

Australian vegetable growing farms

an economic survey, 2006-07

From ABARE research report [09.3](#)

- The combined effect of a rise in the quantity of vegetables sold and higher prices led to a 51 per cent rise in the average farm cash income for vegetable farms in 2006-07. Additionally, the average return to capital, excluding capital appreciation, averaged around 6 per cent per farm in 2006-07, which is higher than the average return achieved by broadacre farms.
- An important finding of this report is that larger vegetable farms (with more than 70 hectares of vegetables sown) had the highest average farm cash income and rate of return, indicating that there are gains to be made by taking advantage of economies of size.
- The most common factor identified by those surveyed as an impediment to the future viability of vegetable farms was increased farm input costs. Other impediments identified by the majority of growers included marketing costs, low prices for vegetables and the availability of irrigation water.
- Despite facing some challenges, growers surveyed were generally positive about their future in vegetable growing, with around two-thirds expecting to continue vegetable production in five years time and 29 per cent of vegetable growers intended to expand vegetable production in the next three to five years.

Survey of growers

- The ABARE report Australian vegetable growing farms: an economic survey, 2006 07 presents detailed physical, financial and socioeconomic estimates for vegetable growers in 2005-06 and 2006-07. Additionally, some preliminary estimates are provided for 2007-08.
- Information on vegetable growers' management practices, production intentions and perceived impediments to expanding vegetable production was also collected as part of the survey. Estimates are based on a sample of 287 vegetable farms with an estimated value of agricultural operations greater than \$40 000.
- This survey was conducted by ABARE on behalf of Horticulture Australia Limited (HAL) and forms the first of three surveys to be conducted over 2008 to 2010. Results for 2005-06 come from a survey conducted by ABARE in 2007 which was funded by the Australian Vegetable Industry Development Group (AVIDG).

Physical performance

- In 2006-07 there were an estimated 4222 commercial vegetable farms operating in Australia with an estimated value of agricultural operations of greater than \$40 000.
- The average area operated by vegetable growers in 2006-07 is estimated to have been 231 hectares per farm, of which 33 hectares were sown to vegetables on average. However, half of vegetable growers had 12 hectares or less sown to vegetables.

- During 2006-07, it is estimated that vegetable farms produced 1130 tonnes of vegetables on average per farm with a yield of 34 tonnes of vegetables per hectare. Reflecting an improvement in seasonal conditions, crop yields were higher in 2006-07 than in 2005-06 for all vegetables except tomatoes and green peas. Preliminary estimates for 2007-08 indicate a fall in the average yield for most vegetables and a fall in the average production of vegetables per farm.

Financial performance

- Total cash receipts for vegetable farms in 2006-07 are estimated to have been \$888 000 per farm on average, of which 89 per cent was from the sale of vegetables. Vegetable receipts are estimated to have risen by 41 per cent on average in 2006-07 compared with 2005-06, as a result of increased vegetable sales and higher prices received for vegetables.
- Total cash costs were \$650 400 per farm on average in 2006-07, up by 30 per cent from 2005-06. The largest share of average cash expenditure per farm in 2006-07 was on hired labour, packing materials, seed and contracts paid.
- Despite rising cash costs, the average farm cash income for vegetable farms increased by 51 per cent to \$237 600 per farm in 2006-07.
- There is evidence of economies of size in the Australian vegetable growing industry. For example, the average rate of return to capital, excluding capital appreciation, for farms sowing more than 70 hectares of vegetables is estimated to have been around 12.8 per cent in 2006-07. This compares with an estimated 2.6 per cent for farms with less than 5 hectares of vegetables and an industry average of 6 per cent in that year.

Future viability

- The most common factor thought to be an impediment to the future viability of vegetable farms was increased farm input costs. Other impediments identified by the majority of vegetable farms included marketing costs, low vegetable prices, access to, and costs of, labour and the availability of irrigation water.
- Despite these and other challenges, vegetable growers were generally positive about their future involvement in vegetable growing. As of September 2008, around two-thirds of vegetable growers were expecting to continue vegetable production in five years time. Additionally, 29 per cent of vegetable growers intended to expand vegetable production in the next three to five years.

Financial performance and debt characteristics for growers, by area sown to vegetables, 2006-07 average per farm

		area sown to vegetables			
		less than 5 hectares	5 – 20 hectares	20 – 70 hectares	more than 70 hectares
Total cash receipts	\$	208 547	310 997	710 275	4 409 358
Total cash costs	\$	134 813	218 899	491 856	3 363 485
Farm cash income	\$	73 734	92 098	218 419	1 045 873
Farm business profit	\$	16 699	17 397	108 319	843 959
Proportion of receipts from vegetables	%	83	86	78	94
Rate of return excluding capital appreciation	%	2.6	1.8	3.6	12.8
Equity ratio	%	88	91	92	81
Farm business debt	\$	147 133	170 566	320 713	1 657 154
Debt servicing ratio	%	5	4	4	2
Change in debt during the year	%	18	3	-2	9