

# How this food exporter implemented an effective risk management strategy

“Ebury has helped us understand the currency markets alongside our particular exposure. We now have a set rate and comprehensive risk strategy backed up by expert market insight. All of this via a dedicated currency specialist who’s made the process as easy as possible.”

UK-based food exporter



## BUSINESS CHALLENGES

Profit margins are notoriously tight in the food sector. The last thing a business can afford is having its profits margins erode.

At the time the Pound was strong and its value had increased by around 13% against the US Dollar over the previous year. This was a major concern, as all of the business’s revenues were in USD and its costs were in GBP, and they feared that the markets could move against them again. Suddenly it wasn’t agricultural output but currency risk management that was top of their agenda.

The business investigated various options for their foreign exchange. The management was thinking about going for a broker which could provide them with market insight in addition to currency exchange services, but that route proved to be more expensive.

Their bank, however, despite offering better pricing, couldn’t give them the market insight they needed. To be able to continue to grow at the pace they had been they needed highly competitive exchange rates plus insights from currency experts.

## EBURY SOLUTIONS

Ebury has relationships with a range of large banks and can pick the best price for our clients from a pool of liquidity providers. Also, as we trade large volumes we are in a position to negotiate terms. So we were able to offer better pricing than the business had been getting from its bank.

The business now has a dedicated currency specialist at Ebury who understands its specific requirements. Rather than offering just spot trades, which was all the business got from its bank, Ebury introduced them to forward contracts. This allowed the business to lock in an exchange rate and mitigate currency risk for 18 months. In addition, their forward contract is underpinned by the provision of a credit line so the business can take out a forward up to the value of £10 million without paying any deposit.

The forward contract allows the business to consistently draw down at levels 3-4% better than the spot rate. They now not only manage risk effectively but get better pricing too.

The business has the proactive service they want and this has taken away the pressure on them to watch the markets and key economic indicators. Their dedicated currency specialist at Ebury also ensures that trades are always processed quickly and securely.