

Cargill/CMCE presentation at QED conference: Agricultural Commodities

19th March 2019

Commodity Markets Council Europe

- CMCE is an association representing a range of commodity market participants - agriculture, energy, metals and other commodity derivative end-users, price reporting agencies, and trading venues. Its members are established and operate in the EU, EEA, Switzerland and neighbouring countries
- Active in Europe since 2012, CMCE engages with EU and national policy-makers and regulators to promote well-functioning commodity derivative markets

Cargill, our company

With
150,000
employees



located in
70
countries



Over
150
years of
experience



our purpose
is singular:
to be
the global
leader in
nourishing
people

Agri commodities supply chain and the role of commodity firms



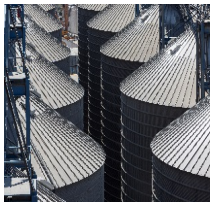
- Commodity firms work to meet the challenge of matching supply of commodities with demand by organizing the supply chain and managing associated risks
- This includes originating, transporting, storing and transforming commodities
- They seek to reduce costs through improving and optimizing supply chain logistics, involving ownership of physical assets or facilities

Risks accumulated in the value chain



FARMERS

High price expectations
Fertilizer, seed, land, equipment, weather



Origination

World vs local price, storing, drying, finance



Logistics

Rail, truck, barge



Processing

Capacity value, margin mgmt, industrial efficiency, world price



Distribution

World vs local price, ocean freight, FX, counterparty risk, political risk...



END USERS

Low price expectations
World vs local price, quality, competitive differentiation,

All risk elements must be managed along the chain



The world of triggers

Megatrends

Economics
Agricultural supply
Demographics
Climate
CONSUMER TRENDS

Disruptors

WEATHER
Geopolitics
& governments
Logistics bottlenecks
Unforeseen events

=



VOLATILITY



Managing price risk through futures markets: case of a rapeseed processor





Conclusions

- Liquid and well-functioning global derivative markets are essential for allowing commodity firms to hedge some of the risks related to their physical activities and assets, in particular price risk in the commodities that they buy and sell
- The use of the derivative markets:
 - Makes trade and processing of agriculture commodities more transparent and efficient, and provides for predictable prices
 - Helps maintain stable food prices and provide products at a reasonable cost to consumers
- Allow commodity firms, producers, farmers and retailers to plan ahead, and therefore to be better equipped to invest and help the economy grow



Helping the world *thrive*