How can we mitigate the price risk in cocoa?

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N.Mounard

FARM AFRICA

2 MAIN SOLUTIONS

THE LATEST INSTRUMENTS? JUST GOOD MANAGEMENT!

1. YOU CANNOT ONLY MANAGE **YOUR OWN RISK**. THE RISK OF THE WHOLE VALUE CHAIN HAS TO MANAGED JOINTLY

2. **PHYSICAL** FIRST!

NOT ONLY YOUR OWN RISK!

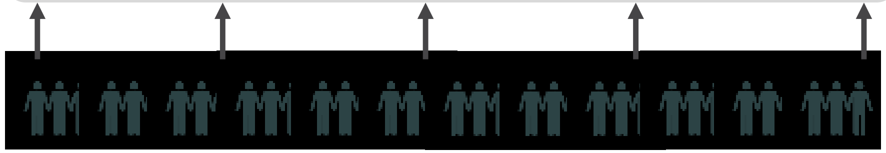
- Can buy variable and sell fix. Risk: Market goes UP
- Can buy fix and sell var. Risk: Market goes DOWN

MANUFACTURER

TRADER/IMPORTER

- Can buy variable and sell fix. Risk: Market goes UP
- Can buy fix and sell var. Risk: Market goes DOWN

PRODUCER ORG/EXPORTER



- Can buy variable and sell fix. Risk: Market goes UP
- Can buy fix and sell var. Risk: Market goes DOWN

Factors to consider:

- "Long" or "Short"?
- Ability to adapt purchase system to market volatility
- Ability to manage the remaining risk

PHYSICAL FIRST!

HEDGING INSTRUMENTS CAN BE A GREAT HELP BUT CAN ALSO GIVE A FALSE SENSE OF SECURITY: MANAGE IN PRIORITY THE RISK ON THE PHYSICAL TRANSACTION!

- Managing the **disconnection between buying and selling**. Understanding the consequences of being “short” or being “long
- Understanding how **local market** and **international market** interact with each other.
- Understanding how to **sign the right contracts**: managing the tension between signing as soon as possible to secure a collateral but limiting the risk on an early-signed contract
- **Quality management system**: quality remains the best protection against volatility
- Understanding how the **type of processing** influences risk management
- Understanding that **speed of transaction** is key to decrease the level of risk.

Thank you!

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