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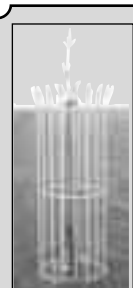
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# A warm feeling in your wallet



Many farmers will want to realise market rises and lock into some fantastic wheat prices. It would be rude not to, writes **Jeremy Cole**.

**M**uch has happened since last month, when LIFFE futures were £116.50/tonne for November 2007. I've been away – which generally puts the market up – investigating the maritime influence on agriculture on Turkey's Bodrum peninsula.

As I write this, the bright yellow shiny thing in the sky has appeared for a week now, harvest is in full swing and the November 2007 LIFFE futures have risen another £24/t, now standing at £140.50/tonne.

That is a 20% rise in a month, which includes a two day period when prices plummeted £7 as combines began to roll. It is now an incredible 87% higher than when the future first traded in November 2005.

But still physical grain sellers are few and far between. Serious ex-farm selling all but ceased once ex-farm prices burst through the £100 mark at the end of May. The trade continues to remain confident that only 30% of the harvest has been sold.

On one hand, we have all the factors suggesting the market will never stop. They

include the general world shortage of wheat, US exports 60% above their normal volume and high import demand from North Africa and Asia.

But the UK market is pushed by the macro world lack of supply but is specifically driven at present by the MATIF market, which is short as their futures are based on milling specification, which is hard to find this year to date.

With lower yields too, there is little chance of French or German wheat being imported into the UK. The spectre of the 'import parity' price capping UK price rises is becoming less likely with every continental rain storm.

Given all these bullish factors, the stage is set for further rises. Prices of £150/t now seem likely for November and prices of £200/t less unlikely for May 2008. Where did that Norfolk farmer get his crystal ball?

But as we know, markets can fall as well as rise. So I really do feel it's time to forget hubris and greed and take the cash. Many will want to realise market rises and lock into some fantastic prices.

If you have under 75% sold, you might want to sell some more. If you dare not sell any more until after harvest, or you feel the market will rise further, you might want to apply a Put option.

The market has shown that it can fall very sharply and it would seem silly to let that happen if the downside can be limited to approximately £6/t. This will guarantee a minimum November 2007 price of about £131 ex-farm – well over 50% higher than

most budgets of £85/t. This equates to an extra £460/ha on a 10t/ha crop, a percentage extra almost as much as the inflation rate in Zimbabwe.

My worry for the UK market is that buyers will be overrun when the remaining 7million tonnes or 50% of the unsold crop hits the market between harvest and December.

At present, futures are being helped up by merchants selling short to compounders without any ex-farm grain to match those sales, so futures are being bought as a hedge. Once grain is offered – and it will be soon – the futures will be sold and the hedge unwound. This is potentially a very dangerous time to come.

Harvest 2008 is now trading at a differential to 2007 crop of £25/t. This is too much and eventually something will have to give. Next year is probably undervalued and has recently risen by £6/t to £113 ex November, or a minimum of £103 ex plus Time Value. No farmer can sell wheat or guarantee a minimum price of under £103/t November for 2008 if hedged at these prices. Think about it, do the sums and act. That should bring a warm feeling to your wallet.

Whether you are a seller of physical or a hedger only, capture these prices – just in case the future obvious rises don't quite happen and Norfolk's Mystic Meg's crystal ball clouds over.

Jeremy Cole, Bsc Agri Econ (Reading), runs *Agricole* – an independent grain brokering and marketing service for farmers. For a weekly grain market report, call 01954 719452 or visit [www.agricole.co.uk](http://www.agricole.co.uk)