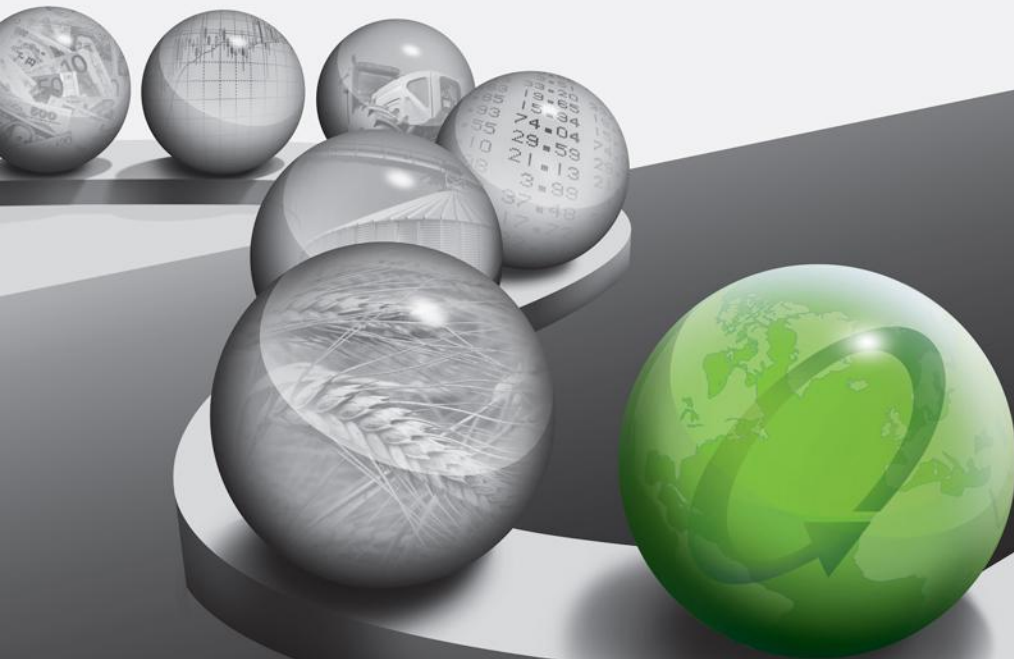


Understanding your Daily Position Report (DPR)



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Understanding your DPR

- Position is an important aspect for any company.
 - It provides a detailed accounting of company and customer-owned inventory.
 - It provides a detailed accounting of your contract types: priced, futures first, basis, storage, priced to be established, etc.
 - It also presents a detailed, time-phased display of projected net deliveries for open cash and futures/options contracts.
- For each contract entry/creation, pricing, ticket entry, application, or settlement that occurs, a position transaction is automatically created. An application/settlement reversal also creates a position transaction.
- Traditionally a traders view is that if they are hedged on the exchange, they are risk neutral.
- Hedgers/traders have tended to ignore the basis, but the basis continues to fluctuate because of demand and transportation costs.
- If you are evenly hedged, your basis is where your profit and loss is calculated.

Components of your position

- Inventory
 - Company owned
 - Customer owned
 - Tickets on hold
 - Open Storage
 - Warehouse Receipt
 - Other customer owned storage
 - Inbound Intransit (vehicles not yet unloaded)
 - Outbound Intransit (loaded but not applied)
- Contracts
 - TBD purchases and sales
 - Futures Only purchases and sales
 - Basis purchases and sales
 - Flat priced (futures + basis) purchases and sales
 - Futures and Options

Example of a Risk Position

| | |
|------------------------------------|---------|
| + Company plus Customer: | 221,221 |
| - Intransit Outbound: | 33,586 |
| - Intransit Inbound: | 4,584 |
| - Offsite Storage: | 13,950 |
| - Unpriced Sales Shipments: | 35,321 |
| - Offsite Intransit Outbound: | 179 |
| - Offsite Intransit Inbound: | 4,410 |
| - Calculated On Site Total: | 129,191 |
| - Customer Owned: | 55,039 |
| - Calculated On Site Risk Total: | 74,152 |
| Physical Inventory | |
| + Physical Movement: | 73,246 |
| + Physical Adjustments: | 62,758 |
| - Physical Inventory: | 136,004 |
| Risk Shrink: | -6,813 |
| Storage - Customer Owned | |
| + Hold: | 49,899 |
| + Open Storage: | 7,087 |
| + Grain Bank: | 1,485 |
| + Warehouse Receipt: | 568 |
| + Prepaid Warehouse Receipt: | |
| + Condo: | |
| - Storage Total: | 55,039 |
| Company Owned Inventory | |
| + IV Unsettled TBD: | 41,782 |
| + IV Unsettled Futures Only: | 3,419 |
| + IV Unsettled Basis: | 15,868 |
| + IV Unsettled Priced: | 15,926 |
| + IV Unsettled Pr. Def. Pay.: | 4,635 |
| - Unsettled Risk Inventory Total: | 81,630 |
| + Settled/Expensed Risk Inventory: | 49,231 |
| + Unpriced Sales Shipments: | 35,321 |
| - Company Owned Risk Inventory: | 166,182 |

Inventory is broken into two categories:

- Customer Owned
 - Tickets on hold (unapplied)
 - Multiple types of customer owned storage
- Company Owned
 - Tickets that have been settled
 - Tickets that have been applied but unsettled

On site inventory and on site risk inventory are also calculated.

On site inventory represents the total inventory (customer and company owned) less any inventory that is in transit (outbound and inbound) less any inventory that is offsite.

Your On Site Risk Total is the total on site inventory less any customer owned inventory



Risk Position continued

Contracts are broken out by contract type, purchase/sale and delivery month

| | Total | Delinquent | Jan/11 | Feb/11 | Mar/11 | Apr/11 | May/11 | Jun/11 | Jul/11 | Aug/11 | Sep/11 | Oct/11 | Nov/11 | Dec/11 | Forward |
|------------------------|-----------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Cash Contracts: | | | | | | | | | | | | | | | |
| + TBD Purchase: | 24,732 | 24,732 | | | | | | | | | | | | | |
| - TBD Sales: | 17,385 | 16,385 | | | | | | | 500 | | | | | 500 | |
| ▪ TBD Net: | 7,348 | 8,348 | | | | | | | -500 | | | | | -500 | |
| + Fut. Only Purchase: | 1,331 | 1,331 | | | | | | | | | | | | | |
| - Fut. Only Sales: | 40,420 | 40,420 | | | | | | | | | | | | | |
| ▪ Futures Only Net: | -39,089 | -39,089 | | | | | | | | | | | | | |
| + Basis Purchase: | 3,040 | 3,040 | | | | | | | | | | | | | |
| - Basis Sales: | 111,644 | 111,644 | | | | | | | | | | | | | |
| ▪ Basis Net: | -108,604 | -108,604 | | | | | | | | | | | | | |
| + Priced Purchase: | 139,798 | 138,798 | | | | | | | 500 | | | | | 500 | |
| - Priced Sales: | 167,042 | 167,042 | | | | | | | | | | | | | |
| ▪ Priced Net: | -27,244 | -28,244 | | | | | | | 500 | | | | | 500 | |
| Net Total: | -167,590 | -167,590 | | | | | | | | | | | | | |

Risk Position continued

| | |
|---------------------------------|-----------------|
| + Cash Long: | 249,661 |
| - Cash Short: | 207,462 |
| = Cash Position: | 42,199 |
| + Basis Long: | 263,819 |
| - Basis Short: | 314,007 |
| = Basis Position: | -50,188 |
| <u>Basis Only - No Futures:</u> | <u>-128,057</u> |

The cash long position is a calculated number composed of inventory and contracted items.

CASH LONG = unsettled futures only inventory + unsettled priced inventory + unsettled priced deferred payment inventory + settled/expensed inventory + unpriced sales shipments + futures only purchase contracts + priced purchase contracts

CASH SHORT = futures only sale contract + priced sales contracts

CASH POSITION = cash long – cash short

The basis long position is also a calculated number composed of inventory and contracted items.

BASIS LONG = unsettled basis inventory + unsettled priced inventory + unsettled priced deferred payment inventory + settled/expensed inventory + unpriced sales shipments + basis only purchase contracts + priced purchase contracts.

BASIS SHORT = basis only sale contracts + priced sale contracts + unpriced sales shipments

BASIS POSITION = basis long – basis short

BASIS ONLY – NO FUTURES = unsettled basis inventory + basis purchase contracts – basis sale contracts



Risk Position continued

| | | | |
|-----------------------------|----------|---------|---------|
| + Cash Long: | 249,661 | | |
| - Cash Short: | 207,462 | | |
| - Cash Position: | 42,199 | | |
| + Basis Long: | 263,819 | | |
| - Basis Short: | 314,007 | | |
| - Basis Position: | -50,188 | | |
| Basis Only - No Futures: | -128,057 | | |
| | | Dec /07 | Jul /09 |
| + Futures Purchase: | 10,000 | 15,000 | 5,000 |
| - Futures Sales: | | | |
| - Futures Net: | 10,000 | 15,000 | 5,000 |
| + Options Calls: | | | |
| + Options Puts: | | | |
| + Option Delta Adjustments: | | | |
| - Options Net: | | | |
| - Net Flat Price Risk: | 72,199 | | |

FUTURES NET = futures purchases – futures sold.

OPTIONS NET = net option calls + net option puts + the delta adjustments for the options.

NET FLAT PRICE RISK = cash position + futures net + options net

Conclusion

- It is important to understand your DPR and the calculations behind the numbers
- Every contract, pricing, ticket, application, settlement or reversal of an application or settlement creates a position transaction
- There are multiple ways of looking at your position and risk, it is important to understand what your reports are telling you.

Resources

For more information on this topic you can contact today's speakers:

Diana Klemme: diana@grainservice.com

Tammy Wood: tammy.wood@openlink.com

Kevin Hammer: kevin.hammer@openlink.com

This live recording will be available shortly at www.OpenLink.com

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Questions? Q/A



Thank you