

Louth Monitor Farm Meeting

Royal Oak, Little Cawthorpe, Nr Louth
Friday 12 February 2016

Grain Marketing

Jack Watts

AHDB Market Intelligence, Cereals and Oilseeds

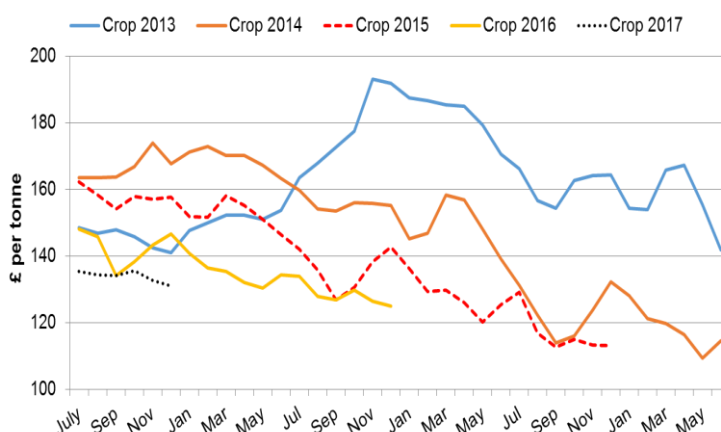
For more information visit:

cereals.ahdb.org.uk/louth



Headlines

- Supply has exceeded demand for the third year in a row and we are heading towards a fourth.
- You have to back to 1977 to see four good years of global production.
- As farmers, unless you are a niche grower, you are a price taker.
- Everyone is looking for an excuses not to sell, are you?
- Think productivity not production
- Markets will disrespect cost of production and always will
- You have three years to market your grain.



Three crops on your mind at any one time?

Good grain 'marketing' to protect the decision to grow Vs longer term strategy

Short-term volatility management

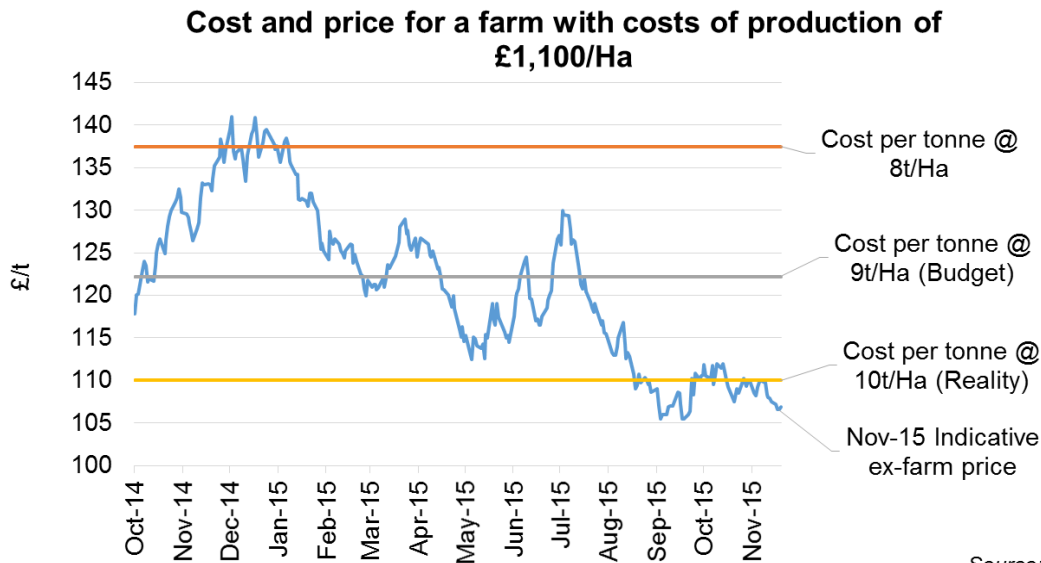
Grain marketing to protect the decision to plant:

- Hope
- Forward sell
- Just average it
- Pools
- Minimum price
- Target / stop-loss price

Medium-term commodity cycle management

Business strategy:

- Will all the land be cropped?
- Risk vs reward
- Commodity vs niche vs other income
- Machinery policy
- Cost of Production



Source: AHDB

Above is the effect of yield on a fixed cost per hectare at 8, 9 & 10t/ha and times to sell.

Governing a pricing strategy

Purpose:

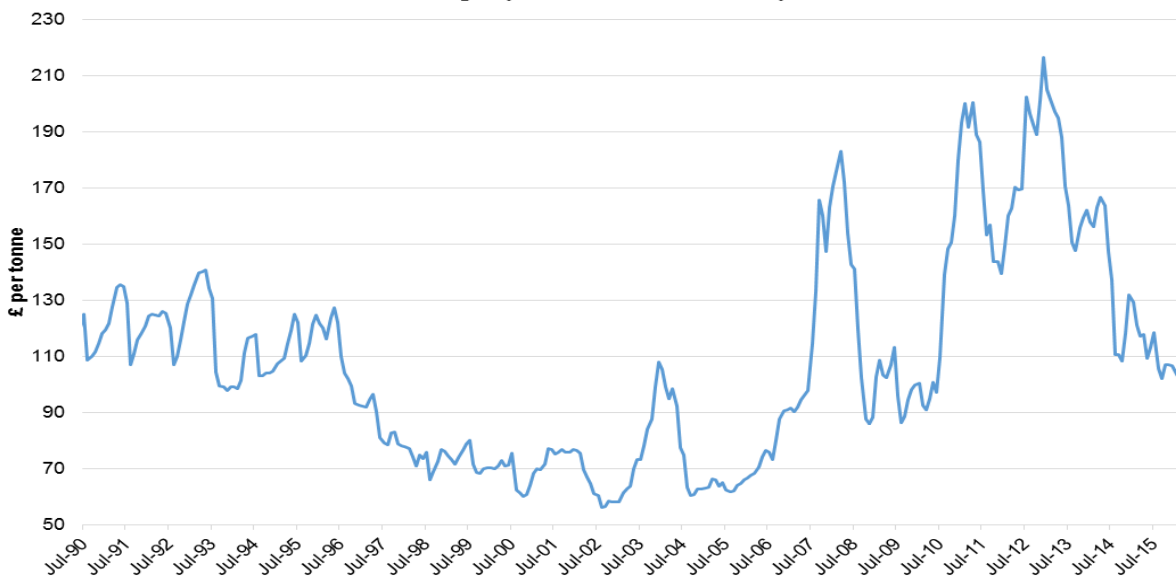
Be a STAG: Stop, Think, Analyse, & Go!

Could include:

- Cost budget & yield forecast
- Cash flow projections
- Refresh of short and long term objectives
- Where is the market
- Market view and appetite for risk



UK average spot ex-farm feed wheat prices



Source: AHDB

Above is the price of UK feed wheat over the last 25 years. How many harvests have you made a profit? Crop Gross Sensitivity analysis on your field – Click [here](#)

Reviewing the meeting insights

- ❖ Grain marketing vs grain pricing
 - Is it 'marketing' or are you looking for an acceptable 'price'
- ❖ The window of opportunity
 - How much storage do you have? Can you use this to your advantage?
- ❖ Reading the price signals and reacting
 - Pick up the signs, know when the time to sell is clear
- ❖ Short-term price risk management vs Long-term commodity cycle
 - Look after what you have but take the long term view
- ❖ Why being average is the minimum standard
 - Be better than average
- ❖ Psychology
 - Look for times to sell, rather than times to hang on a little longer
- ❖ Pros and cons of knowing your costs
 - At the moment, make the best of a bad job!
- ❖ What is a good price
 - Get a feel of stocks to use, sign up for regular emails from AHDB [Grain Markets](#)
- ❖ Governing a pricing strategy
 - Know your cost of production, get involved with [CropBench+](#)
- ❖ 21 months of grain marketing in 21 minutes
 - Assess your risk; sell 10% for 10 months, you take your chance on the whole crop?

Other points discussed at the meeting

- What's the average wheat price over the last 10 years? About £135/t.
- Does your cost production come in below this in at least six or seven years in the last 10?
- If you are growing for a global market, expect global prices, could you grow a niche crop? But it takes marketing before you plant it.
- Global demand goes up 2% per year. Roughly in-line with yield improvements
- Wheat and Maize stocks are historically high providing a cushion to any small weather events in the world.
- Maize is more spread around the world, giving more even production levels
- 30% of global wheat is thought to be stored in China, but no-one really knows for sure
- Feed barley is carving out a little niche for itself. The world has fallen out of love with barley, both winter and spring. We can 'plug into the global barley market' for easy exports to Middle East.
- Both Ensus and Vivergo are currently closed and not likely to open in light of current crude oil price.
- South Africa needs to import 3 to 5 million tonnes of wheat, and have the means to pay for it.
- A 40% fall in OSR brings plantings back to 2009/08 areas. So more of a peak than a significant fall.



*A full grain store is always a good thing, but how much has it cost you?
And what price did you budget or expect to get when deciding your rotation?*

More points discussed at the meeting

- When the world ran out of milling wheat in 2009, some countries are 'holding' on to wheat, hence the level of global stocks.
- Is a farmer Grain Marketing or Grain Pricing? Grain Marketing should happen before drilling. Grain pricing is not that bad, it's all about knowing when to 'take' that price.
- Can you use yield maps to understand where to take poor performing land out of production? Rather than use more in-puts and cost to bring this poorer land into line with better performing land.
- In 2016 there will be an extra half million tons of wheat in storage in the UK compared to 2015. Likely to be 50% still in store, in the UK unpriced.
- Would it be best to sell, 2016 harvest off the combine, and keep unsold 2015 harvest grain in store? Although if it comes off the combine at 22% moisture what do you do then?
- There are 'spikes in the market' and everyone is waiting for that spike. Is that really your plan?
- Is the best plan at the moment, not to plant wheat but to plan a cover crop and buy grain at today's low prices and store it for better prices?
- Farmers are born optimists, and keep planting wheat in the hope that the price goes up by harvest.
- All farmers are in it for the long term, and are reluctant to stop growing crops even in low price periods.
- Look at the five-year rolling price grain price, you will have good years and bad in those 5 years. Can you still make money in how many of those five years? If not, you need to look at cost within your business. Use [CropBench+](#)
- Every farming business should have a more 'business like' approach to grain marketing. If you keep producing it, you will need to keep marketing it.

- Try to get away from knee-jerk selling to get cash in the bank.
- The UK farmer is very good at filling expensive on farm grain stores with unpriced wheat, and the markets know this
- Don't budget your farm business on an unrealistic price. Possibly too many farms are spending from a budget expecting a £150/t sale price!

Next meeting

Date and time	Wednesday 11 May 10am to 1pm
Location	Station Farm, Authorpe, Nr Louth
Topic	Variety choice for autumn 2016 drilling season.
Speakers	Simon Oxley
Contact details	

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