

Growing Sugarbeets Under a Profit Sharing Contract

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There are few opportunities for agricultural producers to share in the profits realized by middlemen. The processing and marketing of cotton, milk and citrus by cooperatives and the processing and marketing of sugar by Spreckels Sugar Division, Amstar Corporation are notable exceptions in Arizona.

Under current sugarbeet contracts a farmer receives a price for his beets that is based upon the percent sugar in the beets he delivers and the average net selling price realized by Spreckels for the sugar. The net selling price is computed by deducting excise taxes and the costs of ownership, storage and marketing from the price realized by the company. The price received by the farmer is proportional to the net selling price, as a result the farmer realizes a fixed share of the profits realized from the processing and marketing of the sugar. Since profits cannot be determined until the sugar is sold, the farmer receives a preliminary payment equal to 85 percent of the expected price per ton of the beets and the remaining amount is paid to the farmer within the year.

Although Spreckels is not entering into new contracts in the spring harvest area, contracts are available for additional production in the Yuma area. The opportunities are limited, but some farmers interested in sharing the risks and the profits of the middleman are finding sugarbeet production attractive.