

# Section C Section C



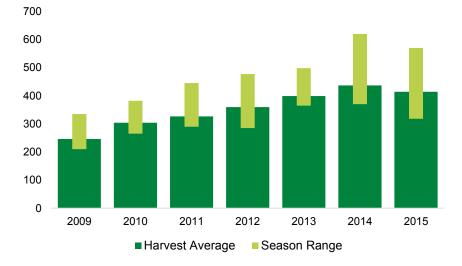
# FABA BEAN SECTION 15 MARKETING

SELLING PRINCIPLES | ESTABLISH THE BUSINESS RISK PROFILE (WHEN TO SELL) | ENSURING ACCESS TO MARKETS | EXECUTING TONNES INTO CASH | SOUTHERN FABA BEAN - MARKET DYNAMICS AND EXECUTION | MARKETING PLAN



# Marketing

The final step in generating farm income is converting the tonnes produced into dollars at the farm gate. This section provides best-in-class marketing guidelines for managing price variability to protect income and cash flow.



#### Figure 1: Intra-season variance of Port Adelaide faba bean values.

Note: Port Adelaide faba bean values have varied from A\$115/t to \$250/t over the past 7 years (representing variability of 30–60%). For a property producing 200 tonnes of faba bean this means \$23,000–\$50,000 difference in income, depending on timing of sales. Source: Profarmer Australia

#### 15.1 Selling principles

The aim of a selling program is to achieve a profitable average price (the target price) across the entire business. This requires managing several unknowns to establish the target price and then working towards achieving that target price.

Unknowns include the amount of grain available to sell (production variability), the final cost of that production, and the future prices that may result. Australian farm-gate prices are subject to volatility caused by a range of global factors that are beyond our control and difficult to predict.

The skills growers have developed to manage production unknowns can be used to manage pricing unknowns. This guide will help growers manage and overcome price uncertainty.





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#### 15.1.1 **Be prepared**

Being prepared and having a selling plan is essential for managing uncertainty. The steps involved are forming a selling strategy and a plan for effective execution of sales.

A selling strategy consists of when and how to sell.

#### 1. When to sell

This requires an understanding of the farm's internal business factors including:

- production risk 1.
- 2. a target price based on cost of production and a desired profit margin
- business cash flow requirements. 3.

#### 2. How to sell?

This is more dependent on external market factors including:

- time of year determines the pricing method 1.
- 2. market access determines where to sell
- 3. relative value determines what to sell.

The following diagram lists key selling principles when considering sales during the growing season.

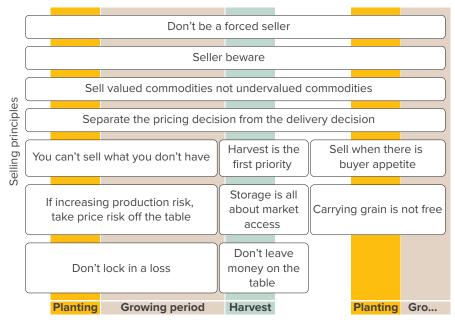


Figure 2: Grower commodity selling principles timeline.

Note: The diagram illustrates the key selling principles throughout the production cycle of a crop. Source: Profarmer





#### 15.2 Establish the business risk profile (when to sell)

Establishing your business risk profile allows the development of target price ranges for each commodity and provides confidence to sell when the opportunity arises. Typical business circumstances and how to quantify those risks during the production cycle are described below.

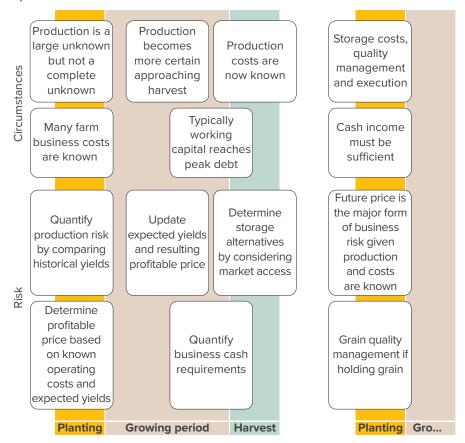


Figure 3: Typical farm business circumstances and risk.

Note: When does a grower sell their grain? This decision is dependent on:

- a) Does production risk allow sales? And what portion of production?
- b) Is the price profitable?
- c) Are business cash requirements being met?

Source: Profarmer





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#### 15.2.1 Production risk profile of the farm

Production risk is the level of certainty around producing a crop and is influenced by location (climate and soil type), crop type, crop management and time of the year.

## *Principle: 'You can't sell what you don't have' – don't increase business risk by over-committing production.*

Establish a production risk profile by:

- 1. Collating historical average yields for each crop type and a below average and above average range.
- 2. Assess the likelihood of achieving average based on recent seasonal conditions and seasonal outlook.
- 3. Revising production outlooks as the season progresses.

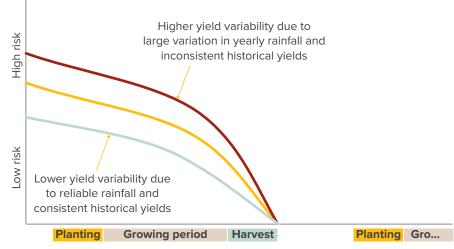


Figure 4: Typical production risk profile of a farm operation.

Note: The quantity of crop grown is a large unknown early in the year, however not a complete unknown. 'You can't sell what you don't have' but it is important to compare historical yields to get a true indication of production risk. This risk reduces as the season progresses and yield becomes more certain. Businesses will face varying production risk level at any given point in time with consideration to rainfall, yield potential soil type, commodity etc. Source: Profarmer

# 15.2.2 Farm costs in their entirety, variable and fixed costs (establishing a target price).

A profitable commodity target price is the cost of production per tonne plus a desired profit margin. It is essential to know the cost of production per tonne for the farm business.

# Principle: 'Don't lock in a loss' – if committing production ahead of harvest, ensure the price is profitable.

Steps to calculate an estimated profitable price based on total cost of production and a range of yield scenarios is provided in the GRDC's <u>Farming the Business</u> <u>Manual</u>, which also provides a cost of production template and tips on grain selling v. grain marketing.

#### 15.2.3 Income requirements

Understanding farm business cash-flow requirements and peak cash debt enables grain sales to be timed so that cash is available when required. This prevents having to sell grain below the target price to satisfy a need for cash.

*Principle: 'Don't be a forced seller' – be ahead of cash requirements to avoid selling in unfavourable markets.* 

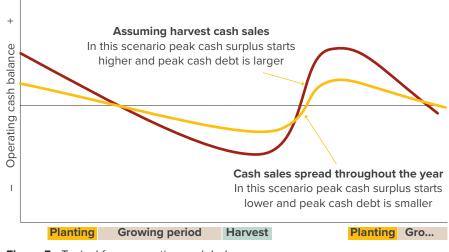


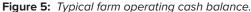




A typical cash-flow to grow a crop is illustrated below. Costs are incurred upfront and during the growing season with peak working capital debt incurred at or before harvest. This will vary depending on circumstance and enterprise mix. The second figure demonstrates how managing sales can change the farm's cash balance.

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Note: The chart illustrates the operating cash flow of a typical farm assuming a heavy reliance on cash sales at harvest  $v_{c}$  a farm business that spreads sales out through the year.

When harvest sales are more heavily relied upon costs are incurred during the season to grow the crop, resulting in peak operating debt levels at or near harvest. Hence at harvest there is often a cash injection required for the business. An effective marketing plan will ensure a grower is 'not a forced seller' in order to generate cash flow.

By spreading sales throughout the year a grower may not be as reliant on executing sales at harvest time in order to generate required cash flow for the business. This provides a greater ability to capture pricing opportunities in contrast to executing sales in order to fulfil cash requirements.

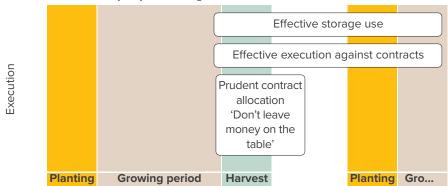
Source: Profarmer

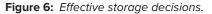
#### 15.2 When to sell revised

The 'when to sell' steps above result in an estimated production tonnage and the risk associated with that tonnage, a target price range for each commodity, and the time of year when cash is most needed.

#### 15.3 Ensuring access to markets

Once the selling strategy of when and how to sell is sorted, planning moves to storage and delivery of commodities to ensure timely access to markets and execution of sales. At some point growers need to deliver the commodity to market. Hence planning on where to store the commodity is important in ensuring access to the market that is likely to yield the highest return.





Note: Once a grower has made the decision to sell the question becomes how they achieve this. The decision on how to sell is dependent upon: a) The time of year determines the pricing method. b) Market access determines where to sell. c) Relative value determines what to sell. Source: Profarmer





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# (i) MORE INFORMATION

The Grain Storage GrowNotes<sup>™</sup> is now available. Please see: <u>https://grdc.com.au/grain-storagegrownotes</u>



#### 15.3.1 Storage and logistics

Return on investment from grain-handling and storage expenses is optimised when storage is considered in light of market access to maximise returns as well as harvest logistics.

Storage alternatives include variations around the bulk handling system, private off-farm storage and on-farm storage. **Delivery and quality management** are key considerations in deciding where to store your commodity.

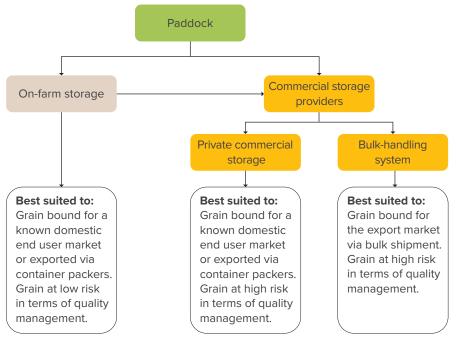
# *Principle: 'Harvest is the first priority' – getting the crop in the bin is most critical to business success during harvest, hence selling should be planned to allow focus on harvest.*

Bulk export commodities requiring significant quality management are best suited to the bulk-handling system. Commodities destined for the domestic end-user market (e.g. feed lot, processor or container packer) may be more suited to on-farm or private storage to increase delivery flexibility.

Storing commodities on-farm requires **prudent quality management** to ensure delivery at agreed specifications and can expose the business to high risk if this aspect is not well planned. Penalties for out-of-specification grain on arrival at a buyer's weighbridge can be expensive. The buyer has no obligation to accept delivery of an out-of-specification load. This means the grower may have to incur the cost of taking the load elsewhere while also potentially finding a new buyer. Hence there is potential for a distressed sale, which can be costly.

On-farm storage also requires **prudent delivery management** to ensure commodities are received by the buyer on time with appropriate weighbridge and sampling tickets.

# *Principle: 'Storage is all about market access' – storage decisions depend on quality management and expected markets.*





Note: Decisions around storage alternatives of harvested commodities depend on market access and quality management requirements. Source: Profarmer







#### 15.3.2 Cost of carrying grain

Storing grain to access sales opportunities post-harvest invokes a cost to 'carry' grain. Price targets for carried grain need to account for the cost of carry.

Carry costs consist of:

- i. monthly storage fee charged by a commercial provider <u>OR</u> capital cost allocation where on-farm storage is utilised; and
- ii. the interest associated with having wealth tied up in grain rather than cash or against debt.

The price of carried grain therefore needs to be higher than what was offered at harvest. The cost of carry applies to storing grain on-farm as there is a cost of capital invested in the farm storage plus the interest component.

# *Principle: 'Carrying grain is not free' – the cost of carrying grain needs to be accounted for if holding grain and selling it after harvest is part of the selling strategy.*



- Cash price net of carry costs (net present value)

Figure 8: Cash values v. cash adjusted for the cost of carry.

Source: Profarmer

#### 15.3 Ensuring market access

Optimising farm-gate returns involves planning the appropriate storage strategy for each commodity to improve market access and cover carry costs in pricing decisions.





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#### 15.4 Executing tonnes into cash

This section provides guidelines for converting the selling and storage strategy into cash by effective execution of sales.

#### **15.4.1** Set up the tool box

Selling opportunities can be captured when they arise by assembling the necessary tools in advance. The toolbox includes:

1. Timely information

This is critical for awareness of selling opportunities and includes:

- » market information provided by independent parties
- » effective price discovery including indicative bids, firm bids and trade prices
- » other market information pertinent to the particular commodity.
- 2. Professional services

Grain selling professional service offerings and cost structures vary considerably. An effective grain selling professional will put their clients' best interest first by not having conflicts of interest and investing time in the relationship. Return on investment for the farm business through improved farm-gate prices is obtained by accessing timely information, greater market knowledge and greater market access from the professional service.

#### **References:**

The link below provides current financial members of Grain Trade Australia including buyers, independent information providers, brokers, agents, and banks providing over-the-counter grain derivative products (swaps).

http://www.graintrade.org.au/membership

#### 15.4.2 How to sell for cash

Like any market transaction, a cash grain transaction occurs when a bid by the buyer is matched by an offer from the seller. Cash contracts are made up of the following components with each component requiring a level of risk management:

Price

Future price is largely unpredictable hence devising a selling plan to put current prices into the context of the farm business is critical to manage price risk.

Quantity and quality

When entering a cash contract you are committing to delivery of the nominated amount of grain at the quality specified. Hence production and quality risk must be managed.

Delivery terms

Timing of title transfer from the grower to the buyer is agreed at time of contracting. If this requires delivery direct to end users it relies on prudent execution management to ensure delivery within the contracted period.

Payment terms

In Australia the traditional method of contracting requires title of grain to be transferred ahead of payment; hence counterparty risk must be managed.





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Grain Trade Australia is the industry body ensuring the efficient facilitation of commercial activities across the grain supply chain. This includes contract trade and dispute resolution rules. All wheat contracts in Australia should refer to GTA trade and dispute resolution rules.

Quantity (tonnage) and quality (bin grade) determine the actuals of your commitment. Production and execution risk must be managed.

Price is negotiable at time of contracting. Price basis or price point is important as it determines where in the supply chain the transaction will occur and so what costs will come out of the price before the growers net return.

Timing of delivery (title transfer) is agreed upon at time of contracting. Hence growers negotiate execution and storage risk they may have to manage.

Whilst the majority of transactions are on the premise that title of grain is transferred ahead of payment this is negotiable. Managing counterparty risk is critical.

## GTA Contract No.3 CONTRACT CONFIRMATION

GTA Trade Rules and Dispute Resolution Rules apply to this contract

This Contract is confirmation between:

BUYER	SELLER
Contract No:	Contract No:
Name:	Name:
Company:	Company:
Address:	Address:
Buyer ABN:	Seller ABN:
NGR No:	NGR No:

The Buyer and Seller agree to transact this Contract subject to the following Terms and Conditions:

Commodity:	GTA Commodity Reference:	
Grade:	Inspection:	(Origin - Destination)
Quantity:	Tolerance:	(Refer over)
Packaging:	Weights:	(Origin - Destination)
Price:	Excl/Inc/Free GST	
Price Basis:		
Delivery/Shipment Period: Delivery Point and Conveyance:	(Delivered, Shipped, Free In Store, Free On Board, 5	(x Farm, etc.)
	il, Delivered Container Terminal, Freight, Rated Basing Point,	Loading Weight requirements if applicable)
Payment Terms: The buyer agrees to pay the seller v of week of delivery.	vithin . In the absence of a declar	ration, payment will be 30 days end
Levies and Statutory Charges: Any industry, statutory required by law.	or government levies which are not included it	n the price shall be deducted as

Disclosures: Is any of the crop referred to in this contract subject to a mortgage, Encumbrance or lien and/or Plant Breeders Rights and/or EPR liabilities and/or registered or unregistered Security Interest? ONO OYES (Please appropriate box) If 'yes' please provide details:

Other Special Terms and Conditions:

All Contract Terms and Conditions as set out above and on the reverse of this page form part of this Contract. Terms and Conditions written on the face of this Contract Confirmation shall overrule all printed Terms and Conditions on the reverse with which they conflict to the extent of the inconsistency. This Contract comprises the entire agreement between Buyer and Seller with respect to the subject matter of this Contract.

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To assist with the processing of the Goods and Services Tax	This contract exp
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f GTA Trade & Dispute Resolution Rules pressly incorporates the GTA Trade Rules in force at contract and Dispute Resolution Rules in force at the of the arbitration, under which any dispute, laim arising out of, relating to or in connection with luding any question regarding its existence, validity hall be resolved by arbitration.

Buyer's	Name:
Buyer's	Signature

Date:

Seller's Name:	
wanter of Frightings	PRINT NAME
Seller's Signature:	

This Contract has been executed and this form serves as confirmation and should be signed and a copy returned to the buyer/seller immediately. 2014 Edition **GGTA.** For GTA member use only

Figure 9: Typical cash contracting as per Grain Trade Australia standards. Source: Grain Trade Australia



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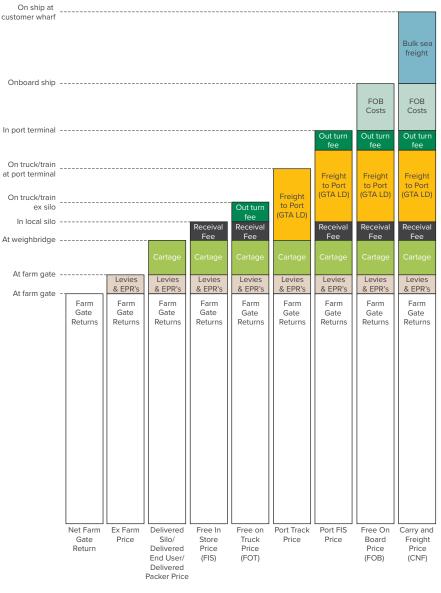




The price point within a cash contract will depend on where the transfer of grain title will occur along the supply chain. Figure 10 depicts the terminology used to describe pricing points along the grain supply chain and the associated costs to come out of each price before growers receive their net farm-gate return.

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#### Figure 10: Costs and pricing points throughout the supply chain.

Source: Profarmer

Cash sales generally occur through three methods:

#### Negotiation via personal contact

Traditionally prices are posted as a 'public indicative bid'. The bid is then accepted or negotiated by a grower with the merchant or via an intermediary. This method is the most common and available for all commodities.

#### Accepting a 'public firm bid'

Cash prices in the form of public firm bids are posted during harvest and for warehoused grain by merchants on a site basis. Growers can sell their parcel of grain immediately by accepting the price on offer via an online facility and then transfer the grain online to the buyer. The availability of this depends on location and commodity.





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#### Placing a firm offer

Growers can place a firm offer price on a parcel of grain by approaching buyers with a set tonnage and quality at a predetermined price. The buyers do not have to accept the offer and may simply say no or disregard the offer.

There are increasingly more channels via which to place a firm offer.

One way this can be achieved anonymously is using the Clear Grain Exchange, which is an independent online exchange. If the firm offer and firm bid matches, the parcel transacts via a secure settlement facility where title of grain does not transfer from the grower until funds are received from the buyer. The availability of this depends on location and commodity.

Anonymous firm offers can also be placed to buyers by an intermediary acting on behalf of the grower. If the grain sells, the buyer and seller are disclosed to each counterparty.

Some bulk-handler platforms are also providing facilities for sellers to place firm offers to the market. Including GrainCorp via their CropConnect product.

Finally a grower can place a firm offer directly with an individual buyer.

#### **15.4.3** Counterparty risk

Most sales involve transferring title of grain prior to being paid. The risk of a counterparty defaulting when selling grain is very real and must be managed. Conducting business in a commercial and professional manner minimises this risk.

## *Principle: 'Seller beware' – there is not much point selling for an extra \$5/t if you don't get paid.*

Counterparty risk management includes:

- 1. Dealing only with known and trusted counterparties.
- 2. Conduct a credit check (banks will do this) before dealing with a buyer they are unsure of.
- 3. Only sell a small amount of grain to unknown counterparties.
- 4. Consider credit insurance or letter of credit from the buyer.
- 5. Never deliver a second load of grain if payment has not been received for the first.
- 6. Do not part with title of grain before payment or request a cash deposit of part of the value ahead of delivery. Payment terms are negotiable at time of contracting, alternatively the Clear Grain Exchange provides secure settlement whereby the grower maintains title of grain until payment is received by the buyer, and then title and payment is settled simultaneously.

Above all, act commercially to ensure the time invested in a selling strategy is not wasted by poor counterparty risk management. Achieving \$5/t more and not getting paid is a disastrous outcome.

#### 15.4.4 Relative values

Grain sales revenue is optimised when selling decisions are made in the context of the whole farming business. The aim is to sell each commodity when it is priced well and hold commodities that are not well priced at any given time. That is, give preference to the commodities of the highest relative value. This achieves price protection for the overall farm business revenue and enables more flexibility to a grower's selling program whilst achieving the business goals of reducing overall risk.

*Principle: 'Sell valued commodities, not undervalued commodities' – if one commodity is priced strongly relative to another, focus sales there. Don't sell the cheaper commodity for a discount.* 







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Contract allocation means choosing which contracts to allocate your grain against come delivery time. Different contracts will have different characteristics (price, premiums-discounts, oil bonuses etc) and optimising your allocation reflects immediately on your bottom line.

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Consideration needs to be made based on the quality or grades you have available to deliver, the contracts you already have in place and how revenues will be calculated on each contract. Key considerations include: does the contract calculate revenues based on a sliding scale or on predetermined quality 'buckets'. Whenever you have more grain to allocate than precommitted to contracts, don't forget to consider the premiums and discounts available in the current cash market as part of your contract allocation decision.

*Principle: 'Don't leave money on the table' — contract allocation decisions don't take long, and can be worth thousands of dollars to your bottom line.* 

#### 15.4.6 Read market signals

The appetite of buyers to buy a particular commodity will differ over time depending on market circumstances. Ideally growers should aim to sell their commodity when buyer appetite is strong and stand aside from the market when buyers are not that interested in buying the commodity.

Appetite in pulse markets can be fickle, erratic and the buy-side can be illiquid. Hence monitoring market signals is critical to achieving the best possible returns.

# *Principle: 'Sell when there is buyer appetite' – when buyers are chasing grain, growers have more market power to demand a price when selling.*

Buyer appetite can be monitored by:

- i. The number of buyers at or near the best bid in a public bid line-up. If there are many buyers, it could indicate buyer appetite is strong. However, if there is one buyer \$5/t above the next best bid, it may mean cash prices are susceptible to falling \$5/t if that buyer satisfies their buying appetite. In pulse markets the spread between the highest and the second highest bidder can be more than \$100/t at times.
- ii. Monitoring actual trades against public indicative bids. When trades are occurring above indicative public bids it may indicate strong appetite from merchants and the ability for growers to offer their grain at price premiums to public bids.

#### 15.4 Sales execution revised

The selling strategy is converted to maximum business revenue by:

- 1. Ensuring timely access to information, advice and trading facilities.
- 2. Using different cash market mechanisms when appropriate.
- 3. Minimising counterparty risk by effective due diligence.
- 4. Understanding relative value and selling commodities when they are priced well.
- 5. Thoughtful contract allocation.
- 6. Reading market signals to extract value from the market or prevent selling at a discount.







# 15.5 Southern faba bean – market dynamics and execution

#### **15.5.1** Price determinants for southern faba beans

Faba bean production in Australia has grown to become an important part of the Australian grains industry and an important part of many growers' rotations.

On average approximately 80% of Australia's faba bean crop is exported, principally for human consumption. The Middle East, particularly Egypt, is the main export market for Australian faba beans.

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The main competitors to this market are the UK and France. While China is also a major producer, China is a net importer of faba beans. France and the UK have a geographical/freight advantage over Australian product into Middle Eastern markets; however, particular pests common in Europe and the UK, but not Australia, provide Australian product with a quality advantage.

The remaining 20% of the crop is used in the domestic stockfeed and aquaculture industries.

Hence the major price determinants for faba beans include:

- global supply and demand;
- quality of the global crop; and
- timing of Australian export program.

Due to the small relative size of pulse markets, markets can be illiquid. This may result in sharp spikes and reduction in prices from time to time.

World faba bean production calendar									<b>Profarmer</b> Australia		
Feb Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
		nting Canada)			Harvest (Egypt, Canada)						
						vest Vinter)		Planting (EU Winter)			
Planting (EU spring, France, China Nth)				Harvest (EU spring, France, China Nth)							
Harvest (China Sth)						Planting (China Sth)					
Planting (Australia)									vest :ralia)		
Feb Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	

#### Figure 11: Global faba bean production calendar.

Note: This figure illustrates that when the Australian faba bean crop is sown (late April to the end of June for most areas), the areas and predicted yields for France and UK should be known. The sowing intentions in Egypt and Chinese southern production (mainly broad bean) should also be evident at that time.

When the Australian crop is harvested, the French, UK and Egyptian beans have been harvested; so too have the Chinese northern beans (small and broad bean types).

These world production and sowing areas can affect Australian crop demand, bean prices and market timings. French and UK harvest yields and quality expectations have the most impact on demand for Australian beans.

Source: Profarmer

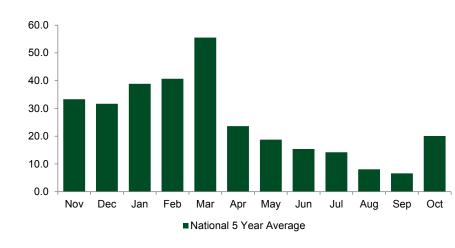




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**Figure 12:** Five--year average monthly export pace ('000 t) Australian faba beans and broad beans.

Note: Australian faba bean export pace is typically strongest shortly after our harvest as buyers seek to move crop ahead of planting of the Egyptian new season crop as supplies of northern hemisphere old season crop become more scarce. Source: Profarmer

#### 15.5.2 Ensuring market access for southern faba bean

The major food markets for faba bean are in the Middle East, with Egypt being the largest importer. There are several other medium-size importers and many small importers. Quality requirements in terms of size and colour differ between end uses and between markets. Australia is one of the major exporters of faba bean, along with France and the UK.

The timing of Ramadan can also influence appetite for faba bean. Middle Eastern markets will tend to time purchases to arrive in advance of the Ramadan period, hence export activity can slow in the period before and during Ramadan.

For faba bean that are destined for export markets, understanding whether they are likely to ship via bulk export or in containers can help to inform storage decisions and ensure market access. While the bulk-handling system can provide a least-cost pathway for product destined for bulk export, storage on-farm and delivery direct to the end user can provide a lower cost and more flexible pathway to domestic and container export markets.

Most human consumption markets prefer faba bean that are >8 mm in size; smaller faba bean and broken bean (kibble) may be sold for production of bean flour or may be sold into the stockfeed markets. Tolerances for seed discolouration are also much lower for human consumption markets, especially for canning beans.





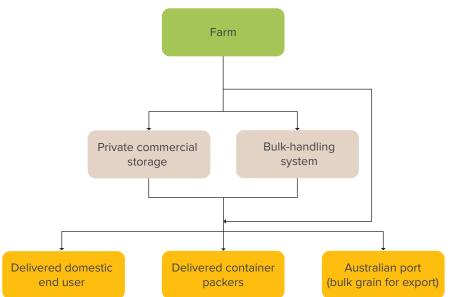


Figure 13: Australian supply chain flow chart.

Note: Storage decisions should be determined by assessing market access. The majority of Australian faba bean are exported in containers, with the remainder consumed in domestic stockfeed markets. Hence private commercial storage and on-farm storage can both provide efficiencies to market. Source: Profarmer

#### 15.5.3 Executing tonnes into cash for southern faba bean

Given the volatile nature of faba bean pricing, setting a target price using the principles outlined in <u>Section 15.1 Selling principles</u> minimises the risk of taking a non-profitable price or holding out for an unrealistically high price that may not occur.

There are some forward price mechanisms available for faba bean, including area contracts as well as a traditional fixed volume forward contract. While area-based contracts tend to price at a discount to fixed volume contracts, this discount needs to be weighed up against the level of production risk inherent in each contract.

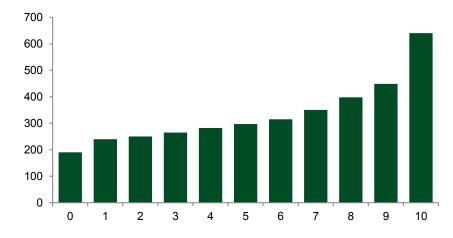
As with all sales, counterparty risk and understanding the contract of sale is essential. Counterparty risk consideration is especially important for pulse marketing as there is often a higher risk of contract default in international pulse markets than for canola or cereals, this is due to the markets they are traded into, lack of appropriate pricerisk tools (such as futures) and often the visual and subjective nature of quality determination. This can place extra risk on Australian-based traders endeavouring to find homes for your product.

With the majority of southern Australia's faba bean being exported in containers, growers should consider their access to these facilities as part of their overall marketing plan. Pulse Australia provide information about pulse exporters in Australia. If targeting homes in domestic stockfeed markets, again, proximity to these markets remains an important consideration.



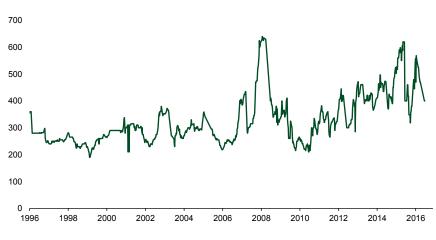


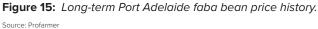
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Source: Profarmer





#### 15.6 Marketing plan

Growers should consider their pulse marketing plan at the start of the season, rather than the end, for the best decision-making and results. A pulse marketing plan starts before a single seed is sown. A plan should contain:

- The pulse, and the best variety type to be grown.
- The marketer(s) to engage.
- Timing and schedule of delivery over the season.
- Delivery point and quality required for that product.
- Requirement for a forward contract.
- Ability to achieve the quality grade expected.
- Fall-back position if the quality grade cannot be achieved.

Global pulse markets are driven by factors each season in the major pulse growing countries, including Australia, Middle East, France and the UK for faba bean. The varieties planted, the environmental conditions and exchange rates will affect the prices – if there's an oversupply of one commodity the price could potentially drop while demand and price could increase on another commodity.





## FEEDBACK

### (i) MORE INFORMATION

An update paper on the market and receivals by Wayne Hawthorne is at https://grdc.com.au/resources-andpublications/grdc-update-papers/tabcontent/grdc-update-papers/2012/08/ pulse-market-and-receivals-update Being aware and informed of the market trends means growers can make the best choices for their situation. For example, in some seasons, lentil and faba bean prices have increased towards and post-harvest, however this is coincidental, and it's not always likely to occur.

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In these instances the prices have been driven upwards due to a combination of drought in parts of Australia along with international factors. It's important to keep abreast of these kinds of fluctuations in prices, so that growers can sell their product at the optimal time.

Engaging a pulse marketer can help growers get the best returns by developing answers to the following questions:

- Who is your target customer? Knowing your customer helps to direct efforts and costs towards what's actually important to them, so you can receive the best financial return.
- Who is your competitor? Consider both domestic and international competitors and what can be done to deliver a better proposal to the customer.
- When is the best time to sell your product? Does it make sense to build extra storage on-farm to sell at the highest price point? Alternatively are there cost-effective local storage options?
- What is your desired customers' quality specification? Quality is one of the best ways to set yourself apart from competitors. What farm practices should be put in place to ensure quality specifications are met?

Pulse growers are encouraged to build relationships with their grain marketer to understand global trends and be advised on the best-selling options. Growers will benefit from knowing which varieties will be in demand, timing of the sale to meet a gap in supply, and the commodities quality specifications to target to get the best return.

Certain premium or niche pulse products with limited markets can only realistically be grown through a relationship with a marketer who can identify the market to ensure the product can be sold.

Most importantly, pulse marketing is extremely unpredictable and growers should perform due diligence to ensure they're selecting an appropriate marketing company. Know whether the marketing company is a member of Grain Trade Australia (GTA); who is backing that company; and confirm that they are financially secure.

