



Commodity Price Risk

Solutions by Rabobank

28 June 2017, Utrecht

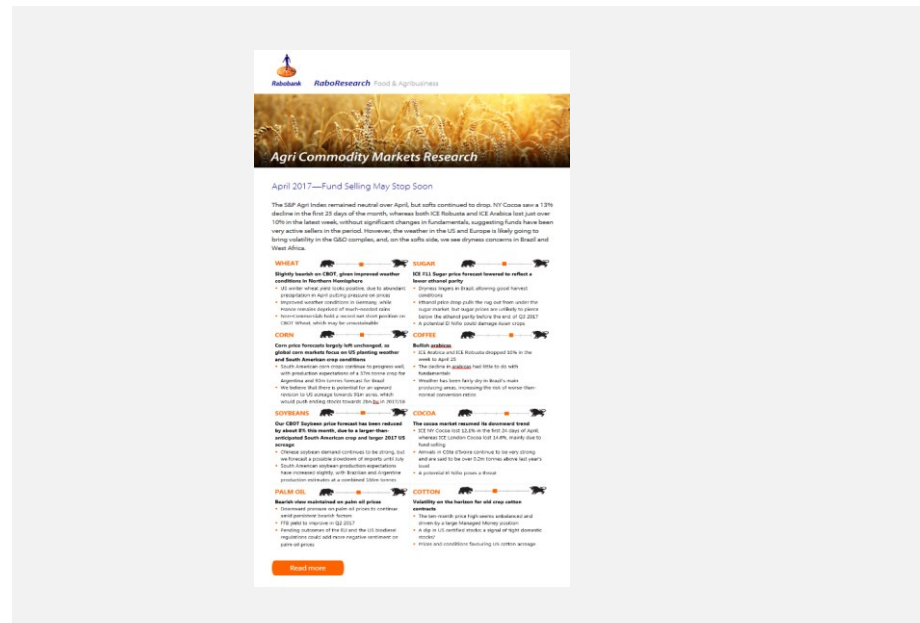


Introduction || commodity price risk solutions



The Commodity solution team

- Specialized in OTC commodity hedging solutions, cash settlement and non-physical delivery. We offer longer dated hedging solutions for commodities in three categories: Agriculture, Energy and Metals
- Broad product offering, such as commodity swaps and (combinations of) options
- Local specialized sales groups per region
- Supported by the highly regarded Rabobank Food & Agri Research ("FAR") team, which is broadly considered one of the best research teams in the industry and whose research is available to all our clients
- Over 10 years of experience



Track record

Over 1,400 hedges have been done since January 2012:

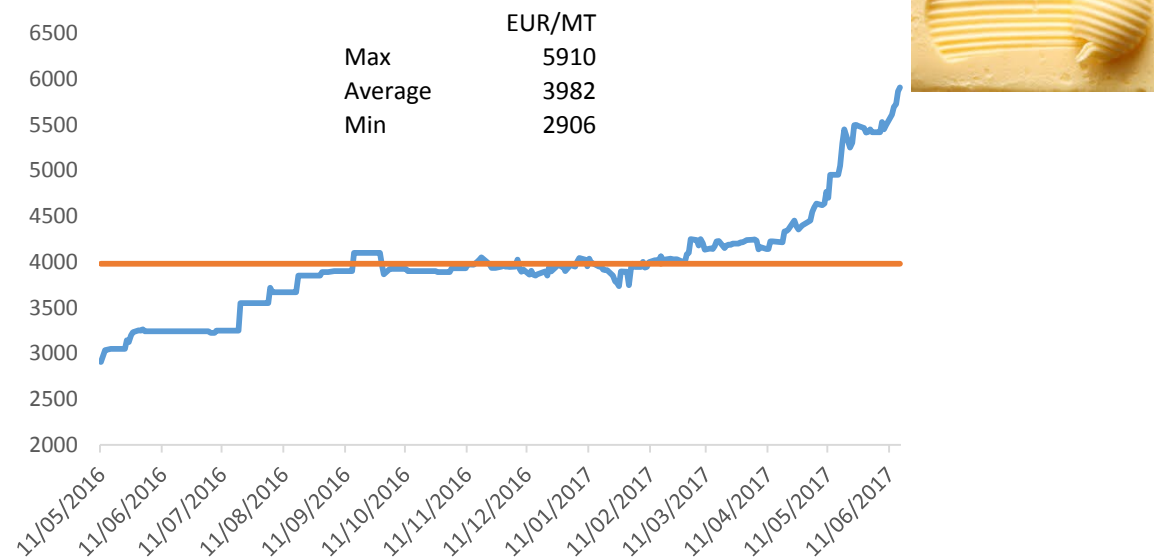
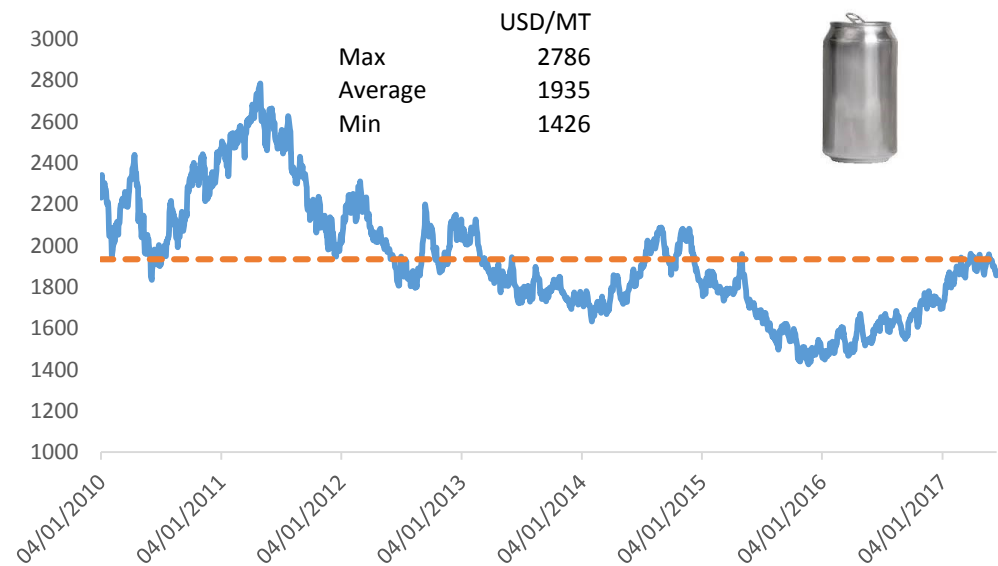
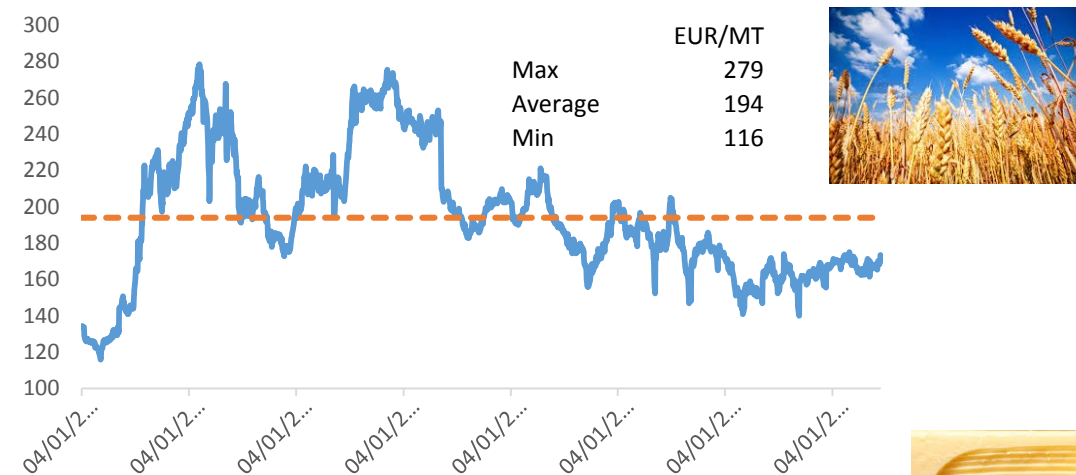
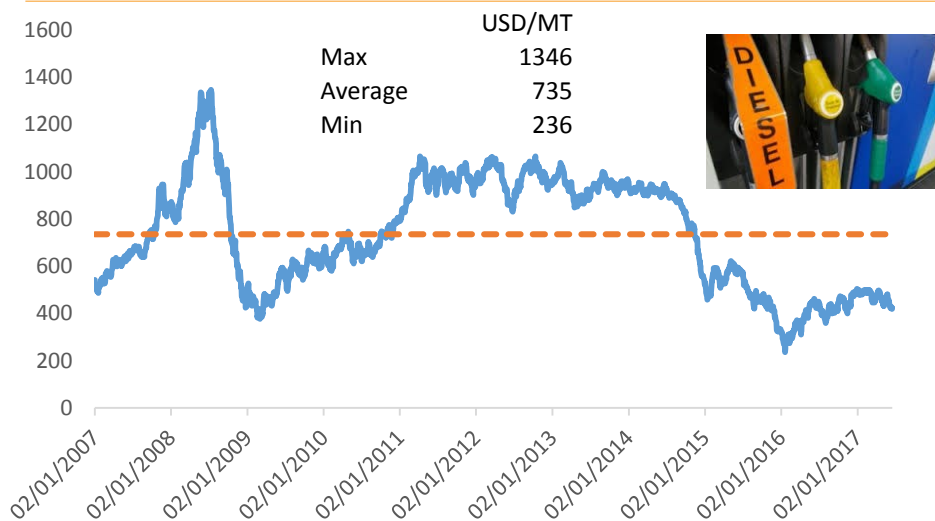
- Wheat and Soybean swaps and options for bakeries and feed compounding processing companies
- Rapeseed swaps for food and feed compounding processing companies
- Diesel swaps with public transport and agricultural companies
- Power and Natural Gas Swap with energy from waste and industrial companies
- Corn (MAIZE) swaps and options with food compounding cooperatives
- Sugar swaps and options with several food and beverages companies
- Aluminium swaps with several food and industrial companies
- Eurex Processing Potato swaps with producers of deep frozen products
- Fuel and Gas Oil swap with dredging companies
- Bitumen swaps with road building companies
- Poultry feed basket swap with an egg processing company

Covered commodities

Agricultural	Energy	Metals
Sugar	Crude oil	Aluminium
Corn	Power	Copper
Cocoa	Natural Gas	Lead
Rapeseed	Ethanol	Nickel
Coffee	Diesel	Tin
Soybean	Gasoil	Zinc
Wheat	Gasoline	Steel
Dairy	Fuel Oil	
Cotton	Jet fuel	
Palm oil	Naphtha	



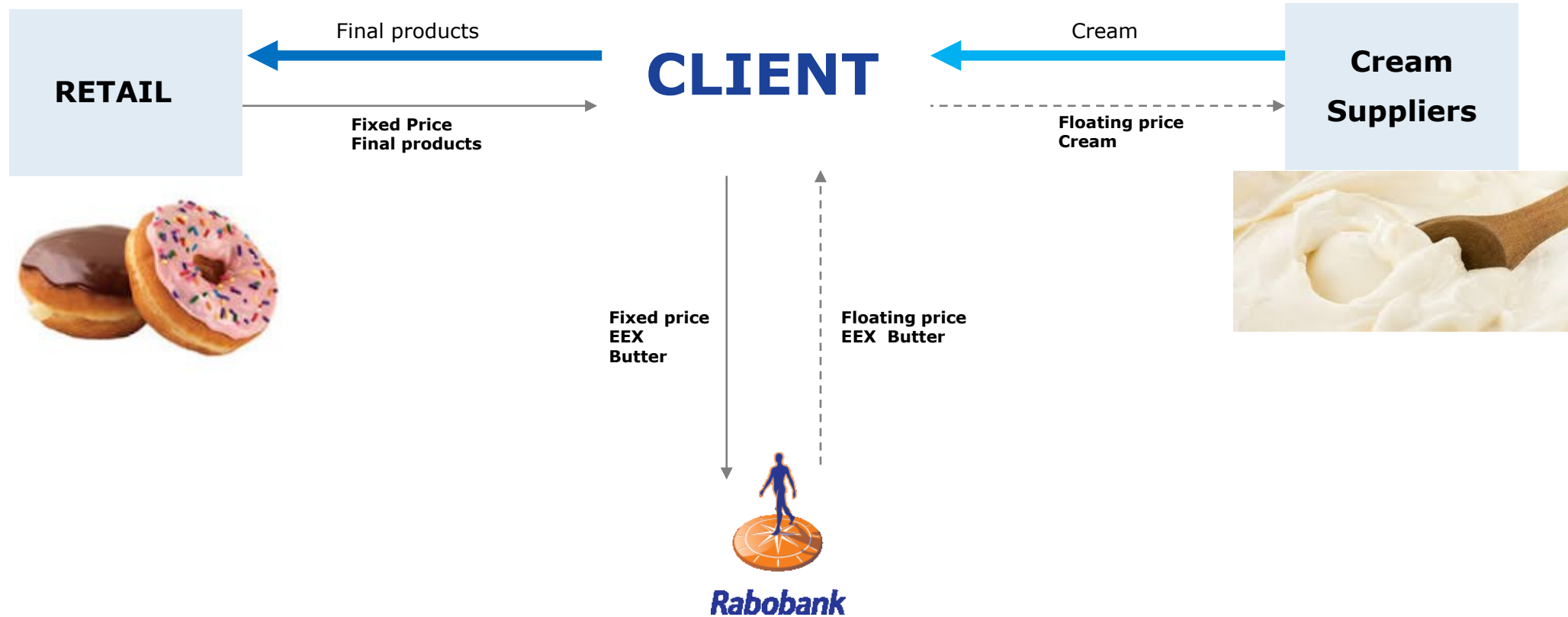
Commodity price volatility. . . a bit more history





- Swap is independent from the existing contract, therefore no interference with underlying contract
- Cash flows from the client are replicated in the floating leg to Rabobank on a monthly cycle
- If supply contract floating reference same as hedge contract floating reference, no basis risk involved
- If reference slightly different, though correlation > 90%, hedge serves as proxy hedge
- Ideal to eliminate exposure to large moves in commodity prices

- By means of a Financial Swap the physical take off can be separated from the price risk management (price fixation)
- Timing becomes flexible because the moment of price fixation can be done any time and independent from the physical delivery contract negotiations
- The Commodity Swap is a settlement instrument and therefore there is no obligation for physical take off
- Flexibility also exists by having the opportunity to hedge certain parts of the total volume (partial hedging)
- This Financial contract can be terminated or restructured at any time against the prevailing market conditions
- Reducing the price volatility of commodities and so reducing the cash flow volatility

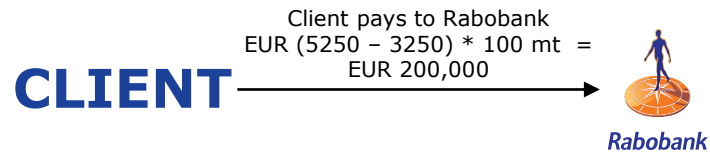


Working of the Butter Swap

Commodity: EEX Butter
Tenor: Jan-2018 up to Dec-18
Volume: 100 MT per month
Swap price: EUR 5250 per MT

Price lower

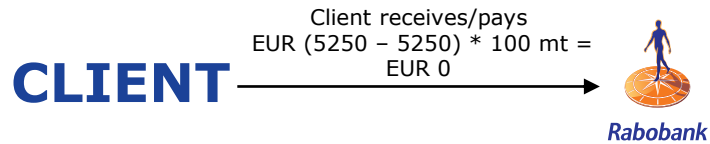
Floating = 3250 EUR/mt
 Swap price = 5250 EUR/mt



Client pays to Rabobank	200,000
Client pays to the supplier	325,000
Net	525,000
Net per mt	5250

Price equal

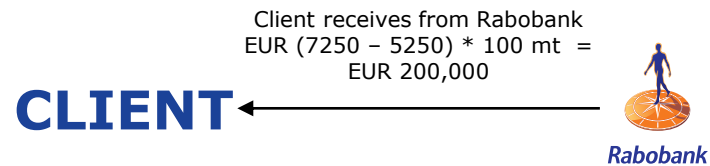
Floating = 5250 EUR/mt
 Swap price = 5250 EUR/mt



Client receives/pays to Rabobank	0
Client pays to the supplier	525,000
Net	525,000
Net per mt	5250

Price higher

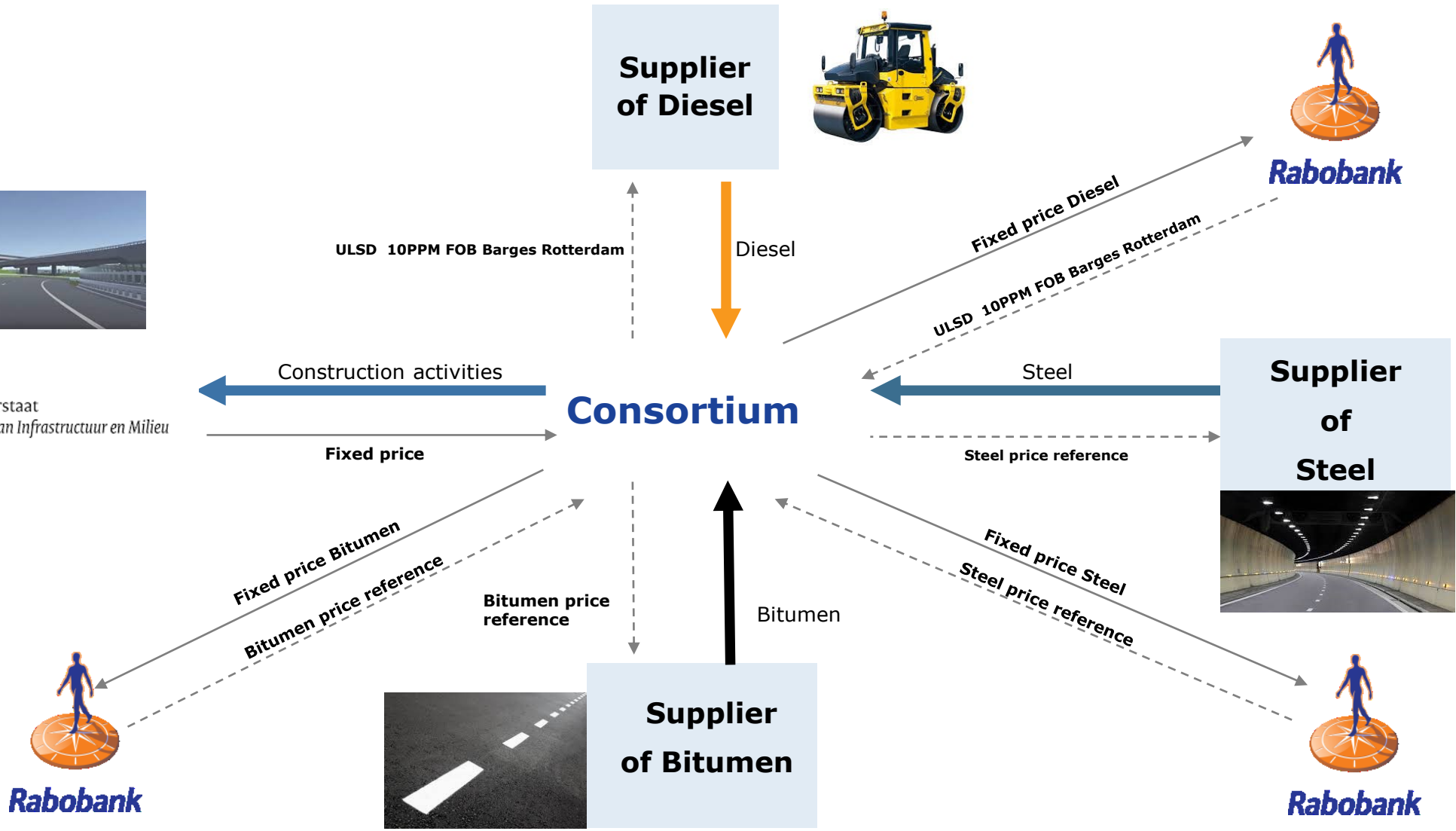
Floating = 7250 EUR/mt
 Swap price = 5250 EUR/mt



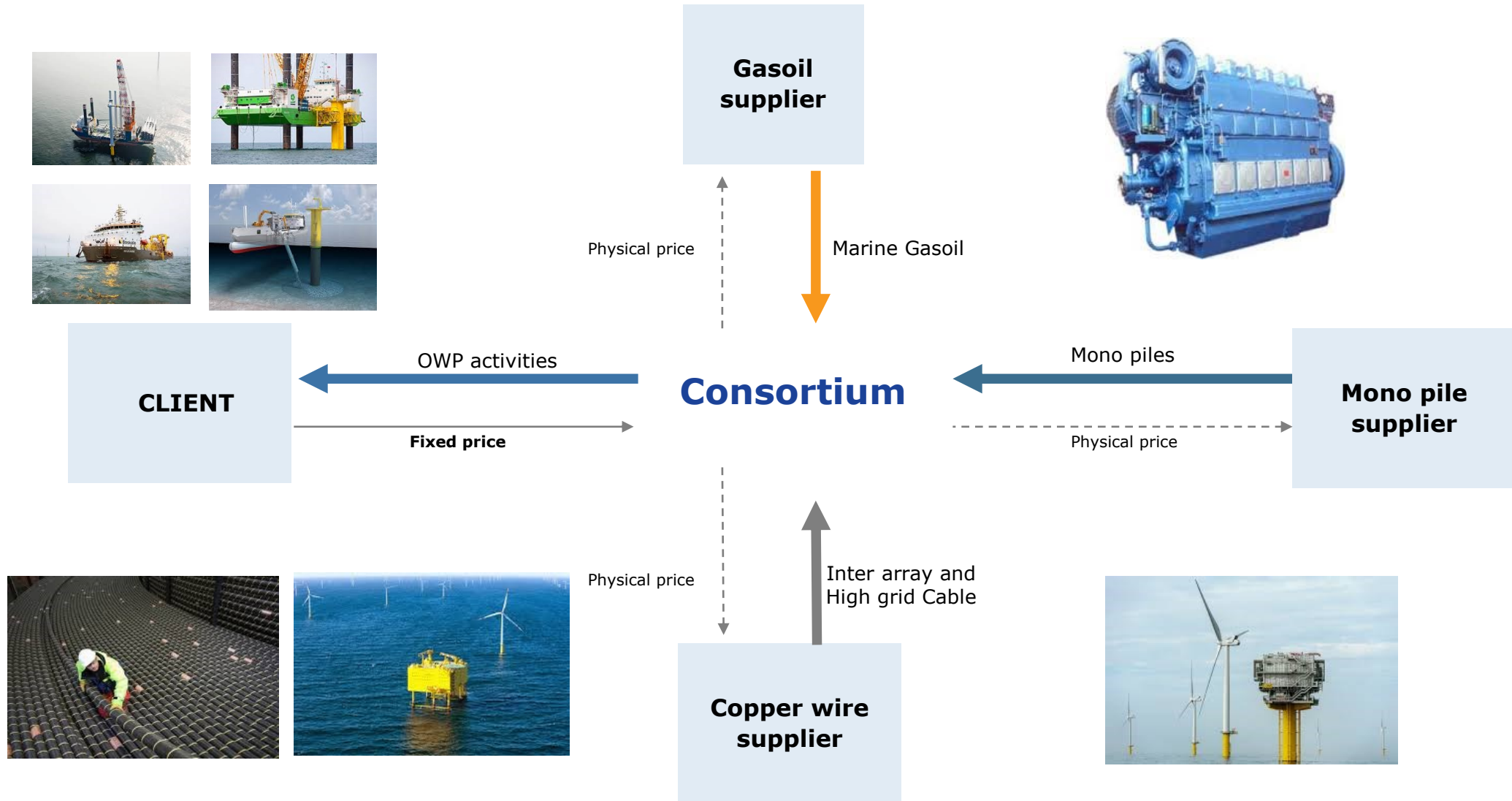
Client receives from Rabobank	200,000
Client pays to the supplier	725,000
Net	525,000
Net per mt	5250



Rijkswaterstaat
Ministerie van Infrastructuur en Milieu



Price Risk Management || Tender of an Offshore Wind Turbine Project





Rabobank

The need for added value

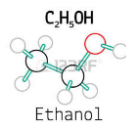
Dairy



EU Sugar market beyond Oct-2017



Ethanol, LNG, Butane



Petrochemicals, like LDPE, HDPE, PET, Ethylene

Steel



Besides options on the Agri&Softs also options on Energy&Metals



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