

Offre et Demande Agricole

GRAIN RISK MANAGEMENT

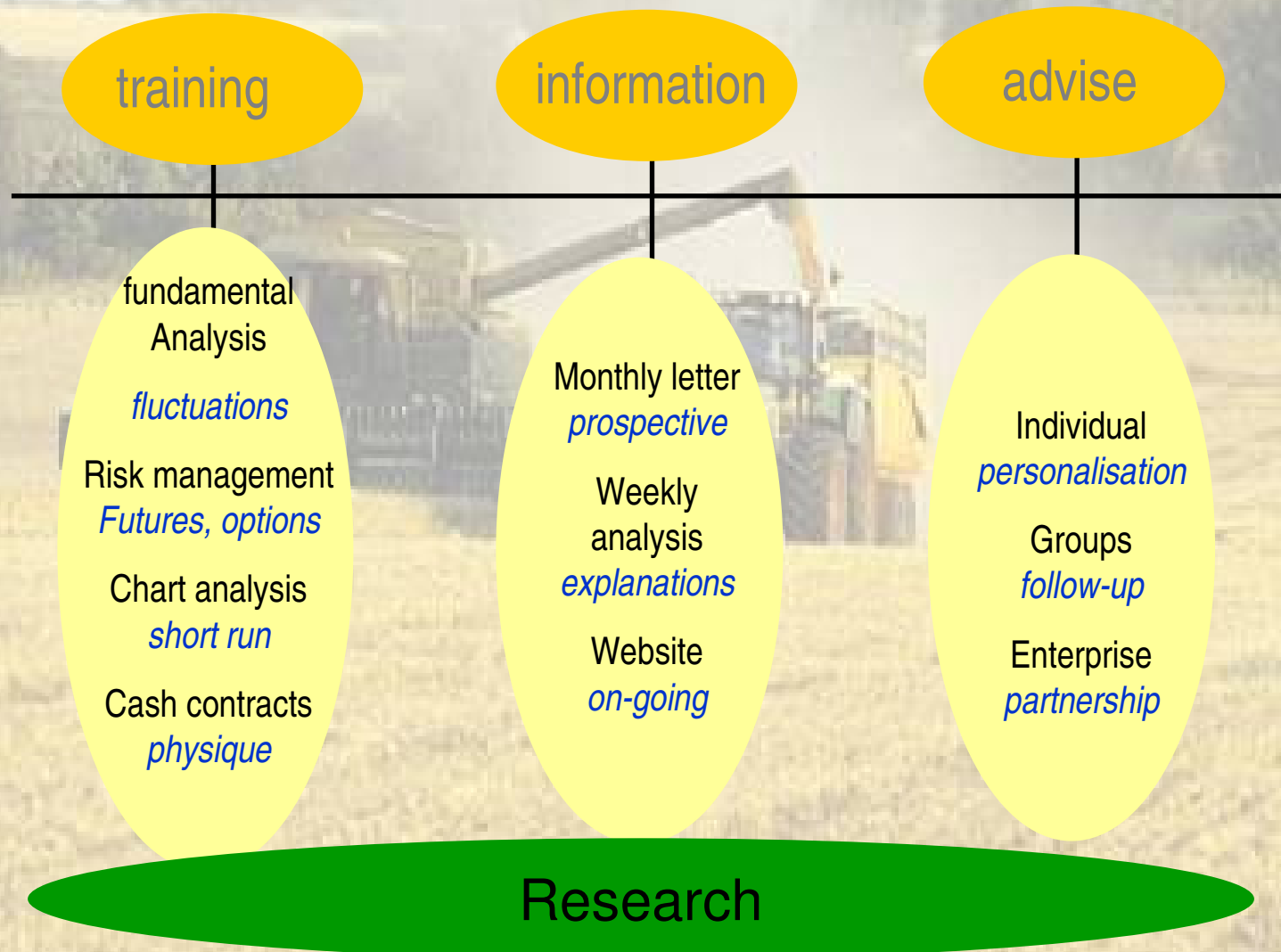
Grain markets risky...?

- New market environment for farmers with more price fluctuations
- Difficulties to market the grain properly because of high market volatility generating high revenue differences
- Lack of information and risk management tools knowledge

⇒ **Need for farmers to know when to sell !**

- ODA is the European price risk management specialist
- Specific competences need specific knowledge and entertainment

Our jobs



A 10 years expertise

- Created in 1997, more than 5000 farmers trained, 1500 customers, 150 farmers groups
- 5 offices in France
- 1 research team (6 persons)
- 15 consultants (trainer/adviser)
- 35 employees
- Foreign development...UK

Because markets are international!

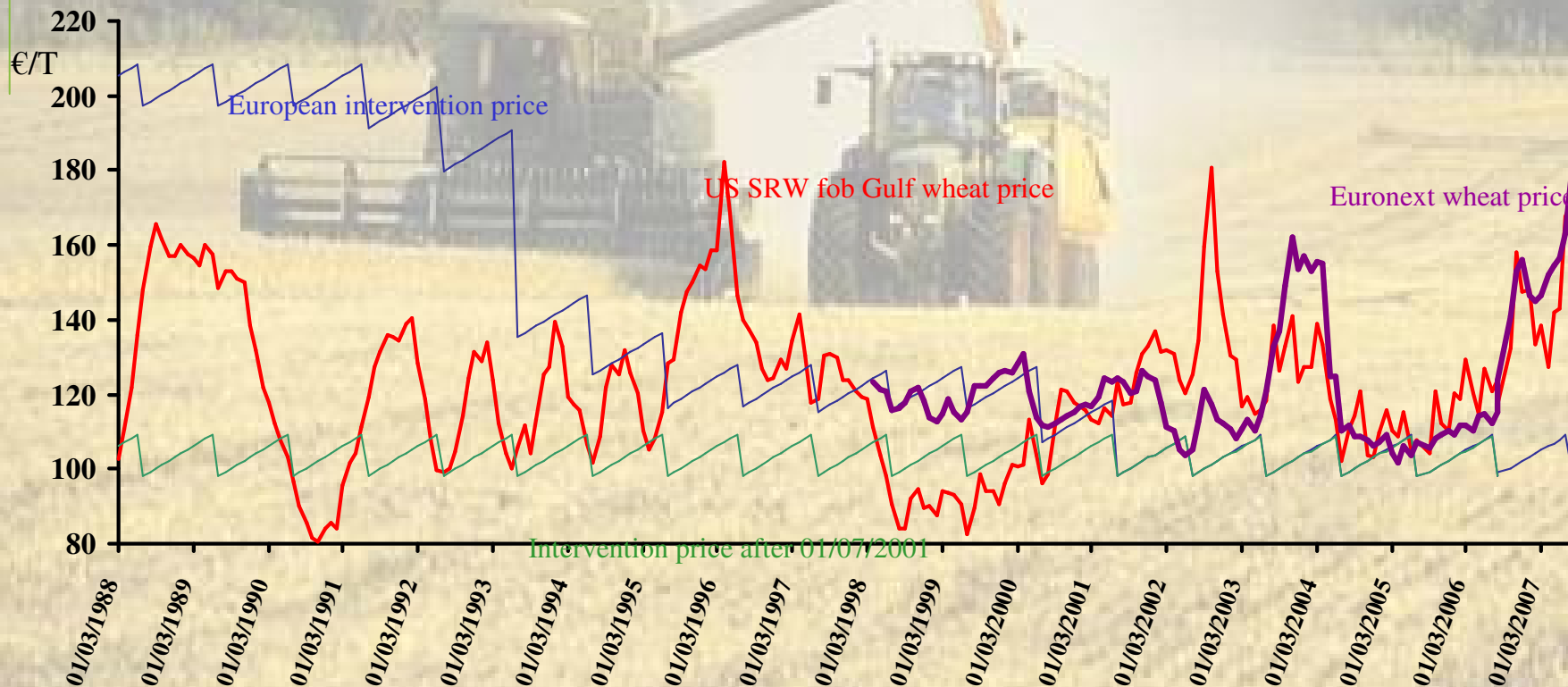
Price risk management

1. **Market fluctuations and revenue incidence**
2. How to manage the risk ?
3. Methodology and results

Cereals and intervention price

Cereals prices in Europe should be more and more volatile in the next years...

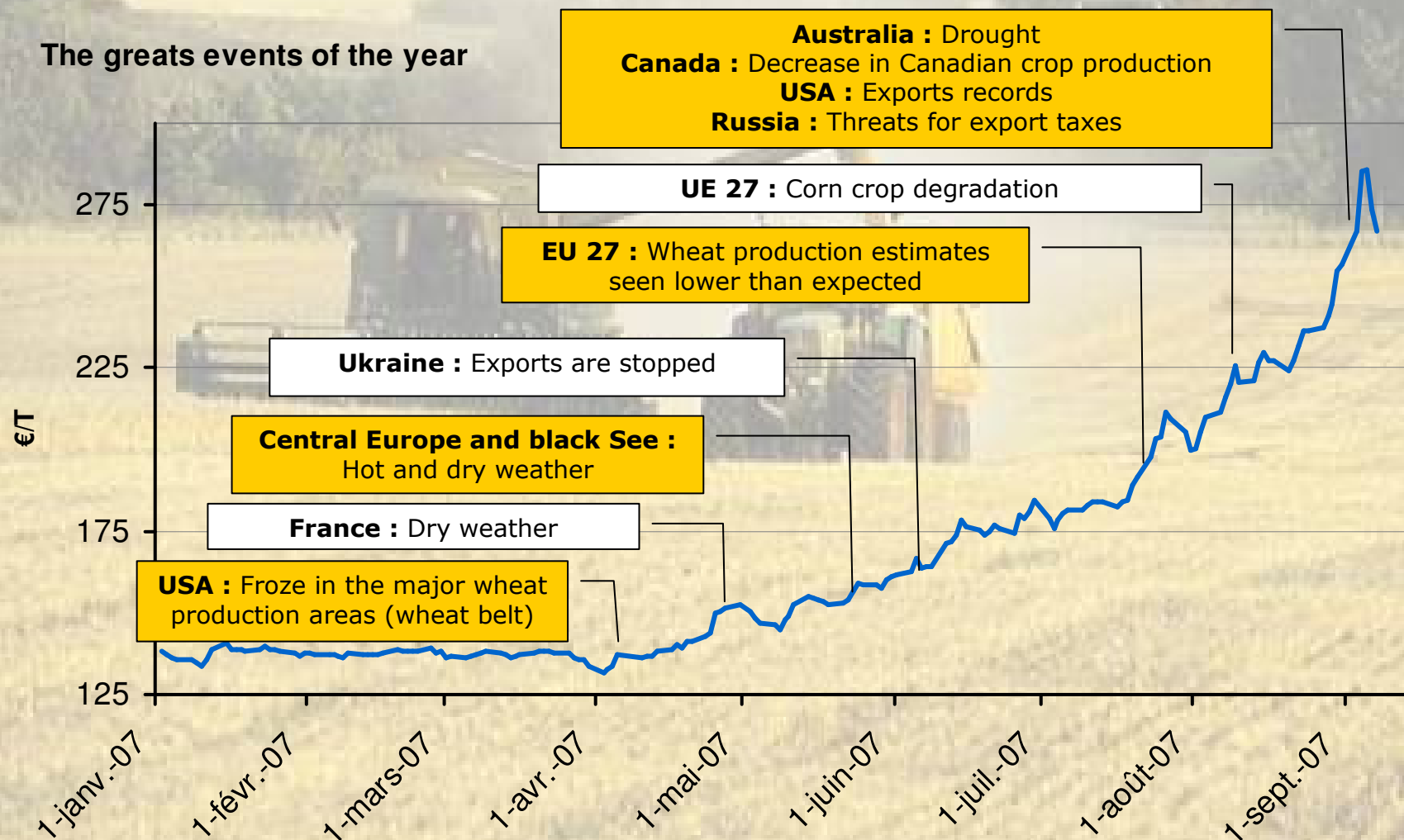
And the higher the volatility, the higher the **price risk**



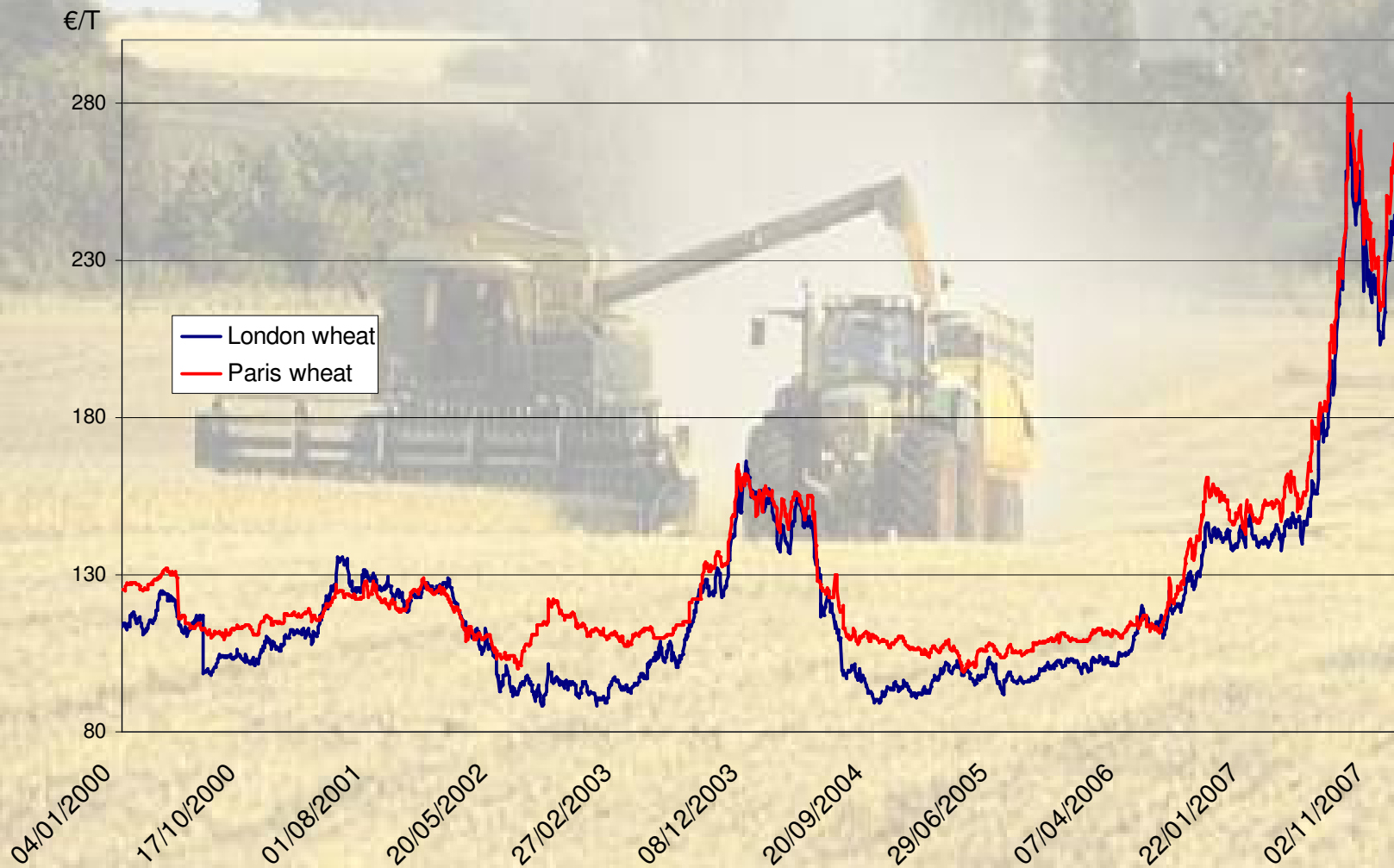
Sources: ONIC, AGPB, CIC, ODA

The wheat market

The greats events of the year



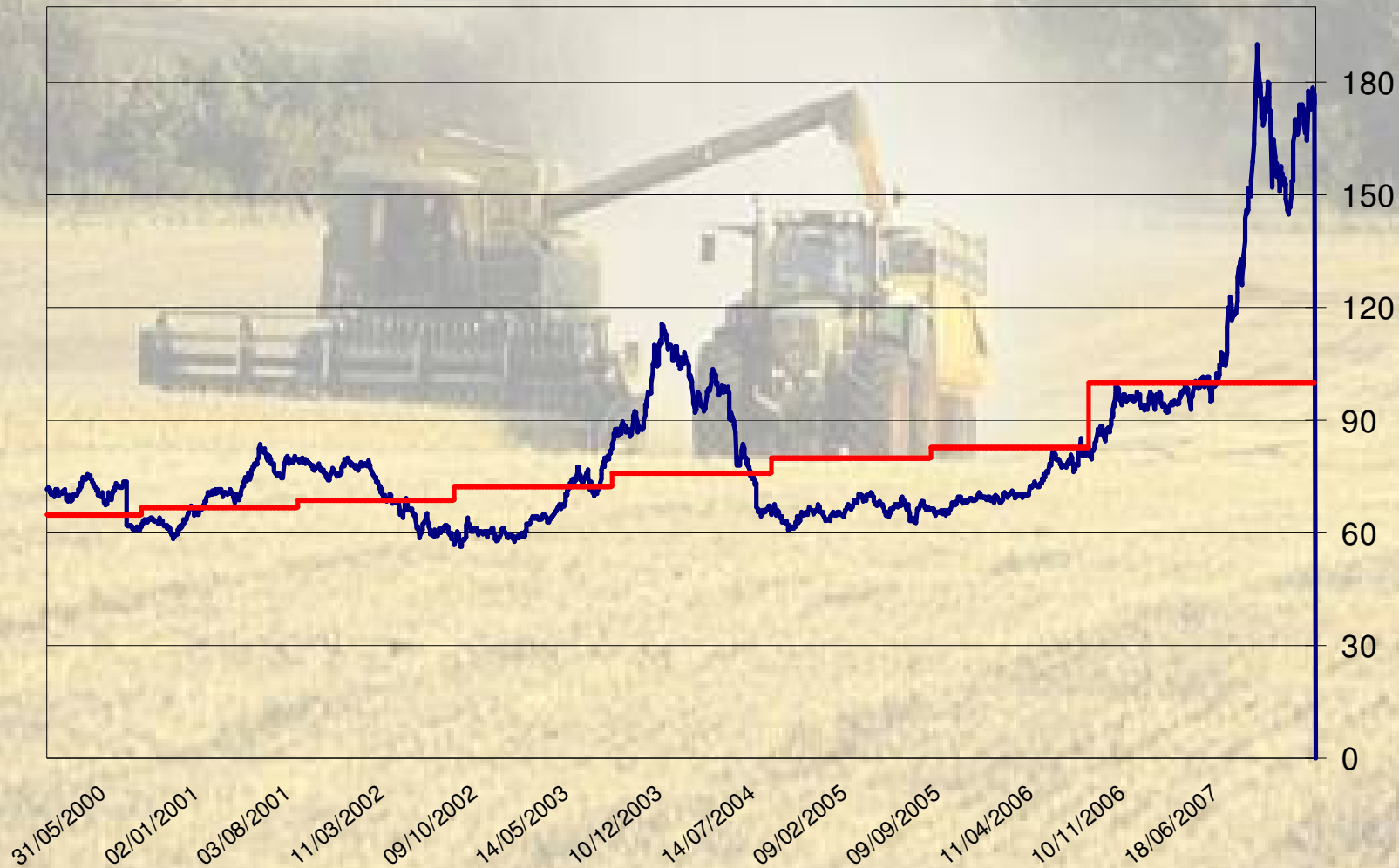
Wheat correlation London/Paris 1st delivery



Selling point and market

Wheat - Euronext (£/T) – 1st delivery

Estimated selling point £/T per campaign



Selling point – Accounting approach



Farm revenue in 1992 = f (yield, production costs, guaranteed price)

Farm revenue in 2007 = f (yield, production costs, premiums, **market price**)

Volatile revenue !

For 2008, if you target 850 £/ha (gross margin) and your average yield is 8,5 T/ha for the last 5 years

Selling point : 100 £/T

	6	6,5	7	7,5	8	8,5	9
80	480	520	560	600	640	680	720
90	540	585	630	675	720	765	810
100	600	650	700	750	800	850	900
120	720	780	840	900	960	1020	1080
140	840	910	980	1050	1120	1190	1260
160	960	1040	1120	1200	1280	1360	1440
180	1080	1170	1260	1350	1440	1530	1620



Price risk management

Market analysis

- Geography
- Supply analysis
- Demand analysis
- On going analyse

Selling point

What price do I have to sell to ensure my farm ?

Risk degree

Low Risks

High Risks

Determine one's strategy

Price risk management

1. Market fluctuations and revenue incidence
2. **How to manage the risk ?**
3. Methodology and results

Getting competences in order to

Help arable farmers to better market the grains

How ?

- ✓ **Training** : to understand markets and learn how to use the hedging tools
- ✓ **Analysing** markets and **informing** customers to be aware of the main trends
- ✓ **Advising** and setting up risk management tools for customers to market with a strategy

Training

Specific competences need specific knowledge and entertainment

The purpose is to get the right competences concerning the markets and the use of the futures and options in order to be able to manage one's grain marketing

Information

Being aware and reactive is the most important thing in the risk management

Monthly letter : to get a market opinion, understand the trends and determine a strategy.

Advice

In the grain marketing, farmers' job is to be aware
and decide when to sell

Independent and personal advice is necessary to
help make decisions and follow up the strategies

Price risk management

1. Market fluctuations and revenue incidence
2. How to manage the risk ?
3. **Methodology and results**

Our goal

Be in the top 1/3 of the campaign

We manage this by :

- Collecting **information**
- **Analysing** markets
- Getting an **opinion**
- Setting up **strategies**
- Using futures as **hedging** tools

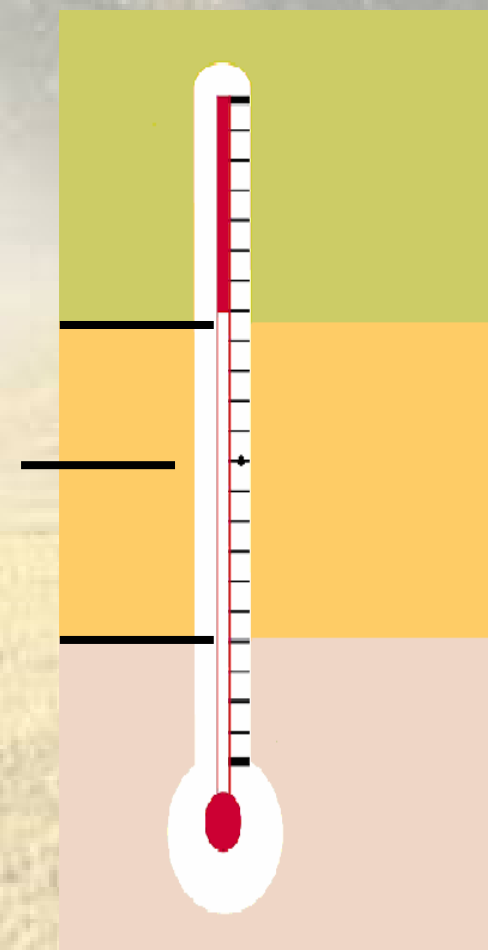
Maximum Price

Top 1/3

Median price

Bottom 1/3

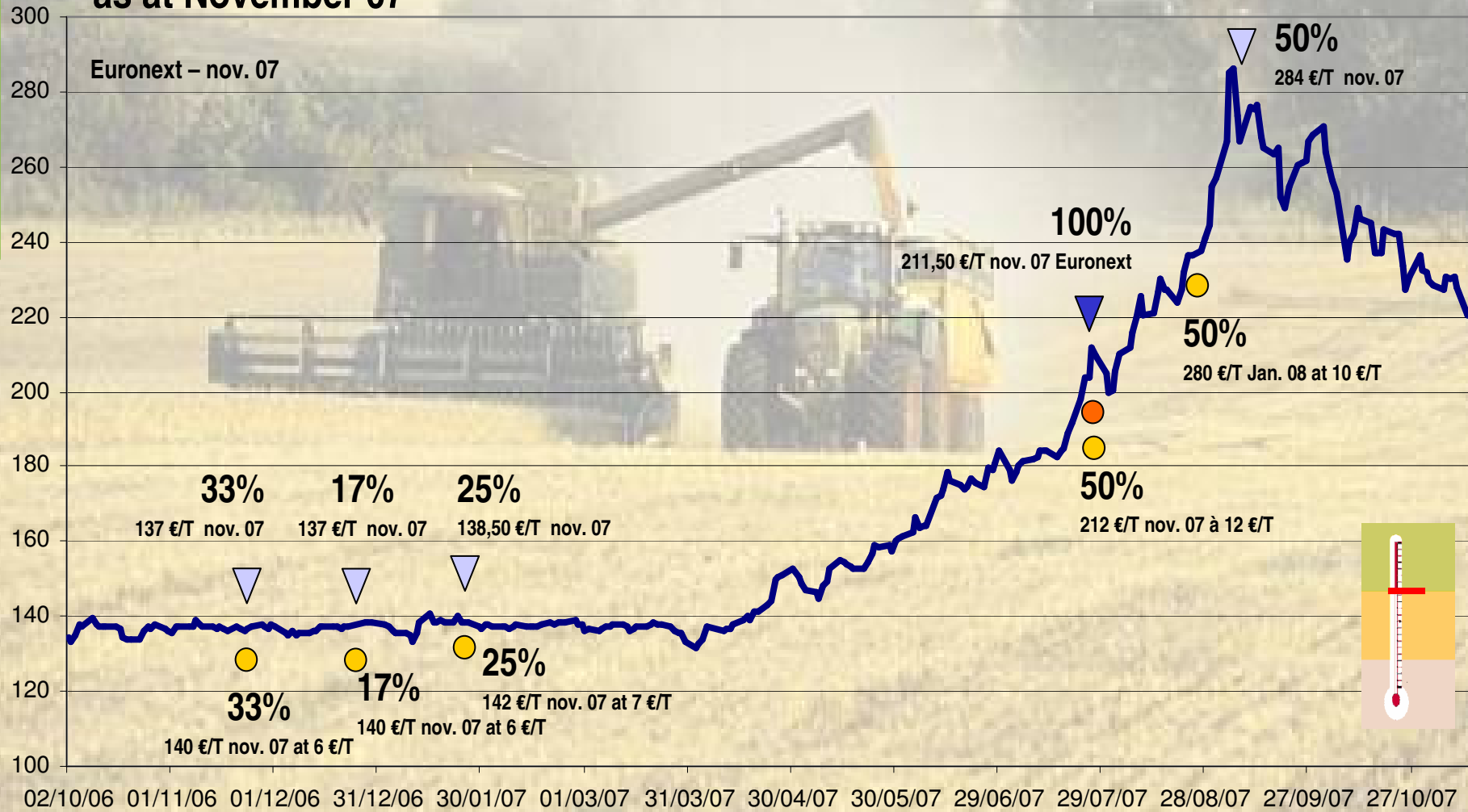
Minimum Price



Harvest 2007 – Wheat

Minimum price : 229,40 €/T (Euronext)

as at November 07



Sell/buy cash
 Sell/buy futures
 Buy/exercise call
 Buy/exercise put

More information

On

www.oda-agri.fr