



UK Grain provides top grain marketing advice

The only certainty in the current grain market is that it will remain volatile, visitors to the UK Grain event learned last week. But after visiting the Event's renowned seminar programme farmers will have come away with a better grasp on how to best protect themselves from this unstable situation.

Alongside the exhibition of the latest grain drying, handling and storage technology and services, the seminars and GrainStorm areas offered visitors a wide range of advice on marketing grain. Much of the talk was about how to help farmers protect themselves from market uncertainty.

"Volatility is still here and not likely to go away," said Jack Watts, Senior Analyst, Cereals and Oilseeds AHDB Market Intelligence. "For the current crop in the barn prices should see an element of support and it is unlikely there will be a collapse. But for the crop in the field it's a different ball game completely. We are following two seasons of extreme weather events across the world and nobody knows if these could happen again," he said.

The main influence on price stability is production. Demand is predictable, and increasing at about 2%/year, but it's impossible to predict if and when the weather will influence world grain output.

"The best way to protect profit is to first know, exactly, your own production costs/ha, then look at average yields over five years and calculate the cost/t. Armed with this information you can then investigate the possibility of securing a minimum-price contract, preferably one which doesn't leave you penalised if there is a rise in the market. This will help create some certainty and it's up to the farmer's own attitude to risk to decide what proportion to sell this way to protect costs and profits.

"It is very important to monitor the markets constantly. I fear many farmers neglect to do this and only start when they are looking to sell. There needs to be more awareness of the market, trends and influences – that will help sellers make far more informed decisions," he advises.

To do this farmers need simpler, easier to understand information compiled into graphs for coarse grains, wheat, vegetable oils and proteins. These would track the production, and therefore, prices, for the world, USA, EU and UK – looking at output predictions and tracking price/t relative to the previous year's production highs and lows, said Richard Whitlock, an independent grain marketing consultant.

"It needs to be kept simple so that by looking at this the farmer can quickly interpret what statements such as 'a 3% drop in US maize output' will actually mean for his business," he said.

In his fascinating seminar Mr Whitlock explained various methods to protect incomes and add some security with various contracts or forward selling. But farmers should also be able to protect their exposure to their crop input price volatility by also being able to buy these forward, he suggests.

“Fertiliser, which is essentially based on gas prices, and fuel are two of the largest input costs. Both are traded up to four years forward on the wholesale markets, so it should be made possible for farmers to also buy these forward and reduce the price risks in forward grain contracts,” he proposed.

When it comes to selling grain off farm there is a need to simplify the paperwork with, perhaps, a move to an electronic grain passport, suggested Guy Gagen, the NFU’s Chief Arable Adviser. This move could also, for the first time, provide almost immediate feedback on the sample delivered including, for example, weights, moisture content and quality, allowing farmers to make quick decisions on future loads and even prevent rejections.

“A fairly simple form introduced about 15 years ago has now developed into something far more complex,” said Mr Gagen. “Commercially we now effectively all need passports, but with the current system there is too much room for error. There is a 100% requirement and we hear about rejections and delays every day simply due to an incorrectly completed passport. The tracking process already exists for mail, so if you can do it for a small package electronically, surely it’s important to do this for a £7,000 load of grain?”

With an electronic passport the intake will be able to tell the farmer, possibly within minutes – by email or text – if the load is within specification. Furthermore information on quality, such as proteins, which is vital management information, will be stored and could also be available to farmers.

“There are many advantages to everybody in the grain chain, farmers, hauliers, grain reception intakes and merchants. I am keen to hear from farmers whether they would support such and system, because I think we need to implement this quite quickly. An electronic system for pig movements already exists and is being well received,” he concluded.