

AUSTRALIAN FARM INSTITUTE

MEDIA RELEASE



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Rising energy costs impact farm productivity

While Australian farm businesses have been becoming more energy-efficient for some time, recent price rises have outstripped the sector's ability to match price rises with efficiency gains, according to research by the Australian Farm Institute.

The AFI's report on [*'The impacts of energy costs on the Australian agriculture sector'*](#), funded by Energy Consumers Australia, provides evidential analysis of the financial cost of energy and an interactive calculation tool for evaluating the impact of energy price changes on the sector. The report estimates the current annual cost of energy to the Australian agriculture sector at \$5.8 billion.

KEY POINTS

- The cost of energy to Australian agriculture is estimated at \$5.8 billion p/a.
- Excluding post farm gate processing, energy costs are \$4.56 billion – equal to 9% of the gross value of production of the 11 sectors analysed.
- A modelled modest increase to the cost of electricity of just 30% with 5% across all other energy sources would cost the sector an additional \$863 million overall.
- Lack of data is the biggest barrier to understanding the impact of energy policy changes on Australian agriculture.
- The agriculture sector needs to urgently construct a compelling, evidence-based case for energy policy change.
- The report and Energy Cost Calculator are available to download at: http://farminstitute.org.au/publications/research_report/energy

“With the National Farmers’ Federation and the Australian Competition and Consumer Commission calling for critical action on energy pricing, it’s never been more important to quantify the impacts of energy costs to agriculture,” said AFI Executive Director Richard Heath.

“Energy price rises are an economy-wide problem and the intense debate about appropriate policy to provide reliable and affordable energy has yet to result in relief for those who grow our food and fibre.

“The cost of energy has become a significant factor impacting agricultural profitability and Australian industry – including agriculture – is rapidly becoming uncompetitive against countries with cheaper and more reliable power.”

As the most energy-intensive plant-based sectors, sugar, wine grapes and cotton are the sub-sectors most vulnerable to energy cost increases, with intensive industries such as chicken meat, dairy, pork and eggs topping the list for animal-based sectors. The significance of energy costs to agriculture is also being amplified by moves in many sectors to more energy-intensive practices like pressurised irrigation, to achieve efficiency gains in areas such as water use. Irrigators are particularly exposed to the cost hikes, with high electricity prices reportedly preventing growers from running pumps. Some Queensland producers have reported energy cost increases [up to 300%](#) in recent years.

Despite the increasing impact of energy costs on farm business profitability, there have been few recent investigations into energy use in the agricultural sector specifically related to the cost burden and sectoral impacts of changing energy prices. Mr Heath noted that data on the cost of energy to Australian agriculture at a sectoral level is “surprisingly sparse”, limiting choices for evidence-based policy options.

“This research will enable a more informed discussion of the economic impact of changes in the price of energy on the sector,” he said.

“Given the upward projections of energy prices, a thorough understanding of the current situation and outlook is fundamental to the creation and implementation of fair, affordable and sustainable energy policies for the future state of Australian agriculture.”

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