

UNIVERSITY OF CALIFORNIA
AGRICULTURAL EXTENSION SERVICE
Stanislaus County

DRYLAND BARLEY - OUTLOOK AND PRODUCTION COSTS

By E. E. Stevenson, Farm Advisor

Barley has been planted in the foothill area on both sides of the county for many years. Most of the crop has been grown in summer fallow rotation as various attempts to produce continuously (winter sow) have not been successful. The acreage has been gradually decreasing as grainland has been put under irrigation to produce higher value crops and with some acreage going to dry pasture for beef cattle.

USDA PROGRAMS

Government programs have not as yet been accepted to any extent by local growers. Incentive payments are generally based on yields considerably lower than our average so the offer has not been attractive for summer fallowed grain. It is still too early to accurately evaluate the possibilities of the new USDA Feed Grains Program, although it does not appear that many growers will be able to participate. A good share of our grain ranches are already too small and reducing the acreage by 20 to 40 per cent would probably reduce net incomes materially unless larger payments are offered.

MARKETING POSSIBILITIES

A ready market exists for local barley with much of the Eastside dryland barley selling for malting at about a 10 cent per cwt. premium. In spite of the normally good demand for "Montpellier barley", the outlook is not quite as good as it might be. Most feed grains are greatly overproduced nationally; large surpluses are in government storage and these stocks are shipped in at prices which are often lower than the average cost of production for local farmers. Although malting barley is not directly competitive, the market is definitely affected.

ECONOMIC OUTLOOK

Unless government programs can stop the trend, the cost-price squeeze will continue to get tighter. It seems certain that production costs will not get any lower and they will probably continue to rise. This will make it increasingly difficult for grain farmers to meet their expenses, pay their taxes and keep up their equipment.

It is obvious that with average yields and present costs a dryland grain operation will never make enough to pay interest on the land, buildings and equipment. In spite of these difficulties most of the grainland will continue to be farmed to grain, so let us consider some of the management factors that will help farmers do the best job possible.

HOW TO INCREASE NET INCOME

Cash costs do not differ much from grower to grower. For this reason the best possibility to increase income is by improving yields through crop rotation, fertilization and possible changes in tillage programs. The following considerations also offer possibilities, but to a lesser degree:

1. More efficient selection and operation of equipment.
2. Increasing farming acreage to reduce depreciation costs.
3. Changing from a summer fallow program to a successful continuous-cropping system through an increase in fertilizers.
4. Supplementing the grain income with beef or sheep.

For those who own at least part of their own land, an efficiently operated farm of adequate size should provide enough income to replace their equipment, pay their wages and have a little left over, (but definitely not enough to pay interest on their total investment.)

The straight rental situation is a little tougher, but if the farmer is willing to farm enough acreage (which means probably 2400 acres rather than the 1200 we have been talking about), the man who does his own work should be able to buy groceries. It would take a much better than average farmer (and a very cooperative wife) to save enough to purchase grainland while farming on a straight rental basis.

COSTS PER CWT. AT VARYING YIELDS - OWNERSHIP BASIS

Yield In Lbs./A		900	1200	1500	1800	2100
With No Stubble Credit	Cash & Depreciation Costs Only	\$2.73	\$2.05	\$1.64	\$1.36	\$1.17
	Total Costs	\$4.24	\$3.18	\$2.55	\$2.12	\$1.82
\$1.50/A Stubble Credit	Cash & Depreciation Costs Only	\$2.56	\$1.92	\$1.54	\$1.28	\$1.10
	Total Costs	\$4.08	\$3.06	\$2.45	\$2.04	\$1.75

The costs listed on the analysis sheet are all legitimate. They include a charge for the owner-operator's labor, trucks, office and telephone. Depreciation and interest are included on the equipment and buildings.

There is no charge for interest on investment in the above figures. If 6% is charged on the equipment and buildings and on a "realistic \$100 per acre evaluation for the land" the operation winds up in red ink. Note the above table shows that it costs \$2.55 per cwt. to produce barley with a 1500 lb./A yield. It would take a yield of over 1600 lbs./A to pay all these costs, including interest on investment, figuring interest on \$100 an acre land, let alone interest on the "\$150 to \$200 real estate value".

RETURNS TO THE RENTER

Much of our grainland is farmed on a rental basis with rents varying from 25 to 35 per cent of the crop. The following table is based on a 1/3 share going to the landowner who, we will assume, pays the County taxes on the land and one-third of the fertilizer and 2,4-D spraying costs.

Net Income Per Acre Above Cash, Labor and Depreciation Costs - Share Rent and Ownership Basis. (No charges for interest on investment and no credit for stubble.)

Av. Yield/A	Net Income/A Share Rent Basis	Net Income /A Ownership Basis
900 lbs.	- \$6.91	- \$3.86
1200 "	- 2.31	3.04
1500 "	2.29	9.94
1800 "	6.89	16.84
2100 "	11.49	23.74

A 1200 acre farm with 600 acres of crop averaging 1500 lbs./acre would net \$1374 above cash, labor and depreciation costs on a share-rent basis, figuring barley at \$2.30 with storage. The same farm would return \$5964 for the man who owns his land. Self labor would add about another \$1300 and stubble credit another \$600 in both cases. This totals about \$7800 for the man who owns his own land but only about \$3300 for the renter.

SAMPLE PRODUCTION COSTS - DRYLAND BARLEY, STANISLAUS CO. - 1961

Based On An Average Yield Of 1500 lbs./A On Summer Fallow

Costs on a 1200 acre farm with 600 in crop and 600 fallow each year. Man labor @ \$1.35 and \$1.50 per hr., including Soc. Sec. and Comp. Insurance. Heavy tractor figured at \$2.60 per hr. cash cost, \$1.50 depreciation and 50¢ interest.

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	Sample Costs		My Costs	
	per acre	per cwt.	per acre	per cwt.
PRE-HARVEST CASH AND LABOR COSTS:				
<u>Fallow Year:</u>				
Disc: 2 times @ 5 A/hr./time, 2/5 hr. man and heavy tractor	\$ 1.60			
Plow: Stockton gang @ 4 A/hr., 1/4 hr. man and heavy tractor	1.00			
Rod-weed, or light disk & harrow when needed 1/10 hr. man & heavy tractor	.13			
Pickup - use in summer fallowing	.07			
<u>Crop Year:</u>				
Fertilize - 100 lbs. 16-20 @ \$70/T + 75¢ for plane application	4.25			
Seed - 7 A/hr., 1/7 hr. for 2 men & heavy tractor, 90 lbs. @ \$3.25 for own seed	3.58			
Harrow to break crust when needed. Av. 1/10 of acreage/yr. Man & heavy tractor	.04			
Pickup & 1½ ton truck - use in seeding	.07			
Spray for radish - 25¢ 2,4-D & \$1/A plane	1.30			
County Taxes	2.25			
Misc.: Office, ins., int., operating capital, etc.	1.45			
Repairs to equipment except tractor	1.55			
Total Pre-Harvest Cash & Labor Costs	\$17.29	\$ 1.15		
HARVESTING COSTS:				
Combine and 1 man - Av. 2.5 A/hr.	\$ 2.00			
Hauling to storage - 1½ ton truck & man	.67			
Total Harvesting Costs	\$ 2.67	\$.18		
TOTAL CASH AND LABOR COSTS	\$19.96	\$ 1.33		
DEPRECIATION:				
Tractor, truck and pickup	\$ 2.05			
Buildings and shop	.35			
Equipment including combine	1.95			
Grain storage & elevator	.25			
Total Depreciation	\$ 4.60	\$.31		
TOTAL CASH AND DEPRECIATION COSTS	\$24.56	\$ 1.64		
INTEREST ON INVESTMENT @ 6%:				
Land - 2 yrs. @ \$.100	\$12.00			
Tractor, truck & pickup	.85			
Bldgs. and shop	.12			
Equipment, including combine	.54			
Grain Storage & Elevator	.12			
Total Interest	\$13.63	\$ 0.91		
TOTAL COST OF PRODUCTION	\$38.19	\$ 2.55		
Less Possible Credit For Stubble	- 1.50			
	\$36.69	\$ 2.45		