How can we mitigate the price risk in cocoa?
World Cocoa Conference. April, 2018
N.Mounard
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 BE 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

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!

www.farmafrica.org
Registered charity no 326901 (England & Wales)