

# A history of forward thinking

*Progressive tillage farmers have always looked to technology and the future whether in production or marketing*

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While Irish grain growers achieve some of the highest yields in the world, we still find ourselves struggling to make ends meet at the end of the season. Many will blame high input costs such as fertilisers, seeds and sprays, while others will blame poor grain prices. In truth, it is probably a combination of both.

Growers' ability to negotiate reductions in input costs are limited given that most input prices are relatively

static, with the exception of fertiliser and land prices. However, more and more growers are taking a proactive role in selling grain in an effort to improve overall grain pieces.

Forward selling of grain has had a chequered history in Ireland, with some growers still nervous of the concept. Many people are still reeling from the decision to forward sell grain in 2012 when the perfect storm of poor yields, poor quality and harvesting difficulties resulted in growers failing to meet agreed contracts. They were penalised by having to supply grain, which they didn't have, by buying it from a booming market.

However, some have stuck with the idea of forward selling or agreeing contract sales and they have reaped the benefits in the last four harvests.

Figure 1 shows the average European dried feed wheat prices available on a monthly basis since 2010. It highlights the volatility of prices over the last number of years.

What is interesting is that, with the exception of one or two years, the price of grain, on average, is at its lowest just after harvest in August and September, just when most Irish



growers want to sell.

With the exception of 2010 and 2012, selling some grain before harvest had the potential to increase the overall grain price achieved on farm.

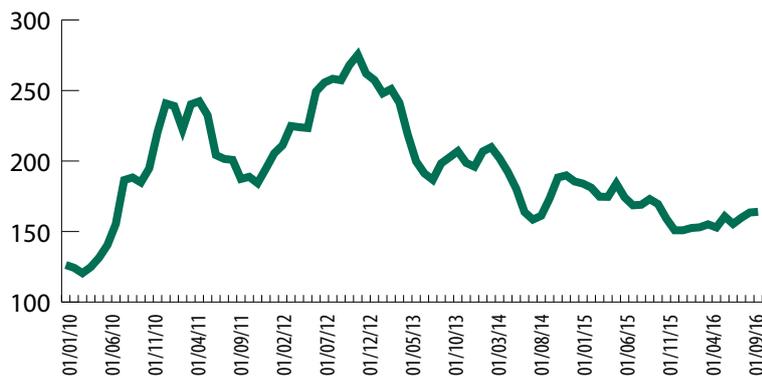
While the market has been declining since 2012, in each subsequent year there were opportunities to sell at a higher price than what was available at, or after, harvest. While some might call it risky to sell something that you don't already have, it seems to be far more risky to sell everything at harvest time. Selling a proportion of the grain on a regular basis is probably the safest bet.

Teagasc has estimated that there was the potential of acquiring an extra €10/t to €20/t by selling a proportion of your grain each month from January to August each year from 2012 to 2016 rather than selling all in August. It has been noticeable in the premium markets, for example malting, gluten free, etc., that forward selling has become more popular, as this allows growers to plan and budget their crop inputs.

One of the key aspects of forward selling is knowing your own growing costs. Teagasc has many tools such as the e-Profit Monitor and e-Crops that can help growers to calculate their own costs. The crop margins

**Figure 1**

Feed wheat price (€/t)



Prices courtesy of AHDB



**ABOVE:** Pat and Tony McGuinness with the old threshing system, powered by a reservoir on the farm.

**LEFT:** Pat and Tony McGuinness, Conor Dobson and John McGuinness.

booklet that is printed every year is also a good guide as to what the likely growing costs will be for cereal crops in that particular year. Table 1 shows the average cost per tonne for the different cereal grains at different yields, excluding straw sales, on your own land.

Having this information, along with the average recorded yields in each field, makes decisions around selling grain much more straightforward, as the farmer can see clearly if the grain is being sold at a profit or loss. The table clearly shows that land or fields that don't have high yield potential are unlikely to grow crops at a profit at current grain prices.

### Practical experience

The McGuinness family of Pat and Tony and their nephew John, who farm near Ardee, Co Louth, have been forward selling grain for the last number of years. They grow mainly feed wheat, feed barley, oats, oilseed rape and potatoes.

"We first started forward selling/drying grain in the early 1990s because of falling harvest prices," says Tony. "Over 60% of our area farmed is on conacre or long-term lease. This can cause a lot of uncertainty on farm, as conacre prices can change on

a yearly basis. Having some certainty in relation to grain price allows us to budget and cost what land is viable in advance."

Tony says they will forward sell at most 50% of their project yield. "We find we can achieve a better average price overall," says Pat. The McGuinnesses dry their own grain and store it for sale throughout the year. This allows them to sell when the time suits them and provides cashflow during quieter times of the year.

Their local merchant plays an important role in selling this grain and they rely on the information coming from the trade and also grain market websites such as Nogger's blog, AHDB markets, etc.

Tony also feels that the key to forward selling is to know your produc-

tion costs of all crops grown, as this will enable you to make key decisions regarding the forward selling of your grain.

He also feels by forward selling grain, it allows him to forward purchase inputs and obtain these at keener rates. The brothers store the grain at 18% to 19% and then dry it down to the required moisture content when the grain is being sold.

The home farm, where Pat lives, was bought by their father in 1942. The farm was always a progressive one and has a number of innovations including a reservoir, which was used as a source of hydro-electric power. The electricity generated (in the mid-19th century) ran an engine which powered a threshing system in the loft of one of the farm sheds.

This thresher, built of wood and still in magnificent condition, looks for all the world like a combine which has lost its wheels and header. The drum and straw walkers are essentially the same as any modern combine, which is based on straw walkers rather than a rotary system.

"The family, who embraced these new technologies, were always looking for a better way to grow and sell grain, just like us," concludes Pat McGuinness.

**Table 1:** Average cost per tonne for cereal grains

Yield t/ac	Feed wheat		Feed barley		Malting barley	Feed oats	
	Winter	Spring	Winter	Spring		Winter	Spring
2.6	193	165	177	145	146	154	143
3.0	167	143	154	126	126	134	124
3.2	156	134	144	118	118	125	116
3.6	139	119	128	105	105	111	103
4.0	125	107	115	94	95	100	93
4.4	114		105				

Costs/tonne excluding straw based on 2017 Crops costs and returns booklet