

Brussels 10.09.2014

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The Finnish cereals market

- About 40.000 arable farms
- 6.000 farms has 80% of the food market
- Average of less than 50 ha
- Good drying and storage capacity on farm
- Good logistic infrastructure, road transport
- Most of the farmers involved in cereals are part-time farmers
- Farmsize is growing → high rent +350 €/ha
- The cereals balance is positive → a challenge

Cereals production and use

- Total area 1.1 milj. ha of cereals
- Total production abt. 4.0 milj. tn
- Main grains; barley, oats, wheat and rye
- Total feed use, 2.0 milj.tn
 - on farm 1.4 milj.tn
 - industrial 600.000 t
- Total food use 440.000 tn
- Industrial use 300.000
- Total exports 900.000 tn
- Total seed use 300.000 tn
- Energy use 60.000 tn

Players in the market

- Three main traders → most of the exports and about 60% of the internal use
- Two malsters → abt 230.000 t of barley total
- 4 big mills → buys mainly from the traders but trend is to go more for farm buying
- 3 big feed manufacturers
- 1 starch manufacturer → 200.000 t of barley
- A handfull of small mills → mixed buying habits

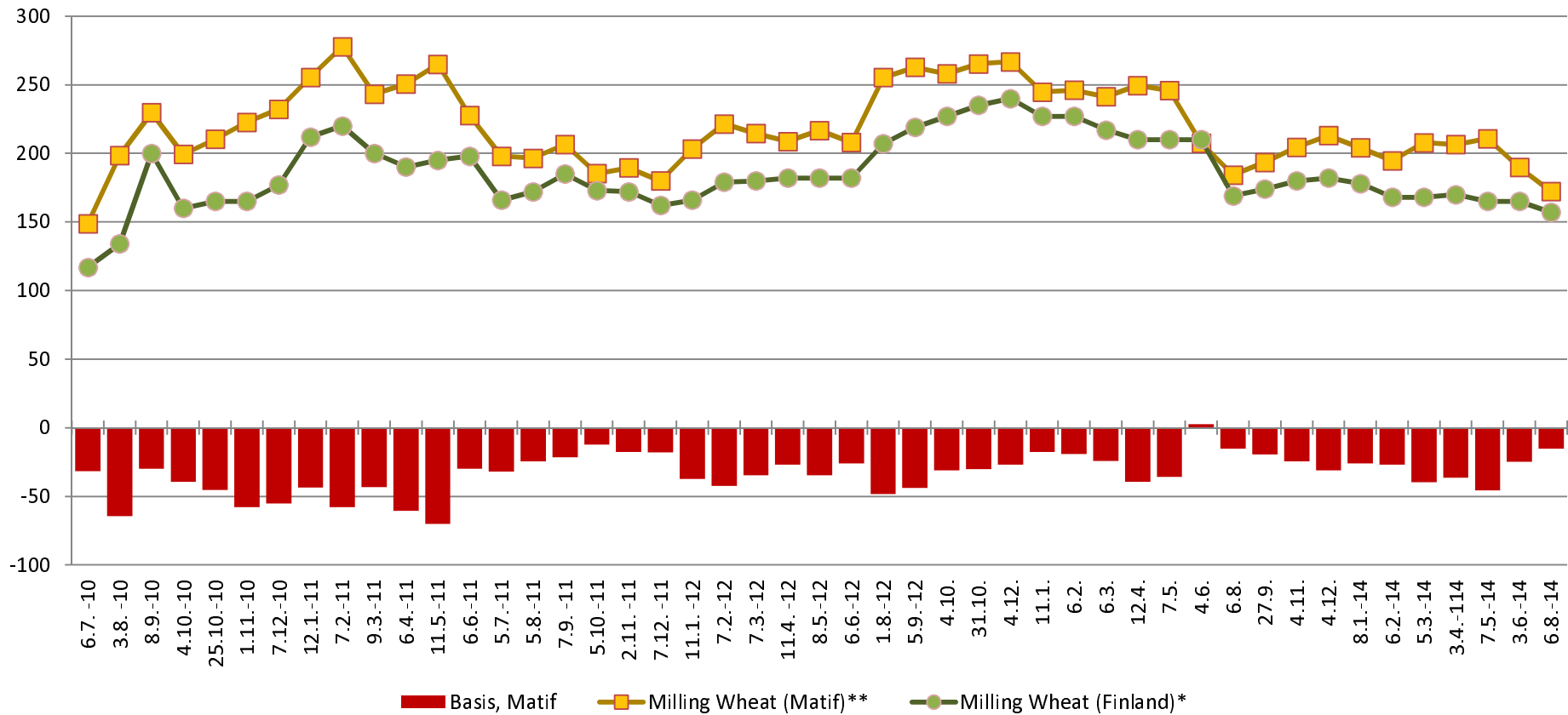
Challenges

- No cooperative structure in the cereals sector
- A very fragmented structure → buying/selling
- Many different contract models existing
- No real transparency or futures market existing
- A single farmer has a very small negotiation possibility
- More organised also more interesting supplier
- No legal support for producer organisations as of today

A better structure needed

- In the export market there is a very structural approach with std. Contracts and a strong trust in them.
- In the internal market no real structure and also the contract terms change according to the situation
- Very difficult for a single farmer to follow and even understand.
- Buyers have no real interest to talk/negotiate with a single farmer
- Before some of the prices and also terms were negotiated between farmer organisations and the industry (prior to EU)

Millingwheat price correlation



* Specific weight min.78 kg/hl, Moisture content max.14%, protein min. 12 %, Falling Nbr. Min 220

**Specific weight min 76 kg/hl, Moisture content max.15%

Possibility to negotiate

- There is a need to negotiate and agree on the common terms in the cereals contracts
 - Basic price and also the quality premium
 - Basis to ex. Matif
 - Even quality issues
 - Payment terms → now 30 days
- Producer organisations could/would be the negotiation partners with trade and industry on the specific grains.
- The arable sector would benefit and is also looking into the possibility to create producer organisations.