

Opportunities to profit in the spring

“Gross margins are all about yields”

Technical Spring cropping special

Spring crops can be as profitable as most winter plantings in 2018, other than wheat and oilseed rape. *CPM* looks at some of the alternatives.

By Lucy de la Pasture & Tom Allen-Stevens

Based on current crop values and input costs, the latest Agrii budgets show naked oats continue to offer the best margin prospects, followed by spring oilseed rape, milling oats, milling wheat and malting barley. Feed barley is again likely to generate the poorest spring cereal margins, although significantly ahead of beans, peas or linseed (see graph).

“Gross margins are all about yields,” stresses Agrii’s Paul Pickford. “If they yield well, our figures show spring crops are likely to deliver gross margins not far short of reasonably performing winter wheat and OSR crops.

“This is underlined by the latest three years of actual field-by-field margin data

from our Maximising Arable Performance (MAP) benchmarking group showing spring wheat, barley and oats generally outperforming all but winter wheat and OSR.

“Interestingly, the MAP data show the range in the average yield of key spring crops over the years is less than that of the winter staples, suggesting they may also carry less growing risk than often assumed.”

Forecast margins for 2018 are slightly higher than they were for last season due to marginally improved crop values, he notes. “But when considering risk, take into account the supply and demand position of the various crop markets, especially as the highest potential spring cereal margins come from milling or malting crops.

Growing pressure

“As well as pushing the traditional £10/t wheat to barley discount to nearer £20/t, increasing national production resulting from the expanding spring barley acreage could well put growing pressure on malting premiums. Strictly limited markets for both naked and milling oats must also be factored into the equation. As must the effect of large Group 1 winter wheat plantings on milling premiums and



Paul Pickford advises growers to make the most of futures markets and contracts to lock into prices and specific markets as part of their 2018 spring cropping strategy.

the availability of human food export opportunities for pulses.

“Under these circumstances, I would strongly advise growers to make the most of futures markets and contracts to lock into prices and specific markets as part of their 2018 spring cropping strategy. While the margin prospects for spring cropping look reasonable at the moment, we know how rapidly markets can change. And these tools allow this area of risk to be ▶

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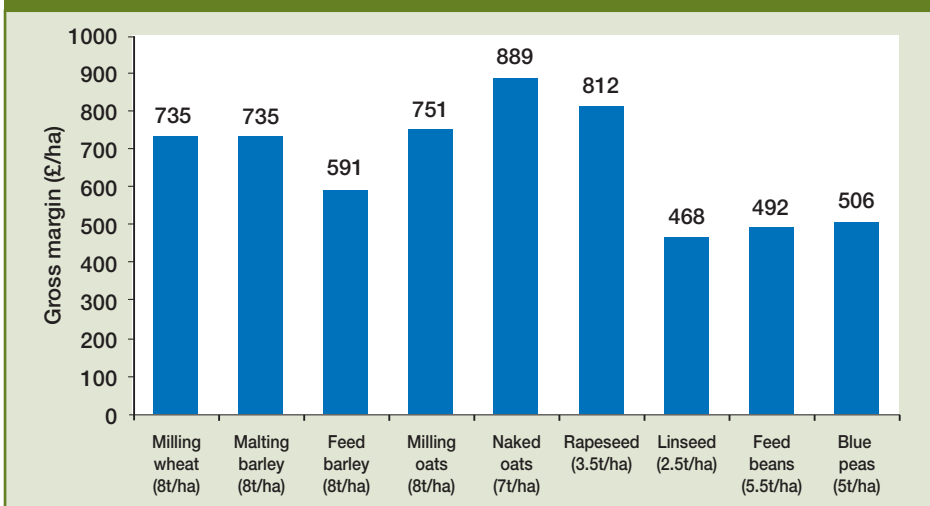
David McNaughton believes soya has a big future in the UK with modern varieties and agronomy that are well understood.

► reasonably managed.”

With the right modern agronomy, oats offer an attractive spring cropping option for difficult blackgrass ground, believes Agrii R&D manager, Jim Carswell.

“As well as a true cereal break, Agrii trials at Stow Longa show oats are more competitive with grassweeds than other

Agrii budgeting forecast for 2018 spring cropping profitability



Source: Agrii

spring cereals. At the same time, they have much greater sowing date flexibility; are noticeably more tolerant of low pH and wet soils than either spring wheat or barley; and leave a much better soil structure for following crops courtesy of their highly fibrous rooting.

“Spring oats today are perfectly capable of delivering a good 8t/ha commercially,” Jim points out. “We’ve seen 2017 yields

comfortably over 9t/ha in our national variety trials. Yet even the latest RB209 revision assumes spring oat nutrient offtakes based on just 6t/ha.

Another spring crop which is rapidly gaining ground is soya beans. “The soya area has grown from 80ha three years ago to 2024ha in 2017 and we expect this to double or triple in 2018,” says David McNaughton, director of Soya UK.

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At current prices the UK soya crop is producing a very respectable gross margin of £630/ha, commanding a premium of £45-50/t over any origin beans due to the fully traceable and non-GM status of crops grown in the UK.

It's a market that David believes has the potential to continue to improve, particularly if import tariffs are slapped on soya in the post-Brexit era. "The UK imports 2Mt of soya meal and 1Mt of raw beans. The question is how far can the UK go in supplying this market and I believe that, with some improvement in the UK processing capacity, there's scope for a home-grown area of soya in excess of 50,000ha.

"The Chinese entered the world soya market in 2007 and are the world's largest importer



Jim Carswell says modern oat varieties can deliver better yields than expected with the right agronomy.

at 94Mt, followed by the EU28 countries which collectively import around 30Mt. The demand from China has resulted in more than a ▶

Consider the wider rotation



Richard Torr advises growers not to be guided solely by gross margins when deciding on spring crops.

"Gross margins are important to understand, but the decision can't be purely based on the return of an individual crop. The role that the crop plays in weed control, soil management, and the wider rotation must be considered," says Wynnstay's Richard Torr.

"Increasingly spring oats are being used as a break crop, grown either for home use in livestock feed or for milling. The main benefit is that the following wheat crop won't be susceptible to take-all risk, and it's an easy crop to introduce into the rotation.

"WPB Elyann is a new variety for this year, that provides an improved kernel content and good specific weight. This means that it's possible to achieve the specifications required for use in human consumption with a spring variety."

But if improving soil fertility is a priority, he suggests some more suitable options. "While not as attractive for greening purposes now, spring beans are still likely to be a popular option particularly where OSR has historically been grown. The cost benefits rarely show spring beans to be a high gross margin crop, but beans are an excellent deep rooting, nitrogen-fixing break crop and provide considerable benefits to the following first wheat crop."

He adds that spring bean variety selection is often based on yield potential, and that there are some new entrants to choose from. "A new variety to consider this year is Lynx, which is a top rated, high yielding crop with very good downy mildew resistance and excellent standing."

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Soya varieties have improved drastically in recent years.

► doubling in the value of soya, the only commodity that has fundamentally changed in value over the past decade,” he adds.

Soya varieties have improved drastically in recent years, points out David. “This season yields have held up well, with the average being around 2.5t/ha, and performance has been reliable in the

face of a challenging year.

“Modern varieties are determinate and have proven themselves able to wait for harvest without any detrimental effects,” he explains, adding that most crops were ready to harvest in late Sept. He also recommends soya as a spring crop ideally suited to those in a blackgrass situation.

“The soya crop is planted in late April to mid-May so there is ample time to stale seedbed. The canopy is also very competitive later in the season.” ■

Figures look favourable for spring wheat

Spring wheat tends to perform better than spring barley, according to crop profitability figures drawn from ProCam’s 4cast database. The crop has a number of other key advantages for growers looking for a spring-sown choice on land not traditionally grown with spring barley.

Harvest 2016 figures, drawn from ProCam’s actual client data (see chart), show that only winter oilseed rape and winter wheat were profitable, notes ProCam’s Nick Myers. “On average most crops did not make a profit. Spring wheat was not far behind winter wheat, and the crop outperformed spring barley.”

By contrast, all four crops, along with spring oats, were comfortably profitable for the top 25% of farms. “Pulses haven’t proved that competitive, however. If you look back over seasons, in gross margin terms, spring wheat has always performed reasonably well, but doesn’t yield as consistently as a wheat drilled in the autumn.”

Paul Taylor of Agrii reports there’s been a strong demand for spring barley for 2018 plantings. “Our book is showing a 100% increase over last year. There are fears of a shortage,” he notes.

“It can be a profitable crop, if you can achieve a £15-20/t premium. But that’s dependent on getting a crop of malting quality, and premiums may be lower next year, so we’d recommend a minimum premium contract.

Spring cereal yields from AHDB Recommended List trials show spring wheat has marginally outperformed spring barley over the past five years, notes John Miles of KWS, although spring oats has been the top performer. Using standard figures from John Nix, adjusted for these yields and the increased N inputs to achieve them, a gross margin analysis puts spring wheat ahead of spring barley by £75/ha, he adds.

“While there are parts of the UK where you can achieve a spring barley malting premium, for most growers considering a spring cereal, wheat stacks up strongly. What’s more, you don’t have to hold back on fertiliser, so you can push the crop for yield.”

Highly flexible in terms of drilling date, there’s a winter cross-over period during which a spring wheat variety can perform as well as a late-sown winter type. But John recommends growers should have a “straight to spring drilling” mindset, and opt for a true spring variety. “There is no point gambling over blackgrass control,” he says.

Across Agrii’s R&D sites, two years of trials data have shown KWS Kilburn as marginally the highest yielding variety, says Paul. “KWS Willow has been a good benchmark variety and it’s our biggest seller. Mulika drops below 100% of treated controls, and you need to achieve the milling premium to justify this yield hit.”

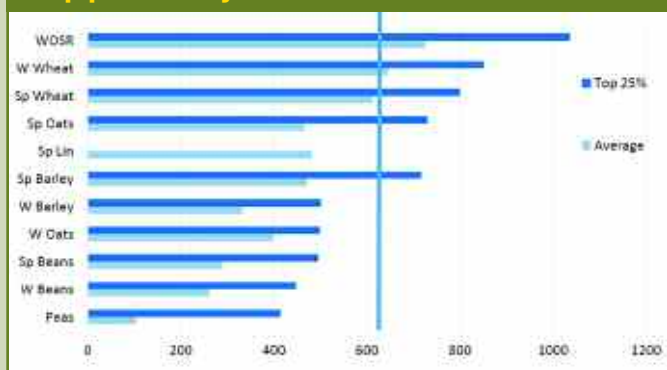
Choice has opened up with KWS Colchise and KWS Chilham both joining the RL last year as Group 2 types. “Swapping into a new variety last year was a problem because of seed availability issues. But that shouldn’t be the case for 2018,” he notes. While Colchise has a higher yield, Chilham has the edge on quality and disease resistance.

Growers could also consider KWS Sharki — an E quality, high protein wheat from the company’s German breeding programme, suggests KWS’ Kirsty Richards. “It outyielded Skyfall in mid-Dec sown trials, and has excellent protein and a very high specific weight. Millers have said it performs well with very good results in baking trials from its fine, white crumb texture. It can replace imported wheat in the grist, so it’s Brexit-proof too.”

Significantly taller than most varieties, Sharki is fast moving, ripening very early, and seems to really respond in light land situations, notes John.

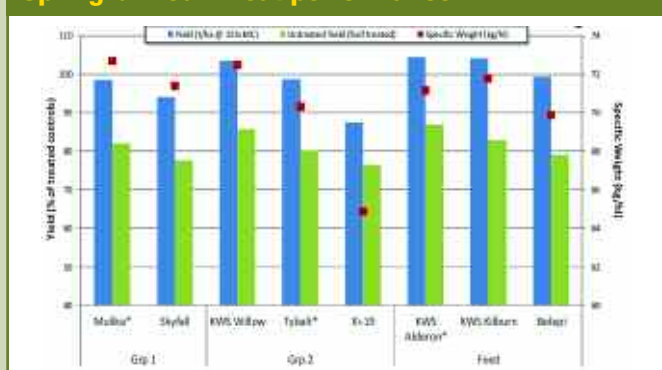
For most spring wheats, he recommends drilling from early Feb to mid March at 500-600 seeds/m² “Get in early with nutrition to give it a kick.” Late drilled and stressed crops are more prone to ergot as the glumes gape during flowering, which picks up inoculum, especially where there’s infected blackgrass.

Crop profitability - harvest 2016



Source: ProCam 4cast; Break even line assumes fixed costs=£625/ha.

Spring-drilled wheat performance



Source: Agrii, mean of seven trials over two years; mean yield of controls* = 7.28t/ha.

Plan for critical moment in UK history

More than 300 farmers attended the Hutchinsons Technical Conference in Peterborough last month, which focused on 'sustainable productivity'. Company chairman David Hutchinson told delegates he believes a holistic approach to crop production is critically important for the future.

"UK farming is a long-term business capable of great innovation and rapid technological uptake. Agriculture markets are cyclical by nature, but farming businesses will continue to develop through good times and bad," he said, adding that growers were in a time of particular uncertainty as the UK negotiate Brexit.

It's a period Allan Wilkinson, head of Agri-food at HSBC, described as 'this moment in history.' "The question is how do we put certainty back into the equation," he said.

"Every part of the food chain is of equal significance so it's important to collaborate to make sure there's a mutual benefit and ensure

Allan Wilkinson challenged delegates to put certainty back into the equation.



the sustainability of all its parts. Remember the customer is always right so farmers need to work out how to connect with their customers," he advised.

One of the key areas he believes need addressing is the size of the UK's trade deficit, currently £25bn. Agricultural productivity is another area where the UK substantially lags behind its EU counterparts in terms of growth, he pointed out.

He also highlighted that businesses need to look at their fixed cost base and reconsider their attitude to input costs. "Input costs are an imperative part of producing high outputs — it's a business' fixed cost base that will influence how it copes with market volatility."

He questioned the trend for businesses to continue to get bigger. "Many farms are just decreasing cash and profitability by continuing to expand," he said.

Relentless benchmarking and budgeting are vital so businesses can understand their weaknesses, he advised. "Be adaptable, understand the food chain and collaborate with neighbours. Plan for the worst and hope for the best. It's the small things that will make a difference as Agriculture moves into an era without support."

Sebastian Graff-Baker, Andersons strategic business advisor, went on to explain that in 1980 the breakeven yield was 2.9t/ha without rent. In 2017 this has risen to 7.8t/ha, or 10.4t/ha if rent is factored on. He agreed that continued farm growth by renting land may not be sustainable.

He highlighted yield maps as a tool most growers have but few make use of. "They are a mosaic of profit and loss — if you can't measure it then you can't manage it.

"Don't manage your business on averages — they hide the detail," he told delegates.



Don't manage your business on averages, said Sebastian Graff-Baker as they hide the detail.

"Discover where the variation lies, explain why it is there so you can look at the options. It's possible to increase productivity by removing less productive margins, do less work and produce more or the same profit."

Sebastian urged every grower to work out their unit cost of production 'while the kettle boils' to help them manage their businesses more profitably. This is something AHDB strategic farmer Brian Barker advocated to delegates and explained how he was using Hutchinsons Omnia system to help him.

"We need to lower the cost of production to reduce the risk of market volatility. Omnia is helping the farm to do this and has reduced our fertiliser spend by £3.5k in 2017 by enabling us to apply variable rates according to the yield potential.

"Our business has to become more fluid and we'll manage these changes by using Omnia to find marginal gains," he said.

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