

# PRODUCTION COSTS

1. The costs assigned to each operation or product is based on a wide variety of sources to ensure accuracy, including:

- a. Farm accounts and genuine costs
- b. Contractors charges
- c. Farming merchants and product manufacturers
- d. The Agricultural Budgeting and Costing book
- e. The Farm Management Pocketbook



2. Crops are grown well using appropriate sprays and fertilisers to give good yields.
3. Machinery costs are charged at a contractor rate for jobs such as forage harvesting and at a 50:50 farmer and contractor rate for jobs which could be done by either.
4. A rental equivalent of £90 per acre (£222/ha) is assumed.
5. Establishment cost are spread over the number of years that the crop is in the ground, e.g. the establishment costs of a grazed grass sward are split over the 5 years that the crop will last.
6. If a crop does not use the ground for the whole year, e.g. 2nd cut silage or stubble turnips, then the establishment costs are further reduced to account for this. Rent costs are also assigned proportionately.
7. The proportional assigning of cost depending on the length of time the crop uses the ground is linked to the productivity of the ground in any given month, i.e. summer months are more productive than winter months so a higher proportion of the rent is assigned against summer months than winter months.
8. Storage costs, e.g. depreciation on silage clamps, are assigned to clamped forages as are sheeting materials and time.
9. All costs are worked out on a utilised dry mater basis so that losses, e.g. field losses for grazed forages and clamp losses for ensiled forages are accounted for.
10. All costs are either fixed, e.g. rent, or variable, e.g. fertiliser, in relation to yield. This allows the effect of better or poorer yields to be calculated and graphed accurately. This ensures the cost of a tonne of dry matter with a yield of 1 tonne DM/ac is not twice that of the same crop yielding 2 tonne DM/ac, and results in the curved responses seen on the crop graphs.
11. Relative value is calculated as if you were buying the energy and protein provided by purchasing feed wheat at £120 per tonne and soya at £260 per tonne. This provides a basis to compare the value of each crop. The higher the relative value the more valuable the crop.