



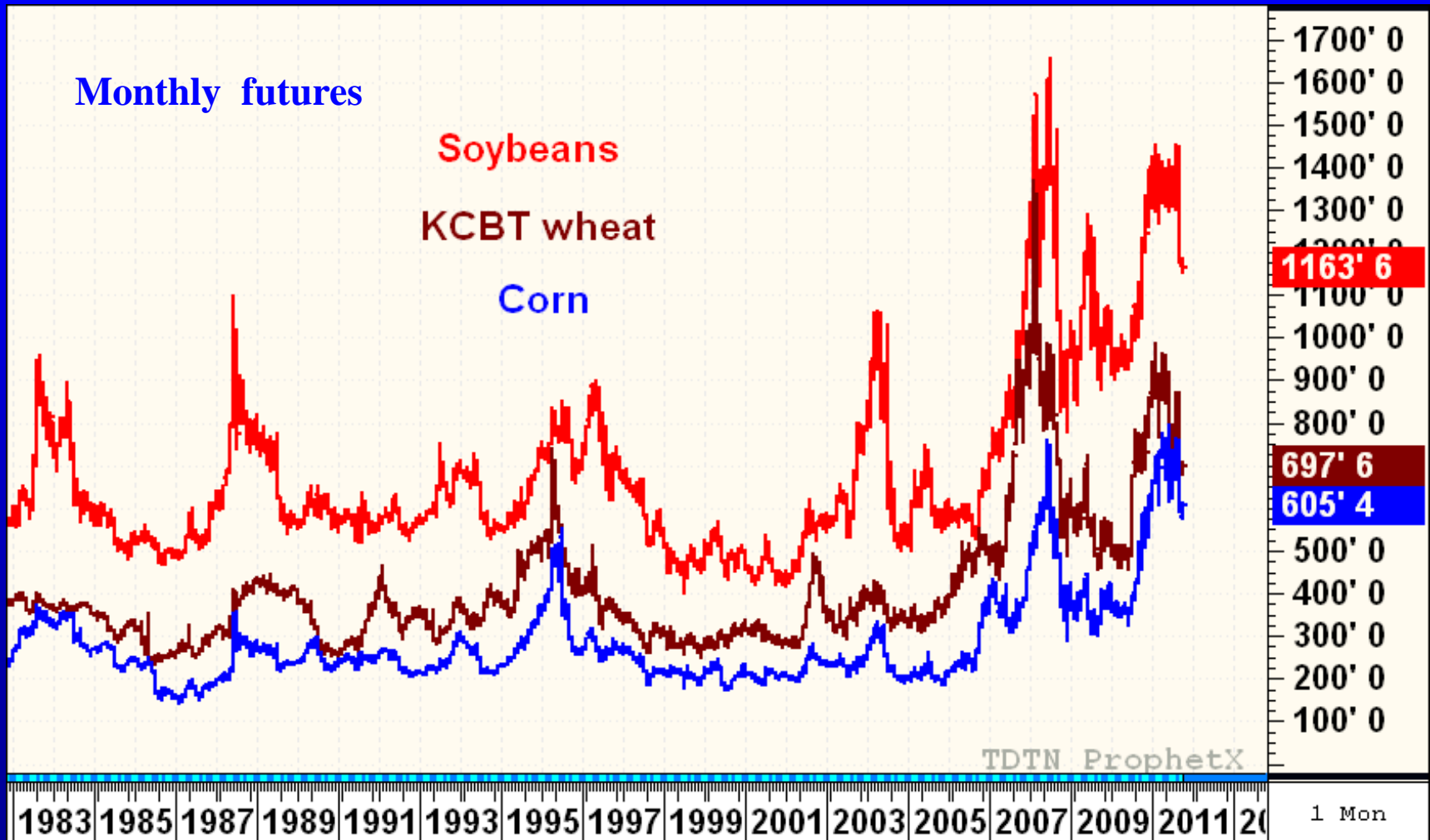
# Managing through Volatile Markets

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**Diana Klemme, V.P.**  
**Grain Service Corporation**  
**3340 Peachtree Road #1910**  
**Atlanta GA 30326**  
**800-845-7103**  
**diana@grainservice.com**

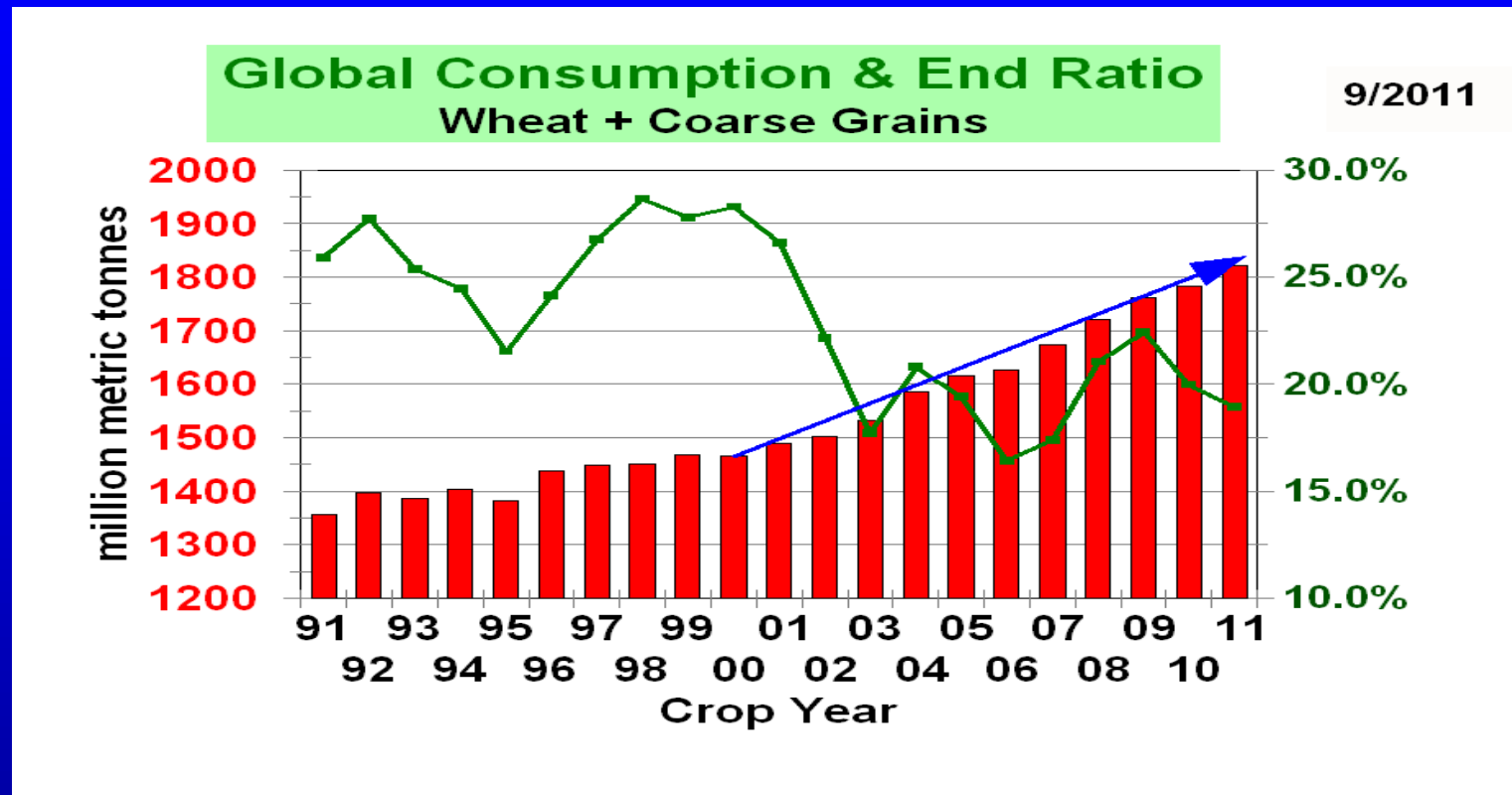


# Volatility – Here to Stay?





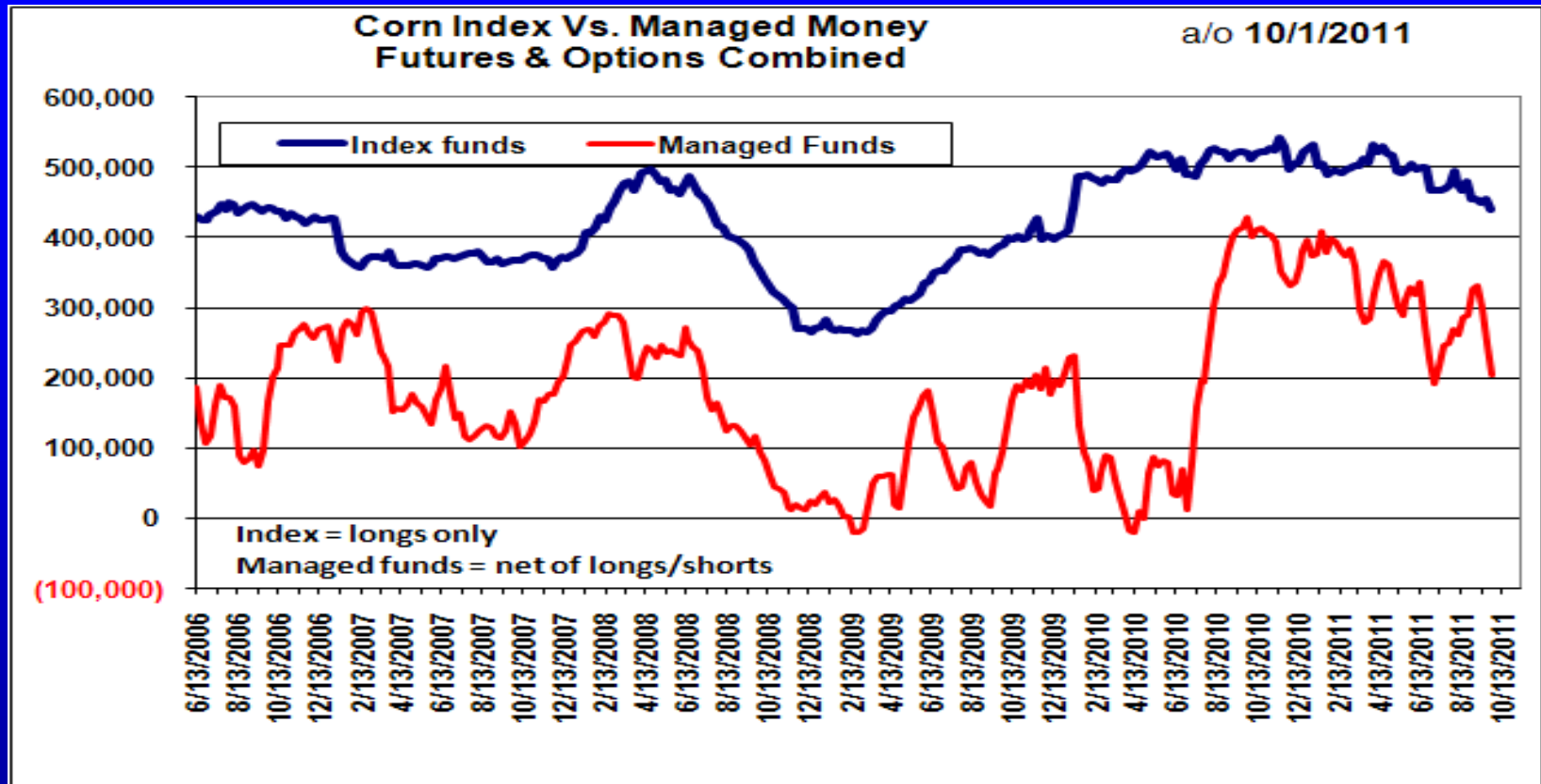
# What's Driving Volatility?



- Global demand - up despite high prices
- Global inventories tight



# What's Driving Volatility?

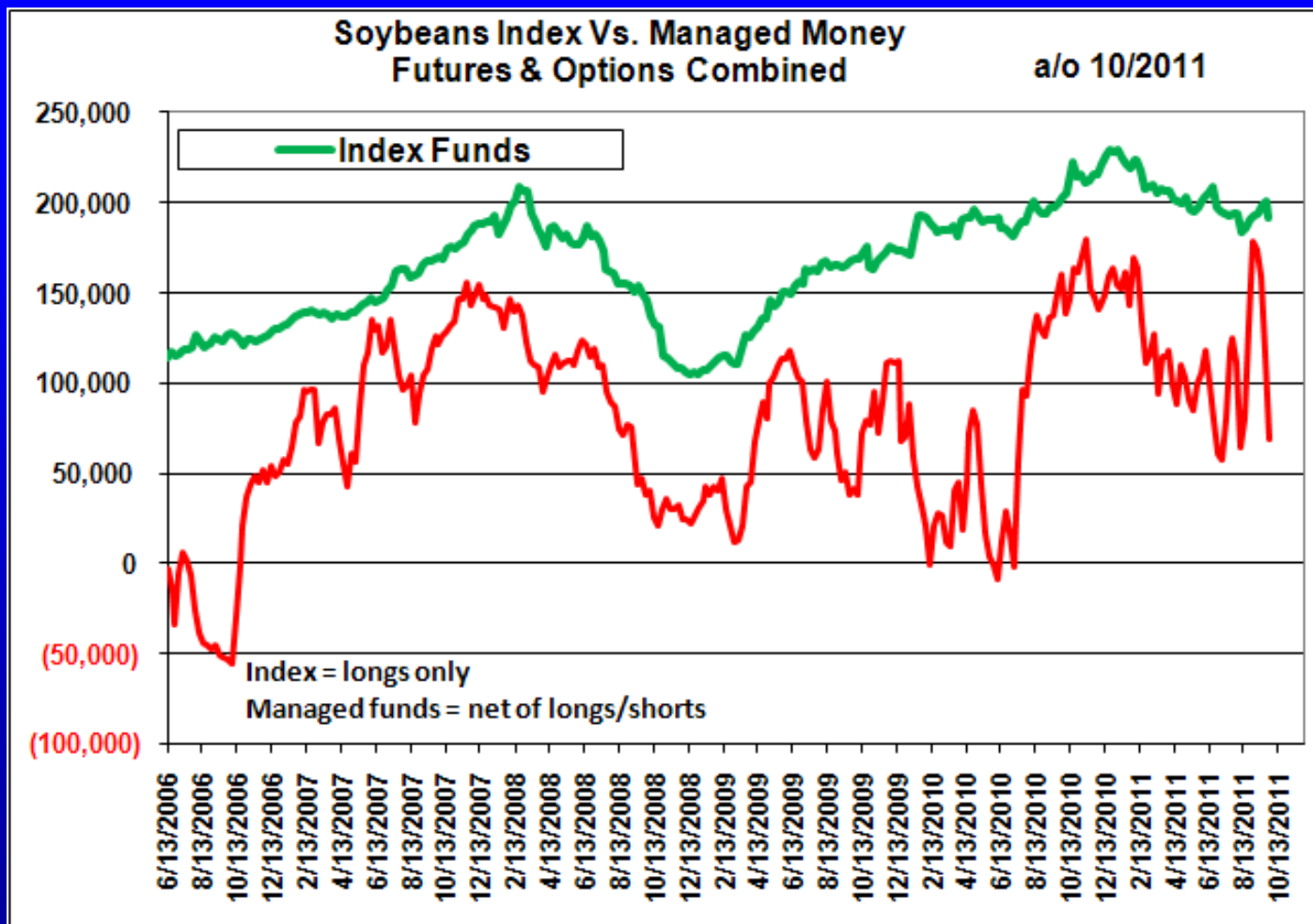


From CFTC Commitment of Traders reports; in contracts

- “Big Money” is another factor



# What's Driving Volatility?



From CFTC Commitment of Traders reports; in contracts

- Also in soybeans and wheat



# Impact of High, Volatile Markets

- High \$ value of crops
- Handling costs are high
- High cost of mistakes
- Affects credit line/working capital
- Affects P/L
- Affects P/L



# Volatility Raises the Stakes

- Management needs good information  
....to make good decisions!
  - Accurate
  - Timely
  - Macro + detail



# Other Factors Driving the Need for Information

- Consolidation leads to managers removed from day to day details
  - Fewer, bigger firms
  - Mergers, acquisitions
- Expansion/growth
  - Space, transportation capacity



# Senior Managers Need a Daily Recap

- Single page executive summary
- w/ Company-wide, bottom line #s
  - Inventory, receipts/shipments
  - Price risk
  - Basis risk
  - Net futures position (re margin calls)
  - Unsigned contracts



# Allows Executives to See Market Exposure:

- Implication for a 1 cent change in basis (P/L)
- Implication for a 1 cent change in futures (Margin calls, credit line)
- Growth pattern(s)



# Also: For Senior Management

- Chart with key company trends:
  - Month to month receipts/shipments
  - Month to month discounts taken/recd.
  - Month to month P/L
  - Year over year



# Information for “Level 2”: Merchandisers

- Executive summary, plus:
- Detailed DPR with (ex)
  - Basis, price, hedges
  - Summaries by time slots
  - Summaries by location
  - Open contracts by type, location
  - Net basis, price Long/Short
  - Discounts/grades “Mix/blend”



# An Increasing Challenge

- Getting all data into the system
  - Accuracy - a people issue
  - Timeliness – a policy/procedure issue
  - New risk management tools
    - Including swaps



# Red Flag !

“G-I-G-O”

- Computer reports are only as good as:
  - The data that’s entered
  - The people who prepared the reports



# The Modern World....

- A new generation of staff
  - Highly computer literate, but
  - Little to zero experience preparing management reports/DPRs manually
- May not understand how numbers are generated
  - Result: Can't spot mistakes



# Another Complication

- Hybrid or alternative 'risk management' tools/strategies
  - Swaps (alt to futures)
  - Repo's
  - Ratio option strategies
- Be sure you see *real* risk position



# Training

- Be pro-active; don't just rely on your software firm to train your staff
- Multi-location firms:
  - Group training of clerical staff
  - Improves consistency
  - Appoint a Senior Coordinator



# Training Tips

- Staff learns formulae behind DPR and Month-End P/L reports
- Try a 'blank slate' learning tool
  - 'Empty' DPR, one transaction, see the outcome



**Does your staff fully utilize  
your software's  
capabilities?**

**Ask your representative what  
reports/information are  
available**

**Tell them what you need!**