

Financial performance of Australian sugar cane producers 2005-06 to 2007-08

from ABARE research report 08.8

- *The Australian sugar cane growing industry appears to be in transition. The volume of production is relatively stable however with a reduced number of producers, there is a trend toward a smaller number of larger farms.*
- *An important finding of this report is that the average cost of sugar cane production will decline with the increase in the scale of sugar cane production. This provides a strong incentive for sugar cane producers to expand the scale of production to capture this benefit and boost profitability.*
- *Relatively weak global sugar prices and rising input costs (particularly for fertilisers, fuel and contractors' services) have led to a significant decline in profitability of the industry.*

Survey of growers

- This report presents detailed physical and financial performance indicators for sugar cane growers by region for the financial years 2005-06 to 2007-08. Information on growers' management practices, production intentions and impediments to expanding sugar cane production was also collected as part of the survey. The sample included farms with an estimated value of agricultural operations greater than \$5000.
- The study was conducted on behalf of the Sugar Industry Oversight Group (IOG), in collaboration with CANGROWERS and with funding from the Department of Agriculture, Fisheries and Forestry through the 2004 Sugar Industry Oversight Reform Program, which ended in June 2008.

Production

- In 2007-08, Australia harvested 396 000 hectares and produced around 36.7 million tonnes of sugar cane.
- On average, sugar cane producers harvested 8184 tonnes of sugar cane per farm in 2007-08. There was a wide dispersion of farm sizes and sugar cane production around this average. Nearly two-thirds of growers produced less than 7500 tonnes of sugar cane per farm and accounted for slightly more than one-quarter of Australia's sugar cane production in 2007-08. In comparison, an estimated 3 per cent of growers produced more than 30 000 tonnes a farm and accounted for 20 per cent of national sugar cane production.

Economies of scale

- There is evidence of economies of scale in the Australian sugar cane industry. That is, the average cost of production declines with the increase in the scale of sugar cane production. For example, in 2007-08 growers producing more than 50 000 tonnes of sugar cane per farm realised an average gross margin of \$6.30 a tonne compared with \$1.24 a tonne for producers growing less than 7500 tonnes per farm.

Gross margin

- In 2007-08, the average gross margin (the difference between the sugar price and cash costs of production per tonne of cane) of sugar cane production is estimated to have been around \$3.00 per tonne, compared with more than \$11.00 in 2006-07 and \$9 in 2005-06.
- In 2007-08, sugar cane production was most profitable for growers in New South Wales and the Herbert River and Burdekin regions, and least profitable in the Far North and southern Queensland regions.

6 Farm financial performance, sugar producers, 2005-06 to 2007-08 ^a

average per farm

	less than 7.5 kt			7.5 - 15 kt			15 kt - 22.5 kt			22.5 kt to 30 kt		
	2005 -06	2006 -07	2007 -08 s	2005 -06	2006 -07	2007 -08 s	2005 -06	2006 -07	2007 -08 s	2005 -06	2006 -07	2007 -08 s
Total cash receipts	\$ 123 378	168 486	141 850	341 720	412 873	331 623	593 682	683 446	561 950	804 059	1 217 849	770 694
Total cash costs	\$ 100 124	128 219	137 460	254 080	300 289	326 258	435 330	506 886	589 042	626 449	920 200	701 722
Farm cash income	\$ 23 254	40 267	4 390	87 640	112 584	5 365	158 353	176 560	-27 091	177 610	297 649	68 972
Farm business profit	\$ -14 978	-6 101	-41 309	14 306	37 976	-69 671	62 936	81 337	-125 437	71 454	189 970	-82 151
Rate of return												
- excl. cap. appreciation%	-0.4	0.2	-1.7	1.5	2.3	-1.5	3.0	3.4	-1.5	2.8	3.8	0.0
- incl. cap. appreciation %	5.1	13.7	na	6.3	14.0	na	6.7	8.5	na	6.8	14.9	na
Farm capital	\$m 1.4	1.7	na	2.5	3.1	na	3.5	3.8	na	4.9	8.3	na
Farm debt	\$ 136 865	102 273	na	189 729	204 206	na	428 753	517 958	na	667 644	1 394 929	na
Liquid assets	\$ 82 761	116 387	na	174 191	106 719	na	194 463	242 264	na	248 796	97 785	na
Off farm income	\$ 30 037	31 467	na	18 348	18 301	na	12 444	9 472	na	18 621	15 518	na
	30 kt to 50 kt			more than 50 kt			average					
	2005 -06	2006 -07	2007 -08 s	2005 -06	2006 -07	2007 -08 s	2005 -06	2006 -07	2007 -08 s	2005 -06	2006 -07	2007 -08 s
Total cash receipts	\$ 1 159 214	1 374 228	1 237 604	3 321 008	5 594 141	5 224 804	280 920	363 718	295 830			
Total cash costs	\$ 821 976	942 905	1 174 103	2 443 220	4 192 885	5 010 451	213 635	270 137	289 067			
Farm cash income	\$ 337 239	431 323	63 501	877 788	1 401 256	214 353	67 285	93 581	6 762			
Farm business profit	\$ 196 852	290 537	-182 551	628 066	1 157 153	-151 041	10 858	32 052	-58 366			
Rate of return												
- excl. cap. appreciation	% 4.7	5.2	0.0	4.9	6.5	1.0	1.4	2.3	-1.2			
- incl. cap. appreciation	% 28.8	6.3	na	8.0	12.9	na	7.4	12.9	na			
Farm capital	\$m 7.3	7.3	na	19.2	26.4	na	2.2	2.7	na			
Farm debt	\$ 1 064 693	1 299 324	na	3 843 038	5 890 495	na	255 687	267 052	na			
Liquid assets	\$ 123 136	264 836	na	597 698	744 361	na	121 706	131 805	na			
Off farm income	\$ 131 221	28 349	na	7 849	829	na	27 283	26 136	na			

^a Financial performance of sugar cane producing farm businesses. na Not available. s Provisional estimates.

Report: Hooper, S 2008, *Financial performance of Australian sugar cane producers 2005-06 to 2007-08*, ABARE research report 08.8 for the Australian Government Department of Agriculture, Fisheries and Forestry, Canberra, September.