

By Chris Savery - The Dairy Group
Forward buying of feeds

What is forward buying?

It is an opportunity to buy set amounts of various feeds on the basis of 'forward' prices rather than current prices.

Why forward buy?

Feed is a major cost. Feed costs = amount of feed x cost.

Forward buying gives opportunity to control feed costs, or reduce risk of buying when prices are high.

Price volatility

History shows us that forward buying can be a good approach to controlling feed costs when seasonal patterns were clear.

Trends in feed prices are now less predictable with greater volatility for many reasons. Despite this, it has the potential to save costs.

What products?

Straights predominantly – energy and protein sources, but also blends.

Blends are increasingly favoured on farms due to the time saving benefits they offer.

Concerns

When to buy?

- Additional work required – but help available
- Buying at lowest price vs an acceptable price
- Not all needs to be bought at once
- What amount required ? – forward plan.
- If blend – what formulation ? – influence of forage, changes in specification possible ?

Summary

Forward buying is one way of reducing feed costs.

- Possible savings – 5-8%
- Plan of purchased feed use should be known
- Degree of familiarity with feed and trading terms required
- Joining a feed group is another approach
- Lower feed costs not guaranteed, if judgements are poor