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The attached tables represent projected costs and returns for 1,000 acres of sugarcane production in Louisiana for 2009. Table 1 is a whole farm income and expense statement. Table 2 includes associated breakeven sugar prices (i.e., production costs per pound of sugar produced) for a range of sugar yields. Table 3 includes associated breakeven sugar yields for a range of raw sugar prices.

#### Summary Points:

- Table 1 includes the following charges/expenses: mill share (39%), land charge (20%), variable production costs (seedcane, fertilizer, chemicals, fuel, labor, repairs), fixed production costs (equipment depreciation and interest), and a general farm overhead charge. Labor costs included in the budgets are only for field operations. No charge or expense is included to represent a farm manager's salary or family living expenses (Table 1).
- Total projected sugarcane production costs for 2009 at a 7,504 pound sugar yield per harvested acre are estimated to be 22.8 cents per pound under a 1/5 crop share arrangement. A decrease in harvested yield of 10% (to 6,753 lbs/acre) increases production costs (breakeven sugar price) to 24.9 cents per pound (Table 2).
- With a 1/6 crop share rental arrangement, total sugarcane production costs are estimated to be 21.9 cents per pound at a 7,504 lb. yield (Table 2).
- At a raw sugar market price of 20.0 cents per pound, it would require an average sugar yield per harvested acre of 8,574 pounds to cover total production costs under a 1/5 crop share and 8,236 pounds under a 1/6 crop share (Table 3).
- Breakeven raw sugar prices presented in this report represent net prices to the sugarcane grower after any price discounts for quality, transportation or other factors. The actual raw sugar market price required to cover farm (and processing) production costs would have to be about a cent higher than estimated production costs.
- With raw sugar market prices just above forfeiture, net returns for many sugarcane farms in Louisiana are not sufficient to remain economically viable over the long run.

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Table 1. Projected Costs and Returns on 1000 Acres of Sugarcane, 5-Year Rotation, Harvest through 3rd stubble, Tenant-Operator, Louisiana, 2009.

| Item  | Dollars<br>Per<br>Acre | Number<br>of<br>Acres | Total<br>Dollar<br>Value | Per Acre<br>Dollar<br>Value 6/ | Per Pound<br>of Sugar<br>Value 7/ |
|---|------------------------|-----------------------|--------------------------|--------------------------------|-----------------------------------|
|   | (\$/acre)              | (acres)               | (\$)                     | (\$/acre)                      | (\$/lb)                           |
| <b>GROSS VALUE OF PRODUCTION: 1/</b>              |                        |                       |                          |                                |                                   |
| Sugar: (\$0.205/lb; 5,720,462 lbs)                |                        |                       |                          |                                |                                   |
| Plantcane (7,740 lbs/acre)                        | 1,586.70               | 161.3                 | 255,935                  |                                |                                   |
| 1st stubble (7,955 lbs/acre)                      | 1,630.78               | 200.0                 | 326,155                  |                                |                                   |
| 2nd stubble (7,310 lbs/acre)                      | 1,498.55               | 200.0                 | 299,710                  |                                |                                   |
| 3rd stubble (7,095 lbs/acre)                      | 1,454.48               | 200.0                 | 290,895                  |                                |                                   |
| Total sugar                                       |                        |                       | 1,172,695                | 1,172.69                       | 0.205                             |
| Molasses (\$0.48/gal; 171,615 gallons)            | --                     | --                    | 82,375                   |                                |                                   |
| <b>TOTAL GROSS VALUE</b>                          |                        |                       | 1,255,069                | 1,255.07                       | 0.219                             |
| <b>MILL CHARGE (Payment in kind):</b>             |                        |                       |                          |                                |                                   |
| Sugar (39%)                                       | --                     | --                    | 457,351                  |                                |                                   |
| Molasses  | --                     | --                    | 46,336                   |                                |                                   |
| Total mill charge                                 |                        |                       | 503,687                  | 503.69                         | 0.088                             |
| <b>NET RETURNS TO LAND AND PRODUCER</b>           |                        |                       | 751,383                  | 751.38                         | 0.131                             |
| <b>LAND RENT (Payment in kind):</b>               |                        |                       |                          |                                |                                   |
| Sugar (20% after mill charge)                     | --                     | --                    | 143,069                  |                                |                                   |
| Molasses(20% after mill charge)                   | --                     | --                    | 7,208                    |                                |                                   |
| Total land charge                                 |                        |                       | 150,277                  | 150.28                         | 0.026                             |
| <b>PRODUCER INCOME</b>                            |                        |                       |                          |                                |                                   |
| Sugar and Molasses                                | --                     | --                    | 601,106                  | 601.11                         | 0.105                             |
| ASCL Check Off (\$0.10 /ton)                      | --                     | --                    | (2,860)                  |                                |                                   |
| Total Income                                      |                        |                       | 598,246                  | 598.25                         | 0.105                             |
| <b>VARIABLE PRODUCTION EXPENSES: 3/</b>           |                        |                       |                          |                                |                                   |
| Fallow Field & Seedbed Preparation                | 142.09                 | 200.0                 | 28,418                   |                                |                                   |
| Cultured Seed Cane                                | 543.24                 | 6.5                   | 3,531                    |                                |                                   |
| Hand Planting                                     | 290.86                 | 6.5                   | 1,891                    |                                |                                   |
| Harvesting Wholestalk Seedcane                    | 70.18                  | 38.7                  | 2,716                    |                                |                                   |
| Mechanical Planting - Wholestalk                  | 269.73                 | 193.5                 | 52,193                   |                                |                                   |
| Plant Cane Field Operations                       | 288.80                 | 200.0                 | 57,760                   |                                |                                   |
| 1st Stubble Field Operations                      | 375.23                 | 200.0                 | 75,046                   |                                |                                   |
| 2nd Stubble Field Operations                      | 373.98                 | 200.0                 | 74,796                   |                                |                                   |
| 3rd Stubble Field Operations                      | 373.98                 | 200.0                 | 74,796                   |                                |                                   |
| Harvest for Sugar 4/                              | 144.66                 | 761.3                 | 110,130                  |                                |                                   |
| Total variable expenses                           |                        |                       | 481,276                  | 481.28                         | 0.084                             |
| <b>RETURNS ABOVE VARIABLE PRODUCTION EXPENSES</b> |                        |                       | 116,970                  | 116.97                         | 0.020                             |
| <b>FIXED PRODUCTION EXPENSES 5/</b>               |                        | 1000.0                | 154,351                  | 154.35                         | 0.027                             |
| <b>RETURNS ABOVE TOTAL PRODUCTION EXPENSES</b>    |                        |                       | -37,381                  | -37.37                         | -0.007                            |
| <b>FARM OVERHEAD EXPENSES</b>                     |                        | 1000.0                | 30,000                   | 30.00                          | 0.005                             |
| <b>NET RETURNS TO MANAGEMENT AND RISK</b>         |                        |                       | -67,381                  | -67.38                         | -0.012                            |

- 1/ Gross value of production is determined using estimated production from 1000 acres of sugarcane land in an extended 5 year rotation (fallow/plant, plantcane, 1st stubble, 2nd stubble and 3rd stubble). Raw sugar is valued at 20.5 cents per pound and molasses at 48.0 cents per gallon.
- 2/ Harvested sugarcane is assumed to be transloaded to custom truck and trailer. Hauling costs from farm to mill and hauling rebate are excluded.
- 3/ Each category of production expense listed includes all variable costs associated with the specified operations including cost of inputs, labor, fuel, repairs, and interest on operating capital.
- 4/ Harvest costs are estimated assuming 100% of sugarcane is harvested with a combine harvester.
- 5/ Fixed expenses includes depreciation and interest charges on equipment used in production.
- 6/ Per acre dollar value is calculated by dividing total dollar value by total farm acreage.
- 7/ Per pound of sugar value is calculated by dividing total dollar value by total sugar production over 1000 farm acres (5,720,462 pounds of sugar from 26,607 tons of cane).

Source: Salassi, Michael E., and Michael A. Deliberto, 2009 *Projected Commodity Costs and Returns: Sugarcane Production in Louisiana*, LSU Agricultural Center, Dept. of Agricultural Economics and Agribusiness, A.E.A. Information Series No. 260, January 2009.



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Table 2. Breakeven Selling Prices for Raw Sugar for Selected Yields and Rental Arrangements, 5-Year Rotation, Harvest through 3rd stubble, Tenant-Operators, Louisiana, 2009.

|  | Selected Yield Levels              |      |      |      |      |
|--|------------------------------------|------|------|------|------|
|  | -20%                               | -10% | Base | +10% | +20% |
| Cane yield per harvested acre (tons) 1/  | 27.9                               | 31.4 | 34.9 | 38.4 | 41.9 |
| Sugar yield per harvested acre (lbs) 2/  | 6003                               | 6753 | 7504 | 8254 | 9004 |
| Sugar yield per rotational acre (lbs) 3/ | 4576                               | 5148 | 5720 | 6293 | 6865 |
| <b>ONE-FIFTH LAND SHARE RENT</b>         |                                    |      |      |      |      |
| Breakeven price to recover: 4/           | -----cents per pound of sugar----- |      |      |      |      |
| Direct costs                             | 19.3                               | 17.6 | 16.2 | 15.1 | 14.2 |
| Total specified costs                    | 26.2                               | 23.7 | 21.7 | 20.1 | 18.8 |
| Total costs plus overhead                | 27.5                               | 24.9 | 22.8 | 21.1 | 19.7 |
| <b>ONE-SIXTH LAND SHARE RENT:</b>        |                                    |      |      |      |      |
| Breakeven price to recover: 4/           | -----cents per pound of sugar----- |      |      |      |      |
| Direct costs                             | 18.5                               | 16.9 | 15.6 | 14.5 | 13.6 |
| Total specified costs                    | 25.1                               | 22.8 | 20.9 | 19.3 | 18.0 |
| Total costs plus overhead                | 26.4                               | 23.9 | 21.9 | 20.3 | 18.9 |

1/ Average farm yield across harvested acreage of plantcane, 1st stubble, 2nd stubble and 3rd stubble.

2/ Average yield in tons per acre multiplied by a 215 CRS.

3/ Assumes a standard land rotation of 20.00% each of plantcane, 1st stubble, 2nd stubble, 3rd stubble, and fallow/plant.

4/ Breakeven prices are calculated by dividing grower's share of production (48.8% for 1/5 share, 50.8% for 1/6 share) into direct costs, total specified costs, and total specified costs plus overhead.

Breakeven sugar price includes adjustment for molasses payment. Mill share assumed to be 39%.

Table 3. Breakeven Raw Sugar Yields for Selected Yields and Rental Arrangements, 5-Year Rotation, Harvest through 3rd stubble, Tenant-Operators, Louisiana, 2009.

|                                   | Selected Price Levels                        |       |       |       |       |
|-----------------------------------|--|-------|-------|-------|-------|
|                                   | -1.0   | -0.5  | Base  | +0.5  | +1.0  |
| Raw sugar price (cents per pound) | 19.5   | 20.0  | 20.5  | 21.0  | 21.5  |
| <b>ONE-FIFTH LAND SHARE RENT</b>  |  |       |       |       |       |
| Breakeven yield to recover: 1/    | -----pounds of sugar per harvested acre----- |       |       |       |       |
| Direct costs                      | 6,248  | 6,092 | 5,943 | 5,802 | 5,667 |
| Total specified costs             | 8,379  | 8,170 | 7,970 | 7,781 | 7,600 |
| Total costs plus overhead         | 8,793  | 8,574 | 8,365 | 8,165 | 7,975 |
| <b>ONE-SIXTH LAND SHARE RENT:</b> |  |       |       |       |       |
| Breakeven yield to recover: 1/    | -----pounds of sugar per harvested acre----- |       |       |       |       |
| Direct costs                      | 6,002  | 5,852 | 5,709 | 5,573 | 5,444 |
| Total specified costs             | 8,049  | 7,848 | 7,657 | 7,474 | 7,301 |
| Total costs plus overhead         | 8,447  | 8,236 | 8,035 | 7,844 | 7,661 |

1/ Breakeven sugar yield per harvested acre to recover direct costs, total specified costs, and total costs plus overhead. Breakeven sugar yield includes adjustment for molasses payment.

Note: Projected average sugarcane yields utilized in 2009 production cost budgets are as follows:

|                         |   |
|-------------------------|---|
| Plantcane               | 36 tons/acre @ 215 lbs/ton = 7,740 lbs per harvested acre   |
| 1 <sup>st</sup> stubble | 37 tons/acre @ 215 lbs/ton = 7,955 lbs per harvested acre   |
| 2 <sup>nd</sup> stubble | 34 tons/acre @ 215 lbs/ton = 7,310 lbs per harvested acre   |
| 3 <sup>rd</sup> stubble | 33 tons/acre @ 215 lbs/ton = 7,095 lbs per harvested acre   |
| wgt. avg.               | 34.9 tons/acre @ 215 lbs/ton = 7,504 lbs per harvested acre |

Source: Salassi, Michael E., and Michael A. Deliberto, 2009 *Projected Commodity Costs and Returns: Sugarcane Production in Louisiana*, LSU Agricultural Center, Dept. of Agricultural Economics and Agribusiness, A.E.A. Information Series No. 260, January 2009.



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