

Food and Fibre Supply Chain Institute

ABN: 94 028 425 415



TWO-DAY COURSE

COTTON MARKET PLANNING COURSE

By Dr JOHN WILLIAMS

VENUE: Griffith Ex-Servicemen's Club – Ibis Room
6 Jondaryan Avenue, Griffith

Thursday 23rd & Friday 24th August 2018

8.30am to 5.00pm

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SUPPORTED BY SOUTHERN COTTON

DO YOU KNOW YOUR MARKET SIGNALS IN A YEAR OF PRICE VOLATILITY?

This course is designed for cotton growers wanting to understand forward markets and other commodity market signals, and to apply this knowledge to selling alternatives and pricing strategies under price volatility. This is a course leading to market understanding and selling-pricing strategy application.

The two-day course is divided into four half-day sections with relevant sub-topics:

1. Risk evaluation
2. Basis and markets
3. Fixed versus flexible strategies
4. Strategy evaluation

Dr. John Williams will be presenting the two-day course. John is the Managing Director of the Food and Fibre Supply Chain Institute and the Senior Researcher at the Australian Commodity Research Institute. He facilitated intensive training programs for cotton growers and merchants in northern NSW during 1998 to 2002 working closely with Geoff Dunlop at the Cotton Training facility in Moree.

His flagship February five-day commodity course has been conducted in Melbourne for the past 23 years, and he has facilitated Agricultural Commodity Price Risk Management courses in all States, training Australian agricultural producers, merchants, and end-users. He has conducted training programs for merchants and end-users in China and South Korea. He co-authored the 1999 book *Agricultural Price Risk Management: The Principles of Commodity Trading* and authored the 2014 book *Agricultural Supply Chains and the Challenge of Price Risk*. John is employed by some large growers and merchants as a commodity analyst and has been an adviser on food supply chains for Middle Eastern countries.

Course coverage

The two-day course is divided into four sections – risk evaluation; basis and markets; fixed and flexible pricing strategies; and strategy evaluation. Topics include commodity market analysis, cotton skewness and volatility, price and basis determination, forward market characteristics, risk transfer and trade-offs, market positioning, off-setting mechanisms, forward contracting, futures markets, hedging risks, OTC products, incorporating flexibility into pricing strategies, reading an options market, options hedging, designing flexible strategies, strategy evaluation, currency market, and currency risk management.

COMMENTS FROM PREVIOUS COTTON COURSE PARTICIPANTS

Great information for me to further self-study. I would like to attend a further seminar in years to come. **Adam Harris, cotton grower, Lake Marimley, NSW.**

Very informative and well thought out from start to finish. **Ben Bagust, Southern Cotton, NSW.**

A good overview of a very technical subject. **Justin McMillan, cotton grower, Carrathool.**

It was good to have a trainer with such a good understanding of the material and our industry. Group discussions were excellent. **Richard West, DB Ag Commodities, Griffith, NSW.**

Excellent training program and highly recommended for cotton growers and merchants. **Alexandra Dalton, Louis Dreyfus Commodities, Dubbo, NSW.**

Very well delivered and good course structure. **Ben Palmer, Auscott, Narrabri, NSW.**

A very challenging and worthwhile course. A good investment for any business. **Lyndon Mulligan, cotton grower, Moree, NSW.**

Clear outline and direction on a very complexed subject. Extremely worthwhile. **Tony Thompson, cotton grower, Bourke, NSW.**

Very clear and comprehensive. Well worth it. **Brett Campbell, cotton grower, Garah, NSW.**

Very informative, unraveled some dark areas in marketing and hedging. **Stewart Crawford, Narromine, NSW.**

Great outcome – I benefited as a refresher course and from the industry interaction. **Ross Harvie, Ecom Commodities, Griffith, NSW.**

This course is hugely valuable in understanding the details in pricing strategies and charting analysis. **Amy Billsborough, Cargill Cotton.**

Excellent presentation and material, and John allowed the group to debate/provide feedback. I would certainly recommend the course to anyone who needs to manage commodity risk. **Oliver Kinsey, Ecom Cotton.**

Anyone who deals with commodities needs this course. **Troy Taylor, cotton grower, Wee Waa.**

I was really impressed that you could simplify it enough for me. It has given me some tools to decipher information, and new ideas on what can be done. **Nikki McCutcheon, Narromine.**

Great! I have an overall interest in price protection and forward pricing, it's our survival. This course gives us the knowledge, tools and courage to actively participate in the market. **Alicia Dunbar, cotton grower, Emerald, Qld.**

Puts the information there for you to understand, and encourage you to look further into marketing to continue to learn and benefit in the future. **Janet Gleeson, Narromine, NSW.**

A well-presented and explained approach to pricing commodities. Aimed at the producer with good examples that growers are familiar with. **Tom Wild, Warren, NSW.**

COURSE REGISTRATION FORM

For more details-registration for the course, contact John Williams M. 0428-260549.

Course name Cotton Market Planning Course <i>Presented by John Williams</i>	Course Dates <i>23 – 24th August 2018</i>
Location Ibis Room, Ex-Servicemen's Club, 6 Jondaryan Avenue, Griffith	Fee <i>\$990.00 per person (includes GST, textbook, manual, training facilitation, and venue catering)</i>

Given Name(s):	Family Name:	
Postal Address:	Postcode:	
Phone (home):	Mobile:	Fax no:
Email address		
Commodity market position: Cotton producer, merchant, end user, service industry (circle one)		

Payment details (details of business/person making payment and requiring a tax receipt)

Business Name:	
Postal address of business / person:	Postcode:
Contact phone number :	
<input type="checkbox"/> Cheque - please make cheque payable to: Food & Fibre Supply Chain Institute <i>or</i> <input type="checkbox"/> Direct payment – please email for details: john.williams@commodityinstitute.com <i>or</i> <input type="checkbox"/> Credit card – please email for details: john.williams@commodityinstitute.com	

Note: The fee covers tuition for the two days, textbook, course manual, lunch, and morning/afternoon teas. Participants need to bring a simple calculator. Accommodation is the responsibility of course participants.

COTTON MARKET PLANNING COURSE

VENUE: Ex-Servicemen's Club, 6 Jondaryan Avenue, Griffith

23 – 24th August 2018

Course Coordinator and Facilitator: John Williams M. 0428-260549

COURSE OVERVIEW

This course is designed for cotton producers, merchants, and end users wishing to consolidate their knowledge of forward commodity markets and to improve their skills in evaluating strategic outcomes in the management of buying/selling and pricing. It will assist decision-makers to evaluate outcomes regarding market strategies, pricing, and basis and minimize the regret and avoidance of the past.

Buying/selling and pricing decisions need to be made against a background of production risk, basis/currency movement, and price volatility. Selection of the appropriate strategy and timing are crucial to effective decision-making.

The course is designed to bring these core elements together so that the decision maker may have a clearer picture of when, how much, with whom, where, and why buying/selling and pricing decisions need to be made.

COURSE OBJECTIVES

On completion of the course, you will be able to:

- Understand commercial trade markets & characteristics of the forward market
- Monitor changes in the forward market
- Know the strengths-weaknesses in cotton basis and associated pricing factors
- Evaluate buying/selling and pricing strategies according to market conditions
- Integrate production risk and basis movement into decision-making
- Assess the currency market and demonstrate forward rate mechanisms
- Undertake currency risk management strategies
- Align your buying/selling and pricing objectives to market conditions
- Appreciate the importance of timing your decision-making
- Avoid the regret and avoidance of the past

COTTON MARKET PLANNING COURSE

VENUE: Ex-Servicemen's Club, 6 Jondaryan Avenue, Griffith

23rd – 24th August 2018

Course Facilitator: John Williams M. 0428-260549

The chapters in the following Timetable refer to the 2014 book by John Williams:
Agricultural Supply Chains and the Challenge of Price Risk.

TIMETABLE

THURSDAY 23rd AUGUST 2018

MORNING: RISK EVALUATION

- | | |
|------------------|--|
| 8.30 - 9.15 am | Commodity analyses. Analyse agricultural commodity price charts; identify key determinants of price action; apply price charts to buying/selling and pricing decisions; key global production regions; data sources; market liquidity. |
| 9.15 – 10.15 am | Case study: Commodity price skewness and volatility. Group discussion & evaluation of the impact of price skewness-volatility on risk attitude and decision making for buyers and sellers. |
| 10.15 -10.30 am | Morning tea |
| 10.30 – 11.30 am | Introduction to price discovery & benchmarking mechanisms, and basis determination. Price discovery mechanisms, local price determination based on a benchmark price, basis identification & measurement. |
| 11.30 – 12.30 pm | Commercial trade markets & characteristics of forward markets. Types of forward markets; identifying and measuring carry-contango and inverse-backwardation markets; strategic and tactical significance of understanding forward market characteristics. Chs. 1& 2 |
| 12.30 - 1.15 pm | Lunch |

AFTERNOON: BASIS & MARKETS

- 1.15 – 2.00 pm **Market position & offsetting mechanisms.** Understanding how positional risk in the physical market can be offset or transferred. **Workbook exercises.** Ch. 4
- 2.00 – 2.45 pm **Forum - Factors influencing basis determination and decisions to sell cotton.** Forward selling, spot selling, hoarding, basis, weather and technical factors enhancing and discounting local cotton prices. Ch. 9
- 2.45 – 3.15 pm **Forum discussion: Factors influencing local price and basis.** Grower psychology with selling-pricing decisions.
- 3.15 – 3.30 pm **Afternoon tea**
- 3.30 – 4.00 pm **Evolving commercial trade markets into futures markets.** Reasons for futures markets; futures market mechanisms. order execution; types of orders; trading tactics. Ch. 3
- 4.00 – 4.30 pm **Futures trading accounts.** Profit-loss and daily valuation calculations using margin settlement exercises. **Workbook exercises.** Ch. 4
- 4.30 – 5.00 pm **Forward contracting.** Types of agricultural contracts; supply chain issues in backwardation markets; advantages and disadvantages of forward contracts; determining credit risk under default situations. Default issues. Chs. 1 & 4

FRIDAY 24th AUGUST 2018

MORNING: FIXED v FLEXIBLE STRATEGIES

- 8.30 – 9.30 am **Futures hedging review.** Advantages/disadvantages of futures hedging; basis risk. **Workbook exercises.** Ch. 5
- 9.30 – 10.15 am **Over-the-Counter products (OTCs) – Price and fuel risk management products.** Introduction to bank swaps & bundled pricing products. Ch. 7
- 10.15 - 10.30 am **Morning tea**
- 10.30 – 11.45 am **Reasons for options markets.** Detailing why options markets are required, and reasons why they frequently lack liquidity. Reading an options market. Recognizing market signals in options markets. Ch. 6

11.45 – 12.30 am **Options hedging review.** Application of options to introduce hedging flexibility with floors & ceilings; price enhancement; catastrophe insurance, tactics to minimize option premiums. **Workbook exercises.** Ch. 6

12.30 - 1.15 pm **Lunch**

AFTERNOON: STRATEGY EVALUATION

1.15 – 1.45 pm **Over-the-Counter products (OTCs) – Price and fuel risk management products** - floors, ceilings and collars. Ch. 7

1.45 – 2.15 pm **Designing flexible pricing strategies – merchant products.** Case studies on how to design flexible strategies. Types and characteristics of agricultural contracts with an options component. Ch. 6

2.15 – 3.00 pm **Seller strategy analysis.** Determining profitability profiles to assess strategy outcomes and cash flow implications. Establishing selling objectives. Ch. 8

3.00 – 3.15 pm **Afternoon tea**

3.15 – 4.00 pm **Buyer strategy analysis.** Determining profitability profiles to assess strategy outcomes and cash flow implications. Establishing buying objectives. Ch. 8

4.00 – 4.30 pm **Currency market – mechanics.** Premiums & discounts in forward currency markets; effect of interest rates on currency. Ch. 10

4.30 – 5.00 pm **Currency risk management.** Forwards, futures, options, and collars to manage currency risk. **Workbook exercises.** Ch. 10