

Gross Margins

Being able to estimate gross margins (GMs) will allow you to choose a cropping mix that will optimise potential returns. The simple formula

$$GM = (\text{Yield} \times \text{Price/t}) - \text{variable costs}$$

will provide a quick estimate.

Although the variable costs will remain relatively static, both yield and price may vary according to season and so cause GM estimates to fluctuate. For example, global production and/or domestic supply can drive prices up or down throughout the season. Yield varies with variety, rainfall and pest and disease problems. So, in order to compensate for these fluctuations, conservative values for price and yield should be first used in the calculation. Best and worst case scenarios can be calculated by altering price and yield values. A sensitivity table is provided to show how changes in price and/or yield can affect gross margins.

Sensitivity Table for Sunflower

Yield T/ha	On Farm Price \$/tonne			
	280	320	360	400
1.0	30	70	110	150
1.4	142	198	254	310
1.8	254	326	398	470
2.2	366	454	542	630
2.6	478	582	686	790
3.0	590	710	830	950

* variable costs = \$250/Ha

Variable costs will vary from region to region and from farm to farm. The value of \$250/Ha is a conservative estimate based on NSW Agriculture and Queensland Department of Primary Industries figures. For a breakdown of the components used in the estimates see the Queensland Department of Primary Industries Crop Management Notes, Summer Crop Edition, available on CD. To obtain a copy, contact Callweb@dpi.qld.gov.au or phone 132523 to place an order. For NSW, check website: www.agric.nsw.gov.au/reader/sumcropbud

Clearly, price is beyond your control and variable costs are relatively constant. Better yields is the only way to improve GMs. Farming practices, such as minimum till, optimum planting densities, dressed seed, row spacings and tolerance to disease impact on yield and are referred to in other sections of the Pack.

Sorghum or Sunflower?

Sunflower and sorghum compete as summer crop options. Price and or seasonal conditions influence growers' choices. For example, in Central Queensland, growers prefer to plant sorghum in early to mid-Summer or sunflower in late Summer/early Autumn. The decision is based on sorghum's heat tolerance and ease of weed control compared with sunflower. Late sorghum faces the risk of ergot infection and weeds have become less of a problem for sunflower by late Summer.

Sorghum is often preferred to sunflower because of its grazing value and the soil protection provided by stubble compared to sunflower. To obtain benefits from good sunflower prices and/or growing conditions, plant sunflower into wheat or sorghum stubble then plant sorghum the following January.

Sensitivity Table for Sorghum

Yield T/ha	On Farm Price \$/tonne			
	110	130	150	190
2.0	-60	-20	20	100
3.0	50	110	170	290
4.0	160	240	320	480
5.0	270	370	470	670
6.0	380	500	620	860

* variable costs = \$280/Ha

