

## Continued rain sours sugar harvest for Queensland's canegrowers

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Dow Jones Newswires

RAIN continued to disrupt Queensland's harvest of sugar cane, weighing on production expectations, Ian Ballantyne, chief executive of farmer lobby and services provider Cane-growers, said yesterday.

Many canegrowing areas in southern Queensland received more than 50 millimetres of rain in the week ended yesterday, with many other areas 25mm-50mm, similar to the weather during much of September, according to the Bureau of Meteorology. "There's probably going to be less sugar than we had thought and certainly less than last year by a quantum because of the weather and because of the potential late finish" to the harvest, Mr Ballantyne said.

Mr Ballantyne said that while lower unit costs and increased economies of scale through a trend of industry consolidation and farm aggregation were likely to continue, this did not necessarily mean thousands of small growers were about to exit the industry.

"My view is that they're going to be around for a very long

time," he said of small farmers, adding that many growers were diversifying income sources by working off-farm.

"What people are doing now is not so much leaving cane as reducing their dependence on cane," he said.

"They're staying in cane because it is in itself an attractive proposition from time to time" and because it did not take much to farm, he said.

On Tuesday, an Australian Bureau of Agricultural and Resource Economics (ABARE) study suggested that further consolidation of cane farms and a decrease in producer numbers were probably needed to meet the challenges posed by ongoing expansion by global juggernaut Brazil.

The financial performance of cane farms improves as the scale of production increases, according to ABARE's survey, which also found economies of scale and falling average unit cash costs of production are worth pursuing as farms expand.

The average unit cash cost of production for the smallest sugar canegrowers by quantity of cane produced was estimated at \$21 tonnes in 2005-06 compared

with \$18 a tonne for the largest producers, ABARE reported.

There were 4824 cane farms in 2005-06, down from about 5200 in 2002, with those in 2005-06 each producing an average of 8250 tonnes of cane a year, it said. Two-thirds of these farms produced less than 7500 tonnes each, accounting for about one-quarter of national cane output.

In comparison, an estimated 3 per cent of growers produced more than 30,000 tonnes each in 2005-06, accounting in total for 22 per cent of national production, it said.

Mr Ballantyne agreed that farmer numbers would probably fall in coming years.

"There is more consolidation and more aggregation to come and I can see some more sugar mills closing, but that doesn't mean there will be less cane and less sugar produced," he said.

Australia's volume of cane production had remained relatively stable over the past few years at 39 million tonnes a year, ABARE said.

Some areas where more than one mill operated, such as the Bundaberg and Mackay regions, could see a mill close, Mr Ballantyne said.