

# Northampton Monitor Farm meeting report

## Grain marketing

Speakers: Lisa Williamson (Heygates), Rupert Somerscales (ODA), James Webster (AHDB)

Date: 22 January 2019

Venue: Cold Brayfield Village Hall

For more information, visit: [cereals.ahdb.org.uk/northampton](https://cereals.ahdb.org.uk/northampton)



## Meeting summary

- Not a good year for oilseed rape at the Monitor Farm
- Interesting range of field-scale try-outs underway, some results in
- Some mills are looking for farmers and want to trade directly
- Grain prices paid by mills are subject to the same drivers as everywhere else
- Most farmers are too focused on agronomy and should spend more time thinking about marketing – this is where the real financial gains can be made
- Keep up to date with grain production, markets around the world and basis

## Northampton Monitor Farm – update

Rick Davies

- Variable seed rate in winter wheat has given some very good establishment but crops are a bit thin on some of the light land – needs some fine tuning
- A further 5 ha oilseed rape has been condemned – only 6 ha remain
- OSR was drilled late, didn't get away with it
- Drought has caused loss of OSR more than cabbage stem flea beetle
- Rainfall is still below average
- Cropping is heavy on milling wheat
- Group 4 (Shabras) included in rotation for first time in 20 years

### Rick's trials

#### 12 ha stubble turnips

- Drilled early-mid August on flood plains (alluvial silt) and came up well
- Bulbs have bulked up over the last month
- Sheep are grazing (150 for 6 weeks; 270 for 2 weeks)
- To be followed by barley

#### Cover crops

- Drilled end of August
- 2 ha black oat and vetch
- 2 ha black oat and berseem clover – not looking great

- Plan is to drill straight in
- MOP trial
- Looking at the response to potash
- Index 2 / 2-
- Response lower than expected
- Shows mainly negative net margin

## Seed dressing trial

- Comparison of SPD (single purpose dressing), Latitude, Vibrance Duo and naked/untreated
- Naked seed emerged three days earlier suggesting seed dressings hold up establishment
- The others have now almost caught up

## Drill demonstration – establishment



*Claydon – wider rows*



*Dale – a bit lumpy in places*

## Compost

- Waste turf + woodchip from feed area + cattle bedding on straw
- Used the muck spreader to chop the turf to increased rotting



## What do millers want?

Lisa Williamson, Grain Buyer, Heygates

### Heygates Limited

- Third largest mill in the UK
- Uses 0.5 million tonnes of wheat per year and have plenty of storage
- Fine Lady Bakery produces more than 3 million loaves and 1.5 million rolls every week

### Wheat buying

- Heygates offer a premium for everything
- “There is no such thing as feed wheat”
- Home grown wheat use is double what it was 40 years ago
- Last year 87% of wheat used was home grown
- More than half goes into white flour production
- The UK flour market is 108,000 tonnes per week
- 40% is open market – this affects what the miller can pay the farmer

### Working with farmers

- Only 25% of wheat used is bought directly from farmers (which number over 300)
- 20% is imported
- 55% is bought through grain merchants
- Heygates will pay the same as merchants and are always looking for more
- They have a haulage fleet and will collect
- Can be ex-farm or delivered
- Heygates want “What we’ve asked, where we want it and at the right quality”
- A lot of no-shows (loads not arriving) occur due to:
  - Lack of drivers
  - Lack of lorries
  - Merchants over-committing
  - Some merchants are picking and choosing which mills to deal with
- 1736 loads (no shows last year) = 50,344 mt
- Heygates want to take away reliance on merchants and work with farmers

### Supply and demand

- Wheat plantings are up approximately 5%
- The bigger the supply the lower the premiums paid
- Soft wheat premiums are likely to be lower next year

### Protein

**Q.** Why don't Heygates pay more for protein?

**A.** Protein is not valued by customers, e.g. for scones. There would only be a premium in a year with very low protein levels

### Wheat price

- Based on Futures on that day
- Premium is added
- Margin is made with the flour customer

- “We are not buying cheap wheat”
- The key is to manage volatility

#### ***Grain testing and claims***

- Heygates come out to the farm and test grain
- This eliminates the claim problem
- Results take a day or two to come through

#### ***Challenges***

- Eliminating queues for uploading
  - Some mills are out of date, grain doesn’t get off the lorries fast enough, queueing occurs and some loads are taking hours to get through. Heygates have taken responsibility and implemented fast tipping; hauliers know it is a fast turnaround
- Contamination – lead shot and stones
  - Make sure the bucket is empty before you load

#### ***What Heygates provide to the farmer***

- Open and unbiased view of the wheat market
- Test grain
- Return quality data on each load
- Offer tolerances on each of the quality criteria
- Offer buy-back arrangements for every wheat variety
- “Heygates are aiming for repeat business”

## **Grain marketing – Price risk and volatility**

Rupert Somerscales, ODA

Marketing is way under-represented in today’s world – “You should be on your PC every day”

#### ***Factors affecting markets***

- Yields have gone nowhere in the last 16 years
- The UK wheat area is also in decline
- The market mechanism is broken, e.g. the black-grass issue – messes up the rotation
- Area and yield will not affect production levels, just climate
- Long-term demand is increasing (increased by 5 million tonnes over the last 25 years)
- This has forced us to become a net importing nation
- We need a change of marketing mentality – “There is far more money to be made this way than with any of your agronomy things”

#### ***LIFFE / MATIF***

- The spread affects whether we import or export
- ODA uses this to determine when to sell
- When we are net importing the spread narrows leading to extra margin

#### ***Why volatility is increasing***

- The world has millions of tonnes of wheat but a lot is in China which doesn’t export



- There is not as much wheat as the world think
- Wheat is one of the stronger crops in terms of volatility (on world stocks)
- Consumption is increasing for every crop
- Situation is currently volatile but prices are high

### ***Policy impact on international trade***

- Keep an eye on what is going on around the world, e.g. the effect on price of the ban on Russian exports
- Brexit effect on the price of the pound
- Currently the whole world is short

### ***Basis***

- The difference between cash price and futures
- Changes through the season
- Basis is normally rising
- The more grain you can store the better your basis level
- It gives you the signal to sell – not the flat price
- Basis is far less volatile than the flat price
- Connected with how you structure your marketing
- Manage risks accordingly

### ***The effect of volatility***

“The price side of things is the threat and the opportunity”

The difference in getting the top of the market and the bottom can be as much as £1,440/t

## Practical grain marketing

James Webster, Analyst, AHDB

Up-to-date information is available on the AHDB website [cereals.ahdb.org.uk/markets.aspx](https://cereals.ahdb.org.uk/markets.aspx) and you can sign up for daily market reports at [cereals.ahdb.org.uk/signup](https://cereals.ahdb.org.uk/signup)

### ***Price drivers***

- A big new crop is expected, with global wheat area up by 8%
- This will lead to a fall in prices
- Good weather means the risk of winter kill is low
- In the UK wheat and barley supplied are tight due to drought and increased demand for feed
- Sterling is pushing prices lower
- The UK wheat area is 4% up overall
- There is a £19 price drop between old and new
- UK specific drivers: Brexit, tariffs, demand for biofuel and animal feed

Find out more – Links to AHDB information sheets or research

[Cereals and oilseeds markets](#)

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For more information or to find out more about Farmbench, AHDB's benchmarking tool, contact:  
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