

Taunton Monitor Farm

Meeting title: Crop marketing strategy and risk management

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Crop marketing strategy and risk management

- At present there are, relatively speaking, plenty of world stocks of wheat and important maize, which acts as a buffer to wheat shortages
- The UK pricing structure is therefore broadly linked to the relationship between import or export parity. This is currently limiting UK prices to a smaller price band and the upper end of this is already being realised.
- Currency fluctuation could cause further movement
- The world is more evenly balanced now between the north and south hemispheres – in terms of supply and demand balance. Hence, even if there is a problem in a region there is a shorter wait to the next harvest to potentially correct. This in theory means less volatility in world grain markets.
- Using Storage and Futures, there is nearly a 36 month window to market any harvest at a point which realises profit targets and business objectives
- There are a range of options to market grain and protect price (margin) including spot sales, pools, forward contracts, options and insurance (such as Stable).

Take-home messages

- The starting point for any grain marketing strategy is to have a knowledge of total costs of production per tonne.
- Then decide a profit target – identify sale price levels which achieve business objectives
- Find a balance between “Mr Needy” and Mr Greedy!” – consider attitude to risk: is it a gamble?
- Use Farmbench to project forward costs of production
- Be aware of cash flow and communicate with the bank your business objectives, strategy and funding requirements
- Be flexible in your approach but be clear about objectives (margin required over cost of production)

Further information

- [Key market prices and trends](#)
- [How to use average prices to budget and business plan](#)
- [Retail and consumer insight](#)
- [Resilience checklist](#)
- [Cereals and oilseeds market information](#)

AHDB resources

- Understand your business costs with AHDB's benchmarking tool Farmbench at ahdb.org.uk/farmbench
- Monitoring tools are available at ahdb.org.uk/tools
- Sign up to market information and research newsletters at ahdb.org.uk/keeping-in-touch
- Find out what's going on at other Monitor Farms and Strategic Farms at ahdb.org.uk/farm-excellence
- All AHDB events can be found at ahdb.org.uk/events
- For guidance on how Brexit will impact your business, see ahdb.org.uk/brexit

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