

GUIDE

Grain prices and piggery cashflow: planning for a spike

By Nick Clunes · Updated 26 October 2026 · 7 minute read

SHORT ANSWER

Feed is the largest cost in a piggery, so a jump in grain prices goes straight to the overdraft every week. Work out your grain use per month, re-run the cashflow at two or three higher prices, and check the deepest month still fits under your limit. Buying part of your needs ahead can smooth the cost, but grain held on farm ties up cash too.

The pigs still go out every week, but the grain bill is up by a quarter and the overdraft is creeping toward its limit. A cattle or sheep producer can sell stock when feed gets dear. A piggery mostly can't, so a grain price spike turns into a cash problem within a couple of months.

Feed is the biggest line

Australian Pork Limited told a Productivity Commission inquiry that grain can make up to 80% of a pig's diet, and that feed was about 60 per cent of the total cost of production. That submission is older, and a 2016 Queensland research paper put feed at 65% of total pork production costs. The exact share moves with grain prices, but on any measure feed is the line that decides the year.

NSW DPIRD says the industry's results depend heavily "on the price margins above feed costs". In its 2021 report it noted feed grain prices for 2020 to 21 averaged 17% lower than the year before, after the drought eased. In March 2019, during the drought, ABARES said high feed prices and low pig prices together had reduced pig producers' profitability. Feed prices have moved this way before and they will again.

APL's submission makes another point that matters for cashflow. Piggeries outside a declared drought area can still pay drought prices for grain, because the grain comes from somewhere else.

Step 1: Know your grain use per month

Start with tonnes, not dollars. From your feed records, work out how many tonnes of each grain you use in an average month. If you buy complete feed rather than mixing, use tonnes of feed and the price per tonne your mill charges.

Once you have tonnes per month, every price question becomes a simple sum.

Step 2: Test the budget at higher prices

Take your budget grain price and add two or three higher prices. I'd use one moderate rise and one severe one. Then multiply each by your monthly tonnes and put the extra cost into the cashflow, month by month.

The piggery feed margin calculator does the margin side of this, and the piggery cost of production tool shows what it does to your cost per kilogram.

A worked example

This is an invented 300-sow farrow-to-finish unit that mixes its own feed, and the figures are illustrative. The grain prices are invented for the example and are not a forecast. The unit uses 160 t of grain a month and has budgeted it at \$380/t.

It has a \$400,000 overdraft limit. In the budget, the overdraft is deepest at \$250,000, which leaves \$150,000 of room.

Grain price	Grain bill per month	Extra per month	Extra over six months	Deepest overdraft	Room under limit
\$380/t (budget)	\$60,800	\$0	\$0	\$250,000	\$150,000
\$450/t	\$72,000	\$11,200	\$67,200	\$317,200	\$82,800
\$520/t	\$83,200	\$22,400	\$134,400	\$384,400	\$15,600

The table assumes the higher price lasts six months, all before the deepest month, and that pig prices don't move. At \$520/t the unit is only \$15,600 from its limit. One late payment from the processor would put it over.

Pig prices sometimes rise with feed costs, and sometimes they don't. I'd run the test both ways.

Step 3: Weigh buying ahead against spot

Buying ahead means agreeing a price now for grain delivered later. Buying spot means paying the market price each time you buy. Neither is always cheaper. Buying ahead swaps the chance of a lower price for knowing your cost.

Here's the same invented unit contracting half its grain, 80 t a month, for six months at \$400/t.

If spot grain is	All spot, per month	Half contracted, per month	Difference per month	Over six months
\$380/t	\$60,800	\$62,400	\$1,600 more	\$9,600 more
\$520/t	\$83,200	\$73,600	\$9,600 less	\$57,600 less

If prices stay flat, the contract costs \$9,600 over six months. If they spike to \$520/t, it saves \$57,600, and the deepest overdraft month has \$73,200 of room instead of \$15,600.

I don't give grain marketing advice. Talk to your grain supplier or marketer about contract terms, and to your nutritionist about whether the grain suits your diets.

Step 4: Count the cost of storage

Buying grain at harvest and storing it on farm is another way to buy ahead. It needs silos, hygiene and aeration, and someone to watch for insects. GRDC also points out a cost that's often missed: money tied up in grain is money not paying down the overdraft.

In the example, storing six months of half the grain is 480 t. At \$400/t that's \$192,000 paid up front. If it comes out of the overdraft, the unit's room falls by \$192,000 at harvest, even though it saves money later.

Step 5: Talk to the bank about headroom

If your test shows the overdraft gets tight at the higher price, take the figures to the bank before the spike, not during it. A bank can consider a seasonal increase or a temporary limit far more easily when it can see the reason and the end date. The season stress test and the cashflow forecaster will produce the figures to show them.

When to get help

If you'd like your feed budget and cashflow tested at several grain prices, I build that into the Bank Review Pack at \$1,850 plus GST. To keep it updated every month as prices move, the Farm CFO retainer is \$800 a month plus GST.

Common questions

What share of piggery costs is feed?

Australian Pork Limited told a Productivity Commission inquiry that feed was about 60 per cent of the total cost of production. A 2016 Queensland research paper put it at 65%. Your own figure depends on your herd, your diets and the grain price, so I'd work it out from your accounts.

Should I buy grain ahead or on the spot market?

I can't tell you which to do, because that's a marketing decision for you and your grain supplier. What I can do is show what each choice does to your cashflow and overdraft at a range of prices, so you decide with the numbers in front of you.

Does storing grain on farm save money?

It can, but GRDC points out that the money tied up in stored grain is a real cost, because it could be paying down the overdraft instead. Count that, along with the storage itself, before you decide.

How much overdraft room should a piggery keep?

There's no single answer, and every bank looks at it differently. I'd want enough room to carry a six-month grain spike at a price well above the budget without reaching the limit.

Sources

1. Australian Pork Limited, submission to the Productivity Commission Inquiry into Government Drought Support
2. Queensland DPI eResearch archive, Effect of feed wastage on piggery manure characteristics and methane potential (2016)
3. NSW DPIRD, Performance of Primary Industries 2025: Pork
4. NSW DPIRD, Performance of Primary Industries 2021: Pork
5. ABARES, Agricultural commodities March 2019: Pig meat and chicken meat outlook
6. GRDC Update Papers, Grain storage: the economic considerations (2019)

General information only, not financial, tax or credit advice. Worked examples use made-up figures. More on how Farm CFO works with piggeries.