

The year that was 2008



“The hardest thing to keep growing is optimism.” A Beulah farmer

At the beginning of the year the thought of another drought on top of the previous four in six years was too preposterous to contemplate. Never in our history has there been three droughts in a row and only a couple of times two in a row. With a La Nina forecast and record prices for grain, 2008 was looked forward to with great optimism. We needed only average crops to achieve good farm profitability.

As we all know, 2008 continued the pattern of another dry growing season that resulted in many farmers in the Wimmera Mallee having their lowest yielding crops since 1982. The failure of both autumn and spring rainfall was again at the heart of the problem.

The other major factor affecting farmers in 2008 was the world credit crisis which resulted in the reduction of most commodity prices, including agricultural, in some cases by as much as 40 percent over the twelve months.

As has been the case in previous years some farmers were fortunate enough to receive more rain than others and those farmers on sandy Mallee soils or red Wimmera soils weathered the dry best.

The major bright spot of the year was the price of lamb which gave excellent returns all year.

So what did happen?

We need to go back to November and December 2007 because, as has been the case over the last decade, considerable rain fell during this period, but not consistently over the whole region. Some areas received as much as 80mm, others only scattered falls totaling less than 30mm. Some summer weed control was undertaken, but it was with some reluctance as the price of Roundup had suddenly skyrocketed from around \$4/L to more than \$12/L.

As the new year unfolded, the only major rain event was in the middle of January when around 40 to 50mm fell over large areas of the region. Now farmers had to weigh up whether to cultivate failed crops or spray weeds with the intention to sow under a direct drilling system.

This was a difficult decision for some, as not only was the price of Roundup increasing dramatically, but also the price of diesel as well.

Below is a table of the approximate prices (exclusive GST) of Roundup, diesel and fertiliser over an eighteen month period

	Roundup CT \$/L	Diesel \$/L	MAP \$/t	Urea \$/t
June 2007	4	1.2	583	540
February 2008	11	1.35	1465	595
June 2008	14	1.75	1465	860
January 2009	8	1.15	860	720

The increase in price of inputs shown above has to be put in context with the increased prices of grain during this same period. The changes in the price of wheat and canola during that same period are also interesting.

	CBOT wheat price US c/bu	Approximate returns for APW wheat at farm gate AU\$/t	Canola farm gate price AU\$/t
January - March 2007	550	300	
June - December 2007	580		680
January – March 2008	930	380	632
June – December 2008	780		700
January – March 2009	620	260	600

It is worth noting that in March 2008, CBOT wheat futures peaked at close to US\$13/bu which is easily a record, and some farmers who sold wheat at that time received more than AU\$500/t. It is also worth remembering that in March, farmers could, for a \$20/t cost, choose to sell for a guaranteed minimum price of \$380/t for 2008/9 wheat using hedging mechanisms. Very few farmers took up the offer as they still were mostly suffering from the hedging losses from the 2007 year.

As already stated the autumn period was dry, with only patchy rain occurring late in March. This did help some pastures to germinate but they had to wait until the middle of May before any significant rain fell.

Direct drilling with press wheels and dry sowing practices have been widely adopted over the last decade. Even though the break came in the middle of May, about one third of the crop had already been sown. Once again, early sowing proved to be a successful management decision.

Even though the season did not show huge promise, farmers were not going to let the high grain prices escape them if possible. Record areas of wheat and barley were sown at the expense of canola, pulses and livestock. This seemed to be the attitude of farmers all around the world as later world record production figures showed.

Because of the higher input prices and the general lack of surplus funds, fertiliser rates were low and herbicide applications sparing. Some farmers used no fertiliser or pre-emergent herbicides which, as it turned out, was a wise decision.

It is interesting to note that the year was not a bad one for weeds. Even the grasses were not of great concern. Possibly the grass seed bank had diminished because of the previous dry springs.

The winter rainfall was below average (averaging around decile 2-3) but the crops and pastures were surviving and some reasonable potential still existed. The southern Wimmera and western Mallee had the greatest potential compared with the eastern Mallee and northern country.

August was tough but again there was just enough to keep crops ticking over. A rain in the last week of August gave farmers some hope that a wetter spring would follow. Stripe rust reared its head in early September and much fungicide was applied during this period. However, as September progressed it became apparent that because more rain had not fallen, and was unlikely to, stripe rust was going to be the least of our problems.

For both September and October very little rain fell anywhere and farmers again watched helplessly while most crops withered and died. Some crops on sandy soil, or on Wimmera red soils or those which had been long fallow, managed to get through and produce some reasonable yields. An area in the eastern Mallee received a significant rain in the middle of September, giving them acceptable yields.

As was the case in 2007, the demand for cereal and canola hay was again significant. Even though hay is not the preferred option for grain farmers, many again cut crops and received profitable returns. The price this year began at around \$200/t and soon increased as the season progressed. Compared with 2007 when crops yielded better than expected, 2008 crops yielded less than even our modest expectations. So even though hay prices were slightly lower than 2007, relative profitability of hay was greater this year.

Barley yields and quality were disappointing as most barley varieties finished up making feed 2 or 3. The highlight for barley was the standout variety Hindmarsh which yielded streets ahead of anything

else this year. Because of the large amounts of feed grains from northern NSW, the price of feed barley collapsed to below \$200/t. The result is that most poor quality barley has been stored on-farm for either feeding to livestock or waiting for the market to improve during 2009.

Wheat quality was again good thanks to the Yitpi-type varieties. However, Derrimut, even though yielding better, had some problems with grain size. As wheat yields were miserable, harvest seemed to go without the rush of delivering to silos and many silos either did not open at all or closed almost before they opened.

2008 was the first year that wheat marketing has been deregulated. AWB no longer has the single desk. This has resulted in a fair amount of uncertainty about marketing grain, particularly in the light of the 2008 subprime credit crisis. Marketers have not had the funds or confidence to aggressively buy grain. The result is that much grain has been stored waiting to be marketed later. The success of this strategy is still not known.

One of the big changes during 2008 was the increase in home grain storage or cooperative storage centres. It is believed that Victoria will not have enough grain to satisfy local demand as a result of the low 2008 harvest.

Very little canola or pulse crops were sown this year and yields backed up those decisions. Some canola crops in the southern Wimmera yielded reasonably well, including the small area of GM canola sown. 2008 was the first year that Victorian farmers could plant GM canola and the crops have been closely watched during the year. Most farmers now see the positive attributes of the technology and expect a rapid growth in the crop area sown. All pulse yields were very disappointing and as a result prices were extreme. Lentils were sought during harvest for around \$1200/t because of the shortage.

Water was again a problem for farmers south of the Waranga channel and not on the piped system, as no allocation was made for them. Some communities in the western Wimmera and eastern Mallee were lucky enough to be connected to piped water during the year and most others will receive reliable piped water during 2009. The negative effect of this lack of water (or the necessity to cart water) on the lives of farmers during this drought period cannot be overstated.

Livestock have been one of the few profitable enterprises during 2008. Those farmers who have not adopted the no-till no-sheep system have had some compensation this year. The failed stubbles of 2007 proved to be excellent feed which resulted in high joining percentages. Even though early in the year the price of lamb hovered around the \$3/kilo carcass a weight, as the year progressed prices improved as shortages from further north became apparent. Winter feed was sufficient for high lambing percentages and for growing out these lambs for market. Prices in the spring continued to improve and by the end of the year lambs were making in excess of \$4/kg carcass weight.

At the beginning of the year, it seemed that crops would make the money and sheep would be the poor relation. By the end of the year, sheep, and meat in particular, improved in price and everything else had declined. Diversity of enterprise can be an advantage.

Finally the months of November and December did their normal trick and decided to rain. Most areas received in excess of 100mm of rainfall for the two months. Finally, as the year ended, farmers were busily killing summer weeds to save moisture and nitrogen for 2009. Finishing the year proactively and doing something positive for next year has been one of the better aspects of the year, even though the costs have been hard to accept.

There is not a lot to be excited about when we look back over 2008. We are all concerned about the continuing dry cycle we seem to be in and worry about the implications that climate change may have on future years. The effect that the year will have on the sustainability of our farms, the prosperity of our communities and for the continued succession to a new generation of farmers is hard to determine. We have made great improvements in our agricultural practices and management over this dry period and when seasons return, these improvements will ultimately prove their worth. The world still needs food more than ever, our competitive efficiency of production is world class and the types of food we produce are in continued demand. We should not be too downhearted: when reasonable seasons return, our prospects remain exciting.