Clunk-click every trip

Staggering differences in wheat prices have marked a momentous season in the grain trading, writes **Jeremy Cole**.

We're well and truly into 2011 now and it's a good time to reflect on what could have been and what actually was – especially in terms of grain trading.

Generally most farmers, merchants and advisors, me included, misread the market. Over 75% of the UK's wheat harvest was sold too early and too cheaply, isn't hindsight wonderful.

The November 2010 futures began trading on 8 July 2008, and the price was £154/t, equivalent of £148 ex-farm. At that time, the November 2008 futures price was £145 (£139 ex) and the November '09 futures price was £151 (£145 ex).

By February last year, 18 months later, the November 2010 price had dipped to £100 ex farm, where it languished until the end of June, with all signals telling us the market would be oversupplied, with plenty of world wheat stocks and £80/t likely. About 50% of the UK grain had been sold.

Then harvests began across the northern hemisphere. Suddenly, all became clear. The heatwave caused problems, especially in central and eastern Europe. Markets began to move upwards and have never really stopped since. By mid-August, prices had moved upwards £50, reaching levels that could have been achieved two years before when the November 10 futures opened.

I have farmers who have sold wheat for £100/t being loaded in the same month as some for £200/t, equating to a £1000/ha difference in margin on a 10t/ha crop. Staggering differences. Achieving just a quarter or even half of that rise would still have made a massive difference to the bottom line. But getting it 50% wrong and still making a better than average margin still sounds good to me.

Once again, market volatility has shown how wrong everyone – expert or not – can be. It also shows that the use of some, almost any, financial price risk management (FPRM) would have captured some of this year's massive £100 rise.

The most common reason for not adopting the use of FPRM tools is that they're "too expensive". But when a hedge costs £14/t and a market moves £50-100, almost all management tools would have paid dividends this season.

Many of us have seen seasons in which prices fell £50/t. This one did that too to begin with. Again, the use of a FPRM tool would have been useful. They sit there in the background waiting for an adverse event, just like any insurance. This season, it took 24 months out of the 26 months life of the November future before some of them kicked in, but they did, and a benefit was received.

So like the old Jimmy Savile advert for seat beats back in the 1970s, there's rarely been a better case for 'clunk, click, every trip'. Please look into the use of FPRM tools, just in case something adverse happens in the market. It may just save your business from a disaster.

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Varietal responses to range from 20% for Solstice to 100% for Robigus.

First yellow rust detected this season

The first sightings of yellow rust this season have been spotted in Essex.

Richard Peake, of Harlow Agricultural Merchants, said the disease was reported in wheat variety Humber, which has a resistance rating of 8. "This proves what we predicted, that yellow rust will be a bigger threat this year than last."

There were several reasons for the disease appearing, said Mr Peake. "Most growers have continued with the same varietal mix, predominantly based around Solstice and Oakley, both of which are yellow rust susceptible."

He added: "In terms of disease pressure, in this area of the country we would have a major septoria event once in every ten years, but for rust that goes up to four in every ten years."

Robust, well-planned fungicide programmes starting at T0 paid dividends, said Mr Peake. "There is no doubt that with the correct fungicide programme in place, rust can be kept at bay and yield responses are positive.

In our trials, varietal responses to fungicide programmes over untreated ranged from 100% in Robigus to 50% for Viscount, 40% for Oakley and 20% for Solstice, so there is no question about return on investment from these inputs.

"We advise growers to start programmes early at T0 with a low rate of triazole when the Atlantis is going on, followed by a T1 based around a triazole + chlorothalonil and then a robust T2 centred on epoxiconazole and pyraclostrobin.

"We will then use a second strobilurin and triazole application at T3."

Peter Hughes, cereal fungicide product manager for BASF, said pyraclostrobin-based Comet 200 fitted well into programmes at T1 and T2 primarily for its value in trusted rust control, but also proven physiological effects.

In 2010 there was unprecedented use of Comet 200 in programmes at T1 because of the rust susceptibility of varieties in the ground. Based on our research amongst agronomists, we expect similar recommendations for the coming season."

Suffolk agronomist Mike Warner has taken on the mantle of chairman of the Association of Independent Crop Consultants (AICC).

With more than 225 members, the AICC is the largest single body giving on farm advice in the UK. It provides independent technical and financial advice to farmers across more than 1.42m ha (3.5m acres) of arable land.