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## Strategy

- La Nina is on the decline, but this does not rule out winter rain – see page 4.
- Sorghum is more profitable than late planted wheat.
- There are many ways to manage high input costs.
- Consider yourself a businessman as well as a farmer – How do you rate on 17 habits – See pages 2 and 3.

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Contact Glenn Milne and Greg Cripps for experienced and independent agronomy advice – details on page 4.

## MANAGING HIGH FARM INPUT COSTS

Fuel and fertiliser costs are likely to stay high due to high oil prices, while glyphosate costs may come down after the Olympic Games when plants in China return to full production.

There are always options to manage costs. When zero-tillage first started around 25 years ago, Roundup was \$17/litre and a lot of effort was put into keeping the costs of fallow sprays down. Here are some ideas to reduce **glyphosate costs in fallow sprays**:

1. Glyphosate rates of 600ml/ha can be used on winter grasses, while 800 ml/ha can hit small summer grass weeds in mild weather.
2. In some cases using mixes with Ally or 2,4-D are now cheaper than using more glyphosate.
3. Check with your agronomist about when to use Ammonium Sulphate to keep rates down.
4. Controlling small weeds, with good spray conditions, water quality and equipment can allow use of lower rates of weedicides.
5. Chlorsulfuron (Glean) is a bargain and could be used more in fallows *before* wheat.
6. Atrazine not only helps to control weeds in sorghum, it can help (a lot) with fleabane. Sometimes it pays to increase the rates to provide a longer residual.
7. Investigate other weedicides like Flame, diuron and SpraySeed for particular weed problems.
8. Remember, rotating weedicides is necessary to prevent herbicide resistance from developing.

**Fertiliser costs** are now around 25% of the total cost of producing grain and the use of feedlot manure – See April News page 3 – is the obvious way to keep these costs in check.

Aged feedlot manure has 7- 8kg P per tonne, which is the same amount as 35-40 MAP. Adding 6 t/ha will eliminate the need for starter fertiliser for 5 years. It will also add over 100kg of N, worth around \$180. Manure will become scarce, but do your sums and be prepared to offer more \$/t.

We will hear a lot more about recycled nutrients in years to come. Get together with a few farmers and look for sources of recycled waste; sewage sludge, RO plant output, city greenwaste, cottonwaste, sawdust or piggery effluent and make your own fertiliser. It could save a lot of money. Don't wait for someone else to do it, they will charge you a lot more!

Your P soil tests may have increased over the years. If they are above 15 for sorghum and 20 for wheat, skip starter fertiliser for a year or two until you can get manure on the paddock.

Most farms do not need zinc and the best value starter fertiliser is DAP.

Barley and Sorghum need less N than wheat (17 kg N/t of yield vs 20). If sorghum is high starch and low in protein it will need less N per tonne of grain produced. 5t/ha of grain at 12% protein will remove 100kg N, 25 kg more than if the grain is 9% protein.



This is the last Horizon Rural Management Newsletter. Glenn Milne and Greg Cripps, trading as South West Agronomy Team (SWAT) will continue to offer an agronomy service and newsletter for their farmer clients.

*In this last contribution from Peter Wylie – the vital ingredients of highly profitable farming are examined!*

**HOW IS YOUR TRIPLE BOTTOM LINE? YOUR....**

\* **PROFIT**  
\* **LIFESTYLE**  
\* **ENVIRONMENT**

*Profit per Hectare,  
Water use Efficiency,  
Return on Capital...*

*Ignore these at your peril if you want to be a successful farmer.*

*Some farmers make excuses for poor profit, saying they enjoy a good lifestyle.*

*With a little more 'business effort' the top 25% of farmers have double the profit and in reality a much better lifestyle.*

*Farming is in a new exciting era. The cost of fuel and other inputs are going up, but there are opportunities to manage these and to make the most of high grain prices and much higher profitability!!*

*Test yourself – of the 17 habits – how many do you have?*

### 1. Enterprise mix – ongoing adjustment

- 1.1. Profit margins of crops and other enterprises are reviewed regularly.
- 1.2. Rotational benefits and optimum rotations are considered.
- 1.3. Diversification and risk management impact on the final mix of enterprises.

*See the article on beef in the May news. It is possible to more than double profit by adjusting beef to run more cattle in summer putting on beef not calves!*

### 2. Production is optimized

- 2.1. Programs (fertiliser, weed and pest control etc) optimise output.
- 2.2. Tracks and fine-tunes conversion of water into grain (Water use efficiency – kg/ha/mm)

*This year was a record year for sorghum, not because of record rainfall but very high WUE. Early planting and a cool summer contributed to WUE levels of 23 kg/ha/mm – 10 t/ha from 150 mm planting moisture + 280 mm of rainfall.*

### 3. Costs are minimized

- 3.1. Ways to optimise costs (eg crop rotation, legumes for N, manure) are considered.
- 3.2. Long-term plans include managing overhead costs of labour, machinery and administration.

*Fertiliser and glyphosate prices are up, but there are ways to manage these inputs – see article on page 1.*

### 4. Marketing adds extra \$

- 4.1. A marketing plan is in place to optimise prices received.
- 4.2. Marketing information and advice is accessed regularly.

### 5. Risk is minimised

- 5.1. Management plans are in place for major risks, such as drought, rain at harvest and frost.
- 5.2. Timeliness is paramount - *work each day as if it is going to rain tomorrow.*
- 5.3. Operations are reviewed to maximise efficiency and minimise downtime
- 5.4. Contractors are used to get jobs like harvest done quickly.

### 6. Goals, focus, directions

- 6.1. Regular reviews of business, family and personal goals.
- 6.2. Work and lifestyle tradeoffs (family goals) are considered.

*There are always other options to buying more farming land and working 6am to 6 pm. Investing off-farm may have a higher return with less input and more leisure.*

### 7. Succession plans in place

- 7.1. Plans are in place for farm/family succession.
- 7.2. Incentives and a secure future is provided to family members.
- 7.3. Retirement funds, superannuation or off-farm investments are accumulating.

### 8. Good Labour management

- 8.1. Modern labour management plans (recruitment, induction strategies, performance reviews)
- 8.2. Labour is involved as a team, with two-way feedback and incentives in place.

*Farmers can attract and retain workers by attending to the big 7 intangibles workers want most – See May News. The working environment is just as important for family as it is for hired staff.*

### 9. Environment is managed

- 9.1. Issues such as erosion and off-farm impacts such as water quality are priority concerns.
- 9.2. Soil Health (Organic matter, soil structure etc) is an important element of future profitability.



*What is the nutrient and carbon balance of your farm? Is organic matter declining or is a program of zero-tillage, manure and high carbon inputs halting the slide?*

### 10. Innovation

- 10.1. New ideas are continually being sought and tested,
- 10.2. A watch is kept on successful innovation on other farms.

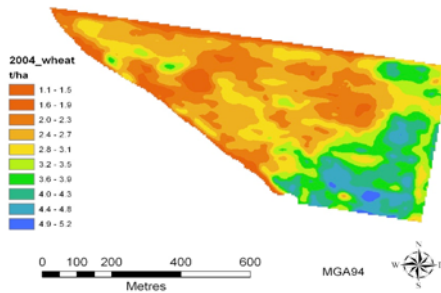
*What's on your latest 'watch list' of innovations. What about:*

- *composting pig manure*
- *natural gas power on the farm*
- *camera systems to observe farm operations, water supplies etc.*

### 11. Trials

- 11.1. On-farm trials of crop varieties, fertilisers and other inputs are being conducted each year, most likely using yield mapping.
- 11.2. Researchers are invited to conduct trials on the farm.

Bridge Paddock



*Yield mapping can help you to run trials on fertiliser and check why some parts of paddocks do better than others. Why do soil tests when you can check the results of fertilizers across the variable soils in a paddock?*

### 12. Growth is planned

- 12.1. Planning includes the best use of profits, investing on/off farm.
- 12.2. Capital investment is minimised through syndicates, contractors, leasing.

*A profitable farm will return more than 7% return on capital – enough to double the size of the business in 10 years. Farmland values have grown at 7%p.a over the last 30 years, but off-farm investments, in energy companies for instance, may provide much higher returns, with less effort.*

### 13. Networks

- 13.1. Contacts are made with advisers and other farmers.
- 13.2. Co-operation on machinery and other assets may reduce costs and help with mechanic delays.

*It sounds easier to be independent, but gone are the days when farmers did everything from mechanics, harvest and cartage to designing new machinery.*

### 14. Reinvention

- 14.1. Realignment of the business is considered annually towards more profitable operations and a decline in less profitable ones. There are no sacred cows.
- 14.2. New opportunities, including value adding are sought.

### 15. Land

- 15.1. Investment in land is considered separate to the profitable farming business.

*You should aim to make 7% return on capital from operating profits, as well as 7% return from increasing land values!*

### 16. Health and Leisure

- 16.1. There is more to life than work. Hobbies, travel or holidays are important.
- 16.2. Health is more important than money. Leisure and diversions are important for our health.

*If you want to see the Bungle Bungles one day, don't leave it until you are 70, you might not be fit enough to travel.*

### 17. Trends and global changes

- 17.1. Market trends which will drive future production or premiums are considered.
- 17.2. Biofuels, increasing population and standards of living may turn agriculture from a price-taker into a price-setter. This will increase profit and land values!
- 17.3. Managers need to consider labour trends, climate change and promote agriculture as an exciting industry to be in!

*Times are changing and the profitable farm has to keep making changes.*

*Fuel costs are rising and one opportunity for farmers to do something is convert from petrol and diesel to natural gas – and save \$1/litre!*



*Your farm fuel tank of the future might look like this gas storage pod!*

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*Farming has a good future, but is not viewed as a vibrant industry. What do people in the city hear – mostly about how bad farming is.*



*To attract people to study agriculture and work on the land, all farmers need to help with positive promotion, and avoid the negative stories designed to elicit more assistance from government.*

# Profitable Farming

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# Horizon Rural Management

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## Looking back over 25 years

In 1985 farmers agonized over the costs of fallow sprays (with Roundup at \$17/litre – probably worth around \$40/litre today) and interest rates of 14%.

By 1990, Roundup had come down to \$13.50 and zero-tillage was becoming established, but interest rates were 17%.

In the late 90's and up to 2005, farm profits were held back by rising costs (of all inputs except herbicides) and low prices (Sorghum at \$120/t.)

Despite this, many farmers (the Top 25% of farmer clients) managed to make a return on capital of 10% and (after slippage due to taxation) double the size of their operation every 10 years.

A remarkable feature of agriculture has been the on-going increase in land prices over the year, with good black soil cultivation at Dalby worth \$400/acre in 1983, \$800 in 1990 and \$3,000 in 2008.

Beef profits improved in recent years, driving land prices higher, but have dived recently due to a high \$A and because feedlots can't afford to pay high prices for feeder cattle.

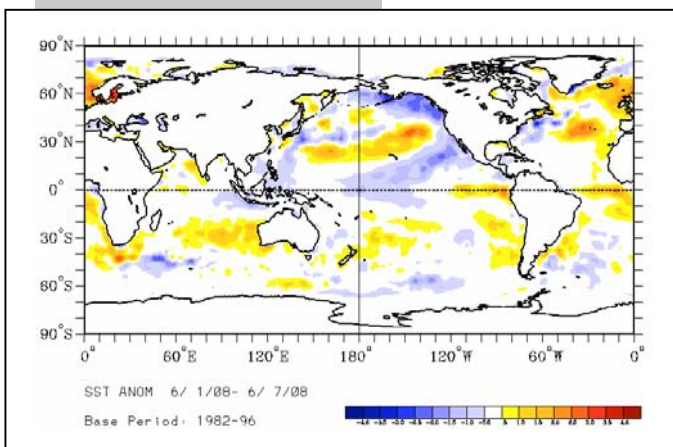
In 2008 we have rising costs and interest rates but high grain prices to help the farm's bottom line. Apart from the threat of Climate Change, there has never been a more positive time for crop production. Land prices are likely to boom over the next few years!

### Darling Downs Farm Costs and Profits over 25 years

	1984		1992		2004		2008	
	sorghum	wheat	sorghum	wheat	sorghum	wheat	sorghum	wheat
Yield	3.5	2.4	3.86	2.7	4.5	3.2	5	3.2
Price	112	118	115	130	120	158	240	330
Gross \$/ha	392	283	444	351	540	506	1200	1056
Fuel \$/ha	28	28	29	29	35	35	55	55
Fertiliser **	35	32	45	45	90	82	192	160
Grow Costs	122	104	187	156	286	272	586	459
Fixed Costs	118	118	124	124	180	180	228	228
Profit \$/ha	152	61	133	71	74	54	386	369

Fixed costs include (2008) Labour \$95, Machinery \$85 and Administration \$48/ha  
 \*\*Some farmers have halved fertiliser costs in recent years using feedlot/poultry manure.

## Weather in transition to Enso Neutral



The La Niña event in the Pacific is weakening, with Enso Neutral conditions now forecast for the next 3 months. *ENSO-neutral is not all that bad for us here in southern Qld.*

The 30-day value of the SOI was +4 in early May, and now at -4 continues the large reversal since March.

The Bureau of Meteorology was optimistic about winter rainfall in Queensland in April, negative last month, but in late May is suggesting "wetter conditions over much of Queensland and northeast NSW...a result of higher than average temperatures in the Indian Ocean, and cooler than average waters in the central to western equatorial Pacific in association with the decaying La Niña pattern."

In my final weather comment I suggest, that while it is interesting and the information I find most useful is the MEI site [www.cdc.noaa.gov/people/klaus.wolter/MEI/index.html](http://www.cdc.noaa.gov/people/klaus.wolter/MEI/index.html), the changeability of the weather and hence reliability of long range forecasts is not good enough to do anything serious with in respect to farm decision making!!

*Warm water off the South American coast signals the breaking down of the La Nina, but the Bureau of Meteorology says the warm water in the Indian Ocean increases our chances of winter rainfall.*