

Case Study: Peter's Arable Farm

Tackling rising costs and falling prices with STABLE

Location: Norfolk, UK.

Land Size: 400ha approx.

Product Quantity: 160ha Winter Wheat.
120ha Spring Barley. 100ha Oilseed Rape.
Fallow 20ha.



SUMMARY

Peter's farm occupies approximately 400ha in Norfolk, UK (320ha owned and 80ha from a contract farm agreement). The core enterprise is arable, but the farm also receives diversified income generated from holiday lets. The farm's strong focus on technical performance enables good yields. On an average, yield is 9.6t/ha for winter wheat, 6.4t/ha for spring barley and 3.7t/ha for oilseed rape.

A TOUGH YEAR

All grain is produced with the intention it is at a high milling and malting quality, however, Peter doesn't have any long-term contracts in place. Typically, Peter undertakes all grain marketing himself and broadly sells one third pre-harvest, one third at harvest and one third post-harvest.

In September 2017, Peter was working towards the 2018 harvest sales and exploring his options for selling winter wheat. Normally, some of his winter wheat is sold around harvest, due to cashflow pressures. However, during this particular year, Peter had the option to sell his product in the Future Markets of September 2018, at £146.90/t. Instead, he chose to insure a quantity of grain with Stable at a similar price, which would allow him to benefit from any grain price uplift.

STABLE POLICY PURCHASE

Peter chose to insure his product for a single month (September 2018, which was 12 months in the future) at a Start Price of £146.90/t, a figure that would be similar to the fixed price on the Futures market.

STABLE POLICY OUTCOME

Over the next 12 months, prices began to rise. At the time of harvest in 2018, Peter was able to sell 250t of winter wheat for £181.70/t. Stable's index insurance guaranteed that Peter's revenue would not drop below his preferred price and allowed him to take advantage of improvements in the market, while maintaining a peace of mind. If Peter had chosen to sell 250t of winter wheat at £146.90/t in September 2017 for the subsequent September (2018), instead of insuring with Stable, he would have lost out on the uplift of £35 per tonne. After Stable's insurance, priced at £9.76/t, the total benefit was £25.24/t or £6,260 in total.

CONCLUSION

By insuring the index price of wheat with Stable, Peter was able to ensure that even during uncertain market prices he would receive the revenue required by his business.

Quantity:

250t wheat

(c. 16% of Peter's wheat crop)

Timeframe:

1 month

(Sep 2018)

Start Price:

£146.90/t

September 2018

Index Price:

£181.70

(current)

TOTAL COST OF PETER'S COVER:

£9.76/t

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