

► Using Rice Futures In Marketing Rice

Presented by Dennis R. DeLaughter

Principal, VantageRM, LLC

Let me be clear. I am not going to be talking about trading rice futures. I am going to talk about using the futures in a marketing plan for rice. That is not the same thing. You may never trade a contract on the Board of Trade but you can still use futures in your marketing decision process.

Years ago when I started using the futures in my marketing program, I went through every course I could find on charting. I was always amazed at how the chart formations would occur over and over again. Then I read a book that brought the logic behind charting to life. What we look at when we see a formation on a chart is nothing new. It has been seen almost since the beginning of futures trading. No it's not magic and it certainly is not fool proof. The fact is we are not just looking at lines and formations on a chart; we are looking at Human Nature. While human nature is far from being perfect, it can be predictable.

Now you may read that twice to make sure you saw it right but it is a very real situation as all charts and formations we see are just pictures of human nature. Since us as humans keep doing the same things over and over again, it makes sense that similar patterns should emerge when looking at trading activity and they do. While those patterns do not always indicate for sure a certain outcome will happen, they do offer us a reason to believe the market may do something which can put the odds in our favor.

There are other tools we can use to look at futures and determine if there is a hint that the risk in the market has grown and we should be looking to do something to reduce our exposure. One of the best tools we can use is what we refer to as indicators. Indicator unlike chart formations, are based on pure mathematics. A simple example would be a moving average. If the price of rice drops under the average price of the last 10 days closes then one could say that there is enough weakness showing up in the price to indicate we may be headed lower. Of course that is too simple and I assure you it will not work; however, there are some very good mathematical indicators that can also show a pattern that when seen indicate a pos-

sible outcome in price direction.

This may sound complicated but it really is not. When we take indicators and plug them in to chart formations, we can get a picture that will help us get an idea of what the market may be telling us regarding price risk and direction. What we will do in this short session is talk about the market and the logic behind chart formations and indicators. We will look at what to use, how to get them and when to pull the trigger without ever trading a single contract.

It works for rice as well as anything traded on the futures markets but we will focus on rice. Hopefully, you will see how you can use rice futures in a comprehensive marketing program.