



## Return on investment from Cropping Inputs –

It is no surprise that with record grain prices, grain growers are gearing up for what could be a record planting. Much of the northern and Eastern grain area has suffered from poor seasons, and dwindling equity adds significant pressure. Even in the face of record fertilizer and oil prices, the budgets for grain growers looks relatively optimistic. An average rainfall year could mean a huge increase in farm profitability or a quick rebound from poor seasons and debt incurred.

Many graziers with adequate rainfall, soil type and equipment are swinging into grain production to take advantage of these record grain prices. Corporate investors are eying off the rural sector with more than casual interest.

Much concern has been expressed of the rapid rise of fertilizer prices. At last glance, Glyphosate prices had trebled and may possibly increase further. Peak oil will keep fuel prices high. So why the optimism in grain growing? – PRICE!

Even a back of the envelope analysis shows that in spite of the higher spend per hectare to grow the crop, the value of the crop well and truly offsets these costs.

**Table 1** : A brief analysis of a canola paddock shows that an 84% increase in canola price, even with increased input costs, has led to an estimated 180% increase in gross margin per hectare.

	2006	2008	Approx difference %
Canola Price Cash #	\$380	\$700	<b>+84%</b>
Grain Value 1.2t/ha	456	840	
Fert Inputs/ha @	-110	-150	+36% @
Pest/herbicides /ha	-42	-50	+20%
Seed Inputs/ha	-25	-30	+20%
Operations/ha	-90	-108	+20%
Total Costs/ha	-267	-338	+27%
Gross Margin/ha **	<b>+\$189/ha</b>	<b>+\$530/ha</b>	<b>+180%</b>
Cost% Income	58%	37%	

\*\* not including farming fixed costs, financing costs etc, # estimate only, @ fertilizer ordered early.

It is quite understandable that even when fertiliser nitrogen is more expensive, legume crops are much less attractive than canola in many paddocks this season.

**Table 2:** A similar exercise for wheat shows an 80% increase in wheat Multi G price, even with increased input costs, has led to an estimated 130% increased gross margin.

	2006	2008	Approx difference %
Wheat Price Multi V/G #	\$195	\$350	<b>+80%</b>
Grain Value 2.2t/ha	429	770	
Fert Inputs/ha @	-90	-123	+36%@
Pest/herbicides /ha	-40	-50	+25%
Seed Inputs/ha	-15	-28	+86%
Operations/ha	-75	-90	+20%
Total Costs/ha	-220	-288	+31%
Gross Margin/ha **	<b>+\$209</b>	<b>+\$482/ha</b>	<b>+130%</b>
Cost% Income	51%	37%	

\*\* not including farming fixed costs, financing costs etc, # estimate only , @ fertilizer ordered early.

With these approximate calculations in mind, wise fertilizer and pesticide input use is as profitable as ever. I should remind growers that most herbicide and pesticide prices have remained relatively flat or have become slightly cheaper due to generic competition. With all the above considered, let's pray for rain.

Best of luck for a safe growing season.

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