



HEDGING HISTORY: To get a proper perspective when hedging commodities it is useful to study the history in order to anticipate future cycles, according to David Burton from the Commodity Hedging Company.

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Time cycles are an important factor in wheat growing

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For the rural industry to survive in the long term vast improvements are required when hedging commodities.

Billions of dollars are lost each year due to low prices at harvest time.

It is helpful to study history in order to anticipate future cycles since the future is only a repetition of the past.

Numbers and cycles are linked to give future highs and lows.

There are a number of cycles for every commodity ranging from one-year to 90-year cycles.

If we look at the 10-year cycle from 1956 (see chart), we see there were highs in 1966 and 1976, a low in 1986, then an all time high in 1996.

The other highs and lows in the market relate to smaller and larger cycles. Based on the 10-year cycle, the next major turning point should be in 2006.

This is likely to be a low, based on a number of cycles combining at this time.

Before the next major low in 2006, we should see a low about April this year prior to starting a bull market.

You can also see on the chart, the lows in past years have been about \$2.50 per bushel and these lows are likely to hold in the next correction

down.

The price will be pushed higher because of droughts and war cycles combining this year. The droughts are likely to be in the USA, and the wars accumulating in the Middle East.

When combining cycles we also convert price to time. For example, the all-time low of 28 cents per bushel in the year 1852, squares-out in April this year. This year 1999 minus 1852 equals 147 years which equals 1764 months. Divided by the low of 28 you get 63 squares and 63 is an important number because it is 7 x 9. The number seven is important because it is the number of days in a week and nine is important because it is the highest single digit before we return to the beginning. Using cycles from as far back as the year 1259 allowed me to forecast the 737 high in wheat in 1996.

The Wheat Board can only hedge 15% of your crop but to make money out of farming you need to be able to hedge 100%. For example, the price fell in 1996 from \$7.17 per bushel down to \$2.50 per bushel, which is a difference of \$4.67 per bushel. On 5000 tonnes this is a loss of income of \$23.35 million.

A marketing seminar involving David Burton's hedging system is to be held in Toowoomba on Wednesday, March 31. Contact Megan Thomas 4687 7318 for details.