What can you remember about the November 2011 futures marketing season?

November is always the largest traded futures month on the LIFFE futures market, mirroring the busiest month for ex farm grain movements. November '11 futures have just expired and it seems an opportune moment to take a measured look back and celebrate its life, both the highs and lows. Over such a long lifetime, key points are often missed or forgotten all together. Marketing your grain at a good price, and not a bad price, has more effect on your eventual income than any other aspect of grown a crop. A £20 positive or negative movement in the wheat price is worth £200/ha on a 10t wheat crop, £50 movement is £500, straight on or off your bottom line.

Before we start, let's do a 'mark you own paper quiz'. Can you remember…

- When did the November 2011 futures open?
- What price the November '11 futures opened at?
- What was its value when you drilled the harvest '11 crop?
- What were the highs and lows from then?
- What was the price range since harvest '11 crop was harvested and now?
- What was the price from drilling to now?
- What was the average price over the November future's life?

Answers…

November '11 futures opened in July 2009 with a price of £120, so ex farm approx £114 (assuming a £6 basis). This appeared not too bad a price, as the spot ex-farm price at the time was £100, falling from £125 during June '09.

There was a £10 market readjustment in August '09, and a £10 decline again until September '09, with spot prices returning to £100 and November 2011 futures at £110 (£104 ex). From my records, there were very few forward sellers at that time. The spot price rose approx £10 over the autumn to begin the New Year, 2010 at £116 (£110 ex). The November '11 futures had followed but had then fallen to £110 (104 ex).

The spring of 2010 saw many farmers selling forward for 2010 and 2011 harvests at £110-105 (105-100 ex) as their budgets were suggesting a base price of £95+ was needed to be fixed. Most forward sales were 'straight sales', but some were 'hedged', giving a £10 lower price, but a minimum price, "just in case the market rises".

The spring was quite dry and the exports were going well, and so the market was getting slightly tighter, the perception was the crop in the ground was reducing and there were worries over the dryness in the US and the seasonal battle between corn and soya for acres. By the beginning of May the spot price market had risen £15 to £115 spot, with November '11 rising on sentiment, too.

As May turned into June everything was dry still and so the markets rose, world harvests were lower, with an E.Bloc yield catastrophe. Prices post-harvest continued to rise £160 spot for harvest '10, with Nov '11 futures £130. The wheat supply was down, demand from everywhere was up and spot rises were going up daily until the end of December '10 when they hit £200. November '11 was £170.

December/January '11 saw the market retrench and take a breather before rising to new highs in February, with spot futures prices at £210. November '11 had reached £175 (169 ex).

From February -March '11 the spot price plunged as the high prices were unsustainable, demand had dropped and crop substitution and world's economic woes affecting the overall demand for commodities. Prices fell £40 in a month, to £170, before rising again to once again peak at over £220 (214 ex).

November futures were following suit but the spring which had been dry, had continued to be dry and there were obvious EU wide concerns over the crop, for the second year in a row. So fund speculators began to buy and continued to do so, driving up prices in a feeding frenzy that would never stop. November '11 futures peaked at £198 (£192 ex). It finally rained in the end of May, some 100 days since the drought began. The funds sold, but farmers didn't / wouldn't, worried as ever about their yields and therefore about over selling and the spectre of hideous buying-in clauses etc, all remembering the nightmare that was 2007 yields.

There was a spike upwards during harvest as the inevitable rain came and wouldn't stop, hitting £176 (170 ex), then a gradual decline since as the global harvest everywhere came in much better than anyone expected. Prices dropped £25 in a month to sit now at approx £145 ex farm.

How well did you remember the November '11 life cycle? How well did you market your grain? With £50-100 seasonal volatility, appearing to be a regular occurrence since 2007, it is time to look at hedging or min-price contracts for under £20/t to insure, and ensure, big financial mistakes are not made in your grain marketing.

So in summary, and to answer those questions and to see if you have the best memory…

- The value of November '11 futures when you drilled the crop for harvest '11 was £131 (125 ex).
- The highs and lows from then were £131 - £198 (125-192 ex).
- What was the price range since harvest '11 crop was harvested and now? £176-147 (170-141)
- The average price over the November future's life was, £151 (145 ex).
- The average price from drilling to now, according to the HGCA, was £161 (155ex), some £40 over the previous season.