institute

Rising transport costs continue to put pressure on the profitability of Australian beef production enterprises, with new research showing freight and storage costs have a far greater impact on farmgate returns than official statistics suggest.

Research recently commissioned by the Australian Farm Institute shows that transport costs from farmgate to foreign customer represent between 13.1pc and 29.7pc of the total farmgate value of beef produced for export in Australia.

The research, conducted by Garry Goucher and Associates, used 12 case studies to examine all transport costs incurred by stakeholders along the supply chain, including road freight, storage, handling and wharf fees.

The results are a far cry from available statistics, according to the AFI, which estimate that transport costs represents only four percent of the value of Australian agricultural output.

The AFI research suggests transport costs for Australian agricultural product average 8.75pc of the farmgate value of product produced for domestic delivery, and 23.64pc of product produced for international delivery.

In beef enterprises, transport costs represented 13.1pc of the farmgate value of beef produced in Queensland for export to Japan, while at the other end of the scale transport costs represented 29.7pc of the cost of cattle exported from the Northern Territory to Indonesia (See table).

Contributing to the inflation equation are soaring road construction costs in Australia.

The costs of building and maintaining roads in Australia soared by 11 percent last financial year alone, according to the Australian Livestock and Rural Transporters Association, the largest single increase of any year on record.

The hike was based on rising costs of asphalt, sand, labour, diesel, plant hire and other inputs.

Those increases feed directly into the cost of registration and road use charges paid by transporters, which in turn push up transport costs for primary producers.

ALRTA chief executive officer Philip Halton said that since the early 2000s, the cost of building Australia's roads has been regularly running at more than double and even more than three times the rate of general inflation across the economy.

The National Transport Commission has been working in recent months to set the annual indexation of registration charges for 2012-13. Mr Halton said it had worked hard to exclude as many factors as possible, including the cost of rebuilding roads after floods, however the forecast was still for an increase of around six percent on registration and fuel charges for the next financial year.

Based on that figure, possible registration charges in 2012-13 for semi-trailers will be \$6074, B-doubles \$16,604, B-triples \$23,501, type 1 road trains \$12,090 and type 2 road trains \$14,474.

A national review of A-Trailer charges is current underway, and the ALRTA said it is hoping that reforms can be implemented that will drag those charges back as far as possible.

While many factors contributed to the higher road costs, Mr Halton suggested there were areas where inefficiencies could be removed.

"Spend any time out on the roads and you're always left with a nagging doubt about just how the road agencies can afford to have so much heavy gear parked up and seeming not to get used," Mr Halton said.

"And there are also some questions to be asked of State Governments who hand all their maintenance work to the local council or shire, rather than tendering it out.

"Are they really getting the best deal possible?"

The Australian Farm Institute said its review has demonstrated that for many products, particularly beef cattle and grain, transport costs represent a major component of the total cost of production.

The case studies showed that producers had little or no control over the market prices they received, due to competition from other countries in export markets or imported product in Australia. As a result any reduction in transport costs would largely flow back to producers through higher prices from traders and marketers.

"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," the AFI said.

The full report, Transport costs for Australian agriculture, will be available for purchase from this month on the Australian Farm Institute website.