



Rabobank

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Efficiency with farm inputs – a recipe for productivity

An increasingly complex and volatile global farm input market is making it imperative for New Zealand farmers to have in place good purchasing strategies, while focusing on ways to conserve soil nutrients and input use, according to a new industry report.

The report, ***Efficiency with farm inputs – a recipe for productivity***, by agribusiness banking specialist Rabobank, says more efficient use of farm inputs – including fertilisers, chemicals and fuel – will be essential in ensuring profitability, driving productivity growth and improving environmental sustainability of farm businesses into the future.

Report author, Rabobank senior analyst Michael Harvey says, with farm inputs a vital component of modern production systems, all farmers in New Zealand are exposed to the dynamics of procuring farm inputs. “In more recent times these markets have been evolving and becoming more sophisticated, which is altering the business landscape for farmers as end users,” he says.

Meeting global food demand

Mr Harvey says improved soil nutrient management will be critical to meeting the challenge of feeding the growing global population.

“To meet the challenge of feeding nine billion people by 2050, agricultural production volumes need to increase by more than 70 per cent,” he says. “New Zealand will play a large role as a global food producer; however the extent of this role will be determined by the innovation and productivity improvements that farmers are able to make,” he says.

“New Zealand is well positioned to increase production, but farmers are going to have to manage their farm input purchasing strategies and usage. The importance of using farm inputs more judiciously is three-fold: improved productivity, improved profitability and positive environmental outcomes.”

New Zealand market dynamics

New Zealand relies heavily on global markets for its inputs, which not only makes them a price taker in the market, but creates challenges around seasonality and the long lead times for sourcing products, the report says.

Mr Harvey says that this import reliance means that farmers not only need to understand what drives the prices they receive for commodities, but also the forces at play in the global input market, as inputs can account for as much as 40 per cent of on-farm working expenses for many enterprises.



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“The international marketplace makes it important for farmers to have advanced sourcing strategies in place, so they can make informed decisions about when and how to buy their fertiliser, chemicals and fuel”, he says.

The changing global market

Global input prices are expected to remain above long-term averages, underpinned by the elevated base cost of raw materials. Similarly, oil prices are forecast to remain structurally higher into the medium term, as global demand remains high, the Rabobank report says.

“With farm input prices set to remain structurally higher, farmers need to focus on ways to manage the efficient use of fertiliser, chemicals and fuel on-farm,” Mr Harvey says.

“Having nutrient budgets and nutrient management plans in place and precision agriculture technologies to pinpoint application are just some of the strategies many farmers are adopting to manage their fertiliser use.”

Farmers’ input use is not only being driven by their relative costs and the need to increase productivity, but increasingly by environmental factors.

Mr Harvey says that while there are currently no substitutes for the main nutrients, farmers can take action on-farm to minimise fertiliser use.

“By putting a price on carbon, farmers in New Zealand are being encouraged to transition to a low carbon system and create carbon credits. There are many actions that can be taken to reduce emissions, and the efficient use of nitrogen fertilisers is one of these”, he says.

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Rabobank New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 48 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank New Zealand is one of New Zealand's leading rural lenders and a significant provider of business and corporate banking and financial services to country's food and agribusiness sector. The bank has 32 branches throughout New Zealand.

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