

Contracts, Quality & Volatility

Andrew Booth
Aberdeenshire



The Farm

- Farming 400ha
- Owned, rented & contract farmed
- 80/20 arable/livestock
- Challenging land
- Arable Monitor Farmer



Winter & Spring Barley, Winter Wheat, OSR, Spring Oats



Monitor Farm

- Farm required to be focus
- Chance to learn from others
- 3yr project
- 6+ meetings a year
- 50+ avg attendance
- Strong management group
- Lessons learnt so far!



Contracts – my experience

Oats Contracts - Good

Future Contracts - Average

Malting Contracts - Poor



Question?

Who is a person who is “hostile or indifferent to culture and the arts, or who has no understanding of them”

Answer: A Philistine?

No: A Malster!!



Study The Market

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MARKETS **PRODUCTS** CONNECTING CLEARING MARKET DATA LEARNING CENTER NEWS CENTER

FEED WHEAT FUTURES

Codes and Classification

Code	T	Market	NYSE Liffe London	Vol.	-	04 Dec 2012
		Currency	£	O.I.	59	30 Nov 2012

Prices - 04 Dec 2012

Delivery	Time (CET)	Last	Vol	Day Vol	Bid Size	Bid	Ask	Ask Size	+/-	Open	High	Low	Settl.	O.I.
JAN 13	-	-	-	-	-	-	-	-	-	-	-	-	224.00	680
MAR 13	-	-	-	-	-	-	-	-	-	-	-	-	225.50	192
MAY 13	-	-	-	-	-	-	-	-	-	-	-	-	227.15	7,150
JUL 13	-	-	-	-	-	-	-	-	-	-	-	-	227.50	32
NOV 13	-	-	-	-	-	-	-	-	-	-	-	-	198.75	3,448
JAN 14	-	-	-	-	-	-	-	-	-	-	-	-	199.25	-
MAR 14	-	-	-	-	-	-	-	-	-	-	-	-	200.25	-
MAY 14	-	-	-	-	-	-	-	-	-	-	-	-	201.75	2
JUL 14	-	-	-	-	-	-	-	-	-	-	-	-	202.75	-
NOV 14	-	-	-	-	-	-	-	-	-	-	-	-	176.00	59

Total volume: - Total open interest: 59

Note: Settlement price is for the trading day

Vol - [Volume] is the number of contracts traded in the most recent transaction.

Day's Volume - Number of trades that have taken place so far in the trading day. This figure updates

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Chicago Closing Comments - Monday

03/12/12 -- Soycomplex: Jan 13 Soybeans closed at USD14.53 3/4, up 15 cents; Mar 13 Soybeans closed at USD14.48 1/4, up 15 3/4 cents; Jan 13 Soybean Meal closed at USD439.40, up USD4.50; Jan 13 Soybean Oil closed at 50.18, up 44 points. Weekly export inspections were pretty decent at 51 million bushels considering that they included the post-Thanksgiving period, although they fell short of traders' expectations of 52-62 million. Funds were said to have been net buyers of around 3,000 soybean contracts on the day. China appears to be buying more soybeans than anticipated due to the recent break in price. CNGOIC estimated China's November bean imports at 5.2 MMT, these were expected only to be around 3.5 MMT a couple of months ago. They also estimated China's 2012 soybean crop at 12.8 MMT, down 11.6% from 2011. Safras e Mercados said Brazilian bean planting is complete versus 76% a week ago and 93% a year ago. The Argentine Ag Ministry said Argentina's soybean planting is 58% complete, up 11 points from a week ago but 8 points down versus 66% a year ago. "Northern soybean farms in Argentina benefited from a stretch of drier weather in November, allowing soybean planting to make progress, but Buenos Aires and La Pampa have remained too wet. Another wave of strong showers hit southern Argentina last week. The forecast also continues very wet in the northern two-thirds of the grain belt. Santa Fe, Cordoba and northern Buenos Aires would receive 3-6 inches of rain this week, if the forecast verifies as a trough of low pressure is expected to stall over the central grain belt," say Martell Crop Projections.



Corn: Dec 12 Corn closed at USD7.49, up 1 cent; Mar 13 Corn closed at USD7.54 3/4, up 2 cents. Weekly export inspections of only 9.6 million bushels were very poor and 75% below the same week a year ago. Weekly inspections need to average in excess of 24 million bushels to reach the USDA's projected target for full season exports. Ukraine's corn crop is now 99% harvested at 19.58 MMT in bunker weight with yields down 25% on last year. Argentina Ag Ministry said that Argentina's corn planting is 63% complete versus 59% a week ago and 73% a year ago. More wet weather in the forecast should continue to frustrate farmer's sowing ambitions. The Argentine Ministry estimated the 2012/13 corn area at 4.7 million hectares, down almost 0.3 million on their previous estimate of 4.97 million. "In South Brazil, Rio Grande do Sul has become very dry a key corn and soybean state. In the recent month a 3-5 inch moisture deficit has developed in the northwest and northeast growing areas. Parana has been on the "watch" list for several weeks due to persistent dryness. Strong thunderstorms and heavy rainfall developed last week providing welcome relief to developing crops. The

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Chicago Closing Comments

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Corn: Dec 12 Corn closed at USD7.49, up 1 USD7.54 3/4, up 2 cents. Weekly export in bushels were very poor and 75% below the inspections need to average in excess of 2. USDA's projected target for full season export 99% harvested at 19.58 MMT in bunker year. Argentina Ag Ministry said that Argentine complete versus 59% a week ago and 73% the forecast should continue to frustrate Argentine Ministry estimated the 2012/13 crop down almost 0.3 million on their previous Brazil, Rio Grande do Sul has become very In the recent month a 3-5 inch moisture deficit in the northwest and northeast growing areas. For several weeks due to persistent dryness rainfall developed last week providing welcome

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08:58 94%

London Wheat Futures (£/Tonne)

Futures prices are displayed on a fifteen minute time delay

	Last	Change	Close	Open
Jan '13			£224.00	
Mar '13	£225.50	£0.50	£225.50	£225.50
May '13			£227.15	
Jul '13	£227.50	£0.15	£227.50	
Nov '13			£198.75	
Jan '14			£199.25	
Mar '14	£200.25	£1.25	£200.25	
May '14	£201.75	£1.25	£201.75	
Jul '14	£202.75	£1.25	£202.75	

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Study The Market

The image is a collage of three mobile device screens. The left screen is a Twitter app showing a tweet from 'FT Commodities' (@ftcommodities) dated 28/11/2012 15:33. The tweet text is: '#Iran pays big premium over international market prices to secure imports of food commodities, including #wheat ft.com/cms/s/o/55fb9e... #oil'. The middle screen is a 'grainmate' app showing 'London Wheat Futures (£/Tonne)' with a note that 'Futures prices are displayed on a fifteen minute time delay'. It features a table with columns: Last, Change, Close, and Open. The table lists prices for various months from Jan '13 to Jul '14. The right screen is a screenshot of a website, likely a grain trade portal, showing various advertisements for grain-related businesses such as 'FORRE FEEDS', 'WATERHOUSE FEEDS', 'ARKADY FEED', 'Wills & Wilkin Ltd', 'Grain & Feedingstuffs Brokers', 'Harbro', 'Jewer', 'BOCH & PAULS', and 'WOLDGRAIN STORAGE LTD'.

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Study The Market

A screenshot of a tweet from the account 'FT Commodities' (@ftcommodities). The tweet is posted on 28/11/2012 at 15:33. The text of the tweet reads: '#Iran pays big premium over international market prices to secure imports of food commodities, including #wheat ft.com/cms/s/o/55fb9e... #oil'. The tweet includes a link to 'ft.com/cms/s/o/55fb9e...' and the hashtag '#oil'. Below the text, there is a headline 'Sanctions take heavy toll on Iran - FT.com' and a paragraph stating 'Iran is paying millions of dollars in higher costs for vital imports of agricultural commodities, including wheat, as the impact of'. To the right of the paragraph is a small image of the FT logo. The bottom of the screen shows a navigation bar with icons for Home, Connect, Discover, and Me.

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A screenshot of a Twitter mobile app interface. At the top, the status bar shows signal strength, 'EE' network, time '09:00', location, alarm, Bluetooth, and 93% battery. The Twitter header is blue with a '#wheat' search filter on the left, the word 'Tweet' in the center, and a compose icon on the right. The tweet is from user 'Paul Toseland' with handle '@Grainboy'. His profile picture shows a person with arms raised in a field. The tweet text reads: 'Farmers again told by a national merchant there will be no homes for low bushel post Christmas. Rubbish, if they dont want it; I do #wheat'. Below the text is the timestamp '30/11/2012 15:19'. At the bottom of the tweet are icons for reply, retweet, favorite, and a menu. The app's bottom navigation bar has four icons: 'Home' (house), 'Connect' (@ symbol), 'Discover' (# symbol), and 'Me' (person silhouette).

Quality 2012

- A year to forget
- Avg bushels fine – benefit of a mobile drier
- Good local market
- Local & National Horror Stories
- FFA (Free Fatty Acids) in OSR



Protecting Against Volatility

- Forward selling (20-30%)
 - Hedging (selling against fertiliser)
- Grain Pool (20%)
 - OSR – premium crop
- Spot Selling (50+% in a normal year!)
 - Local market



Avg Selling Price

	2007	2008	2009	2010	2011	2012
Feed Barley	£126	£101	£82	£144	£147	£180
Local Coop	£136	£99	£72	£142	£152	? + £1
Feed Wheat	£130	£106	£96	£128	£148	£150
Local Coop	£145	£110	£91	£145	£170	? - £10

Cost of Production £/t

total costs + notional labour, rent & finance

	2011		2012
Wheat	£150		£176
Winter Barley	£139		£165
OSR	£266		£313
Winter Oats	£138		£266
Spring Barley	£165		£147
Spring Oats	£143		£191



Future Proofing

- Continue forward selling a % of crop
- Watch the markets
- Produce what the consumer requires
- Installation of a on-floor grain drier with Bio Mass boiler
- Don't over sell!!
- Grow to your strengths

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