March 2008

Profitable Farming

Horizon Rural Management - 07 4662 4899

Strategy

- On-going La Nina is promising for winter.
- Seed may become short - start to order prefered varieties - see p. 2.
- $400 wheat changes profits and rules out oats! See page 3 of the Feb news.

Contents

Wheat is at record price levels - currently $480/t, but the price is likely to fall if there is a good world wheat crop.

Where there is good subsoil moisture (180 mm) and 100 mm of winter rainfall, wheat yield should reach 3.36 t/ha (@12 kg/ha/mm).

Huge increase in winter crop profit

Summer crop has been more profitable than winter crop in recent years, but the huge increase in the price of wheat means it is now better than sorghum. However, winter rainfall is less reliable than summer and the world wheat crop may grow to be much larger this year, causing the wheat price to collapse.

The profit comparison for wheat on the Darling Downs compared with 2006, shows (see table below) wheat profits up 700% if the wheat price is $430/t. This is similar to the comparison made for the Western Downs (Page 3, Feb News).

Barley has been as profitable as wheat in recent years, due to feed grain prices being high. This year, wheat will be the top performing winter crop if the prices remain high, with barley much lower.

Chickpea will need exceptionally high prices (over $600/t) to make profit comparable to wheat, but there is a bonus from nitrogen and a disease break. It is also the easiest crop to plant into sorghum stubble.

If wheat is being planted into sorghum stubble the nitrogen fertiliser requirement will go up from 20 kg N/ tonne of yield to around 28 kg N/t of yield potential. This means adding around 90 kg N/ha (180 kg Urea) to achieve a 3.2 t/ha yield.

A change from La Nina conditions to a dry winter should be watched right up until planting time. If La Nina weather looks to continue over winter, then consideration should be given to disease resistance for yellowspot, which ravaged wheat in 1998.

Winter Crop Profits - 2008

	Darling Downs				Western Downs		
	Wheat	Barley	Chickpea	Wheat 06	Wheat	Barley	Chickpea
YIELD t./ha	3.2	3.4	2.0	3.2	2.6	2.6	1.56
Yield: t./ac	1.28	1.36	0.8	1.28	1.04	1.04	0.62
PRICE $/t	430	360	550	190	430	350	550
Return $/ha	1376	1224	1100	608	1118	910	858
Fuel+Repairs	100	100	100	80	68	68	68
Fallow Spray	60	60	60	40	55	55	55
Seed cost	28	28	45	24	24	26	42
Fertiliser	108	88	21	95	84	18	18
Herbicide	12	12	32	10	12	12	32
Insecticide	0	0	60	0	0	0	40
Harvest, misc.	58	58	77	48	66	66	78
Growing Cost	366	346	395	299	309	245	333
O'head costs	228	228	228	200	150	150	150
Profit $/ha	782	650	477	109	659	515	378

O'head costs: Labour $64 WD-95 DD, Machinery $52-85 and Administration $34-48/ha

Decisions for winter crops

Wheat is the main crop this winter says Glenn Milne and it is time to start selecting preferred varieties based on the potential for disease.

A new strain of stripe rust is expected to spread in Queensland this year and growing all your wheat with a susceptible variety, such as Baxter is a considerable risk.

Spend some money on seed of a new variety or two this year. Wylie has yielded well and has one of the best all-round disease resistance levels.

Don't forget the big losses from yellowspot in 1998. A wet August will bring it on again and it is prudent to have at least some (perhaps 40%) of your wheat mix in yellow spot resistant varieties.

With high wheat prices and good moisture profiles, it is time for decisions to be made for the winter crop. Wheat, barley and chickpea are the main options with selection criteria based on rotation for disease management, soil fertility, stubble residue and paddock suitability.

High wheat prices may not last and some growers are considering Multigrade contracts on a safe % of their intended production. With a large plant expected, there are concerns about seed supply for the preferred varieties so it's time now to decide on which varieties to plant.

What are the important points in choosing a wheat variety for this winter season?

Stripe rust is expected to hit the Southern Qld wheat belt with an infestation by a new strain that has spread from WA. A useful level of resistance is found in Strzelecki, Gregory, Sunvale, Bounty, Hume and Durum varieties. The close monitoring of crops is necessary and if infection is found, fungicide may need to be applied.

Root lesion nematode resistance is a bonus for paddocks with wheat or mungbean history, and where high infection levels are known. Following a drought, nematodes come from deep in the profile to attack roots in the 0 – 30 cm zone. Varieties such as Sunvale, Baxter, Wylie and the new Burke are the best options. The only management options are variety selection and rotation.

Crown rot will reduce yield potential in the tolerant varieties by at least 20% even when white heads are not evident. Rotate out of winter cereals if CR is suspected or use the new lab test from Crown Analytical Services to determine levels in last season's stubble. The best available resistance is only medium, being found in Sunco, Lang, Baxter and Wylie. Crown rot also affects barley and chickpeas.

Yellow Spot leaf disease will develop in a wetter than average season. The paddocks mostly affected will be those with wheat stubble from last season or those beside or downstream the same. YS is mainly stubble borne but will become air borne when it reaches the second stage of sexual development in August as occurred in 1998. Resistance is available in Strzelecki, Wills, Kennedy, Leichhardt, and Durum. Foliar fungicide applications are possible if yellow spot becomes serious.

Grain Size has been a concern in the last couple of seasons, with some high screenings. If moisture is limited and soil nitrogen levels are high, pinched grain will result. Any of the above diseases will also increase this problem. Some wheat varieties are known for larger grain but are not immune from producing small grain. These include Kennedy and Leichardt.

What is the right choice?

Today's farming is about knowing your start position in regard to soil moisture, nutrition and disease risk, on a paddock-by-paddock basis. It's then important to select a few varieties to suit, effectively spreading the risk. Hanging everything on a narrow selection is gambling.

Barley is the poor cousin to wheat this season, with the current price estimate well behind wheat and expected to remain so until the large sorghum crop of 07/08 has been positioned. This is not the case for malt, but malt quality is difficult to reliably achieve. Variety choice hasn't changed for this season with most focus on Grout for Central and Western areas and Tallon, Grimmet and Binalong for the softer production areas with a malt option. The main concerns with barley are the Spot form of Net blotch and Powdery Mildew, which need to be monitored and sprayed accordingly. Barley on barley should be avoided.

Chickpea has a particularly good fit this year as a double crop into sorghum stubble. There is no need for nitrogen fertiliser and a bonus of residual N for the next crop. With the low acreage planted last season, the risk from Ascochyta is low, but preventive management would still be wise. Phytophthora root rot is a major concern if a wet winter eventuates. The varieties Yorker, Jimbour and the new Kyabra offer some resistance to root rot, but avoiding the planting of potentially waterlogged paddocks is the best decision. More on chickpea next month.

Prices drop with huge sorghum crop

The big sorghum crop is likely to result in lower prices for sorghum over coming months. The prices of feeder cattle are high but may decline towards the end of summer. At what combination of grain and cattle price is feedlotting profitable?

Feedlot profits

For the same buying and selling price (around $1.90-$2.00/kg), sorghum needs to be $200 per tonne on farm to make a profit on feedlotting - and then it is only around $20 per head. For each 10c/kg the price of the feeder steers exceeds the sale price of the finished article, a reduction of $27 in profit occurs.

Some of the costs in the comparison here, such as freight and selling, have been kept low to reflect the fact that some (or all) of the steers may be sourced on the property and may be sold direct to market without commission. All these small costs add up to affect profit margins. The feedlot budget also includes 15% of the ration as hay at $160/tonne or silage valued accordingly to its moisture content. Any increase in this price would adversely affect the profit from feedlotting.

How to improve feedlot margins?

One way is to grow more silage,which may include silage from grain sorghum, with a high grain content. Increasing the amount of this in a ration is likely to reduce feed costs.

Sorghum has a low digestible energy content, compared with wheat or barley. (See December News page 3). It is possible to increase digestibility by ensiling sorghum at high moisture or reconstitution (adding water).

Normally reconstitution is done with air-tight harvestores, but it is possible to do this with plastic silos, if no more than a few days of feed is treated (so it does not spoil) at one time..

Buying steers at the best time of the year and backgrounding on the property can improve profits. Late winter is usually the best time to buy steers (up to 20c/kg below the peak), and if the steers have had a tough winter, there could be some compensatory gain to help boost the margin. If feed quality is not good, then some cottonseed could help 'condition' the steers ready for feedlotting.

Lower sorghum prices have made on-farm feedlotting more likely to be profitable.

Profit from using $200/t sorghum is $20/steer with the same buying and selling cost.

The profitability of farm feedlotting can be improved by using silage produced on-farm, increasing the sorghum digestibility and buying stores at a good price in late winter.

Feedlot budget (on-farm grain mixing)

	Returns	Assumptions	
Starting price	$540	Starting weight	270 kg
Sale price	$764	Starting price	$2.00/kg
Margin per steer	**$224**	Feed intake %	2.75
Feed costs	$148	Weight gain/day	1.4 kg
Labour/feedout	$15	Days on feed	80
Veterinary costs	$5	Finish weight	382 kg
Losses	$5	Sale price	$2.00
Freight in/out	$10	Feed required	717 kg
Interest cost	$11	Cost of feed	$206
Selling & Misc	$10	Sorghum price	$200
Total costs	**$216**	Concentrate 5%	$450
Profit per steer	**$20**	Stock losses	1%
Breakeven $/kg	**$1.95**	Interest rate	9%

NB: Freight and selling costs can affect profits greatly

Feedlot economics - price sensivity

Profit per steer with different cattle and feed prices*

Cattle prices		Feed price - total ration cost		
Buy c/kg	Sell c/kg	$200	$220	$240
200	210	64	50	34
200	200	26	11	-5
210	200	-1	-16	-32
220	200	-28	-43	-59
190	190	10	0	-15
180	190	37	27	12
180	200	75	65	50
190	200	53	38	23
200	190	-14	-28	-42
210	190	-41	-55	-69
Sorghum price		$200	$216	$235

*** Profit per steer based on assumptions in table on left**

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Peter Wylie is now working as Commodities Manager at the Dalby Bio-Refinery.

You may contact him about selling sorghum; phone 0428624899.

Glenn Milne (46698070 or 0408487989) and Greg Cripps (46621332 or 0407406628)will continue to run Horizon Rural Management and newsletters will continue in their present format until June.

Fleabane germinating well

Fleabane is germinating well in wet and mild conditions. Small seedlings will be controlled with glyphosate, however coverage is a problem where significant stubble is present. Adding 2,4-D to the glyphosate will give better control on fleabane sheltered by stubble.

If 2,4-D is added to the mix, coarse droplets need to be used (to avoid drift) along with higher water volumes to get good coverage. Most growers have been using air induction nozzles to create coarse droplets for 2,4-D use. Water volumes need to be at least 50 litres per hectare when using coarse droplets to hit small weeds.

Results from coarse droplets from air induction nozzles are not as bad as those without air because the droplets are travelling slower and bounce less.

Double Knock sprays

Fleabane should be inspected 2 weeks after spraying to see if there are any surviving weeds. Trials by Nufarm have demonstrated how to control fleabane if the initial kill is low and it needs to be cleaned up. The first spray should involve a minimum of 750 grams active of 2,4-D (1.6 lt/ha Surpass 475, 1.2 lt/ha of 2,4-D Amicide 625) in a mix with Glyphosate. A second spray with either Spray.Seed or paraquat @ 2.0 lt/ha seven days later has provided good control of Fleabane, but at a cost!

Also the trials showed glyphosate + Ally + 2,4-D (3-way mix) did a better job at controlling the fleabane than glyphosate + Ally or glyphosate + 2,4-D (2-way mix). So if growers are going to plant wheat or barley this winter and they are spraying these paddocks for fleabane, adding Ally to a glyphosate + 2,4-D mix will do a better job.

Fallows for Summer Crop

Where paddocks are going to be fallowed through to sorghum, atrazine will control germinations of fleabane. The main time is to apply atrazine in the spring, prior to or when the fleabane germinates. Using atrazine now is an option but the residual may have run out by spring when the main germinations are likely to occur. It could be possible to use a top-up before planting time.

Spray.Seed and Paraquat

Paraquat or Spray.Seed are dangerous chemicals. If safety equipment is used when mixing and the operator is in a closed cabin when spraying, these weedicides can be used safely.
The use of Spray.Seed and paraquat is good to help prevent resistance to glyphosate. There are instances of glyphosate resistant barnyard grass in NSW so timely use of Paraquat and Spray.Seed in our fallows will reduce the danger of developing glyphosate resistant weeds.

La Nina stronger, likely to remain until July

The Multivariate Enso Index and the SOI have strengthened in February to indicate a strong La Nina is firmly in place. The MEI has dropped sharply and is now as strong, at this time of the year, as in 1988 and 1970.

The US Climate Prediction Centre says the La Nina is still going strong, while models and statistical SST forecasts for the Niño 3.4 region indicate a weaker La Niña should continue through to July.

Thereafter, there is considerable spread in the models. Above average rainfall should continue in Australia, with below average rainfall in the southern states of the USA, particularly in the south east.

A La Nina could help southern states with a better than average start to the winter season. Keep in mind this could be another factor which might cause a decline in the wheat price.

Sea surface temperature anomalies shows there is a huge band of colder than normal water across much of the equatorial Pacific. However the first signs of warm water are showing on the South American coast and water around the Australian coast is cooling off.