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After speaking to almost 100 farmers in nine countries about how to farm wheat more profitably, Western Australian grain grower Simon Tiller discovered the key was to spend more time inside. This knowledge, garnered last year while Simon was on a Nuffield Scholarship, has already netted him more than \$1 million in less than 12 months.

NUFFIELD SCHOLAR BRINGS HOME A MILLION DOLLAR MARKETING LESSON

By Catherine Norwood

Not for the faint-hearted

Simon warns his marketing approach is not for the faint-hearted or the time-poor. The key, he says, is a commitment to marketing.

Simon runs a 10,000-hectare farm business 130 km northeast of Esperance. He produces 20,000 tonnes of canola, wheat, barley and field peas. He says if he can earn an extra \$10 a tonne by spending more time studying the market and making better decisions about selling his grain, that's an extra \$200,000 a year. So far, for the 2009 crop, Simon is more than \$60 per tonne ahead of the market.

Simon's Nuffield Scholarship was sponsored by the GRDC and he initially planned to spend his scholarship looking at routes to improved profitability including value adding, feedlotting and using feedlot wastes, grain storage and handling options, and generally entering the grain value chain.

But last year, in discussions with almost 100 farmers in nine countries – New Zealand, Ireland, Scotland, England, France, the US, China, Canada and the Philippines – he identified time spent on marketing as the overriding feature of the more profitable enterprises. These farmers also had a better work-life balance.

Time off the tractor brings best returns

"When I was growing up, the more time you spent on the tractor the more profitable you were – but that's not the case any more. Now it's time spent off the tractor that brings the best returns," he says.



Before travelling overseas Simon had appointed one of his staff as manager in his absence and upon returning he made the position permanent, to free up more of his own

Nuffield Scholar Simon Tiller says his own time spent delving into various grain marketing options – rather than sitting on the tractor – is paying dividends and making his grain-growing enterprise more profitable.

time. He has also set up new banking arrangements and a trading account that allows him to more effectively enter the grain trading market, including the futures market.

Arriving at a reasonable return

Simon uses a detailed business plan to determine what his crop inputs will be and how much he needs to make per tonne to achieve a reasonable return. He uses the average yield for the past five years and total budgeted cost of inputs for the current crop, plus 20 per cent, (preferably 25 per cent), to set a price for his wheat and canola. He no longer sells his crop into market pools because the pools simply don't offer the price he needs.

Instead he takes whatever the cash price is when he delivers his grain to local traders at harvest, and uses grain futures to ensure returns in line with his pre-determined 'reasonable return'.

"We first tried hedging with futures in 2006, and got burned in 2007 – we were given some bad advice and we weren't proactive enough when the market started to improve. Since coming back from my Nuffield travels I've taken more time to investigate the options and found an independent advisor I trust, and we're starting to get things right."

Simon says if the price of grain goes up, and wheat or canola is actually selling for more than the value of his grain futures on the Chicago Board of Trade he loses money on his futures – but makes it up when he sells his crop. If the price of grain falls during the season, he will get less for it when he delivers his crop, but his futures, contracted at the higher price, will make up the difference.

"This way I can maintain the income from my crop at the level I need to remain profitable. If I can't buy futures for a price that covers the cost of my inputs and a profit margin it is simply not worth growing the crop."

Simon buys futures' positions for the equivalent of 80 per cent of his wheat crop and 70 per cent of his canola crop one, and sometimes two, years in advance.

Simon says one of the benefits of marketing your own grain is that you can tailor your strategies and level of risk to suit your business, and take into account factors such as debt levels or rainfall reliability. But it is also essential to have a licensed financial advisor, and to seek information and advice from a number of different sources. Relying on any one person too much is just dangerous, he says.

Grain market deregulation

He believes the deregulation of grain markets in Australia will make it more important for farmers to actively engage in market mechanisms such as futures to improve their profitability, although it takes time and effort to really understand how the markets work.

Research Review

the assistance of the GRDC, investigates recent advances in international grains R&D.



Simon buys futures' positions equivalent to about 80 per cent of his average wheat yield over the previous five years.

He suggests anyone new to futures markets and hedging start with a few small trades to build their confidence, rather than leaping in.

One issue Australian farmers face in doing their own marketing is that most of the advice on selling grain comes from consultants who have ties with the grain buyers. "I don't think the grain traders are really the best people to get advice from about when to sell grain," he says. "In Europe and the UK independent consultancies are more well-established than they are here. I hope that we will see more independent advisors setting up in Australia."

Simon says his Nuffield Scholarship was a great opportunity to see what is happening globally in agriculture. It introduced him to a network of the world's leading farmers and provided opportunities he would never have had travelling alone.

More information: Simon Tiller on 08 9078 7075 or E: simon.tiller@bigpond.com

R&D VITAL TO SUCCESS

Simon has packed plenty into his 26 years, including a move across the Nullarbor from South Australia to Western Australia nine years ago.

The move from 600 hectares in SA to 7000 hectares in WA, generated largely by a crippling drought, was challenging – but it's how Simon claims he learned all about no-till and farming sandy, acid soils.

He acknowledges research and development is a real key to successful modern farming.

"Although we do a fair bit ourselves on-farm, we simply can't do it all, so we rely very much on outputs from R&D efforts, including those supported by GRDC," Simon said.

"I value the work of technology developers too and although I want to keep a cap on my expenses, I acknowledge companies must also make a profit to continue to invest in product development and R&D."



Discussing the benefits of R&D at the 2009 GRDC supported WANTFA Conference were (L to R) GRDC Western Panel Chairman, Neil Young of Kojonup, Simon Tiller and WANTFA Committee Member and former GRDC Western Panel member, Deane Aynsley of Beverley.

NUFFIELD APPLICATIONS CLOSE JUNE 30

Applications for the 2010 Scholarships are now open, with 20 scholarships valued at \$27,000 each, sponsored by a range of leading agribusiness and primary producer organisations.

Scholars take part in a compulsory six-week *Global Focus* program that includes Canada, the US and UK and may also include the Philippines, Brazil, China, France and Ireland. This is followed by a further 10 weeks of international travel as part of each scholar's individual study tour.

Scholars are selected for their farming and leadership capabilities, and potential to make a valuable contribution to Australian agriculture. Applications close on June 30, 2009.

Application forms are available from Nuffield Australia on 03 5480 0755, via enquiries@nuffield.com.au, or from the website www.nuffield.com.au. Successful scholars will be announced in October 2009.



Nuffield scholars take part in a compulsory six-week *Global Focus* program. Here Simon Tiller is pictured in a southern China rice crop during his 2008 *Global Focus* tour.