



# PRICES

## HOW USEFUL ARE SEASONAL PRICE PATTERNS?

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I'm a big fan of seasonal price charts as a solid indicator of price direction. Most years, markets behave certain ways during the same seasons and show similar price moves, allowing us to calculate seasonal price patterns for each crop. Of course, they're not foolproof, but they can be a helpful marketing tool.

To test how useful the seasonal indexes are, we conducted a bit of a "thought experiment". We asked the question, "What would happen if someone marketed their crops based strictly on the timelines indicated by the seasonal price patterns?" In other words, how well would someone do if they sold their entire crop during the week of the seasonal high? How would that strategy compare with spreading out sales over the course of the year?

This is a very simplified exercise. We know markets are complicated; no one sells everything at one point in the year. Crops are often forward-priced rather than simply delivered and sold on the same day. Even so, the comparison could be enlightening.

Here's what we did; we went back through the last 10 years of price data to calculate what price would be achieved if 100% of each crop had been sold during the week of its main seasonal peak shown below (some crops also have lower secondary seasonal peaks). Then, we calculated what price someone

CROP	PRIMARY PEAK
LG GRN LENTILS	WK 1 OF NOVEMBER
SM GRN LENTILS	WK 1 OF JANUARY
RED LENTILS	WK 3 OF MAY
GREEN PEAS	WK 3 OF APRIL
YELLOW PEAS	WK 1 OF MARCH
KABULI CHICKPEAS	WK 2 OF NOVEMBER

Source: LeftField

would receive if they priced one-twelfth of their crop each month. We did a similar calculation for someone selling in four (roughly quarterly) increments during the time of year when cash flow is typically needed at the end of October, the end of December, the end of March and the end of June.

What did these calculations show for pulse crops? The results are mixed, depending on how strong the seasonal tendencies are and how closely each year's prices follow the pattern. In some cases, the results are surprisingly clear while others are less so. Here is a quick look at some of the major pulses.

For large green lentils, there isn't a clear advantage to selling seasonally. Pricing the crop at the seasonal peak in the first week of

November would have provided the best result in only four out of the last 10 years. Meanwhile, pricing monthly or quarterly would have each provided better returns in three years. In several years, there weren't large differences between any of the three strategies.

Over the last 10 years, there was a clearer advantage if someone had sold red lentils during the seasonal peak in the third week of May. The best returns occurred in eight of 10 years, frequently with some sizable advantages. The monthly sales approach was better twice and the quarterly sales approach was not optimal in any of the ten years. Even in the two years when seasonal sales weren't the best performer, the difference wasn't huge. For yellow peas, selling the crop in the first week of March provided the highest returns in eight of the last

10 years and was the worst in two years. A monthly sales approach would have provided the best return once, as would the quarterly sales strategy. In the two years when the seasonal strategy was the worst, the disadvantage was 50 cents per bushel or less. The results were similar for green peas, with selling in the third week of April providing the best results in eight of 10 years.

The advantage of using a seasonal strategy of pricing the entire crop once a year during a specified week was variable. There were no crops where the seasonal approach worked every year. That said, the worst case for pulses was that this approach worked only four or five times over the last 10 years.

Even when selling seasonally provided the best results, it didn't mean the week of the "seasonal high" was the absolute highest price of the year. If someone was able to pick the actual high of the year, they would have been able to outperform the seasonal strategy. Whether that can be done consistently is another matter entirely. We have our doubts.

We realize there are many other factors that affect when and how crops are sold. Forward-contracting is a good way to manage risk and, at times, capture better prices. Cash flow needs can also be a key factor in the timing of sales. Managing bin space to avoid spoilage or to allow for the next crop can also determine when crops are sold. In addition, this seasonal approach is based on a 12-month crop year, while marketing is frequently extended beyond that window.

Finally, if we had lawyers, they would probably tell us to include the disclaimer that LeftField isn't providing actual sales recommendations based on this analysis. This information is meant to stir some thinking. Any decisions made by readers are their own.

LG GRN LENTILS (¢/LB)	SEASONAL PEAK	MONTHLY SALES	QTLY SALES
13/14	20.36	20.69	20.41
14/15	38.88	37.75	39.42
15/16	53.03	60.83	50.21
16/17	51.11	47.96	38.86
17/18	33.80	30.27	28.47
18/19	16.88	19.79	15.73
19/20	22.86	24.55	24.75
20/21	35.68	33.88	34.43
21/22	58.77	54.69	55.64
22/23	49.43	50.45	52.72
<b>OPTIMAL</b>	<b>4</b>	<b>3</b>	<b>3</b>

YELLOW PEAS (\$/BU)	SEASONAL PEAK	MONTHLY SALES	QTLY SALES
13/14	5.94	6.45	6.21
14/15	8.44	7.71	7.73
15/16	14.07	11.01	8.67
16/17	8.98	8.51	6.74
17/18	6.63	6.98	7.02
18/19	6.98	6.67	5.44
19/20	6.71	6.59	6.59
20/21	10.67	8.75	8.92
21/22	16.26	15.46	15.78
22/23	12.25	11.49	11.50
<b>OPTIMAL</b>	<b>8</b>	<b>1</b>	<b>1</b>