TANKS

TANKS • BOILERS • CHIMNEYS

SAVE TIME, MONEY and WATER!!

STORAGE TANKS — Rainwater, fuel fertilisers etc. Mild steel, stainless, plastic, glass-lined. 200 gall. - 30,000 gall. Huge stocks.

BUNDED TANKS — Specialist manufacturer and installer of Bunded Fuel Tanks, pumps & monitoring equip.

STEAM & HOT WATER BOILERS — Wide range 500-35,000lb/hr. up to 250 psi. Sales or Hire. Boiler servicing & spares.

For Fast, Efficient and Friendly Service, call KINGS today...

Branches: ESSEX - SUFFOLK - HERTFORDSHIRE

Tel: 01992 892270
Fax: 01992 892967
www.kingsboilerhire.com

STEWKLEY MILLING SERVICES

MAKE THE BEST USE OF CEREALS BY FEEDING THEM TO YOUR OWN STOCK

Renn and Farm King Rollermixers
All mobile and PTO driven
Also Alvan Blanch and Skiold
Static mill/mixers, S/H Gehl
Mix-alls usually available.
Gehl parts on overnight.
Poultry Farmers!! Stop disease spreading by using an Artsway mill mixer & producing your own food.

Please phone anytime
Martin 07921 921849
John 07860 136010

01525 240333
fax: 01525 240184

REGAL TANKS

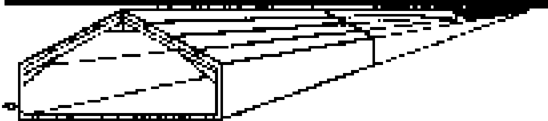
NEW & USED TANKS & SILOS
SALES, HIRE & PURCHASE

• STORAGE TANKS
• BUNDED TANKS
• BOWSERS

Tel: 01502 710100
Fax: 01502 710103
Email: info@regaltanks.co.uk

Fully searchable database at...
www.regaltanks.co.uk

BUILDINGS



Working with you to choose the right solution...

Specialists in Insulations & Cladding Products & Services

Sprayed Foam Insulation • Insulation Boarding
Sound Insulation • Roofing Solutions
Building Renovation • Overcladding

tel 01986 781342 • fax 01986 781207

www.stockbrands.co.uk

Oaklands Yard, Flixton Road, BUNGAY NR35 1PD

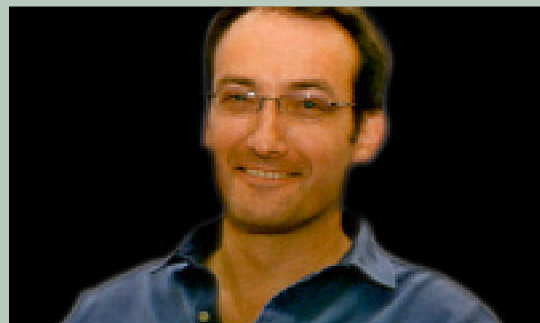
CONTAINERS

CONTAINERS SALE or HIRE
from £1 per day!!
ALL SECURE and DELIVERED TO YOUR SITE

TELEPHONE:
01268 766226
Fax: 01268 766226
Mobile: 0773 4000 280
Email: sales@a1containers.co.uk
www.a1containers.co.uk

CLASSIFIED ADVERTISING CALL CHARLOTTE ON 01986 834252

The US biofuel market means a rollercoaster ride for grain prices. But growers can gain from the volatility, says **Jeremy Cole**.



Playing the grain marketing game

Since the last time of ranting the market has done very little – be it for 2006, 2007 or 2008 crops. The noise of biofuels has faded and there appears to be some confusion over the eventual building of at least 75% of the proposed sites.

As of late February, world crops in the ground continue to look good and even the Australian crop estimates, based on proposed drillings, look above average. Hurrah for El Nino and its sibling La Nina.

But the volatility of the current market in the US is outrageous, up £7 in one week alone. The ‘battle for acres’ between corn, spring wheat and soya continues prompting the highest prices for 10 years and record current values. The US biofuel market is storming ahead, with some states running out of supplies for animal feed as a result.

The players in this market are exacerbating the volatility. The traditional producers, consumers and shippers are being joined by speculators, chartists and day traders. They have no interest in the commodity – except the price or its relative price to another commodity or basket of commodities. They would not know what they looked like if they were in a field of it. Crucially, they don’t care either.

The relevant feature is that the result will affect UK farm incomes. With the market so changeable, surely it must be time for producers to throw their hands in the air, stop second guessing the market and rush down the road screaming “I’m a farmer, get me out of here. Where’s the grain pool?!”

Thankfully not. Those that feel selling through a pool’s tracker fund or selling a 1/12th or even 1/24th of their crop per month is the way to achieve a stable income are deluding themselves. The average selling price in a volatile market gives a volatile year-on-year net income and is no way to run or forward plan a business.

The only way to avoid this rollercoaster and gain from the volatility is Price Risk Management (PRM) using Options. This is based on a producer set minimum acceptable price for the season, the Standard of Living Line. Selling above that line, with an Option, or insurance policy attached. PMR can be from 1-100% of the physical crop, the premium paid can be from 50p to £7/t, depending on how far forward the producer covers their crop or how much ‘out the money’ they accept – much like an excess on car insurance.

Typically a producer will spend on average up to 5% of the commodities output value on PRM, so at present £3-4/t on wheat and £8/t on oilseed rape.

So, however the market moves against the producer, either up or down, the premium is the only real loss.

Most producers don’t mind spending £3-4/t and losing it but they don’t want to be £10, £15, £20 or this year £25/t wrong. Getting the market right by £5/t or equally, not wrong by £5/t is £50/ha on a 10t crop. A £25 movement is mind-boggling. Those that got their marketing half this year gained £125/ha extra margin.

On a recent course I ran, there was a ‘Grain marketing game’ over a two-year time span. Even with a sudden unexpected price movement the participants were rubbing their hands with glee, as they were hedged, and either made money or at worst lost their Option premium only. In every case it more than covered their premium.It costs no more to grow a crop and sell it well as to sell it poorly. There are no excuses to get the market wrong by £10-25/t nowadays, just a little PRM training.

Jeremy Cole, Bsc Agri Econ (Reading) has run Agricole, since 1993. It is an independent grain brokering and marketing service for farmers, offering a weekly grain market report. For details, call 01954 719452.