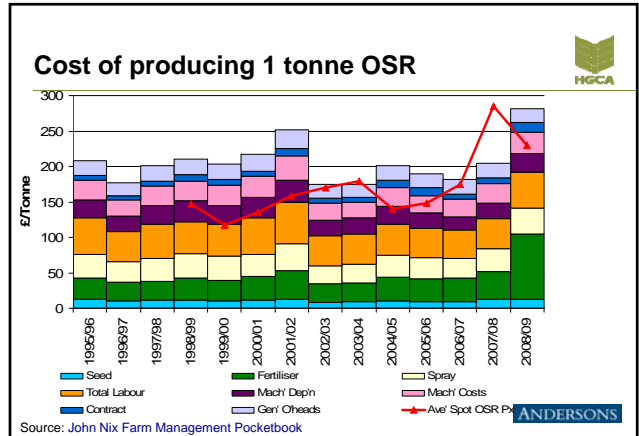



Oilseed Rape – Is it a cost effective break?


Graham Redman, Senior Research Economist
The Andersons Centre

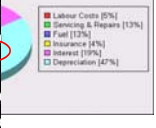



Machinery costs analyser

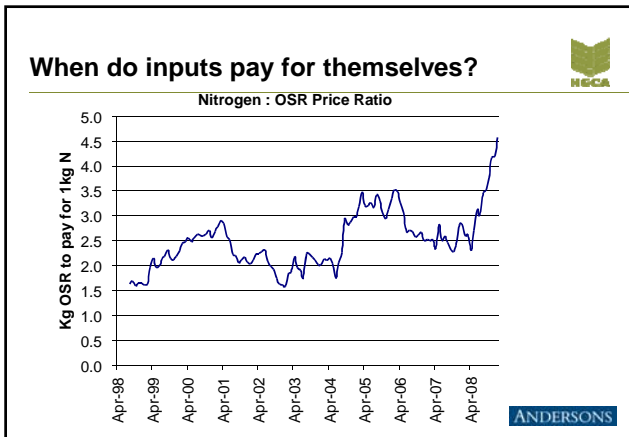
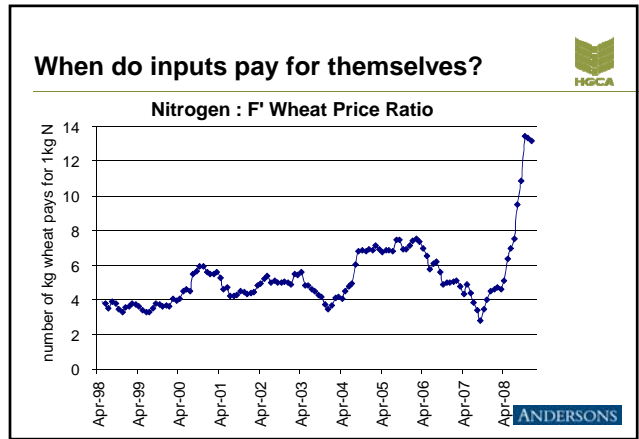
Machinery Summary – Claas Lexion 600TT

Actual Horsepower	588.00
Actual Hours Worked	300.00
Purchase List Price	528000.00
Working Life Expectancy	3600.00



	Per Year	Per Hour	Per Hectare	Per Hectare	Costs Summary
Annual Depreciation	36258.54	120.86	29.52	29.52	
Annual Interest	14958.70	49.86	11.87	11.87	
Annual Insurance	5280.00	17.60	4.40	4.40	
Annual Fixed Costs	56497.24	187.32	45.79	45.79	
Fuel	10086.53	33.62	8.23	8.23	
Servicing & Repairs	9489.46	31.63	7.66	7.66	
Operating Costs	19768.19	65.89	16.09	16.09	
Labour Costs	3934.00	13.11	3.28	3.28	
Total Costs	77480.53	256.37	63.07	63.04	

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Future input costs

- Fuel, pesticides & fertiliser affecting arable margins
- Fuel tracks oil price. Ag-chem up 7%-10% for 2009.
- Nitrogen price related to its feedstock: natural gas
 - More supply coming on-stream, lower demand
- Phosphate 30 year over-supply ended
- K Potash oversupply also ended. China has limited reserves and will remain an importer.
- Prospects for lower P K prices poorer - high cost of investment also limiting additional supply worldwide.

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Allocating costs



- Variable Costs ~ Gross Margin
- Overheads ~ Net Margin
- Allocation by:
 - Hectares
 - Tonnes of production
 - Revenue per hectare
 - Litres of fuel used per hectare



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Cost of production ~ example farm



Yield	Milling Wheat		Feed Wheat		W' OSR		Spring Beans	
	£/ha	£/t	£/ha	£/t	£/ha	£/t	£/ha	£/t
	8.20		8.90		3.50		4.00	
Seed	48	6	44	5	27	8	72	18
Fertiliser	308	38	278	31	299	85	77	19
Spray & Sundries	162	20	150	17	125	36	88	22
Labour & Power	371	45	365	41	231	66	302	75
Overheads	79	10	77	9	49	14	64	16
Rent & Finance	145	18	145	16	145	41	145	36
Total COP	1,113	136	1,059	119	875	250	747	187

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Hazards of mitigating costs of production



- Always be looking to mitigate costs but without equal loss of income
- Beware of cutting corners!
 - Wet grain costs more than drying fuel
 - Low yield costs more than fungicide
 - Black grass and Mycotoxins cost more than ploughing
- Beware of capital spend to save cash short term e.g. precision farming: a long term thing
- Carefully calculate effect of following poor land
- Do not assume farming a larger area is more efficient or more profitable (rented or owned)

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Actions for the future



- Only spend money when it makes you money
- Cutting costs that reduce yield increase all other costs per tonne
- Trimming costs that could affect quality could end up being even more expensive
- A figure can most easily be changed when you know what it is i.e. careful budgeting
- Other tools e.g. Benchmarking, Scenarios, CropBench groups

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CropBench: www.hgca.com/cropbench - Cost, Compare, Budget, Scenario Plan



	First Feed		Second Feed		Oiled Rapeseed	
	£/ha	Total £	£/ha	Total £	£/ha	Total £
Seeds						
Fertiliser	181	36,200	181	36,200	181	36,200
Phosphatic	48	9,600	52	10,400	50	10,000
Potassic	95	19,000	105	21,000	100	20,000
Other	38	7,600	24	4,800	31	6,200
Total Fertiliser	364	72,800	362	72,400	361	72,400
Sprays						
Herbicides	40	8,000	38	7,600	38	7,600
Fungicides	90	18,000	105	21,000	90	18,000
Insecticides	4	800	4	800	4	800
Other	13	2,600	15	3,000	15	3,000
Total Sprays	147	29,400	162	32,400	147	29,400
Sundries	21	4,200	22	4,400	18	3,600

Year	£/ha	Total £
2010	105	21,000
2011	105	21,000
2012	105	21,000
2013	105	21,000
2014	105	21,000
2015	105	21,000
2016	105	21,000
2017	105	21,000
2018	105	21,000
2019	105	21,000
2020	105	21,000

Category	Cost (£/t)
Seeds	3
Fertiliser	36
Sprays	15
Sundries	2
Total Variable Costs	56
Labour	10
Machinery	18
Property	2
Admin	1
Rent	5
Finance	2
Total Overheads	48
Total Costs	105

Year	Description
12 November 2018 07:02	South Farm
12 November 2018 04:18	South Farm: replace second with spring beans
12 November 2018 04:18	South Farm: removing second feed wheat
12 November 2018 14:02	South Farm: 2018 budget
12 November 2018 07:04	South Farm
12 November 2018 07:03	South Farm: low yields
12 November 2018 07:03	South Farm: replace first second wheat with winter
12 November 2018 06:03	South Farm: bring all second wheat to fallow

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Thank you



Graham Redman

gredman@theandersonscentre.co.uk

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