



Farming needs economic focus

AGRONOMICS are fine but it is the financial benefits derived from farming which really drive growers, according to a guest speaker at last week's Oilseeds WA production workshop.

Gerard O'Brien, who farms at Northam, York and Jennacubbine, said the main thing affecting farming's sustainability was lack of economics.

"Whatever we do as agronomists we also have to back up as economists and make sure it does fit into the farming system," Mr O'Brien said.

"And the viability of farming has been pretty tough."

Mr O'Brien, who is also an agricultural consultant, outlined his farming operation including profits and gross margins at the workshop.

He said while last year was tough he was still able to manage a good net profit across his farms, which was \$1.3m on 3328ha cropped in 2006-07.

Mr O'Brien said it was important to understand how gross margins interacted.

He said the gross margins at his properties were continually assessed over time to determine their contribution to the farm's overall profit.

As part of this process the financial impact on the previous year's crop was also assessed, which helped him determine a preferred rotation.

The preferred rotation was hay, peas, wheat, wheat and hay, which provided an opportunity to clear out weeds and reduce herbicide costs.

"It's very easy to say wheat gives the highest gross margin and that we should be growing wall to wall wheat or wall to wall hay but when you sit down and analyse it economically it doesn't give you the net highest farm profit," Mr O'Brien said.



"We really want to see why putting canola into the system, which is the third highest gross margin, is a financial benefit to the bottom line for the farmer on a five-year rotational gross margin."

Mr O'Brien said the farm could make hundreds of thousands of dollars of extra profit a year when rotational gross margins were understood.

"In other words how does each of these crops impact on the next crop and do I get a yield benefit from growing canola before I grow my wheat."

"So what we do is every year we plug all that data in and so we have 10 years data with a couple of hundred paddocks, data on a couple of thousand trials basically."

"So we can sit back and say yes, this is a good system."

Mr O'Brien said while hay was the farm's most profitable crop, it was also the riskiest because it was so dependent on price.

He said there was also a lot of work in handling hay and getting it under cover before it was downgraded by moisture or rain.

"We probably crop about 20pc of the farm to hay because it is the highest gross margin and because it gives us an agronomic benefit and



Gerard O'Brien

takes out our weeds," he said.

Mr O'Brien said it cost him \$263/ha to grow hay as opposed to a couple of hundred dollars for other crops, but hay trebled his risk profile if he didn't get the price.

"We make a gross margin loss with peas but always benefit because it is a substantial contributor to wheat crop," he said.

Mr O'Brien said he grew most canola in the Avon Valley where rainfall was higher and the finish was softer than at Jennacubbine.

Over nine years canola was his third most profitable crop with an average gross margin at \$226/ha, excluding GST.

In 2003 when there was a good wet year, canola had the highest gross margin of \$524.

Mr O'Brien said the farm, run as a business, still returned a fair return on capital (ROC).

He said with capital appreciation included, the

farm, hit by one of its driest years, recorded a ROC of 7.1pc, or 8.6pc, depreciation excluded.

Mr O'Brien said farm trials had found sowing canola deeper had a positive yield affect.

He said that planting canola at 0-10cm was inadequate to finish a crop.

"At 20cm down it doesn't matter how hot it gets you can finish a crop," he said.

A comparison at one of the properties had shown the roots of canola sown at 0-10cm were going sideways and cementing together while the roots of canola sown deeper were going straight down.

"What we have done is put a couple of tonnes of gypsum out there, put calcium into the soil and opened the soil up and then deep rip down to about eight inches," he said.

"Getting that soil open and getting the roots down has helped us a lot without our soils."

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