"Webinar on Hedging Price Volatility of Feed Ingredients using Commodity Derivatives"

on June 14, 2021 from 16:00 hrs to 17:30 hrs.

CLFMA OF INDIA, the apex organization and the voice of the Country's dynamic livestock industry in association with National Commodity and Derivatives Exchange **(NCDEX)** organized Webinar on hedging price volatility in feed ingredients using commodity derivatives. In the recent past, commodity prices have seen high volatility which has impacted the normal operations of business. It was thus imperative to understand how to manage this risk using the derivatives platform. The webinar was chaired by the Chairman of CLFMA OF INDIA Mr. Neeraj Srivastava. It included eminent panelists from the industry, Mr. Kapil Dev, CBO NCDEX, Mr Sumit Gupta, Business head, South Asia and South EA, McDonald Pelz, Mr Rajjib Saha, Agri derivatives Manager, ITC ABD Ltd, and Ms. Rajini Panicker from Phillip Capital. All the panelists have an average experience of more than 15 years in the industry. The event was moderated by Dr. Sujit Kulkarni, Managing Committee Member of CLFMA OF INDIA and finally the vote of Thanks was given by Mr. Suresh Deora, Hon Secretary of CLFMA OF INDIA.

Key objective of the Webinar was to discuss on anomalous rise in prices of Soybean seed and Soybean DOC and Corn which in turn enormous production cost leads to challenging circumstances for livelihood of livestock farmers of India. Webinar highlighted on the following topics:

- **Hedging Practices in Global & Domestic Markets**
- **Price risk management using commodity derivative tools**
- **Hedging mechanism A Case Study**

The Webinar started with a welcome address by Dr. Sujit Kulkarni, who also moderated the sessions. Dr. Sujit Kulkarni said that since last almost 3 to 4 months our industries have seen the volatility and the unusual spike particularly in Soyabean which led to increase in the feed cost.

Almost 80% price rise in Soyabean meal price was observed and there was a huge spike in soyabean seed also. So, CLFMA thought it prudent to support the Industry in this crucial time and hence arranged the webinar with NCDEX and invited the commodity market experts to deliberate the issue.

CLFMA OF INDIA Chairman Mr. Neeraj Kumar Srivastava thanked Dr. Sujit Kulkarni for giving a very nice brief of the Webinar. He, on behalf of CLFMA and its MC Members, welcomed all. Mr Neeraj Srivastava, in his Welcome Note stated the objectives for the webinar, wherein he highlighted the importance of commodity price risk being a financial risk driven by commodity supply and demand

fundamentals. The global commodity markets are facing high volatility due to the supply and demand gaps. It is important to manage this volatility using risk management tools like Futures and Options. The webinar is organized to understand the importance of these tools for effective price risk management and protecting the bottom lines of the business.

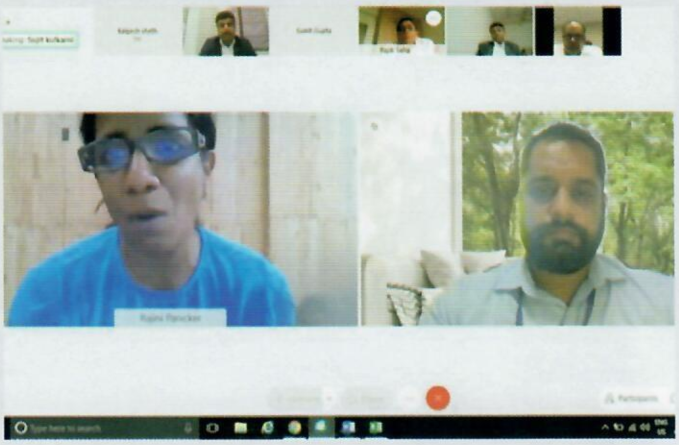
Mr Kapil Dev was the first panelist to speak on the subject. He highlighted the fact that risk is something that is unknown and uncertain. There is health risk, life risk and wealth risk. While we insure ourselves against the life and health, wealth is something that is not insured. Volatility and uncertainty is always there in business largely driven by unknown and uncertain factors. He cited some of the recent examples, droughts, Geopolitical events, biofuel push or logistical bumps like container shortages, Suez Canal blockage for recent volatility in the commodity prices. He explained that these can be effectively managed using the concept of Hedging.

Mr Sumit Gupta was the next panelist to talk on the subject. He further elaborated what Mr.Kapil Dev had explained in his presentation. He explained the weather patterns in terms of El Nino and La Nina periods and how these largely impact production of Agriculture commodities globally. Hi mainly focused on Corn and Soybean as these are largely used raw materials as feed ingredients. World corn production should increase to meet the rising demand. Corn prices almost doubled over last year for US farmer while the Indian Corn markets didn't see this kind of rally, this price gap has made Indian corn attractive for exports.

He also highlighted the domestic scenario where demand is driven by poultry and starch industry. There has been sharp increase in production and consumption domestically. For Soybean, he stressed on the fact that while the demand was increasing the yield was constant. The demand for Soybean will continue to increase due to increasing awareness on food preferences and income growth. He mentioned that proper research and analysis of the commodity will help in taking informed price decisions.

Mr. Rajib Saha continued where Mr. Sumit Gupta left his presentation and stressed more upon from a business perspective how these price volatilities impact the revenues of business. Corporates must have risk management policy to ensure that planned targets of annual sales, purchases and profitability numbers are attained to satisfy management and shareholders. It is all the more important for corporates who are into commodities as they have a number of risks including risk of change in government policies on tariffs, overseas trade, weather, currency or even hedge funds' strategies. Procurement via futures gives two- way protections, one is fixing the price and another is immunity from counterparty default. Futures also give price signals as they are reflective of what is going on in the markets both globally and domestically. He urged the participants to at least keep following the prices of futures market to get an understanding of the market fundamentals.

Finally, Ms. Rajini Panicker explained the role of a member in the ecosystem of Futures market. She highlighted how they work with various value chain participants to device customized strategies for them based on their raw material requirement. She also explained in detail the opportunity loss in Soybean if the market participants had hedged Soybean this year. This year being highly volatile, she explained the same for the last year as well, where if hedged the corporate would have saved about 4-6% in their overall procurement costs. She summarized her presentation by saying Securing raw material purchases through far- month commodity futures contracts not only gives the protection from potential rise in prices at a later date but also raises the efficiency of capital through leveraged transactions.



Webinar participants actively participated in Question and Answer session and Panelists answered their Questions satisfactorily.

Mr. Suresh Deora, Hon. Secretary of CLFMA OF INDIA concluded the webinar by thanking the panelists for their valuable inputs and the audience for participating and making the event a success. CLFMA OF INDIA will associate for more such programs for the benefit of the feed industry at large.

The event was attended by 270 participants and total registrations received were 317.