AUSTRALIAN BUREAU OF STATISTICS
Canberra

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AGRICULTURAL INDUSTRIES FINANCIAL STATISTICS, AUSTRALIA, 1986-87
Preliminary

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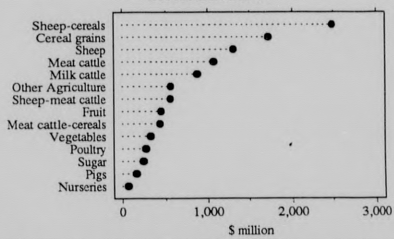
MAIN FEATURES

Preliminary results from the 1986-87 Agricultural Finance Survey show that Gross Operating Surplus was $6,421 million in 1986-87, while the corresponding Cash Operating Surplus was $3,700 million. Total net capital expenditure for the year was estimated at $1,180 million, while Gross Indebtedness as at 30 June 1987 was $10,533 million.

The main items of Turnover were Sales of Crops ($6,188 million) Sales of Livestock ($4,231 million) and Sales of Livestock Products ($4,243 million).

Industries with the highest total turnover were Sheep-cereal and Cereal grains with $3,187 million and $2,260 million respectively. These two industries also recorded the highest level of gross indebtedness. This reflects the relative dominance of these industries in the agriculture sector and together they recorded 34.8 per cent of the turnover and 40.0 per cent of gross indebtedness for all industries.

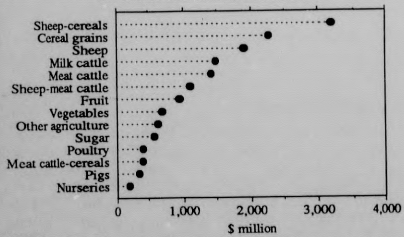
GROSS INDEBTEDNESS OF AGRICULTURAL ENTERPRISES BY INDUSTRY - AUSTRALIA 1986-87



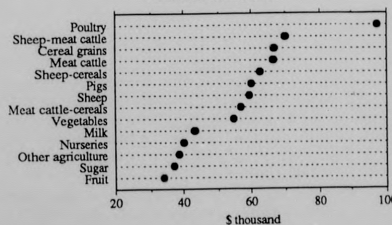
On an average per enterprise (farm) basis, turnover for the year was estimated at $138,000, the average value of purchases and selected expenses was $74,500, and the estimated average gross indebtedness stood at $92,900.

Enterprises within the Poultry industry had the highest average gross operating surplus with $97,200 followed by the Sheep-meat cattle industry with $70,000. The industries recording the lowest average gross operating surplus were Sugar with $37,000 and Fruit with $34,000.

TURNOVER OF AGRICULTURAL ENTERPRISES BY INDUSTRY - AUSTRALIA 1986-87

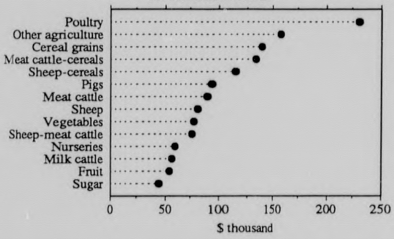


AVERAGE GROSS OPERATING SURPLUS OF AGRICULTURAL ENTERPRISES BY INDUSTRY - AUSTRALIA 1986-87



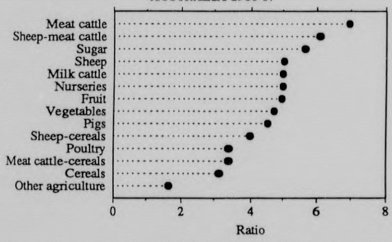
Industries indicating the highest average gross indebtedness were poultry with $231,300 and other agriculture with $158,500. The industries with the lowest gross indebtedness were sugar and fruit with levels of $44,200 and $54,200 respectively.

AVERAGE GROSS INDEBTEDNESS OF AGRICULTURAL ENTERPRISES BY INDUSTRY - AUSTRALIA 1986-87



An indicator of farm enterprises' capacity to meet debt charges is the ratio of Earnings Before Interest and Tax (EBIT) to Interest Paid. Gross Operating Surplus is almost equivalant to EBIT. The ratio of Gross Operating Surplus to Interest Paid is shown in the following graph.

RATIO OF GROSS OPERATING SURPLUS TO INTEREST PAID OF AGRICULTURAL ENTERPRISES BY INDUSTRY -AUSTRALIA 1986-87



The ratio is highest for the meat cattle and sheep-meat cattle industries indicating that they have the greatest capacity to meet debt charges. The ratio is lowest for other agriculture (mainly comprising the cotton, tobacco and peanut industries) and cereal grains. It should be emphasised that these ratios have been compiled for 1986-87 only and may vary considerably over time with changing commodity prices and climatic conditions.

EXPLANATORY NOTES

Introduction

The statistics included in this publication have been derived from the 1986-87 Agricultural Finance Survey (AFS). This survey was last conducted in 1980-81 and has been re-introduced to meet demands of users who require annual financial statistics on a consistent basis across all agricultural industries. Estimates provided by the AFS are required as an annual time series for the development of policy options for industry assistance, analysis of pricing policies etc. Since the completion of the 1980-81 survey, efforts have been made to eliminate duplication associated with the farm survey data collections conducted by both the ABS and the Australian Bureau of Agriculture and Resources Economics (ABARE). As a result, rationalisation of data collections has taken place, including the sharing of collected data where this is feasible.

2. The population for the Survey consisted of all enterprises classified to an industry class within Subdivision 01 'Agriculture' of the Australian Standard Industrial Classification (ASIC) and with an estimated value of agricultural operations of $20,000 or more. This differs from the population base used in 1980-81 which consisted of all agricultural enterprises with an estimated value of agricultural operations of $1,500 or more. Therefore, the data shown in this publication for 1986-87 are not strictly comparable with the 1980-81 results.

3. The 1986-87 Survey consisted of 3,200 agricultural enterprises, selected at random from the approximately 122,000 agricultural enterprises in the population. Selections were made for each State and the two Territories and a special selection was made to cover "multi-State enterprises" (i.e. enterprises which undertook agricultural activities in more than one State or Territory). In most cases data were collected from the selected enterprises by personal interview using trained ABS interviewers.

4. The financial details collected in the Survey relate to the agricultural and (where applicable) non-agricultural business activities of the selected enterprises. Any enterprise which was predominantly engaged in non-agricultural activity was regarded as out of scope of the Survey even though it had one or more establishments engaged in agriculture.

5. Detailed Explanatory notes for the current Survey will be included in the publication *Agricultural Industries: Financial Statistics, Australia, 1986-87* (7507.0)

Accuracy of estimates

6. Since the estimates are based on information obtained from a sample drawn from units in the surveyed population, the estimates are subject to sampling variability; that is, they may differ from the figures that would have been produced if all units had been included in the survey. One measure of the likely difference is given by the *standard error,* which indicates the extent to which

an estimate might have varied by chance because only a sample of units was included. There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if all units had been included, and about nineteen chances in twenty that the difference will be less than two standard errors. In this publication sampling variability is measured by the relative standard error which is obtained by expressing the standard error as a percentage of the estimate to which it refers. The relative standard error is a useful measure in that it provides an immediate indication of the percentage errors likely to have occurred due to sampling, and thus avoids the need to refer also to the size of the estimate. As an example of the above, if a sample survey gives an estimate of $4,000 million and the relative standard error is 2%, i.e. $80 million, then there would be two chances in three that, if all units had been included in the survey, a figure within the range of $3,920 million to $4,080 million would have been obtained, and nineteen chances in twenty that the figure would have been within the range of $3,840 million to $4,160 million.

7. Some of the standard errors associated with the estimates contained in this publication are relatively high. It is important for users to check that the estimates are reliable enough for the particular purpose for which they require the statistics. It is left to the user to exercise the necessary caution in using the estimates in this publication.

8. The imprecision due to sampling, which is measured by the standard error, is not the only type of inaccuracy to which the etimates are subject. Other inaccuracies, referred to collectively as non-sampling error, may occur because of, for example, inadequacies in available sources from which the coverage list was compiled and imperfections in reporting by respondents. Every effort is made to reduce non-sampling error to a minimum by use of trained field interviewers, efficient operating procedures and appropriate methodology.

Explanation of terms used

9. *Sales of crops* includes proceeds from sale of cereal grains and other crops (oilseeds, cotton, sugar cane, tobacco, etc.) and fruit and vegetables. Included also are premiums and amounts received from pools.

10. *Sales of livestock* includes proceeds from sales of sheep, cattle, pigs, poultry, etc. Excluded are proceeds from livestock service and artificial insemination.

11. *Sales of livestock products* includes proceeds from sales of wool, milk, skins, eggs, etc.

12. *Turnover.* Turnover of agricultural enterprises includes proceeds received during the year from the sale of crops, livestock and livestock products and other miscellaneous non-agricultural revenue.

13. *Purchases and Selected Expenses* refers to cash payments made during the year by agricultural enterprises for goods and services relating to either agricultural or non-agricultural activity. As with turnover, expenditure need not necessarily relate to agricultural production for a particular year but rather to payments made during the year. Livestock purchases have been included under Purchases and Selected Expenses rather than as Capital Expenditure.

14. *Value Added* is the estimate of Turnover plus an estimate of Value of Increase in Livestock less the estimate of Purchases and Selected Expenses. Value added is a measure of an industry's contribution to total economic activity.

15. *Adjusted Value Added* is the estimate of Value Added less the estimates of Rates and Taxes, Insurance Payments and Other Expenses. Adjusted Value Added is a close approximation of the concept Gross Product at Factor Cost as used in the National Accounts.

16. *Gross Operating Surplus* is the estimate of Adjusted Value Added less the estimate of Wages, Salaries and Supplements.

17. *Cash operating surplus* is the estimate of Gross Operating Surplus less estimates of the value of the increase in livestock and Interest, Land Rent paid, plus the estimate of Interest, Land Rent received. Cash Operating Surplus is not quite the true measure of surplus available for profit, since depreciation and income tax have not been deducted.

18. *Total Net Capital Expenditure* is the sum of net capital expenditure on vehicles, machinery and equipment and on buildings, structures and other development.

19. *Gross Indebtedness* refers to the amounts owed by agricultural enterprises at 30 June:

(a) to banks, pastoral companies, insurance companies and government agencies;

(b) under hire purchase agreements, instalment credit and for 1986-87 finance lease arrangements; and

(c) to other lenders such as suppliers, solicitors' trust funds, local government authorities, etc.

20. The term 'gross' has been used to indicate that the amounts owing have not been reduced by the value of any cash deposits by enterprises with the various lending organisations.

Related publications

21. Users may also wish to refer to the following major publications which are available on request:

Agricultural Industries, Financial Statistics, Australia, 1980-81 (7507.0)

Agricultural Industries, Structure of Operating Units, Australia, 1985-86 (7102.0)

Value of Agricultural Commodities Produced, Australia, 1985-86 (7503.0)

Value of Selected Agricultural Commodities Produced, Australia, 1986-87 preliminary (7502.0)

Agricultural Industries, Financial Statistics, Australia, 1986-87 (7507.0) which is expected to be released in July 1988.

22. Current publications produced by the ABS are listed in the *Catalogue of Publications, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The Catalogue and Publications Advice are available from any ABS office.

Symbols and other usages

p preliminary — figure or series subject to revision
SE% percentage standard error

Electronic services

VIATEL. Key *656# for selected current economic, social and demographic statistics.

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IAN CASTLES
Australian Statistician

TABLE 1. SELECTED FINANCIAL STATISTICS, AGRICULTURAL ENTERPRISES, BY STATE, 1986-87p

Items	N.S.W. $m	N.S.W. SE%	Vic. $m	Vic. SE%	Qld $m	Qld SE%	S.A. $m	S.A. SE%	W.A. $m	W.A. SE%	Tas. $m	Tas. SE%	Aust.(a) $m	Aust.(a) SE%
Sales of crops	1,546.2	4	1,198.5	7	1,436.5	4	741.9	5	1,116.5	6	118.7	9	6,188.4	2
Sales of livestock	1,267.5	5	743.2	6	1,132.6	6	358.1	9	439.7	9	117.7	10	4,231.0	3
Sales of livestock products	1,220.1	3	1,217.9	4	513.9	8	417.0	5	700.1	4	136.9	7	4,243.1	2
Turnover	4,308.7	2	3,348.6	3	3,283.5	3	1,610.0	4	2,427.3	3	399.4	4	15,639.9	1
Purchases and selected expenses	2,542.7	3	1,672.7	4	1,724.2	4	823.7	4	1,333.6	4	209.1	6	8,443.6	2
Value added(b)	2,288.7	3	1,817.4	4	2,076.4	5	952.4	5	1,283.9	4	128.1	15	8,725.9	2
Adjusted value added(b)	1,986.1	3	1,616.3	4	1,881.7	5	850.7	5	1,147.2	4	104.1	18	7,743.7	2
Gross operating surplus(b)	1,596.1	4	1,354.0	5	1,592.6	6	712.1	5	997.6	5	51.0	38	6,420.6	2
Cash operating surplus(c)	755.1	8	987.0	6	813.6	8	407.3	8	596.5	7	84.0	13	3,700.3	3
Total net capital expenditure	272.7	10	282.4	11	302.7	10	114.6	9	158.7	9	28.5	16	1,179.5	5
Gross indebtedness	3,082.5	6	1,873.1	7	2,339.1	9	1,095.6	10	1,708.6	13	331.1	32	10,532.6	4
Total interest paid	438.3	6	268.2	7	315.5	9	168.8	9	231.7	9	42.9	15	1,476.4	3
Number of enterprises	32,652	1	30,231	1	22,213	2	12,830	2	11,777	1	3,130	2	113,336	1

TABLE 2. SELECTED FINANCIAL STATISTICS, AVERAGE PER AGRICULTURAL ENTERPRISE, BY STATE, 1986-87(d)
($'000)

Items	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust.(a)
Sales of crops	47.4	39.6	64.7	57.8	94.8	37.9	54.6
Sales of livestock	38.8	24.6	51.0	27.9	37.3	37.6	37.3
Sales of livestock products	37.4	40.3	23.1	32.5	59.4	43.7	37.4
Turnover	132.0	110.8	147.8	125.5	206.1	127.6	138.0
Purchases and selected expenses	77.9	55.3	77.6	64.2	113.2	66.8	74.5
Value added(b)	70.1	60.1	93.5	74.2	109.0	40.9	77.0
Adjusted value added(b)	60.8	53.5	84.7	66.3	97.4	33.3	68.3
Gross operating surplus(b)	48.9	44.8	71.7	55.5	84.7	16.3	56.7
Cash operating surplus(c)	23.1	32.6	36.6	31.7	50.6	26.8	32.6
Total net capital expenditure	8.4	9.3	13.6	8.9	13.5	9.1	10.4
Gross indebtedness	94.4	62.0	105.3	85.4	145.1	105.8	92.9
Total interest paid	13.4	8.9	14.2	13.2	19.7	13.7	13.0
Number of enterprises	32,652	30,231	22,213	12,830	11,777	3,130	113,336

(a) Includes the Australian Capital Territory, Northern Territory and multi-State enterprises (see Explanatory Notes). (b) Includes an estimate for the value of the increase in livestock. (c) Excludes an estimate for the value of the increase in livestock. (d) Averages have been calculated by dividing the total figure by the number of enterprises contributing to that total. Standard errors for averages are not available for this preliminary publication but will be slightly lower than the corresponding figure in Table 1. The final publication due for release later this year will contain standard errors for this data.

TABLE 3. SELECTED FINANCIAL STATISTICS, AGRICULTURAL ENTERPRISES, BY INDUSTRY (ASIC), AUSTRALIA, 1986-87p

Items	*Poultry 0124-0125*		*Fruit 0134-0136*		*Vegetables 0143-0144*		*Cereal grains (incl. oilseeds, n.e.c.) 0181*		*Sheep-cereal grains 0182*	
	$ m	SE%	$ m	SE%	$ m	SE%	$ m	SE%	$ m	SE%
Sales of crops	4.6	45	819.1	5	600.9	5	1,655.2	5	1,534.6	5
Sales of livestock	89.8	23	18.2	25	52.0	15	260.5	12	552.6	8
Sales of livestock products	238.3	9	5.3	46	17.1	21	201.0	7	952.6	4
Turnover	415.9	9	954.7	6	711.2	4	2,259.8	4	3,186.6	3
Purchases and selected expenses	247.3	9	442.1	7	352.5	5	1,290.8	4	1,783.3	3
Value added(a)	181.2	13	515.7	7	361.3	6	1,083.5	5	1,750.1	4
Adjusted value added(a)	162.2	12	460.6	7	328.8	7	948.4	6	1,544.0	4
Gross operating surplus(a)	112.0	13	277.1	10	221.7	8	835.8	6	1,368.5	4
Cash operating surplus(b)	74.0	14	230.2	12	176.6	9	507.8	11	708.4	7
Total net capital expenditure	17.8	22	57.0	16	72.7	11	161.5	13	224.7	10
Gross indebtedness	266.5	25	442.6	11	319.3	9	1,733.8	8	2,486.3	7
Total interest paid	33.0	21	55.7	10	47.0	9	265.5	9	343.9	7
Number of enterprises	1,152	5	8,159	4	4,062	3	12,453	2	21,709	1

Items	*Meat cattle-cereal grains 0183*		*Sheep-meat cattle 0184*		*Sheep 0185*		*Meat cattle 0186*		*Milk cattle 0187*	
	$ m	SE%	$ m	SE%	$ m	SE%	$ m	SE%	$ m	SE%
Sales of crops	135.7	15	47.3	28	93.7	24	97.9	27	22.9	24
Sales of livestock	246.6	9	584.3	7	530.1	6	1,221.7	7	265.5	7
Sales of livestock products	9.4	16	397.6	9	1,194.7	4	31.3	27	1,153.6	4
Turnover	412.0	7	1,099.1	6	1,913.2	3	1,414.4	6	1,489.1	3
Purchases and selected expenses	262.8	9	558.7	7	926.4	3	776.4	9	793.0	4
Value added(a)	244.6	9	690.3	9	1,253.4	3	1,008.9	8	839.7	4
Adjusted value added(a)	213.4	11	611.8	9	1,116.8	4	909.7	8	758.1	5
Gross operating surplus(a)	183.3	12	508.9	11	946.2	4	791.2	9	687.2	5
Cash operating surplus(b)	46.9	34	296.6	12	551.0	7	349.8	16	419.7	7
Total net capital expenditure	40.2	17	56.7	23	132.6	17	145.7	20	157.4	12
Gross indebtedness	428.9	16	558.0	12	1,302.5	13	1,072.1	22	891.4	9
Total interest paid	54.0	13	83.6	15	188.2	10	113.7	16	137.4	10
Number of enterprise	3,220	3	7,258	4	15,883	2	11,844	3	15,785	1

Items	*Pigs 0188*		*Sugar 0191*		*Nurseries 0195*		*Other agriculture 0192-0194,0196*		*All industries 01*	
	$ m	SE%	$ m	SE%	$ m	SE%	$ m	SE%	$ m	SE%
Sales of crops	16.0	19	535.6	4	180.3	16	444.4	7	6,188.4	2
Sales of livestock	290.8	7	8.4	31	4.9	42	105.6	24	4,231.0	3
Sales of livestock products	18.0	26	0.9	97	1.0	18	22.2	24	4,243.1	2
Turnover	355.6	6	589.9	4	194.1	15	644.2	7	15,639.9	1
Purchases and selected expenses	220.1	6	308.0	4	74.9	13	407.3	9	8,443.6	2
Value added(a)	145.6	9	279.4	6	120.5	18	251.7	7	8,725.9	2
Adjusted value added(a)	132.3	9	242.4	7	106.5	19	208.8	8	7,743.7	2
Gross operating surplus(a)	103.3	11	199.9	9	48.0	27	137.3	11	6,420.6	2
Cash operating surplus(b)	74.4	13	178.1	10	38.4	34	48.4	36	3,700.3	3
Total net capital expenditure	16.8	18	41.9	23	11.9	24	42.5	17	1,179.5	5
Gross indebtedness	161.9	9	237.0	11	71.2	27	561.1	9	10,532.6	4
Total interest paid	22.9	10	35.2	11	9.6	30	84.8	10	1,476.4	3
Number of enterprises	1,712	2	5,367	1	1,192	10	3,540	6	113,336	1

(a) Includes an estimate for the value of the increase in livestock. (b) Excludes an estimate for the value of the increase in livestock.

TABLE 4. SELECTED FINANCIAL STATISTICS, AVERAGE PER AGRICULTURAL ENTERPRISE, BY INDUSTRY (ASIC), AUSTRALIA, 1986-87p (a)
($' 000)

Items	Poultry 0124-0125	Fruit 0134-0136	Vegetables 0143-0144	Cereal grains (incl. oilseed. n.e.c.) 0181	Sheep-cereal grains 0182
Sales of crops	4.0	100.4	147.9	132.9	70.7
Sales of livestock	78.0	2.2	12.8	20.9	25.5
Sales of livestock products	206.9	0.6	4.2	16.1	43.9
Turnover	361.0	117.0	175.1	181.5	146.8
Purchases and selected expenses	214.7	54.2	86.8	99.6	82.1
Value added(b)	157.3	63.2	88.9	87.0	80.6
Adjusted value added(b)	140.8	56.5	80.9	76.2	71.1
Gross operating surplus(b)	97.2	34.0	54.6	67.1	63.0
Cash operating surplus(c)	64.2	28.2	43.5	40.8	32.6
Total net capital expenditure	15.5	7.0	17.9	13.0	10.4
Gross indebtedness	231.3	54.2	78.6	139.2	114.5
Total interest paid	28.6	6.8	11.6	21.3	15.8
Number of enterprises	1,152	8,159	4,062	12,453	21,709

Items	Meat cattle-cereal grains 0183	Sheep-meat cattle 0184	Sheep 0185	Meat cattle 0186	Milk cattle 0187
Sales of crops	42.1	6.5	5.9	8.3	1.5
Sales of livestock	76.6	80.5	33.4	103.1	16.8
Sales of livestock products	2.9	54.8	75.2	2.6	73.1
Turnover	128.0	151.4	120.5	119.4	94.3
Purchases and selected expenses	81.6	77.0	58.3	65.6	50.2
Value added(b)	76.0	95.1	78.9	85.2	53.2
Adjusted value added(b)	66.3	84.3	70.3	76.8	48.0
Gross operating surplus(b)	56.9	70.1	59.6	66.8	43.5
Cash operating surplus(c)	14.6	40.9	34.7	29.5	26.6
Total net capital expenditure	12.5	7.8	8.3	12.3	10.0
Gross indebtedness	133.2	76.9	82.0	90.5	56.5
Total interest paid	16.8	11.5	11.8	9.6	8.7
Number of enterprises	3,220	7,258	15,883	11,844	15,785

Items	Pigs 0188	Sugar 0191	Nurseries 0195	Other agriculture 0192-0194,0196	All industries 01
Sales of crops	9.3	99.8	151.3	125.5	54.6
Sales of livestock	169.9	1.6	4.1	29.8	37.3
Sales of livestock products	10.5	0.2	0.8	6.3	37.4
Turnover	207.7	109.9	162.8	182.0	138.0
Purchases and selected expenses	128.6	57.4	62.8	115.1	74.5
Value added(b)	85.0	52.1	101.1	71.1	77.0
Adjusted value added(b)	77.3	45.2	89.3	59.0	68.3
Gross operating surplus(b)	60.3	37.2	40.3	38.8	56.7
Cash operating surplus(c)	43.5	33.2	32.2	13.7	32.6
Total net capital expenditure	9.8	7.8	10.0	12.0	10.4
Gross indebtedness	94.6	44.2	59.7	158.5	92.9
Total interest paid	13.4	6.7	8.1	24.0	13.0
Number of enterprises	1,712	5,367	1,192	3,540	113,336

(a) Averages have been calculated by dividing the total figure by the number of enterprises contributing to that total. Standard errors for averages are not available for this preliminary publication but will be slightly lower than the corresponding figure in Table 3. The final publication due for release later this year will contain standard errors for this data. (b) Includes an estimate for the value of the increase in livestock. (c) Excludes an estimate for the value of the increase in livestock.