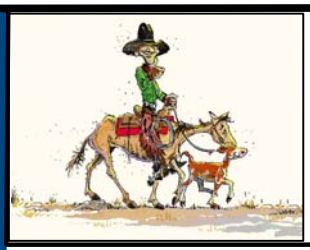

Acquiring Standing Cereals as Greenfeed

7-June-04

Economics & Competitiveness

AgriProfit$ Technical Bulletin

Under drought conditions hay, and pasture crops are usually the first to suffer. When hot dry weather continues into the summer months, cereal crops will likely experience the same rapid deterioration. Many of these crops will be salvageable only as grazing or winter feed. However, time is of the essence since as they dry out, their usefulness as feed decreases quickly.

This article provides information and a format for analysis to help address some of the issues surrounding the purchase of standing cereal crops for greenfeed.

Some of the most important issues are related to production. Crop specialists say that it's critical that the decision to cut and bale a crop for greenfeed isn't delayed any longer than necessary. While high nitrate levels often show up in drought-damaged crops, the best strategy is to put the crop up in the best shape possible and test for nitrates later. Make sure you stack bales from each field separately so feeds with low nitrate levels can be blended with problem feeds to reduce the overall feeding risk. If you're planning to graze a drought-damaged crop, it's recommended that you test for nitrates first. Testing labs will require a minimum 4 or 5 day turn-around time. For more information on nitrates in feeds check the article called, "Nitrate Poisoning and Feeding Nitrate Feeds to Livestock" on Ropin' the Web (1) or call the Ag-Info Centre.

If you're planning to bale or graze cereal crops that are insured by Alberta Agricultural Financial Services Corporation (AFSC), make sure that you contact your local office first. They have regulations regarding salvage or "change in use" that you must follow if you don't want to go "offside." You may want to refer to the article, "Crop Insurance Information – July 2002 Pre-harvesting or Putting Crops to Another Use (2)."

Estimating the yield of a salvaged cereal crop can be done by weighing bales, or cutting and weighing square-metre samples. For details, refer to the article, "Determining Yields of Droughted Crops (3)".

Finally, there are several economic and financial issues to consider. Does this make sense for both the cattle producer and the owner of the crop? One of the best ways to look at these kinds of questions is a partial budget. Tables 1 and 2 show the sale of a standing cereal crop for greenfeed, both from the buyer and seller's points of view.

The partial budgets below depend on the following assumptions:

- A common "rule of thumb" suggests that a 10 bushel barley crop will be about equivalent to 1 ton of silage. After adjusting for moisture, that translates to a greenfeed yield of about 1 bale per acre, assuming the bales weigh 1000 lbs. This is a big assumption; make sure you adjust it if you disagree.
- Only machinery operating costs have been included. It is assumed that harvest and haying machinery is owned, and fixed costs (interest, depreciation, insurance, etc.) are incurred whether the machine is being used or not. Costs for specific operations are based on information from the Farm Machinery Cost Calculator (4).
- Labour is not considered. If labour must be hired, or if the operator could be earning income elsewhere, labour needs to be included.
- In Table 1, on the "Reduced Costs" side of the page, "Feed hauling" refers to long distance hay transportation costs. Not having to incur these costs is obviously a big advantage for the buyer.
- Remember that while the numbers presented here are intended to be as realistic as possible, they are examples only. Make sure you use your own best estimates when doing your own analyses.

Discussion and Conclusions:
These two partial budgets show that both the buyer and the seller would benefit by going ahead. Table 1 shows that the buyer has a potential advantage of $52.90 per bale, which is significant. In Table 2, the seller has a smaller advantage

Table 1

Decision to be made: Should I buy a standing cereal crop for greenfeed?

Disadvantages:	$/acre	$/bale	Advantages:	$/bale
Added Costs:			**Added Revenues:**	
Purchase of standing crop	30.00		n/a	
Swathing ($27/hr @ 8.5 ac/hr)	3.18			
Subtotal:	33.18			
Given yield @ 1 bale / acre	→	$33.18		
Baling ($19.17/hr @ 10 bales/hr)		$1.92		
Hauling (in from field @ $5 ea.)		5.00		
Twine		2.00		
Subtotal:		$42.10	Subtotal:	$0.00
Reduced Revenue:			**Reduced Costs:**	
n/a			Purchase of feed (per 1,000 lb bale)	$75.00
			Feed hauling costs (long distance)	20.00
Subtotal:		$0.00	Subtotal:	$95.00
Total Disadvantages:		$42.10	Total Advantages:	$95.00
Net Advantage (Disadvantage):		$52.90		

Other Considerations: *(eg. Labour, Capital availability, Risk, Tax considerations)*

Labour hasn't been considered. If it's hired or if the operator's labour can be used productively elsewhere, labour needs to be figured in.
Risk - if the crop is bought standing, the buyer assumes the risk of getting the crop up in good shape.
Only the operating costs of machinery have been considered. Are you wearing out your tractor and baler?

($5.19 per acre), but that doesn't include his or her considerable reduction in risk, since the crop would be gone and the cash would be in the bank.

Common to both analyses, the $30 per acre price of the standing crop might represent an opening "bid price" by the buyer. At this price (or a few dollars less), the seller would be essentially "indifferent", or in other words, just as happy either way. A final negotiated price might be somewhere above $30 since at this value the buyer has a significant advantage, and may be willing to share it.

The economic benefit of using cereal crops for greenfeed depends heavily on the potential grain yield. A 10 bushel barley crop may be better used as greenfeed but as potential yields rise, the

Table 2

Decision to be made: Should I Sell My Standing Cereal Crop For Greenfeed?

Disadvantages:	$/acre	Advantages:	$/acre
Added Costs:		**Added Revenues:**	
n/a		Sale of crop for greenfeed	$30.00
Subtotal:	$0.00	Subtotal:	$30.00
Reduced Revenue:		**Reduced Costs:**	
Grain sales (10 bu @ $3.50)	$ 35.00	Swathing ($27/hr / 8.5 acres/hr)	$3.18
Straw sales	$0.00	Combining ($35.69 /$8.48 ac./hr)	4.21
		Trucking	2.80
Subtotal:	$35.00	Subtotal:	$10.19
Total Disadvantages:	$35.00	Total Advantages:	$40.19
Net Advantage (Disadvantage):	$5.19		

Other Considerations: *(eg. Labour, Capital availability, Risk, Tax considerations)*

Labour hasn't been considered. If it's hired or if the operator's labour can be used productively elsewhere, labour needs to be figured in.
Risk - when the crop is sold standing, the seller's risk ends. This is a key advantage to this strategy.
Only the operating costs of machinery have been considered. Even though the combine stays in the shed, its fixed costs must be paid.

analysis is less clear. The 10 bushels of grain to 1 round bale of greenfeed thumbrule discussed earlier may or may not hold. Remember that these are only examples and that an analysis of your own situation may produce different results.

In general, the total amount of risk is reduced by cutting a crop for greenfeed. Once it's cut, the chances of further deterioration are fairly low. The buyer has found a guaranteed feed source and the seller doesn't have to bear the risk of more problems before harvest. In short, it can be a win-win situation. Remember, you must check with your local AFSC office before you use an insured crop for ANY alternate purpose.

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If you have questions or require further assistance on this topic, please call the AgInfo-Center at 1-866-882-7677