

# Wantage Monitor Farm - Julian Gold

## Meeting 7 **GRAIN MARKETING**

20 October 2015

Hendred Farm, East Hendred, Wantage

Speakers: Julian Gold (Monitor Farmer), David Doyle (Openfield)

& Jack Watts (AHDB)

For more information, visit [cereals.ahdb.org.uk/wantage](http://cereals.ahdb.org.uk/wantage)



## Meeting summary

- Harvest update from Julian – high yields produce ‘get out of jail card’ to reduce costs of production and be able to sell at a margin
- David Doyle – the national and international picture. Now two crops away from a disaster and a price hike. The market is currently confused with a £20 carry. Look beyond 2016 marketing already.
- Jack Watts – essential to have a low price marketing strategy. New taxation rules can help. Look for added value and export markets. Prospects for barley.  
Tools for marketing:-
  - Get more analytical
  - Understand sensitivity
  - Three-year marketing period for any one harvest
  - Watch for market signals
  - Or export the problem and use pools
- Benchmarking with CropBench+ now under way
- A Hendred wheat crop will be entered for 2016 YEN competition. Ongoing management suggestions welcome.

## Julian Gold

- The new spray store and handling area came in at £68k vs £50k budget but “how did we ever manage without it?”
- Despite the spring beans being a problem crop, the overall rotation will deliver a margin from 2015 due to excellent yields
- The Isaria variable rate nitrogen trials produced results similar to Julian’s flat rate applications. To be evaluated at a later meeting
- The OSR establishment ‘try- out’ with high seed rates and sprayed-out strips was inconclusive. Being repeated this year with more work required on strip spraying technique
- Julian’s marketing strategy is to
  1. Have a good knowledge of budgeted costs of production based on five-year average yields
  2. Keep updating the figures as the season progresses, replacing budget costs with actual ones and reviewing yield potential
  3. Sell when he can to lock into a profit – any profit.
- Julian is only 38% sold on 2015 wheat. Some early profitable selling above budgeted cost of production followed by some below, but subsequent yields achieved have meant all early sales will generate a margin. Latterly some close to break-even as a result of excellent yields. While Julian’s inclination was to sell the rest now, the meeting’s view was to sell gradually to spread the risk.
- 2016 costs of production will be similar to 2015. Lower five-year average yields but some lower input costs too. Some wheat has been sold at a budgeted £5/t loss to lock into a minimum loss for a proportion. 2015 type yields would reverse this.



## David Doyle

- Plenty of maize and cereals in the worldwide market. There will need to be a massive problem to create a large price hike. World now two harvests from a disaster.
- Market currently confused by £20 carry into 2016. The market wants to sell into it, the consumer doesn’t want to buy.
- In the UK, non-planting is not an option because fixed costs are generally fixed.
- Given these positions, 2017 crop marketing also needs to be considered now
- World commodity prices do not respect UK Costs of Production

## Jack Watts

- UK yield volatility is less than many other parts of the world, but we do not take advantage of it
- Fixed cost strategy is key to have a flexible marketing strategy. How fixed are fixed costs?
- The impact of biofuels will be dictated by inclusion rates which will by-pass economics
- AD plants creating local impact rather than changing national supply and demand position
- From 1/4/16, five-year profit averaging legislation will assist longer term marketing strategy. Now, in a year when money is made, it is not necessary to spend it. Manage cashflow.
- Russian taxes and El Niño are red herrings at the moment.
- Maize likely to take over as the lead world feed grain which will produce long term UK strategic challenge. Concentrate on flexibility in choice of wheat variety, rather than fixated by premium
- Barley. Global niche product, competitive on a Dollar basis. Still need to capitalise on UK growing environment. Need to watch out for competition from sorghum.
- Rape. Only partly affected by crude oil price and currency. There are other ways to speculate in the oil market than growing rape. Need to experiment in rotations with clover and taking whole rotation view

### Marketing tools:

- Get more analytical. Get to grips with spreadsheets. Good way of getting youngsters involved
- Understand sensitivity. What changes mean what? See attachment of AHDB Sensitivity calculator
- Break grain marketing up. Three-year window to sell a harvest starting with Futures to selling the physical crop. Perhaps break down to seven marketing periods. Achieving the average should be the minimum performance. Set criteria, for example, daily price versus cost of production or post-planting or post-harvest averages of wheat futures market. Use these to weight some sales to the market.
- Watch market signals
  - A) Carries. For example, currently positive – the market is saying ‘stay out of the spot market’. November 17 price currently interesting. If there were any problem with 2016 harvest, this would need to rise further to take any carry into 2017.
  - B) Stocks to use ratios. As a guide, maize below 16% and wheat below 25% would promote a more bullish world markets. Currently 19% and 31% respectively.
- Use options. Best when prices are high to protect a margin. Also can be used to create a worst case scenario. Better used for big percentages of sales than small amounts.

### The marketing plan:

- When in the three-year marketing window are you going to make your sales, over how many tranches /loads?
- Consider the crop in store, the crop in the ground and the next year’s Futures market
- Where is the price in relation to cost?
- Where is the price in relation to rolling averages and other criteria?

- If the market is above your criteria, then sell some against yield expectations
- Keep in mind sensitivity.

## CropBench+ benchmarking

- To find out more about AHDB's CropBench + benchmarking tool, please contact:

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## Next meetings

- Tuesday 24 November 2015 – Labour power and machinery cost analysis
- Thursday 14 January 2016 – Tendering for land ; Labour force succession planning
- Tuesday 9 February 2016 – Grain storage; Livestock in the arable rotation

Meeting times and locations will vary so please ensure you have registered your contact details to receive notification of details throughout the year.

To attend the meetings, please email [Philip.dolbear@ahdb.org.uk](mailto:Philip.dolbear@ahdb.org.uk) or call 07964 255614