SUGAR BEET SECTOR:

EVOLUTION OF PRODUCTION COSTS IN BELGIUM

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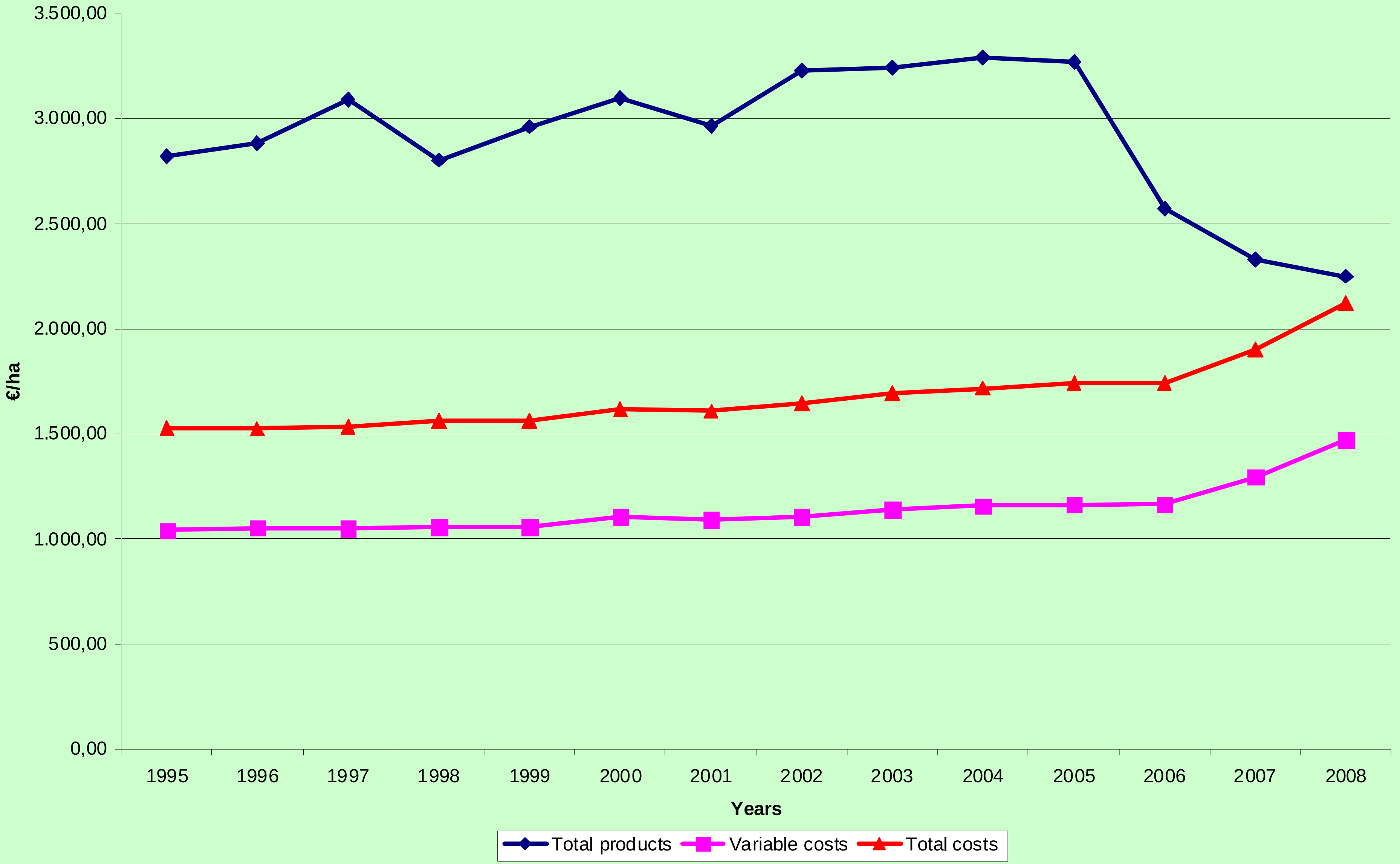
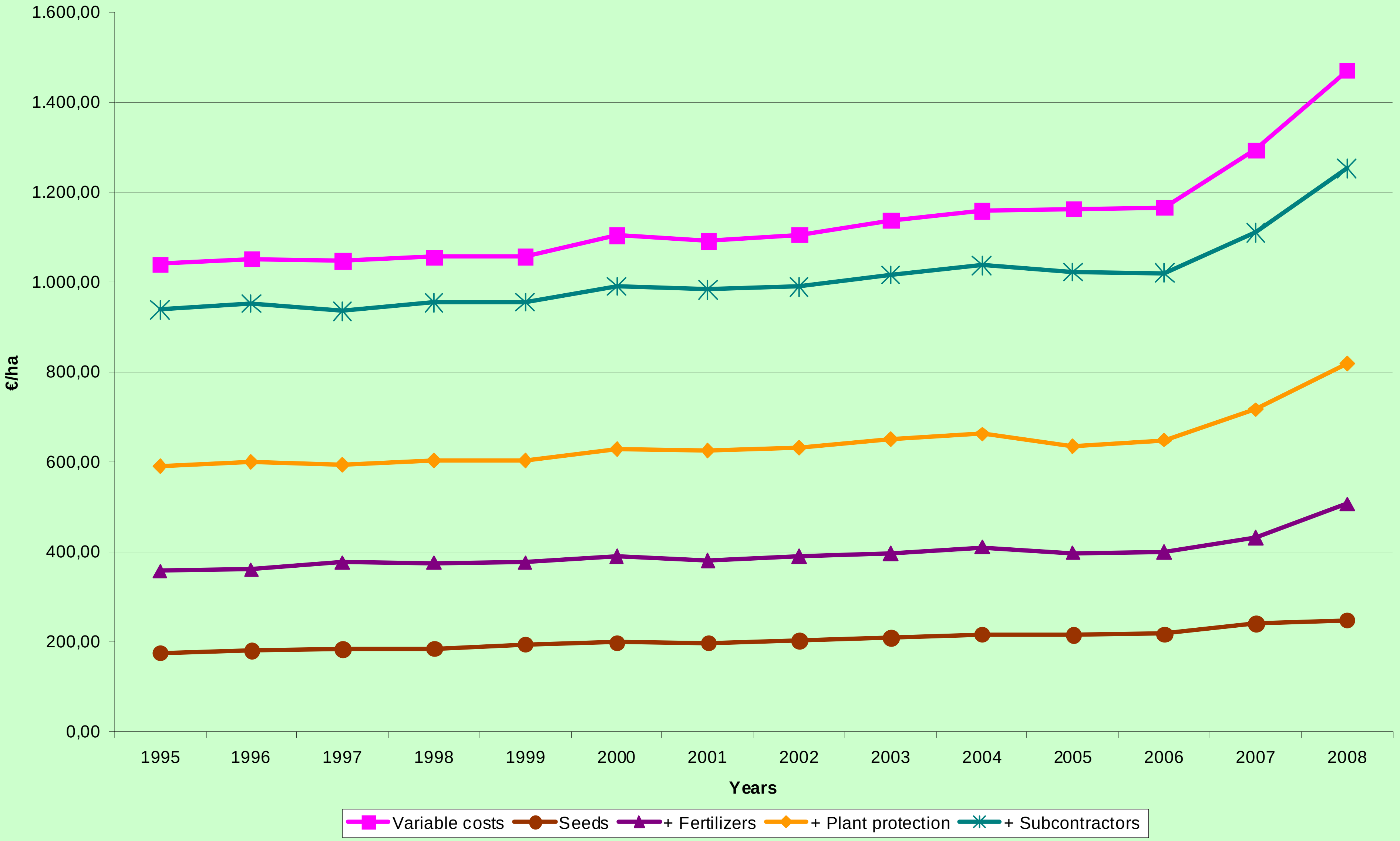
Analysis from balance sheets

- I. GENERAL OBSERVATIONS (costs per ha,…)
- II. SPECIFIC OBSERVATIONS
- III. PROSPECTS
- IV. CONCLUSIONS

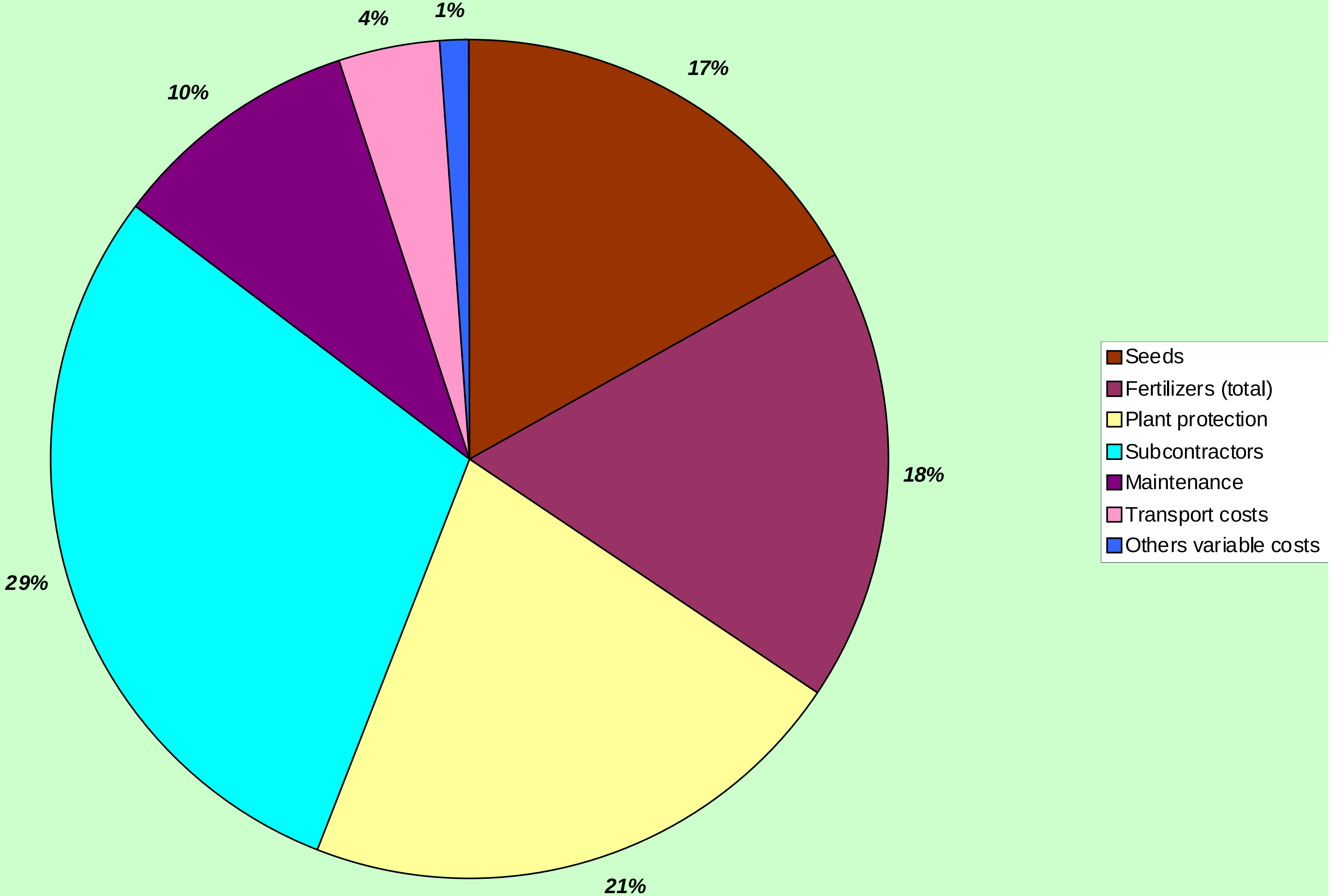
Δ Total products ⇔ Δ Variable costs and Δ Total costs (- labour)



∆ Variable costs : detail



Actual structure of Variable costs



Opportunity cost

Total costs = Variable costs + Fixed costs

Problem: evaluation of Fixed costs (land, labour, machines,…)

Two possibilities:

- official value of fixed factors; land, labour,… ?
- value of alternative crop

Crop under consideration: **Winter wheat** = **« wheat »**

(significantly large area, frequent benchmarking)

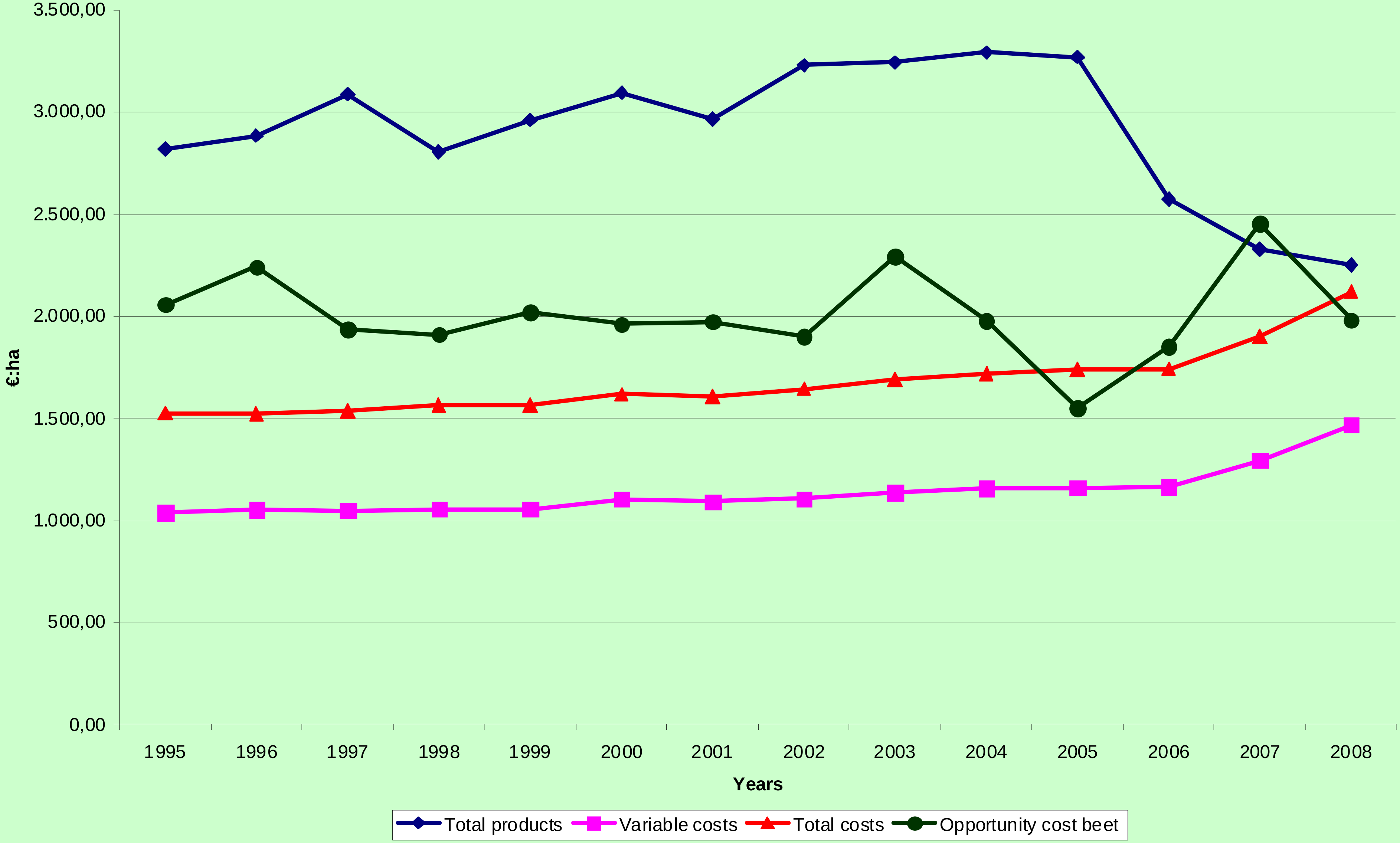
Opportunity Value attributed to fixed factors:

Gross margin / ha wheat

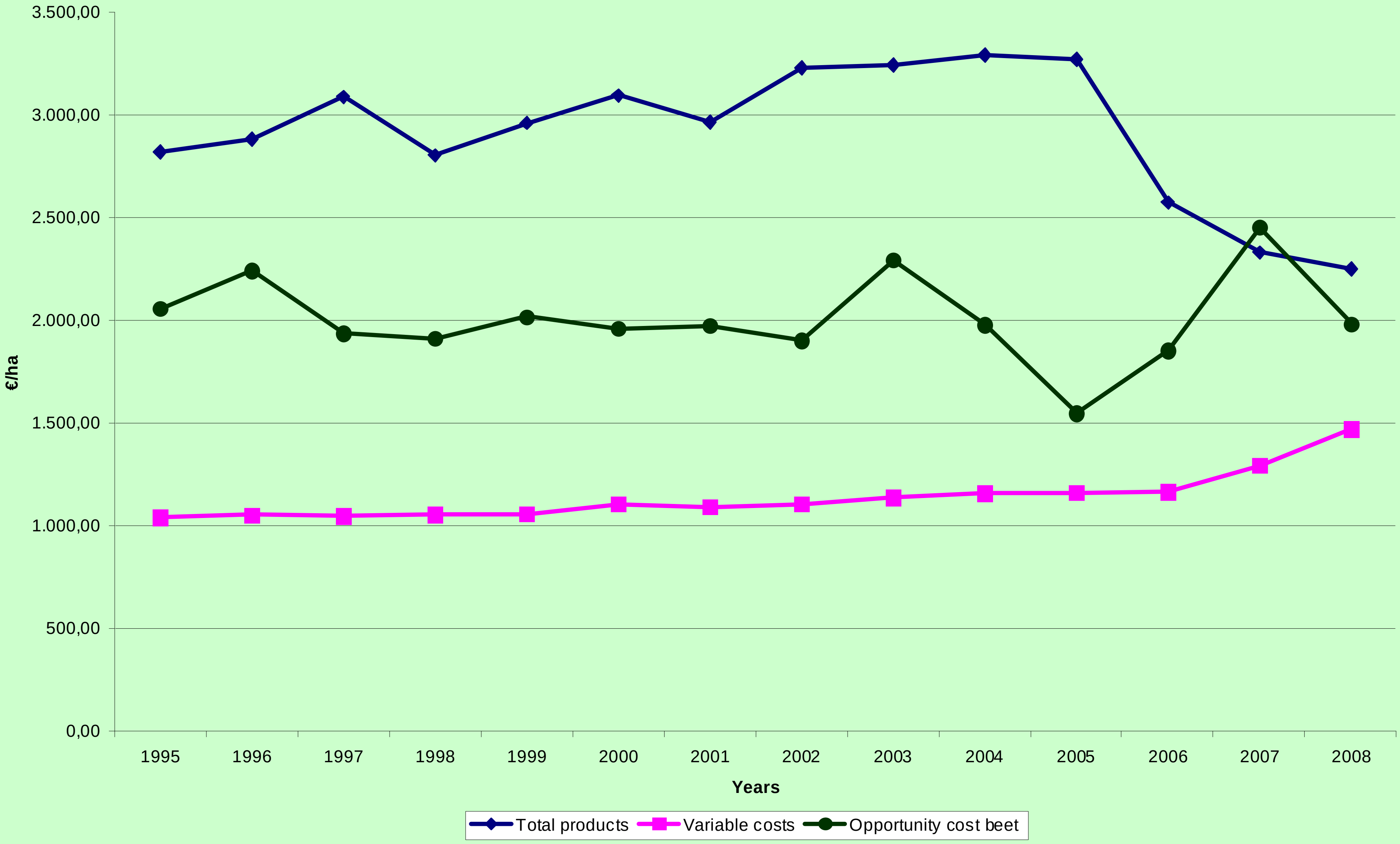
Opportunity cost / ha SB =

Variable costs (VC)/ha + Gross margin (GM)/ha wheat

ΔTotal products ⇔ ΔVariable costs, ΔTotal costs and Δ Opportunity cost



Δ Total products ⇔ Δ Variable costs and Δ Opportunity cost



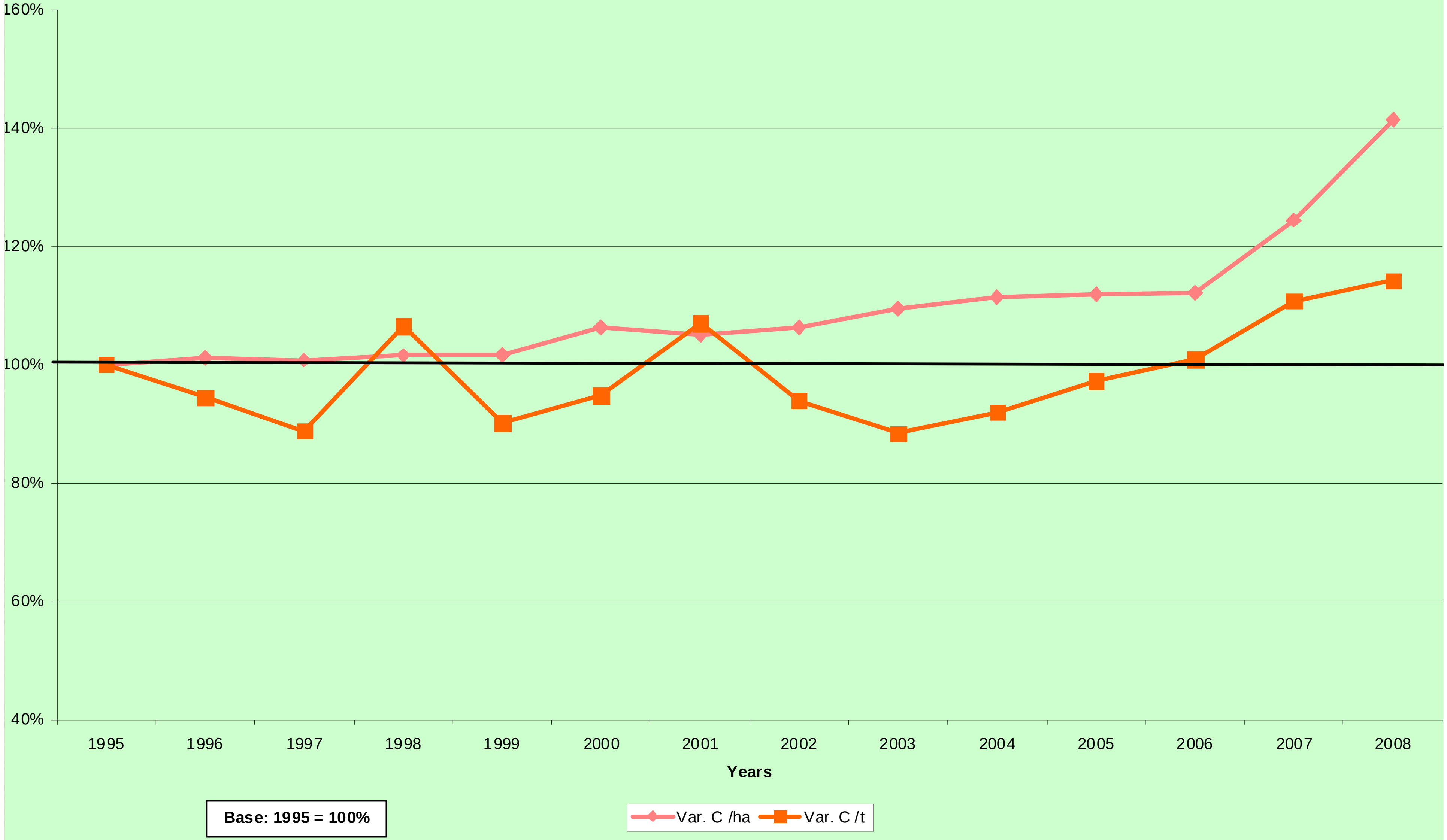
II. PARTICULAR OBSERVATIONS

❶ **PROGRESS** (costs reduction per tonne)

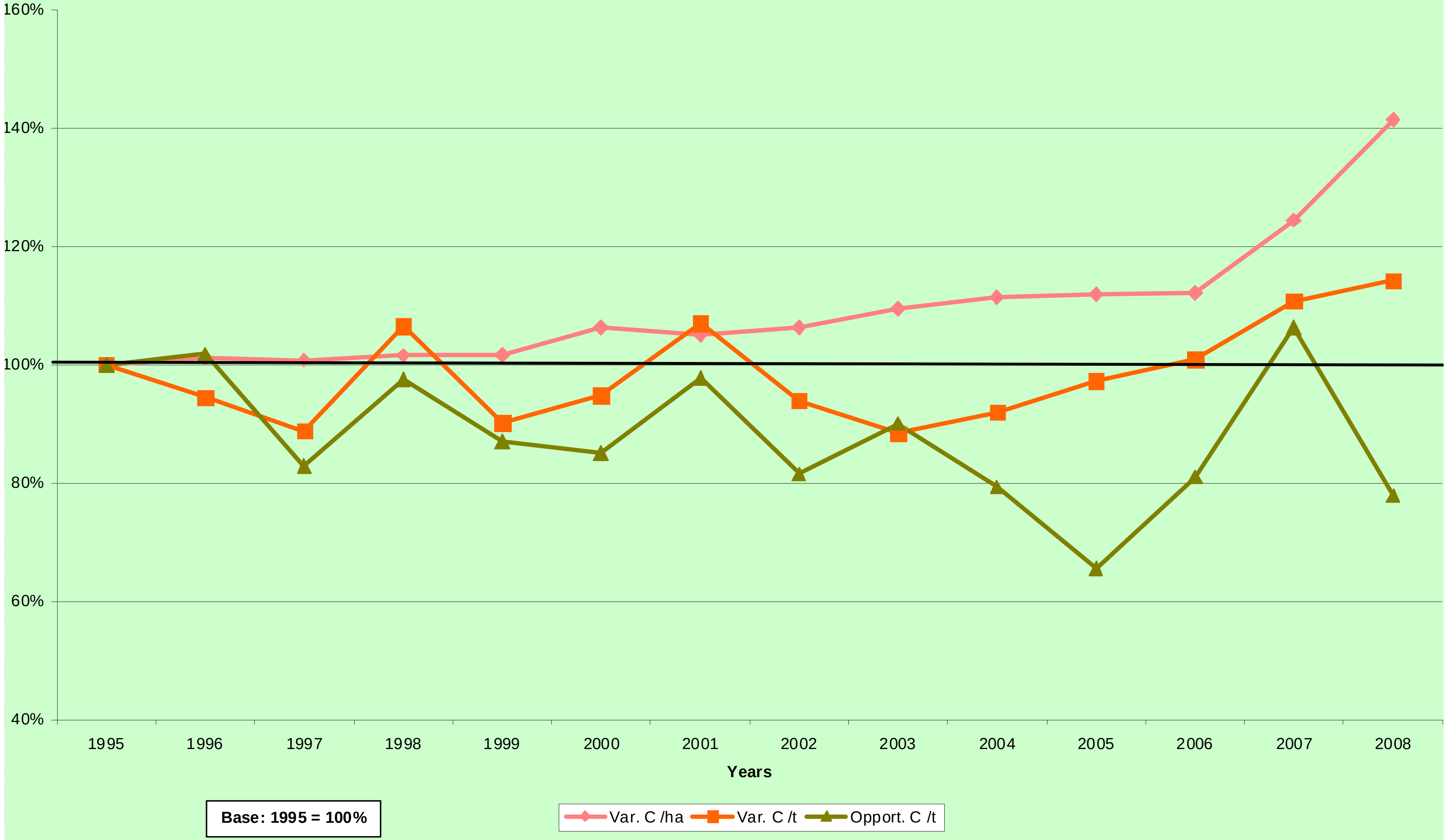
- **Increase of yield / ha**
- **Reduction of cost per tonne of pol sugar**

❷ **PRICE VOLATILITY**

Δ Variable costs per ha and per t



Δ Variable costs and Δ Opportunity cost per t



III. PROSPECTS

- Determining factors:

  (1) Δ **yield** (beet vs. wheat)

  (2) Δ **beet price** (and of co-product pulp)

  (3) Δ **cereal and energy world prices**

  (→ Opportunity cost : VC [fertilizers,…] & GM wheat)

- Uncertainty : ➔ (3)
- Simulations*

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* Hyp.: Δ^{+} Beet yield: +2% per year; Δ+ Wheat yield: +1% per year;

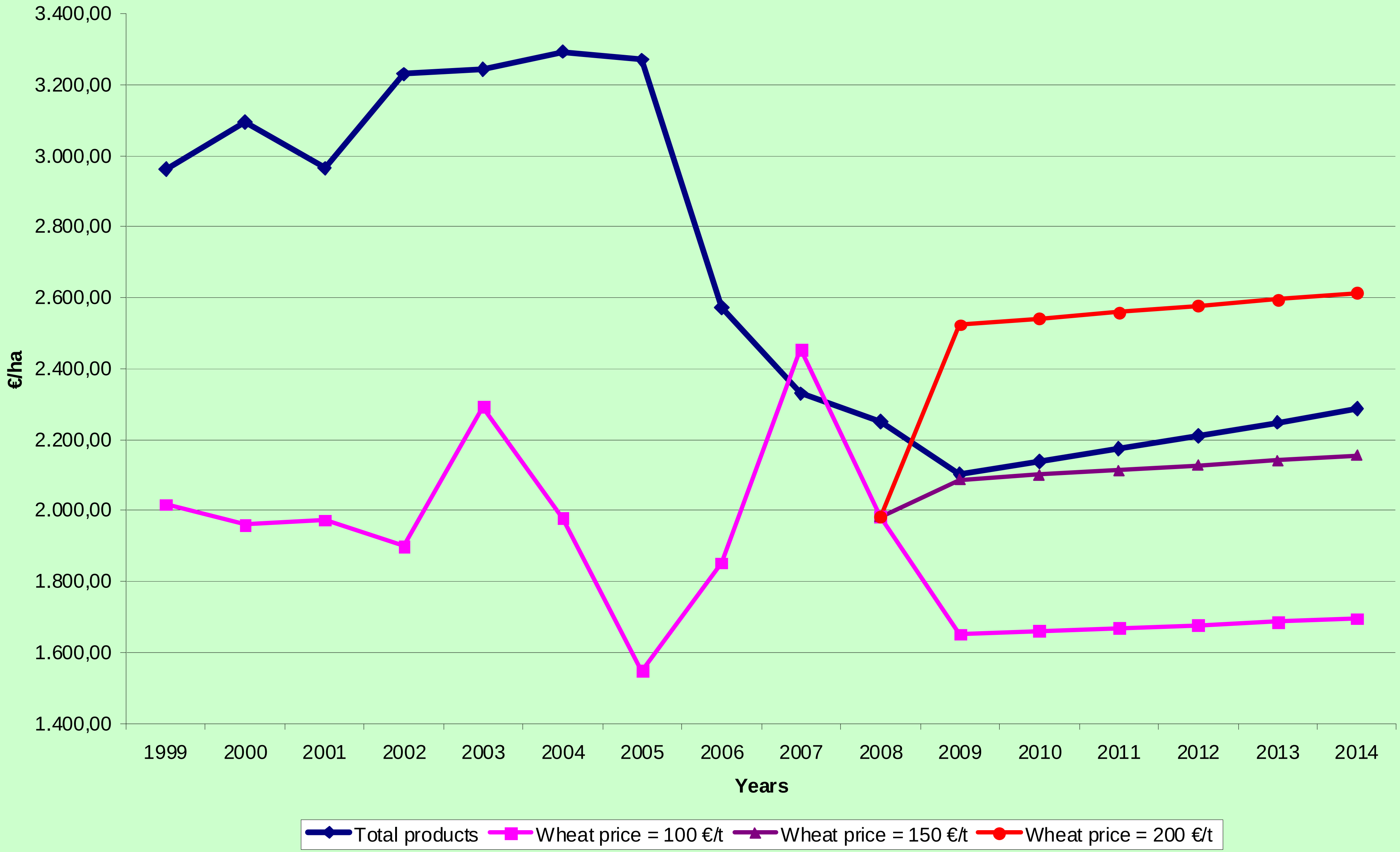
  Beet price: constant; VC/ha: constant (impact of world markets

  counterbalanced by pulp prices); scenario 1: wheat price = 100 €/t;

  scenario 2: wheat price = 150 €/t;

  scenario 4: wheat price = 200 €.

Data in €/ha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3.200,00
3.000,00
2.800,00
2.600,00
2.400,00
2.200,00
2.000,00
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1.600,00
1.400,00
€/ha
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Years
Total products
Wheat price = 100 €/t
Wheat price = 150 €/t
Wheat price = 200 €/t