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Accounting for Sugar Cane Mills

Rita V. Rodriguez

The rapid development of the sugar cane industry in Florida has brought this industry into focus as an important segment of the economy of our state. Louisiana and Florida are the mainland sugar cane areas in the United States, together processing about 910,000 short tons of sugar for domestic consumption. The United States Department of Agriculture estimates that the total consumption of sugar in the United States for 1964, as estimated, will be approximately 9,800,000 short tons, or more than ten times the production of the two states mentioned above.

The production of sugar is in accordance with quotas assigned by the United States Department of Agriculture. In short tons, these proposed quotas and prorations for 1964 are as follows:

Domestic Beet Sugar	2,700,000
Mainland Cane Sugar	910,600
Hawaii	1,110,000
Puerto Rico	965,000
Virgin Islands	15,000
Total Domestic Areas	5,700,600
Republic of the Philippines	1,150,000
Dominican Republic, Peru, Mexico, Brazil, British West Indies, Australia	1,018,200
Others	1,922,200
Total Quota	9,800,000

There are forty-six sugar mills located in the State of Louisiana; in Florida there are ten. As mentioned above, these two states form the Mainland Sugar Cane area of the United States.

As in the case of any business or producer, each sugar mill or processor requires a good accounting system to control the various sections covered by this industry. While many bookkeepers and accountants have had wide experience in sugar cane processor accounting, little has been published concerning this specific area of accounting.

The sugar cane mill has three different periods or seasons during the year: the grinding season, the repair season, and the idle season. All of the operations of the mill are, of course, affected by the existence of these definite seasons.

The *grinding* season may last from four to six months. During this time the sugar cane

mills work twenty-four hours a day and seven days a week. This season takes place at somewhat different times, depending on location. For instance, in Cuba the best months for the grinding season are from January through April; in Florida the best months are December through February. The grinding seasons are, of course, dependent upon factors such as the ripening of the sugar cane and the rainy season of the area. During the rainy seasons it is impossible to pick up the sugar cane from the many miles of the areas planted.

During the *repair* season the mill is cleaned and prepared for the next grinding season. During these weeks and months various technical and mechanical improvements are installed, in order to assure the most efficient operation of the factory during the grinding season.

The periods of time remaining between the two seasons described above are known as *idle* seasons or periods.

The accounting department is usually busy all year—maintaining the necessary records during the busy seasons, and preparing reports and analytical information during the idle periods.

The balance sheet which has been prepared from the records of a sugar processor is much like that of any corporation or company. Only the inventory of sugar and the inventory of molasses, a by-product of this industry, should be mentioned here as differing in valuation from most inventories. These assets are valued at the selling or market price. As there is a daily spot quotation of sugar on the New York Coffee and Sugar Exchange, it is possible to keep the record of the inventory of sugar at the real and exact value of this product.

The profit and loss statement of a sugar cane processor covers the following groups of accounts:

Operating Revenues:

- Sales of Sugar
- Sales of Molasses
- Inventory of Sugar
- Inventory of Molasses

Cost of Sales and Operating Expenses:

- Cost of Planters' Cane
- Hauling Sugar Cane to Mill
- Grinding Season Expenses
- Water Control
- Road and Bridge Maintenance
- Idle and Repair Expenses

- Selling Expenses
- General and Administrative Expenses
- Depreciation and Amortization
- Other Income:
 - Discounts Earned
 - Interest Earned
 - Miscellaneous Income
- Other Expenses:
 - Amortization of Organization Costs
 - Interest Expense
 - Miscellaneous Expense

In order to have a correct classification of all the expenses of this industry, the accounting department has a number of controls and some special procedures. A brief description of the main sections or departments of the industry will give an idea of the importance of the work of the accounting department and some of its specialized activities and records.

Purchasing Department:

In the sugar cane industry, as in other industries, the purchase of expensive equipment and of multiple and diverse supplies makes necessary a purchase department. Operation of this department follows the general pattern of all industries.

Payroll Department:

The sugar cane processor keeps three different payrolls: the employee payroll, the domestic payroll, and the off-shore payroll. The *employee payroll* includes all executives, department managers, technical employees, accountants, and other regular monthly-paid employees. The *domestic payroll* covers all work performed on an hourly or a piecework basis by domestic labor. The *off-shore payroll* covers a special group of workers.

The hand weeding, the cutting of cane, and the planting of the sugar cane are done, in this area of the South, by imported laborers, known as off-shore payroll. Special legislation is enacted and published each year authorizing the importation of these off-shore laborers, coming for the most part from Jamaica, Barbados, and other Caribbean islands. The computation of the wage differs from that of the domestic payroll, and the deductions also differ from those of the other payrolls. The off-shore payroll has no deductions for withholding tax or for FICA, but it carries a number of special deductions for transportation, lodging, meals, medical attention, etc., in accordance with the contract which has been made for the importation of this labor.

Engineering and Chemical Department:

This is one of the most important departments in the industry. This department operates directly under the control of the executives of the corporation.

Sales Department:

The sale of the sugar and of the molasses requires a great deal of experience, and involves much responsibility and risk. The sales are almost always handled directly by the executives of the corporation, and the necessary information is supplied to the accounting department for proper recording in accordance with the terms of sale.

Thus, the accounting department of the sugar cane mill, as in other industries, is the nerve center receiving information from the various operating departments, disbursing funds, and preparing reports and analytical information concerning the operation and condition of the business.

In addition to accounting for the operation of the sugar cane mill, it is appropriate to mention at this time accounting for the sugar cane grower, inasmuch as many mills have areas of sugar cane which they have planted and for which they must maintain records. In addition, these mills purchase sugar cane from other growers, as indicated by the item, "Cost of Planters' Cane" mentioned as a part of Cost of Sales.

The producers, or cane growers, have only one income—the sale of sugar cane to the sugar cane mill. The United States Department of Agriculture provides all the rules for the good relationship between the producer and processors. Each producer requires a simple accounting system. However, it includes accounts peculiar to this industry, and therefore the accountant should have experience in the sugar industry.

The accounting of the producer covers the following main items:

- Sales of Sugar Cane
- Cost of Planting
- Cost of Harvesting
- Cost of Maintenance of Stubble Cane
- General and Administrative Expenses
- Financial Expenses
- Other Income

The Cost of Planting covers the cost of: soil preparation, seed cost, planting and maintenance of the planting cane.

The Cost of Harvesting covers all the steps to cut and deliver the sugar cane to the mill, such as: burning, cutting of cane, continuous loading, grab loading, hauling by tractors, picking up cane, etc.

The Cost of Maintenance of Stubble Cane covers all the steps after the sugar cane is cut, in order to keep the stubble and cultivate the cane for the next crop or cutting season. Under this cost the main expenses are: Chemical and Hand Weeding, Mechanical Cultivation, Pest Control, Replanting, Spreading Trash, Surface Drainage, etc.