



GOBIERNO FEDERAL



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Agricultural Risk Management in Mexico

2nd CONSULTATIVE FORUM ON COFFEE SECTOR FINANCE



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INTERNATIONAL COFFEE ORGANIZATION



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Content

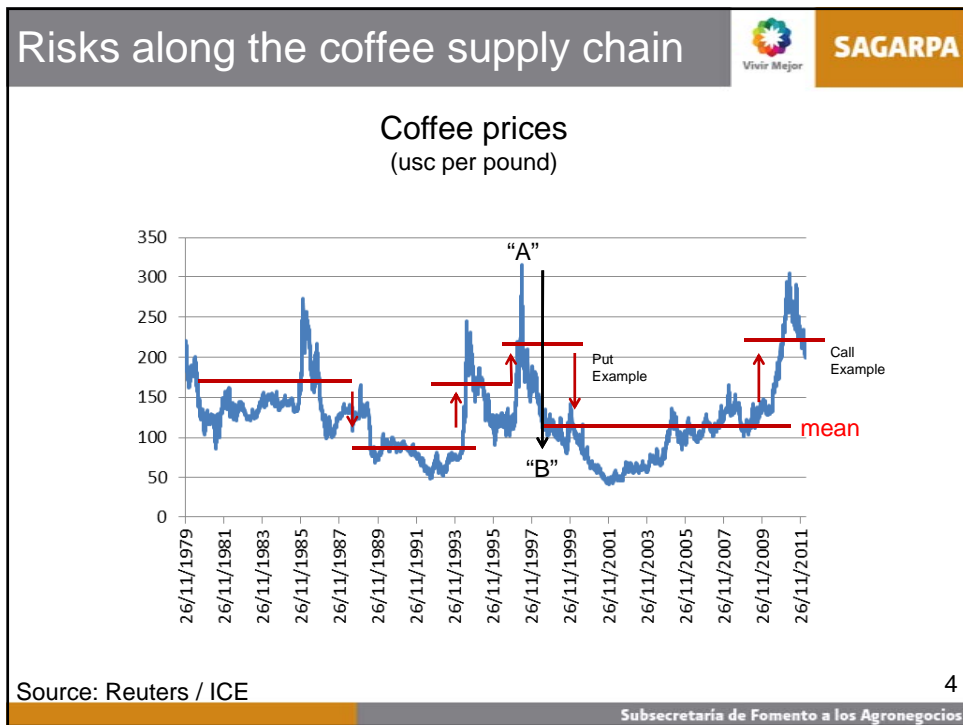
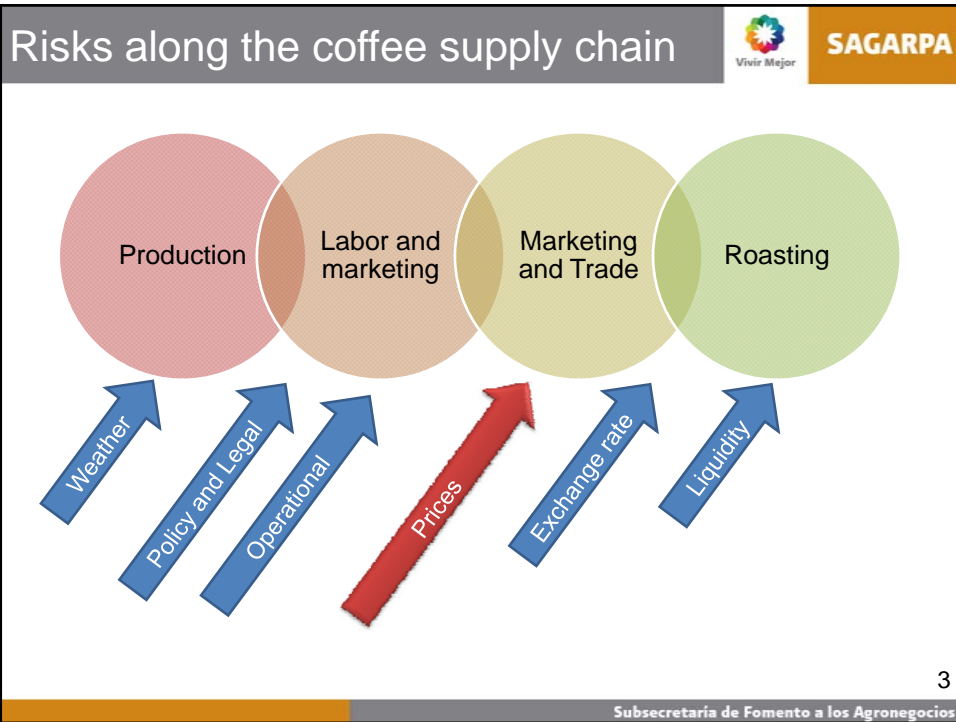


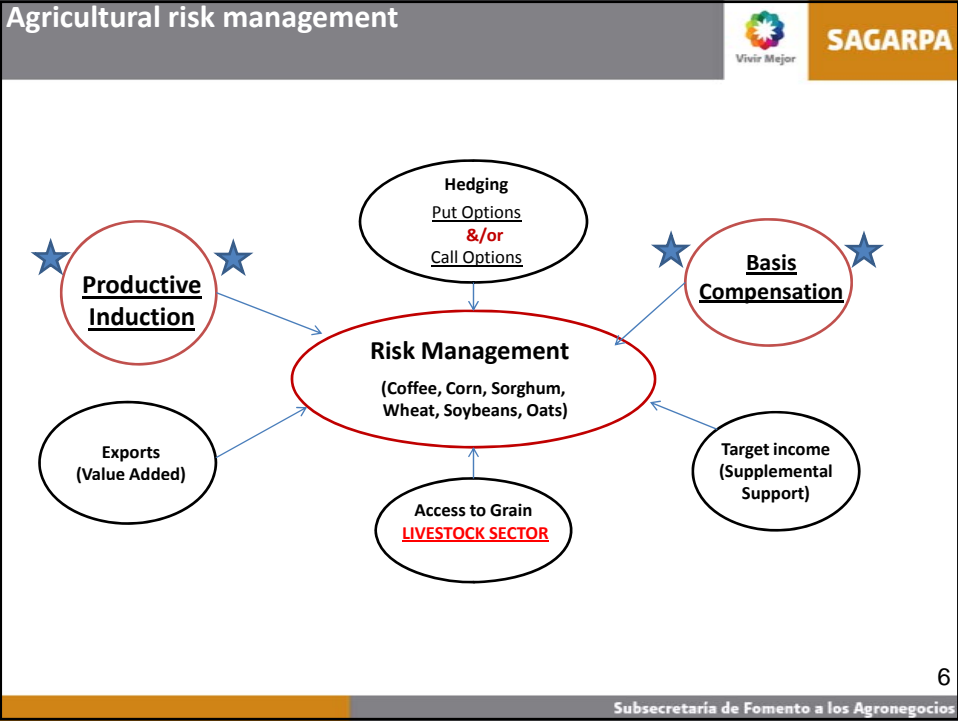
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- Risks along the coffee supply chain
- Risk policy evolution
- What is Agricultural Contract Through Financial Intermediaries?
- How does it work?
- Final remarks

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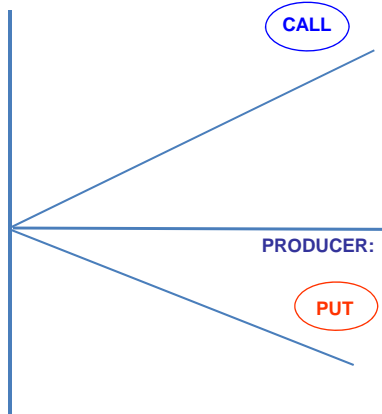
How does it work?



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MODALITY 85-50

Profit and Loss



Optional purchase of call coverage

* / If you do not acquire the call coverage, you get up to 50% of the cost of coverage purchased by the producer.

If you buy the option and it expires worthless, the buyer recovers up to 50% of the cost of the premium plus up to 8 USD per commission. In the event that a utility exists the buyer recovers from SAGARPA up to 25% of the premium cost, leaving the rest of the utility in the buyer's hands.

* / If the option expires worthless the producer recovers up to 85% of the cost of the premium plus up to 8 USD per commission, if profit exists the producer recovers from SAGARPA up to 50% of the cost of the premium, leaving the rest of the gains to the producer.

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Final remarks



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- There are several risks along the coffee supply chain.
- Price is a risk that can be managed
- Hedging has more economic advantages than issuing simple forward contracts between producers and consumers
- The program “Risk Management Through Financial Intermediaries” **aids in the managing of risks and provides transparency in price, quantity production and supply.**
 - **Public disclosure, Contracts are in tons and Mexican pesos ,**
 - **Impartial arbitration in terms of quality, Contract enforcement.**

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Thank you!

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