Operating Cost and Finance Risk

Based on the proposed increases we expect to see increased pressure on clients cashflows. Clients costs of production have already significantly increased over the past 10 years with increases to almost all input costs being power, water, fertiliser, fuel, herbicides etc. More recently, the reduced price which is exacerbated by the Indian subsidies which Australia and Brazil are currently taking to the ATO, has also strained clients' sales price.

The impacts would not be limited to just growers with effects being felt equally with Mackay Sugar mill, as growers struggle with bills tend to reduce irrigation and fertilising as they are their biggest input expenses and that reduces tonnages of cane to the mill reducing their economies of scale.

From a banking perspective the ability for farmers to borrow additional funds would also be decreased as operational costs are one of the key drivers to profitability which we use to assess affordability when lending funds.

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