

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. However, in the approach to the 2015 harvest, Peter had not undertaken any forward sales for winter wheat as prices had been averaging at, or around, £130/t which was approximately £10/t above the business's breakeven production cost.

STABLE POLICY PURCHASE

Fortunately, during pre-harvest in June 2015, Peter made the decision to insure with Stable a proportion of his

winter wheat crop. The insurance covered the crop at a 'crisis' price, allowing Peter to continue to market his grain with the peace of mind that prices could not drop below a certain point. By taking out 'crisis' insurance, breaking even was achievable, even during a period of low prices.

STABLE POLICY OUTCOME

During the eight months covered by Stable's insurance, prices declined further. The average index price during the period was £115.89/t, well below Peter's chosen Start Price. As a result, Peter received an insurance pay out of £9,510.50 through Stable, which was calculated to be £4,710.55 after costs were deducted. These figures were calculated based on 1,000t at £9.51/t, which was the full difference between the Start and Average Index Price. In addition to the pay out that Peter received, he was also able to sell his winter wheat, albeit at a reduced price.

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:

1,000t wheat

(c. 66% of Peter's wheat crop)

Timeframe:

8 months

(Aug 2015 to Apr 2016)

Start Price:

£125.40/t

Average

Index Price:

£115.89

(average)

TOTAL COST OF PETER'S COVER:

£4.80/t

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