



COCERAL – ROLE OF PHYSICAL MARKETS

NOVEMBER 9TH 2016

- The world of commodities:

- Very high turnovers
- Very small margins
- Global business

- Some highlights on agris:

- Historically as old as agriculture
- Trading does not change the nature of the product
- No brands, no communication, BUT
- Reputation and trust are fundamental



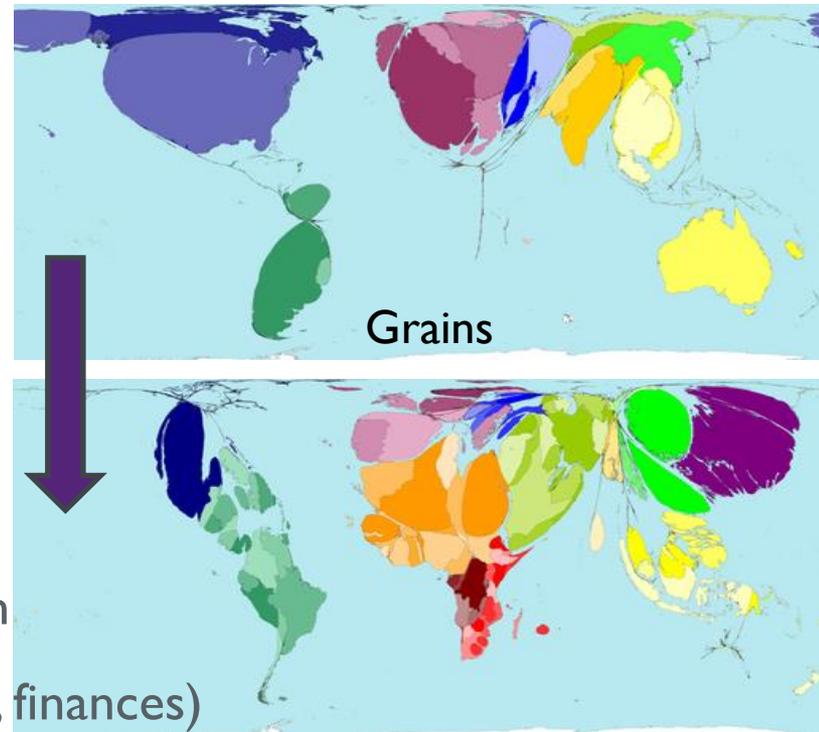
THE VITAL ECONOMIC FUNCTION OF GRAIN TRADING

- Move commodities:

- From surplus to deficit areas
- From surplus to deficit periods
- From surplus to deficit situations

- Key factors for success:

- Understand markets
- Be competitive along the supply chain
- Control critical points (silos, logistics, finances)
- Be customer focused



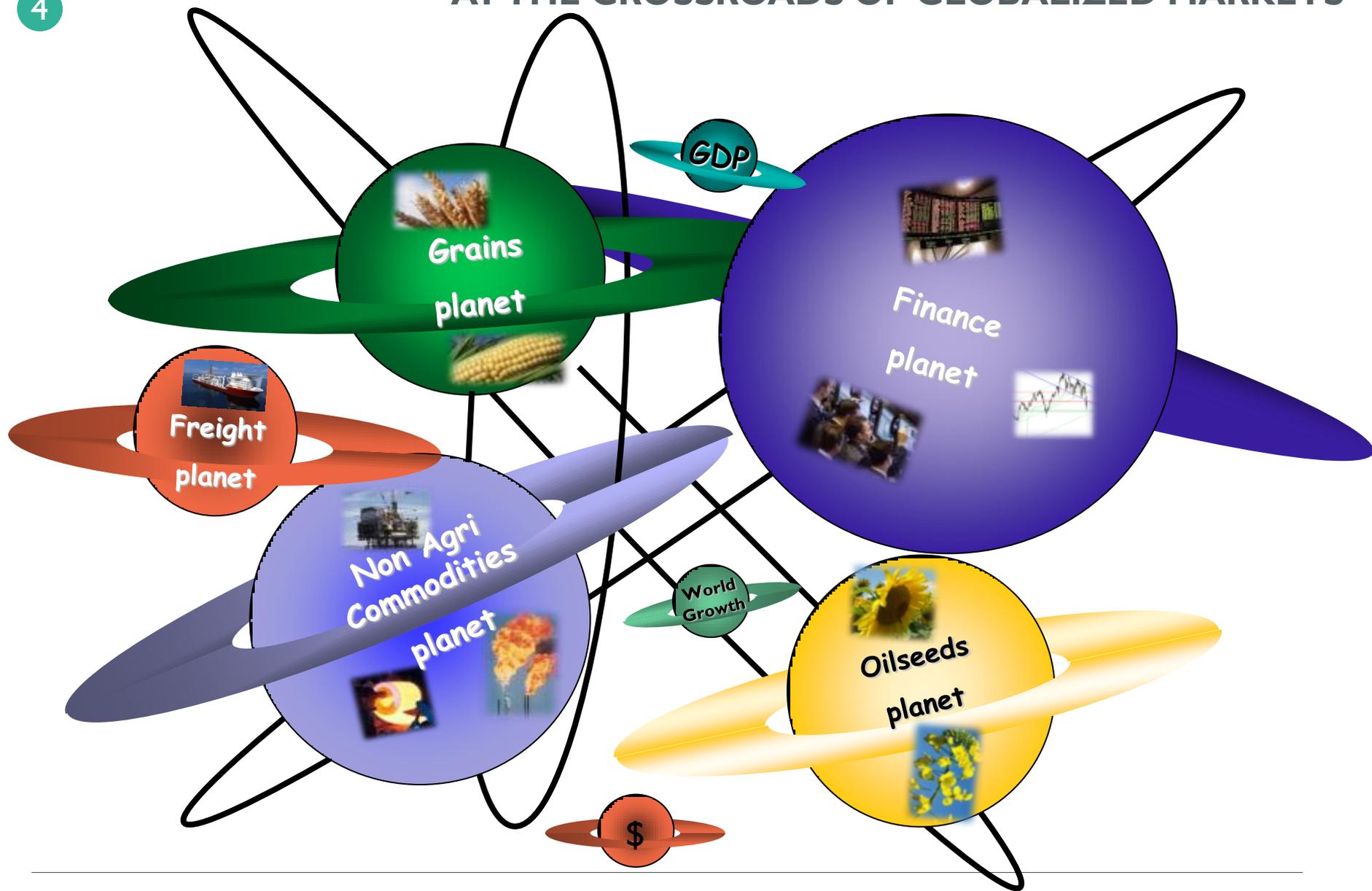


MAIN AGRI-COMMODITIES WORLD TRADE

(FORECAST 2016/17, SOURCE USDA)

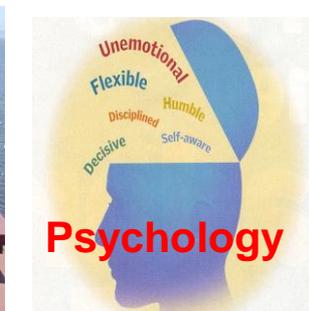
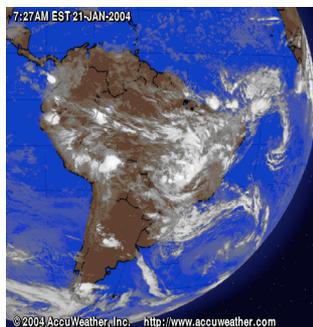
- Wheat: 145 Mt or 20% of world production
- Corn: 128 Mt or 13%...
- Rice: 41 Mt or 9%...
- Soybean: 139 Mt or 42%...
- Oils: 78 Mt or 14%...
- Meals: 92 Mt or 29%...
- Others: 98 Mt

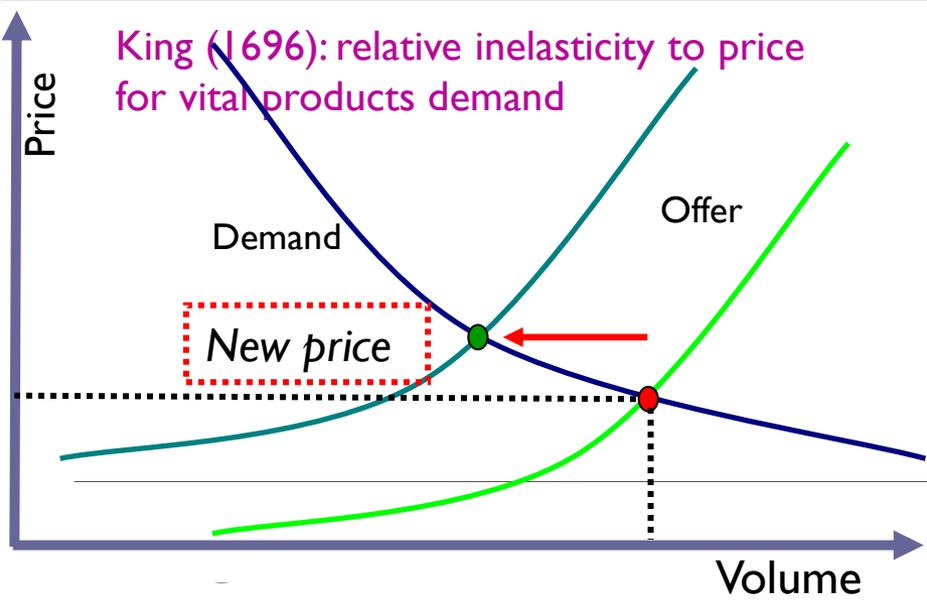
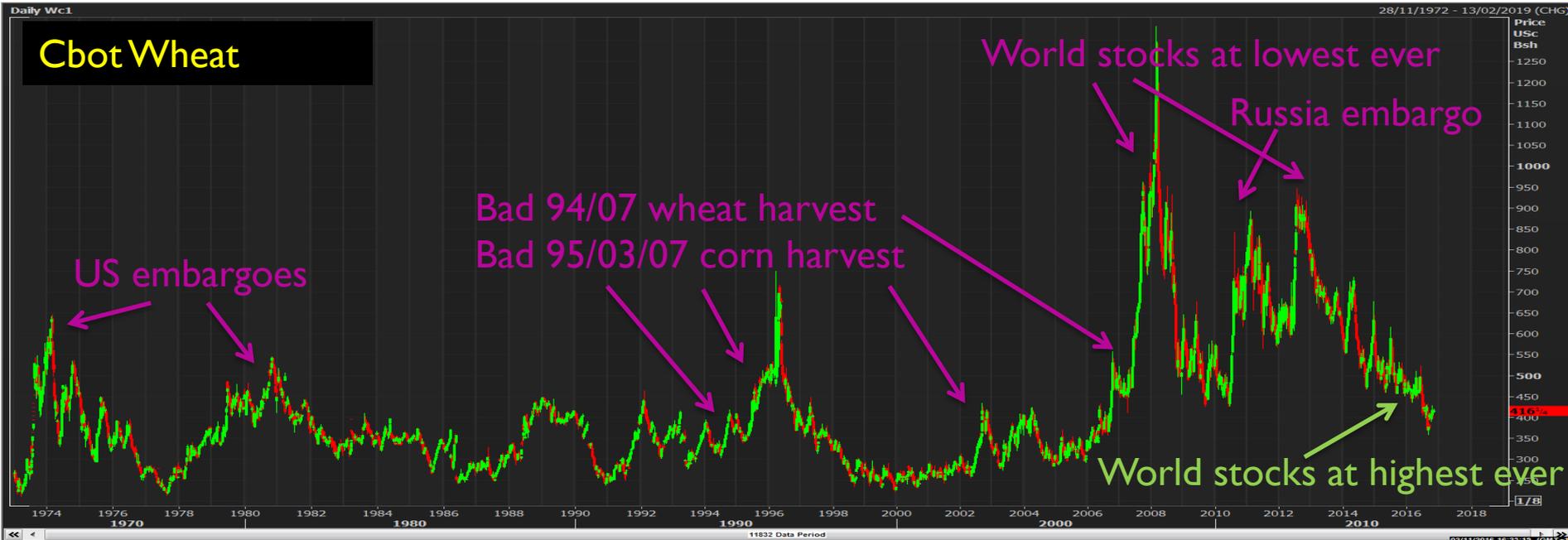




RISKS THAT TRADING HOUSES NEED TO MANAGE

- Counterparty, country, politics
- Compliance & regulation
- Quality (technological, sanitary)
- Quantity, shortage
- **Price, basis**
- Freight
- Logistics, transports
- Bank, currency, credit, treasury
- Human
- Meteorology





TO SECURE TRADING RISKS, YOU NEED...

- Set highly professional fundamental research



- Statistics, data, analysis, market intelligence
- Understand and anticipate

- Structure strict processes in a complex environment



- Technologies development
- Methods/processes acquisition
- Know how acquisition

- Favor risk management « culture »



- High and permanent risk control

DID YOU SAY « HEDGING » ?



Hedging is a risk management tool against exposure on physical markets and various risks arising from activities

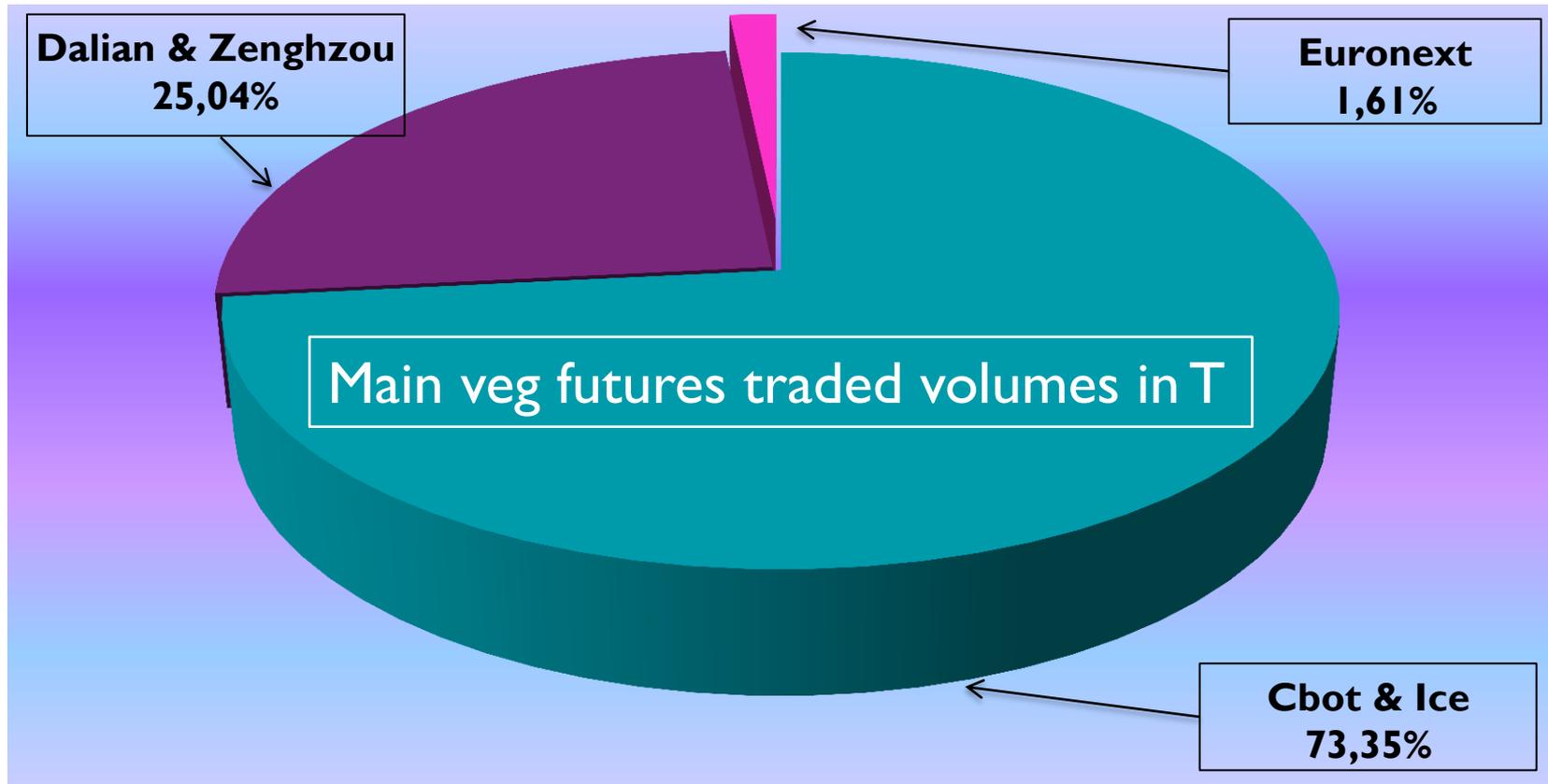


To another physical market
To another period
To direct futures
To a related other product futures
...

To a variable combination of any of these...

Hedging is a dynamic approach in which traders express their know how and experience

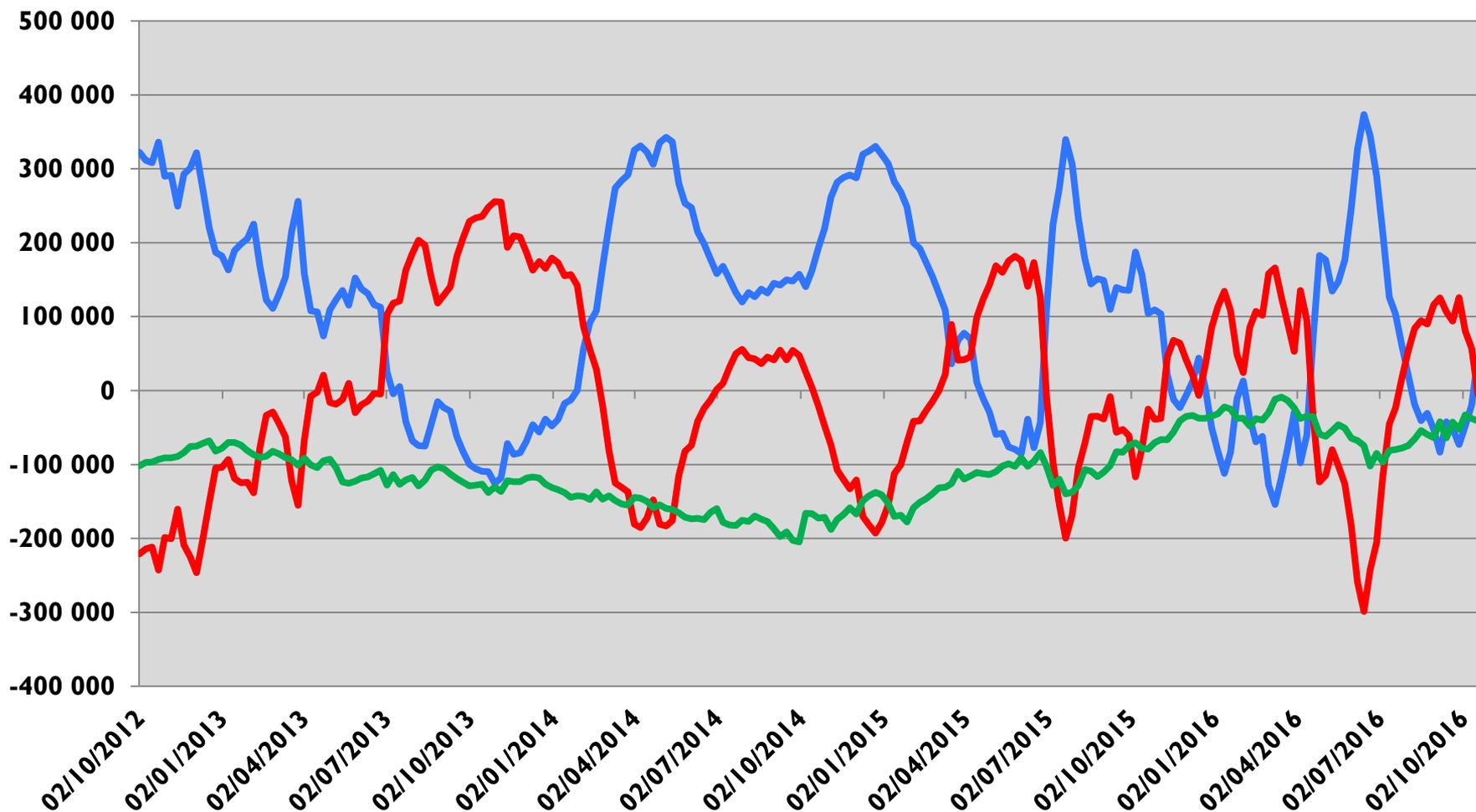
What is the function of speculation ?





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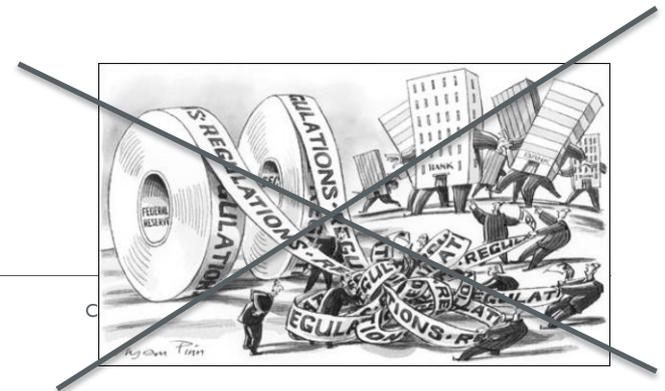


TRADING IS A KEY FUNCTION IN A MORE AND MORE COMPLEX ENVIRONMENT



- Keep physical markets fluid and accessible
- Secure safe supplies to consumers
- Secure outlets to farmers
- Highlight and help market prices discovery

Trading houses and all stakeholders need clear, practical and harmonized rules, definitions and regulations worldwide...



YOUR QUESTIONS...