

AgForce Grains Ltd.

A commodity council of AgForce Queensland ABN: 212 416 791 71



30 November 2005

Mr Rob Hansen
Research Director
Impact of Petrol Pricing Select Committee
Parliament House
BRISBANE QLD 4000

Dear Mr Hansen

Impact of Petrol Pricing

AgForce is the peak representative body for rural broadacre producers in the cattle, grain and sheep and wool sectors of Queensland.

Fuel, whether it is petrol or diesel, is a large input in the agriculture sector. The price of fuel has a large bearing on the profitability of the sector and cannot be passed on to anyone. Rural producers have no option but to absorb high fuel prices which impact on general operating costs such as power generation, transport, freight, and fertilizer.

With regard to freight costs, Queensland producers who are reliant on road and rail transport for moving grain can be subject to the imposition of a fuel levy. An unknown allowance for a fuel levy by transport operators impacts on farmer's decision making. Due to the high cost of fuel and the difficulty in predicting what the future cost of fuel will be, it is near impossible for producers to forward plan the marketing of their produce.

Greater use of Ethanol blended fuel would help alleviate the fuel price situation. From an environmental perspective Ethanol as a cleaner burning fuel does not add toxic emissions to the atmosphere. Moreover, Ethanol has the ability to reduce pollutants, particularly in older vehicles.

Notwithstanding the environmental benefits, the current high cost of crude oil make the use of Ethanol very attractive for consumers. As a renewable fuel source this is one means of reducing consumer reliance on fossil fuels. In this regard the USA is moving at a very rapid rate to lessen it's reliance on imported oil supplies and has adopted a major domestic program to use renewable fuel, in particular Ethanol as a main stream product for motorists.

In the USA blends of 85% Ethanol are priced at significantly lower prices to that of unleaded petrol. For example in July 2005 the price of Ethanol E10 (E10) petrol was US\$2.10 a gallon compared to US\$1.70 for Ethanol E85 (E85). Currently the price difference is still 50 to 70 cents per US gallon. Significantly the number of flex fuel vehicles in the USA capable of using fuel blends between 100% unleaded petrol and E85 is increasing.

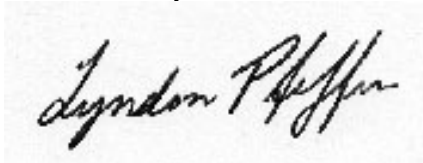
A domestic renewable fuel supply in Australia would also replace our reliance on imported fossil fuels. It would also add value to commodities such as wheat and sorghum from which Ethanol is produced, as well as strengthening our regional economies and providing additional employment opportunities. The use of E10 in Australia will lead to lower fuel prices, however even more significant savings would be made in the future if consumers had flex fuel capable vehicles which would allow them to purchase even higher levels of Ethanol blended fuel.

Due to negative publicity of the effects of Ethanol on cars in the past, the Federal Government introduced legislation to have a maximum of 10% Ethanol in blended fuel. For a higher percentage of Ethanol to be blended into fuel, which would result in even cheaper fuel for consumers, the current legislation would have to be changed. This is one area that needs pursuing to allow for higher blends.

Currently all the Ethanol that is produced in Australia is being consumed. This situation means that major fuel companies do not have to promote E10 as a cheaper fuel source. While there have been State and Federal Government initiatives to use more Ethanol blended fuels, more needs to be done to ensure that Ethanol, as a cheaper fuel source, is a mainstream product.

The use of Ethanol is environmentally friendly and offers not only relatively stable fuel prices, but cheaper fuel to consumers. In addition, a vibrant Ethanol industry in Queensland would strengthen our regional economies and provide additional employment opportunities.

Yours sincerely

A handwritten signature in black ink, reading "Lyndon Pfeffer". The signature is written in a cursive, flowing style.

Lyndon Pfeffer
President- AgForce Grains