

# Cargill/CMCE presentation at QED conference: Agricultural Commodities

19<sup>th</sup> 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

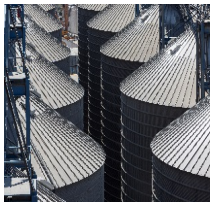


# Risks accumulated in the value chain



## 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

Climate

Demographics

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*