



GRAIN MILLERS

## Small Grains Market Up-date



- Been with Grain Millers over 5 years
- Have procured flax, mustard, lentils, & chickpeas
- Now procure for St. Ansgar, IA mill
  - Oats, hard red wheat, soft white wheat, barley & rye
  - Sustainable Grower Program
  - Research on oat production
- Work from home out of Pipestone, MN





GRAIN MILLERS



Drake – 3 years old



Neva – 1 year old

## St. Ansgar, IA

- Acquired in 1992
- 152 employees
- Oats, Cereal Grains, Specialty Fibers
- Mill oats, barley, hard red wheat, soft white wheat, rye, & triticale
- Organic and Conventional

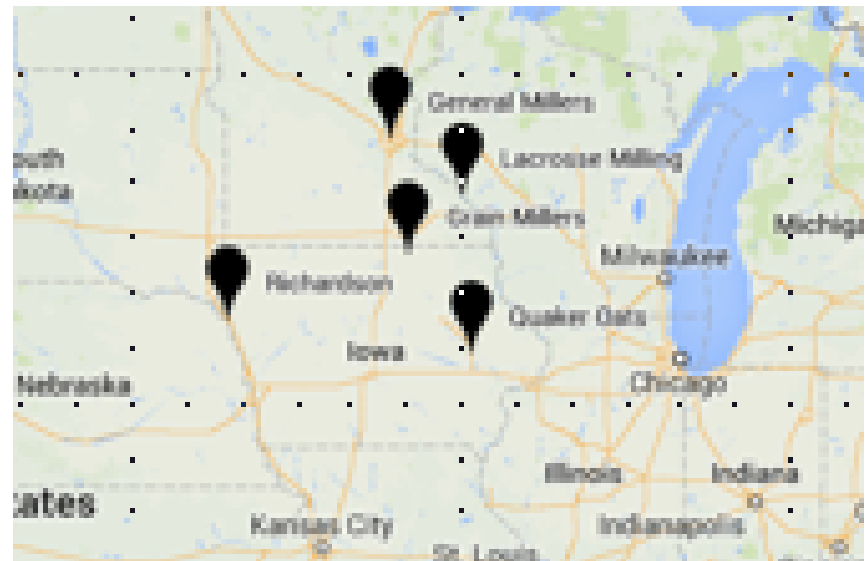


- Continued growth in bars
  - On the go!
- Continued declines in cold cereal
  - Kellogg's, Post, General Mills – all hurting on this end
- Stagnant growth in conventional oat products – only 1% growth
- Strong growth in organic oat products – 12% growth
- Strong growth in gluten free products - 20% growth
- Growth in Quick Service Restaurants
  - Starbucks, Dunkin Donuts, McDonalds
- Stagnant growth in giant food companies – not the “thing” to the consumer
- Growth in new brands that didn't exist 5 years ago
- Our growth requires the addition of new milling capacity every 2-3 years
- Our business could double in the next 10 years
- We need to continue to partner with growers to meet this growth - like you!

- Demand for organic food is hitting record levels and shows no signs of slowing down.
  - The global organic food market is projected to grow at 16% annually from 2015 to 2020
  - Over 57% of people say that they would prefer organic if given a choice
  - 84% of American consumers purchase organic – 60% weekly
  - Fruits and vegetables make up the majority of this growth
    - 43% year over year
- Why is this growth occurring?
  - Health concerns including chemicals, glyphosate and GMO's
  - Increased awareness of health benefits
  - Improved standard of living
  - Government initiatives
  - Organic availability

# Oat FAQ's

- **Why did you build an oat mill in Iowa?**
  - Everyone did....ha!
  - US Oat mills are in close proximity to Iowa
  - Most of these mills do not buy US oats.
- **Why?**
  - US oats have a 5% mill yield drag
  - Other companies own terminals in Canada – keep money in house
  - Supply out of US is variable – not enough to cover demand



- **How do we get our prices?**
  - Chicago Board of Trade
  - Add our basis on
  - Take away trucking for FOB contracts
  - Example: September 2016
    - Basis: +.15 Dec.
    - \$2.06/bushel
    - Trucking: -.20/bushel
    - Price: \$2.01/ bushel picked up
- **Current Bids – DLVD to St. Ansgar**
  - +.55 May (April-May)
  - +.65 July (June-July)
  - +.15 Dec (August-September)
  - +.30 Dec (October-December)

## Oats Futures Quotes

Globex

View another product..

Share 471

Quotes Settlements Volume Time & Sales Contract Specs Margins Calendar

Globex Futures

Globex Options

Open Outcry Options

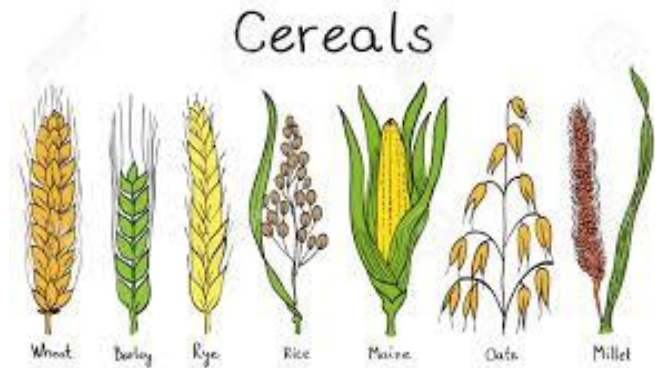
Auto Refresh Is ☒ ON

Market data is delayed by at least 10 minutes

All market data contained within the CME Group website should be considered as a reference only and should not be used as validation against, nor as a complement to, real-time market data feeds.

Month	Options	Charts	Last	Change	Prior Settle	Open	High	Low	Volume	Hi / Low Limit	Updated
MAR 2016	<a href="#">OPT</a>		207'0	+8'2	198'6	198'6	208'0	198'6	260	218'6 / 178'6	11:46:00 CT 19 Jan 2016
MAY 2016	<a href="#">OPT</a>		207'0	+8'2	198'6	201'2	207'6	201'2	73	218'6 / 178'6	11:59:54 CT 19 Jan 2016
JUL 2016	<a href="#">OPT</a>		213'6	+9'6	204'0	211'4	214'0	211'4	31	224'0 / 184'0	11:40:44 CT 19 Jan 2016
SEP 2016	<a href="#">OPT</a>		-	-	209'4	-	-	-	0	229'4 / 189'4	08:48:39 CT 19 Jan 2016
DEC 2016	<a href="#">OPT</a>		-	-	206'0	-	-	-	0	226'0 / 186'0	08:48:39 CT 19 Jan 2016
MAR 2017	<a href="#">OPT</a>		-	-	206'0	-	-	-	0	226'0 / 186'0	08:30:00 CT 19 Jan 2016

- **What are the current prices on other conventional grains? Old crop**
  - **Barley** - \$4.50/bushel DLVD
  - **Rye** - \$6.50/bushel DLVD
  - **Wheat** - \$5.80/bushel DLVD
    - Both winter and spring
- Buy 3 months at time – not as big of volume
- Buy close
- **How do we get our prices for organics?**
  - Cash price
  - All on S&D – prices that work for the customer and encourages growth for the end-user
- **Current prices!**
  - **Organic oats** - \$6.75/bushel DLVD or \$6.50/bushel FOB Ames, IA
  - **Organic barley** - \$10.50/bushel DLVD
  - **Organic rye** - \$10.50/bushel DLVD
  - **Organic hard red wheat** - \$15.50/bushel DLVD



# Oat FAQ's

- **Do I get a premium for high TW?**
  - Yes 😊
  - You get paid on 32 lb bushel weight
    - Example: You deliver oats at 40 lbs.
    - Every 4 bushels you sell you get paid for an extra bushel
      - $40 - 32 = 8$  lbs
- **Is there a premium since it goes to food?**
  - Typically .10-.25/bushel over other local markets
  - Feed oat price very low with corn prices
  - Organic oats – food \$6.75 – feed \$4.00



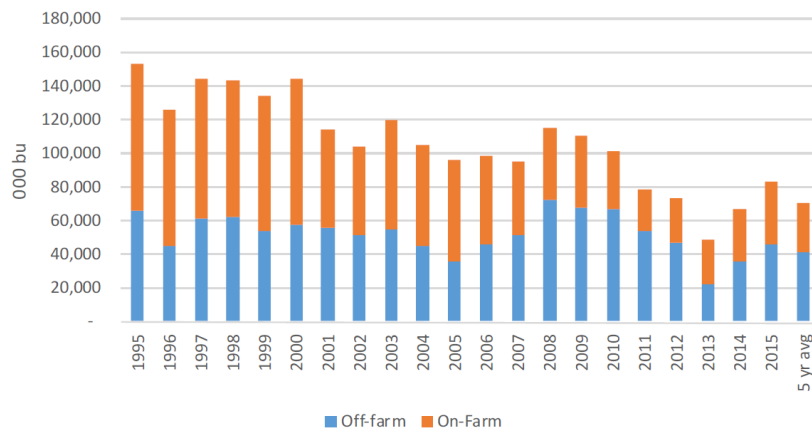


GRAIN MILLERS

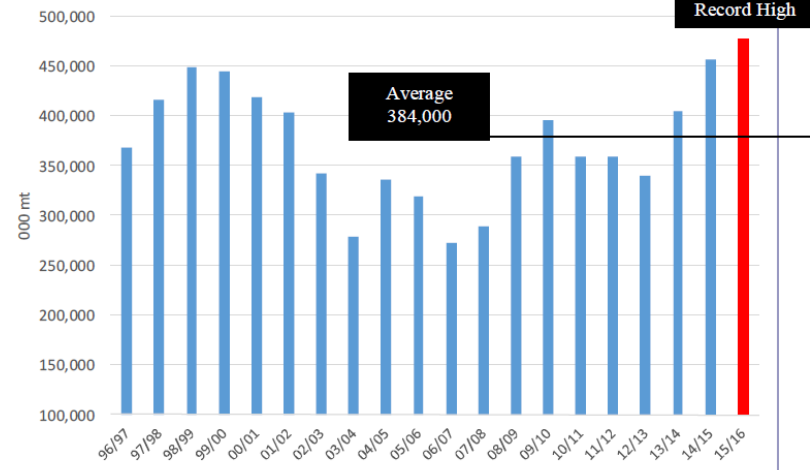
# Oat FAQ's

- **Why are prices not a bit higher?**
  - World ending stocks at all-time highs
  - Oats stocks in US and CAD included
  - Oats follow corn and wheat

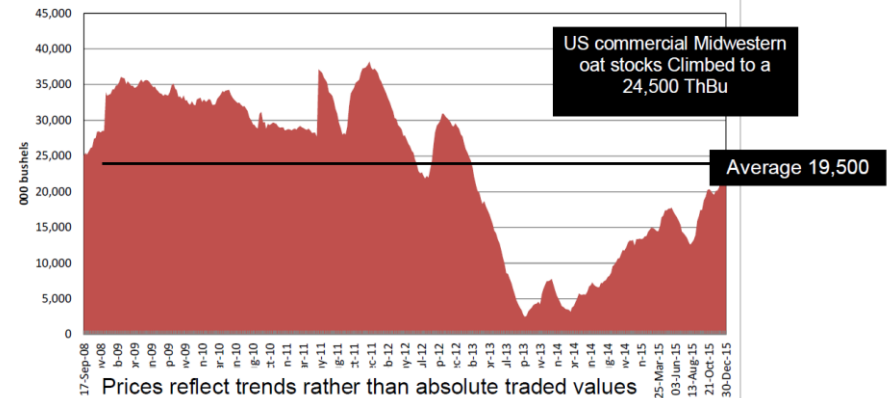
US Oat Stocks at Dec 1



World Grain End Stocks



Mpls/Sup-Duluth/Chicago Oat Stocks

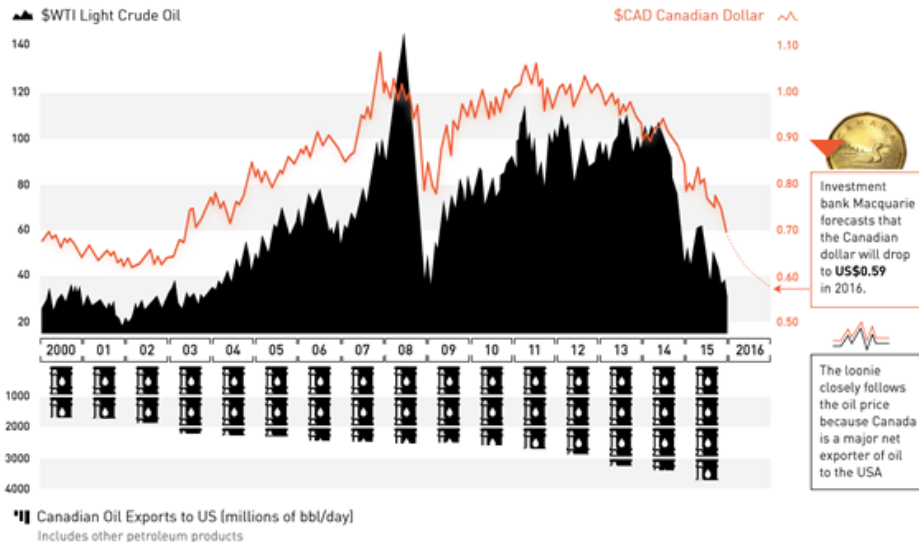


- Why are prices not a bit higher?
  - Most of the supply is from Canada
  - US\$ dollar...
  - Oil
  - Last all-time low was January 21, 2002 at .62. We expect to break this in 2016

Chart of the Week

## OIL BUST DRAGS CANADIAN DOLLAR TO HISTORIC LOWS

"Lower for longer" means loonie could hit US\$0.59 by end of 2016



Source: EIA (2015 export data estimated based on Jan-Oct 2015)

visualcapitalist.com

- **Where is our closest mill?**
  - St. Ansgar, IA
- **What 6 grains do we mill?**
  - Oats, barley, hard red wheat, soft white wheat, rye & triticale
- **Largest producer of oats in the world (country)?**
  - Russia
- **My son's name?**
  - Drake (aka Brown Eyed Tornado)
- **Bruce's favorite type of whiskey?**
  - Whatever is bought for him!



- **How do the contracts work?**
  - We do offer Act of God on new crop contracts – includes quality
  - Can do either full production or flat bushel amount
  - Need minimum to fill truck
    - Oats – 1,600 bushels
    - Wheat – 900 bushels
    - Barley – 1,100 bushels
    - Rye – 1,000 bushels
- **What does the US grower have an advantage on?**
  - Less barley grown – gluten free
  - Glyphosate desiccation is not used
  - Local
  - Easier to keep identity preservation
  - Leadership wants to buy close to home

# Who to Call

- **Organic Oats**
  - Sam Raser – 952-983-1311
  - Jessie VanderPoel – 952-983-1277
- **Organic barley, wheat, & rye**
  - Jessie VanderPoel – 952-983-1277
  - Sam Raser – 952-983-1311
- **Conventional Oats**
  - Jessie VanderPoel – 952-983-1277
  - Mark Strabley – 952-983-1309
- **Conventional wheat, barley & rye**
  - Jessie VanderPoel – 952-983-1277
  - Mark Strabley – 952-983-1309
- **Oat Agronomy**
  - Bruce Roskens – 952-983-1310
  - Eric DeBlieck – 952-983-983-1312

# Thank You!

*We wish you the best on  
your 2016 crop year & hope  
to do business with you!*

