

## Leamington Spa Monitor Farm Update Issue: 3

**Venue:** Squab Hall Farm, Leamington Spa, 1.30pm on 30 January 2015

**Topics covered:** Grain marketing



### Summary of Monitor Farm Meeting

- Grain market update
- Dealing with yield risk and psychology
- Price benchmarks and objectives
- Futures and options (minimum price contracts)
- Grain Marketing Challenge
- Tips for grain marketing

### Introduction to futures markets

- Effectively the forward market, but more formal and strictly regulated
- Futures contracts are commonplace
- An obligation to buy/sell a specific quantity and standard specification at a point in the future at a specified price
- Generally paper transactions independent of physical grain
- Strictly controlled, but provide transparent prices: [www.hgca.com/markets](http://www.hgca.com/markets)
- Established markets
  - London – LIFFE
  - Paris – MATIF
  - Chicago – CBOT

### Why doesn't everybody use futures?

- Set up costs
  - Cash deposit required to open futures account with broker
  - Losses settled at the close of each trading day (“margin calls”)
- Complexity and lack of understanding
- ‘Bad’ press and regulation
  - Publicised cases of businesses losing money on futures markets, generally from speculation, not hedging
  - Traders and brokers dealing in futures and options now regulated by FCA
- BUT In reality you already use them indirectly when you sell forward

## Suggested rules of grain marketing



- Have a good grasp on your cost of production
- Avoid making knee-jerk reactions
- Don't allow cash flow or storage to turn you into a forced seller
- Consider tools beyond fixed prices
- Know what you've got to sell
- Manage feed base and premiums separately
- Be flexible and respond to market signals, rather than psychology

**Next monitor farm meeting:  
Squab Hall Farm, Bishops Tachbrook,  
Leamington Spa, Warwickshire, CV33 9QB  
12:00pm 26 March 2015**

**Theme: Inputs and weed burden strategy**

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