

Dealing with dire returns

There are no easy answers but it's vital to focus on what you can control in cereal production

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What do you pay for rental ground?

Where possible, negotiate rental agreements to get the landowner to share risks and benefits. Extra land helps spread fixed costs, but only if it makes a margin. Do you know your costs per hectare?

How much do you spend on equipment?

In good times, machinery purchases are sometimes driven by what is left in the current account at the end of the year. This policy is fine providing the current account yields the same or a larger surplus in subsequent years when repayments fall due. Ruthlessly review every machine and consider future options for reducing costs such as extending machine life, machinery sharing/partnership, contractor use etc.

What do you measure?

Do you do a Teagasc eProfit Monitor? This can be a chastening experience in the current climate, but it can help you identify areas where efficiency gains can be achieved. It can also help you make a good estimate of your cost/tonne. This will always be an estimate before you harvest due to the influence of crop yield, but it's a very useful metric.

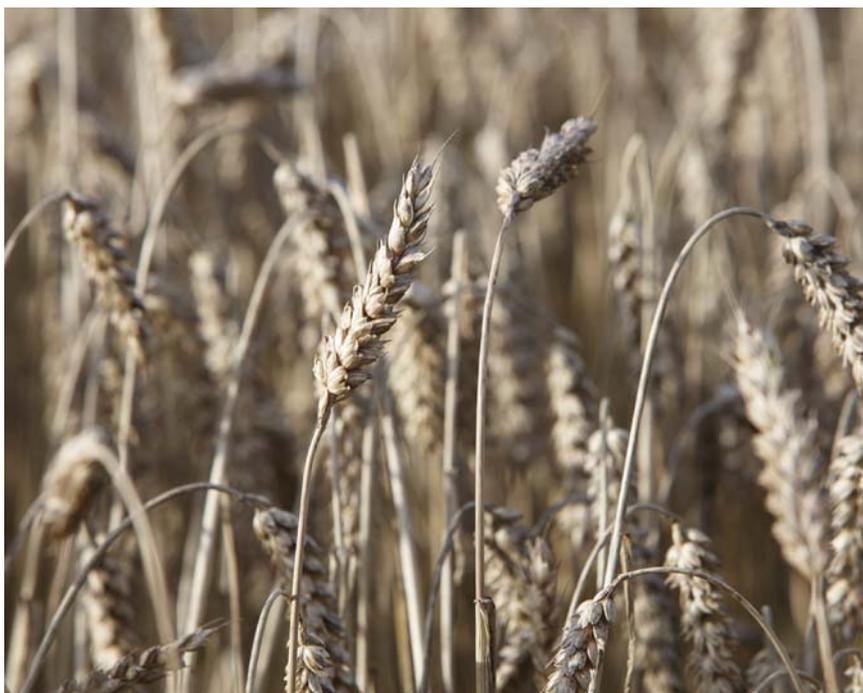
How do you sell your grain?

Forward selling can help you manage volatility, but is not a cure-all. Deciding whether an offer to sell forward is worth accepting is helped enormously if you know your costs per tonne.

Input buying

Fertiliser price: Forward buy where appropriate; soil test to optimise P+K; using urea may help to reduce N cost. Choose resistant varieties and avail of that resistance to reduce fungicide spend and only apply products and at timings that will give a return.

CASE STUDY



The four farmers featured in this case study farmed a total of 592ha. Each grower in the case study sows crops based on the crops' capacity to yield a potential margin per hectare.

Winter wheat costing €91/t to produce when sold for feed will yield a higher margin per tonne when compared with spring barley costing €111/t to produce when sold for feed. The average yield of winter wheat is also greater than that of spring barley. This results in a significantly higher margin per hectare.

These growers are operating from a position of knowledge. Each grower forward sold grain when they received an acceptable margin over the cost of producing that tonne of grain. The combination of focusing on crops that yield higher financial returns and forward selling grain has proven to have a signifi-

cantly positive effect on the net profit on each farm.

Each grower has evaluated the contribution of individual blocks of rented ground to net profit. In the case of spring barley at 7.22t/ha it cost €111 to produce a tonne on owned land. If grown on rented land costing €500/ha, the same tonne of grain would cost €180 to produce, inclusive of rent.

The growers understand the benefits of scale but, to facilitate scale, rented land must come at a price that increases the potential for the crop to contribute positively to net profit.

Each grower has limited the number of machines with borrowings and limited the term of loans associated with machinery.

This was achieved by having a planned machinery replacement policy.

Table 1: The physical and financial performance of four cereal farmers averaged over three years (excluding land rent).

Crop	Yield	Production cost/hectare	Straw value/hectare	Production cost/tonne
Spring Barley	7.22	916	118	111
Winter Barley	8.94	1083	148	105
Spring Oats	7.06	924	99	117
Winter Oats	8.10	914	123	98
Spring Oilseed Rape	3.21	882	0	275
Winter Oilseed Rape	3.85	1144	0	297
Winter Wheat	11.21	1201	185	91