

# PRICE VOLATILITY AND RISK MANAGEMENT FOR THE FOOD AND DRINK SECTOR

## Background:

Price volatility across the Food and Drink sector is likely to persist, if not increase, and this offers significant challenges, particularly in the Dairy sector. Extremely low prices lead to reduced margin, which challenges cash flow and financing which can ultimately threaten solvency. While extremely high prices can lead to product substitution which can be difficult or impossible to reverse.

To help address this, industry needs to increase its understanding of the challenges presented by price volatility, as well as develop an understanding of the tools available to manage price volatility.

The key aim of this educational initiative is to improve the capabilities of mid-level to senior managers in positively influencing the strategic direction in light of the challenges of price volatility. Participants will build on existing skills and develop new management capabilities in a highly interactive learning environment stimulated by academics from CIT and industry experts.

## Trainer:

**Cork Institute of Technology** with support from industry speakers.

## Target audience:

This programme is directed at those in the agri-food industry, who have a requirement to understand the key concepts of price volatility and its management including those involved in **farm advisory / supplier** relations roles, **Agri division heads, Production Managers, Procurement Managers, Financial Managers, Market Analysts, Members of Strategy Group** and **Commercial Managers**.

## Key learning outcomes from programme:

- To inform participants of the challenges associated with excessive price volatility.
- To explore the impact of price volatility on the Irish food and drink sector.
- To critically evaluate the tools which may be employed to manage price volatility.
- To understand the functioning of futures and options markets and provide detailed examples of how these tools may be applied in an Irish context.
- To develop a strategic approach to the management of price volatility involving a full understanding of the key drivers of this volatility.
- To apply learning from the educational programme to help to solve specific organisational problems arising from price volatility.
- The ultimate aim is to develop and enhance management and advisory skills of key industry personnel. In turn, the participants should be in a position to lead the provision of risk management solutions to both their suppliers and customers.

## Programme Content

### Day 1

#### Price Volatility

- What is price volatility?
- Why is it important to manage price volatility?
- Why is it particularly important for Irish food and drink sector?
- Overview of tools available to manage volatility.

#### Fixed Price Forward Contracts

- Why the need?
- Critical evaluation.
- Possible alternative models.
- Forward contracts in practice.
- Irish industry case study.

### Day 2

- Policy including CAP, risk management toolkit and market supports.

#### Introduction to futures markets

- What is a futures market?
- Pros and cons of futures market.
- Introduction to the theory of hedging.
- Introduction to basis risk.
- Introduction to margin call / daily settlement.

#### Risk Management Strategies

- Index linked contracts.
- Dairy processor hedging strategies.
- End user hedging strategies.
- Options strategies for creating price floors / ceilings.

**To book your place, or for more information, contact Sam Owens, Food Drink Ireland Skillnet Network Project Officer (01) 6051728 or [Samantha.owens@ibec.ie](mailto:Samantha.owens@ibec.ie)**