



RESEARCH NOTE

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Farm Fuel Costs

Introduction

There has been much recent press comment on the size of fuel bills facing farmers and the increases that they can expect as fuel prices increase.

This Research Note examines the issue of farm fuel costs and shows that they are an important part of average farm costs. It also shows the amounts paid to farmers under several fuel cost subsidy schemes.

In support, the Note provides some relevant statistical background.

Farm input costs

Recent increases in world oil prices and a slide in the value of the Australian dollar against the United States dollar have led to unprecedented rises in the price of petrol and diesel at the pump. Many sectors of the economy are reacting to these increased fuel costs and their effects on the overall costs of business inputs.

Those engaged in agriculture are no exception particularly as they are by and large subject to prices set on world commodity markets.

There are two main sources of data on farm fuel costs and the percentage that these are of total farm costs—the Australian Bureau of Statistics (ABS) and the Australian Bureau of Agricultural and Resource Economics (ABARE).

ABS survey results

The ABS surveys a large number of farm enterprises on an annual basis in its Agricultural Finance Survey. It produces—among other things—data showing farm business finances for the average Australian farm.

Preliminary figures for 1998–99 show that the average Australian farm spent \$12 600 for fuel in that year. This figure includes payments for petrol, diesel, LPG and lubricants. This is a cash figure and does not include subsidies. It represents 8.1 per cent of total farm purchases and selected expenses. In 1997–98 Australian farms spent an average \$11 900 on fuel representing 10.3 per cent of total farm purchases and selected expenses.

These amounts and percentages may rise in 1999–2000 but currently the amount spent on fuel on the average farm is less than items such as marketing expenses, fertilisers and repairs and maintenance.

ABARE survey results

Every year ABARE surveys Australian dairy and broadacre farms. As a result it produces

financial, physical and socioeconomic information representative of over 70 per cent of Australian farms.

In 1998–99 the average Australian broadacre farm spent \$11 115 on fuel, oil and grease. This represented 6.8 per cent of total cash costs. Average farm fuel, oil and grease expenditure ranged from a low of \$6775 in the beef industry (representing 5.5 per cent of cash costs) to a high of \$20 940 in that year in the wheat and other crops industry (7.9 per cent of total cash costs).

When examined by zone, average farm expenditure on fuel, oil and grease ranged from a low of \$5700 in the high rainfall zone (5.6 per cent of total cash costs) to a high of \$17 086 in the pastoral zone (6.7 per cent of total cash costs).

**Table 1: Cost of fuel, oil and grease
Broadacre farms
Australia 1998-99**

Industry segment	Cost of fuel, oil and grease (\$)	Total cash costs (\$)	Fuel as a percentage of total cash costs (%)
Farm type			
Wheat and other crops industry	20 940	266 561	7.9
Mixed livestock/crops industry	12 585	175 352	7.2
Sheep industry	6 851	117 461	5.8
Beef industry	6 775	122 712	5.5
Sheep-beef industry	6 933	112 821	6.1
Zone			
Pastoral zone	17 086	256 177	6.7
Wheat/sheep zone	13 953	192 586	7.2
High rainfall zone	5 700	101 055	5.6
State			
New South Wales	10 699	154 292	6.9
Victoria	7 339	101 308	7.2
Queensland	11 796	179 572	6.6
South Australia	10 945	143 888	7.6
Western Australia	17 657	284 850	6.2
Tasmania	5 836	105 843	5.5
Northern Territory	57 445	559 220	10.3
All broadacre farms	11 115	162 815	6.8

Source: Aspire data package prepared from ABARE farm surveys.

State average expenditure also varied from a low of \$5836 in Tasmania (5.5 per cent of total cash costs) to a high of \$57 445 in the Northern Territory (10.3 per cent of total cash costs).

Table 1 shows these averages for 1998–99. It also shows the size of farm fuel costs as a percentage of total cash costs.

Note again that these amounts and percentages may rise in 1999–2000. Again, typically, fuel lies behind fertiliser and repairs in magnitude. Table 2 shows the ranking of the top six cost items for Australian broadacre farms for 1998–99.

Subsidies and rebates

Fuel costs in a number of industries—including agriculture—are subsidised.

Farmers are able to take advantage of three such schemes—the Diesel Fuel Rebate Scheme (DFRS), the Diesel and Alternative Fuels Grants Scheme (DAFGS) and the Fuel Sales Grants Scheme (FSGS).

Diesel fuel rebate

The Diesel Fuel Rebate Scheme provides a rebate on diesel fuel used in a number of industries including off-road agricultural activities. Currently this rebate is \$0.36884 per litre. The rebate is adjusted in line with movements in the Consumer Price Index (CPI). This means that if diesel prices increase faster than the CPI, claimants will be under-

compensated; if diesel prices increase slower than the CPI claimants will be over-compensated.

The number of DFRS claims paid to agricultural enterprises is high; these represent the predominant proportion of all claims paid. The reason for this is that the bulk of agricultural activities are eligible for the rebate and there are a large number of small agricultural enterprises in comparison to other industry sectors dominated by large companies.

In 1997–98, the most recent year for which taxation statistics are available, 177 868 claims were paid to agricultural enterprises representing 88.7 per cent of the 200 607 claims paid under this scheme. The total amount paid was just under \$505 million implying an average rebate to agricultural claimants of \$2839.

ABS Agricultural Finance Survey figures for 1998–99 confirm these amounts showing an average \$3732 claimed by Australian farms.

The effect of this rebate is to reduce average farm fuel costs considerably.

Diesel grants

From 1 July 2000 farmers and other non-metropolitan road users were also eligible for payments under the Diesel and Alternative Fuels Grants Scheme. This scheme pays grants for on-road use of vehicles with a gross vehicle mass of 4.5 tonnes or more and registered for use on public roads. In the financial year 2000–01

this scheme is expected to cost \$261.8 million.

Fuel sales grants

From 1 July 2000 farmers and other remote and regional fuel users have also been able to take advantage of the Fuel Sales Grants Scheme which provides for reduced pump prices for petrol and diesel. Consumers including farmers in remote areas will benefit by two cents per litre while those in regional areas will benefit by one cent a litre.

Additional reading

Further information on fuel prices and taxes can be found in the two sources cited below and also in Richard Webb, 'Petrol Price Rises: Causes and Consequences', *Research Note no. 6*, Department of the Parliamentary Library, 2000–01.

Sources:

Australian Taxation Office, *Taxation Statistics 1997–98*, pp. 122–4.

Richard Webb, 'Diesel and Petrol Excises', *Research Paper no. 6*, Department of the Parliamentary Library, 2000–01.

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**Table 2: Ranking of farm costs over \$10 000
Broadacre farms
Australia 1998–99**

Description of cost	Ranking	Amount (\$)
Fertiliser	1	16 354
Repairs and maintenance	2	15 579
Interest paid	3	12 774
Handling and marketing expenses	4	11 573
Fuel, oil and grease	5	11 115
Crop and pasture chemicals	6	10 836

Source: Aspire data package prepared from ABARE farm surveys.