

Crop marketing: Don't be a rabbit in the headlights

Volatile markets make good grain marketing harder than ever. But you can improve your chances of success, says **Jeremy Cole**.

What happened to the “good old days” when grain marketing was apparently easy? Prices were low during harvest, due to pressure of supply, and then rose during the year to pay for the risk and time value of storage. Life was simple.

Since 2007, the markets seem have gone mad. Prices rise at harvest and fall from November, then rise again two years later before crashing the year after. Selling to a calendar just doesn't work any more. Well, it certainly doesn't work consistently enough.

The best two days to have sold wheat for harvest 2014/15 were 7 November 2012 and 18 February 2013. These were the highest values reached for LIFFE Futures for November 2014 and May 2015 respectively.

This shows just how difficult it is to read the grain market. After all, who is really concentrating two years ahead?

I did an experiment with my cat a few years ago. If it turned right out after leaving the cat flap, I pretended to buy futures. If it turned left, I sold. Over a two week period, the cat was right 25% of the time. Be really honest, how well do you, your merchant and I do at guessing what the market will do?

To try to better this 25% system, I suggest that everyone gets a plan two years ahead of any harvest (as that is when the futures for that harvest open) and sticks to it. By “plan” I mean set a minimum price that you realistically wish to achieve to make some sort of re-

“Everyone needs to plan ahead at least two years in advance – and stick to it.”

turn on investment.

And when I say “stick to it”, I mean that if the market does something significant, you should do something too. ‘Significant’ means a movement of 10%. “Do something” means sell some physical crop or create a minimum price for the crop by using hedging tools (futures or options).

All the fancy analysis, strategies and information – now available from the internet and a myriad of grain marketing gurus – is all useless unless it is acted upon in some fashion as a result of the previously instigated forward plan.

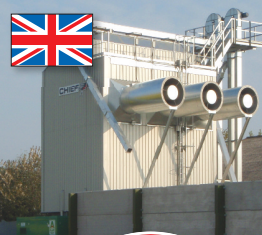
If nothing really happens, by all means do nothing. But when there is a significant movement, the plan will kick in and you will do some sensible directed grain marketing and not some rapid random undirected Brownian motion type selling.

➤ *Dr Jeremy Cole, BSc Agr 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*



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