attara

A Farmer's Guide to Hedging

UNDERSTANDING INPUT COST EXPOSURE AND PRICE RISK



How to understand, measure and manage price risk across what you buy and what you sell, bringing greater predictability to your farm.

Includes your Agri Hedging Readiness Checklist →

MANAGING PRICE RISK

Markets move fast and every movement affects your business. Fuel, feed and grain prices rise and fall quickly, often shaping margins long before you can adjust buying or selling decisions.

Most farms already carry this risk on both sides, in what they buy and what they sell. The challenge is these don't move together. Input costs can rise quickly, while selling prices adjust later or on fixed schedules. That gap is where margin pressure builds.

As a result, buying decisions become reactive, margins are often set after the fact and planning becomes less predictable. Hedging puts control back in your hands. It gives you the ability to decide when and how prices are fixed, helping you protect margins, manage volatility and plan with confidence across both costs and sales.

This guide explains how exposure develops, how farms can manage it more deliberately, and what structured hedging could mean for your financial stability.

At the end of the guide, you will find a readiness checklist to help you assess your current position and explore how Attara can support you in managing market risk more effectively.



WHAT IS HEDGING

Hedging is a cost and revenue management approach that allows farms to manage price exposure on key inputs and where relevant, on what they sell. These inputs can include:

- **Fuel**
- **Feed**

By fixing part of these prices over a defined period, you reduce exposure to sudden market movements and create greater predictability.

Hedging is not about predicting or beating the market. It is about deciding how much price risk your business is willing to carry and turning uncertainty into a more stable outlook for margins.

HOW HEDGING WORKS

You continue buying inputs as normal while a financial structure is used alongside this to manage price risk.

Rather than trying to predict the market, hedging works by offsetting movements in underlying commodity prices. As markets move, the hedge responds in a way that helps reduce the impact of those changes on your overall costs.

The exact structure and how it behaves will depend on the specific product, market and strategy used. The same principle can be applied to both input costs and selling prices, depending on where your exposure sits.

Over time, this helps smooth out periods of volatility and gives more consistency around input costs.



MANAGING MARGIN, NOT JUST COSTS

For many farms, the challenge is not just where input costs move, but how they move relative to selling prices.

For example:

- → **Feed costs may rise immediately**
- → **Cream, butter, whey or grain prices may adjust later or remain fixed**

This creates a margin squeeze, even if both markets are moving.
By managing both input costs and selling prices, a farm can:

01	Lock in more predictable margins
02	Reduce the impact of sudden market movements
03	Make clearer decisions around production, purchasing and sales timings

This shifts the focus from reacting to prices to planning around them.

WHAT THIS LOOKS LIKE IN PRACTICE

01	You continue purchasing inputs as normal
02	A price level is agreed for a portion of your usage
03	Market prices move over time
04	The structure responds to those movements
05	The outcome is a more stable and predictable margin position

The result is greater cost stability and your effective price becomes predictable, even as markets move.

A SIMPLE FEED COST SCENARIO

Suppose you fix your feed cost for the season.

If market prices rise, you benefit through the hedge; if they fall, you pay the difference.

Either way, your actual cost remains steady.

For many farms, that stability protects margins and supports better planning.

WHEN MANAGING INPUT COSTS BECOMES ESSENTIAL

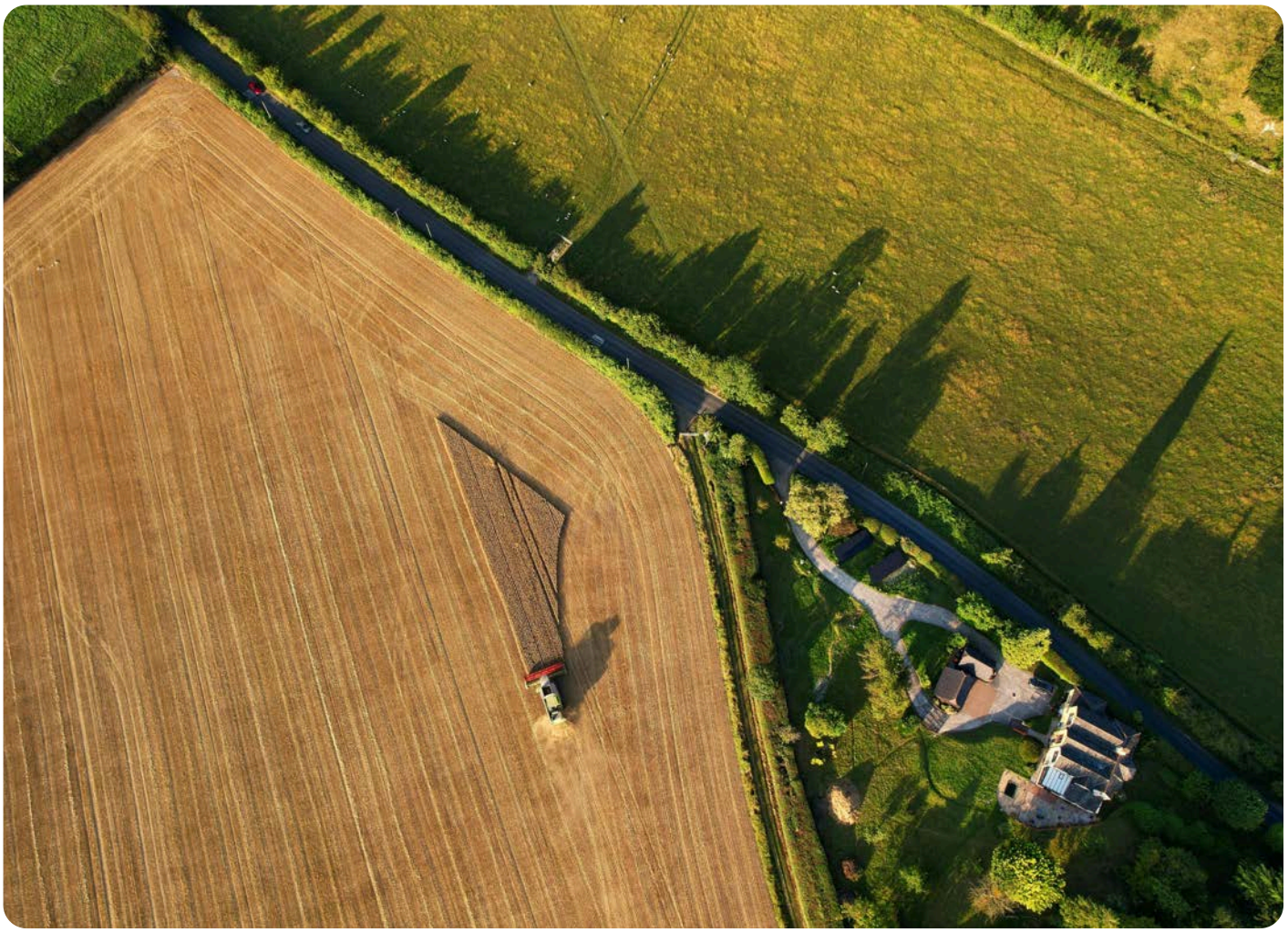
Volatile input prices can quickly change your profitability, cash flow, and budget plans. Managing this risk stops pricing from controlling your business decisions.

You should be actively managing risk if:

01	Input costs directly affect your margins and annual results
02	You make forward or seasonal purchases that depend on price timing
03	You need more stability for planning and budgeting
04	You face regular swings in fuel, feed or other key input prices
05	There is a timing gap between when your costs move and when your selling prices adjust

When market movements start shaping your buying or selling decisions, that is when structured cost management can make the difference.





KEY COMMERCIAL CONSIDERATIONS

Before applying any risk management approach, assess the following:

EXPOSURE VISIBILITY

- Identify your largest input costs, typically fuel and feed.
- Understand how those costs move over time.
- Clarify where risk is most concentrated.

SEASONAL TIMING

- Map when you typically purchase inputs.
- Review how exposed you are during key points in your production cycle.

VOLUME ACCURACY

Accurate usage estimates allow any structure to mirror real demand across seasonal peaks and quieter periods, ensuring your hedge stays aligned with your physical operations.

UNDERSTAND YOUR EXPOSURE IN PRACTICE

Most farms don't have a clear view of how price movements flow through their costs and margins.

Our interactive tools help you:

- See how changes in fuel, feed or grain prices impact your costs and margins
- Identify where exposure is highest across your operation
- Test different ways of managing that risk

This gives you a clearer, data-led view of your position and a practical starting point for understanding what action may be required.

You can explore this yourself or speak directly with our team to walk through your exposure and next steps.

Discover Explore Zone

REGULATIONS

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We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. Where an entitlement to compensation is established, the compensation payable will be the total of your net loss or £120,000 (whichever is the lesser). Further information about compensation arrangements is available from the Financial Services Compensation Scheme (fscs.org.uk).

HEDGING READINESS CHECKLIST

This short checklist (2–3 minutes) helps you gauge how much input cost risk already sits across your business. If you're unsure about any answers, that typically shows where exposure isn't yet visible.

Complete the form digitally or print and fill it in manually, then send it back to us to receive:

- A tailored view of your current input cost exposure
- An indicative fixed price example based on your usage
- A practical illustration of how your exposure could be structured

Access the Online Digital Exposure Review

First Name | Last Name | Farm Name

Email | Phone Number

Type of Operation

- ☐ Arable
- ☐ Dairy (exception of milk)
- ☐ Mixed

Annual Turnover

- ☐ Under £5m
- ☐ £5m - £25m
- ☐ £25m - £100m
- ☐ £100m - £250m
- ☐ £250m+
- ☐ Prefer not to say

Key Inputs Used

- ☐ Fuel
- ☐ Feed
- ☐ Other

Do you experience seasonal variation in input use?

☐ Yes ☐ No

Estimated Monthly or Seasonal Usage

☐ Very Low ☐ Low ☐ Medium ☐ High ☐ Very High ☐ Not Sure

Form continues on next page →

How do you currently purchase inputs?

- [ ] Spot
- [ ] Forward
- [ ] Contracts
- [ ] Mixed

How sensitive is your farm to input price rises?

- [ ] Low
- [ ] Medium
- [ ] High

Would you consider fixing input costs for:

- [ ] 6 months
- [ ] 12 months
- [ ] 24 months
- [ ] Other

Are you exploring ways to manage input cost risk?

- [ ] Immediately
- [ ] Within 3 months
- [ ] Planning for a future season

GET IN TOUCH TO REVIEW YOUR RESULTS

Once we receive your completed checklist, we'll provide:

- **A clear breakdown of how input cost exposure sits across your farm.**
- **An estimate of how price changes could affect your costs.**
- **A practical outline of how similar farms structure and manage this risk.**

Send your completed checklist to **arthur@attara.co** or click the button below to book a short, practical conversation.

We can walk through your results together and discuss what a tailored cost management structure might look like for your business.

Review Your Exposure with Arthur