

ICIEC Staff Retreat and 30th Anniversary Celebration

19 - 20 December 2023

Business Strategy for Trading Houses

Outline

The rationale of the proposal

Definition and scope of activity of a trading house

Types of trading houses

CARGILL experience

Client Onboarding and Risk Enablers

Recommendation

The rationale

Leveraging on our success with Cargill

1. **Proven Success:** Our partnership with Cargill has been highly successful. We've established effective close relationship and have facilitated the flow of transactions amounting to USD 450M
2. **Knowledge sharing:** The experience we've gained from our collaboration with Cargill provides us with valuable insights we can apply to other trading houses relationships.
3. **Increase our support to our MS:** We aim to replicate our success with Cargill by applying the effective strategy and practices we've learned to other traders. This will allow us to increase our support to our MS
4. **Growth Potential:** By replicating our successful model with Cargill, we can expand our network of trading partners, and therefore increase ICIEC revenue stream
5. **Next Steps:** We will identify potential trading partners who align with our goals and values and propose a strategy based on our appetite and risk guidelines.

Trading Houses

A trading house is :

- A business that specializes in facilitating cross boarder transactions.
- An exporter, importer and a trader that purchases and sells products for other businesses.
- Has typically a large portfolio of clients that provide economies of scale benefits
- A specialist entity in managing risks by diversifying their portfolios, insuring against potential losses, and using hedging instruments. They also handle logistics, finance, and other transaction-related tasks.

FRONTIERA
CAPITAL

أرامكو السعودية
saudi aramco

GLENCORE

Sumitomo

Marubeni

Olam

BUNGE

Vitol

COFCO INT

ITOCHU

Cargill

GUNVOR

ADM

ED&F
MAN
EST. 1783

Sumitomo

Trafigura

wilmar

SOCAR

LDC
Louis Dreyfus Company

Core business activities



Commodity Trading

Trading of oil, gas, minerals, agricultural products, and metals (i.e. Cargill, Bunge, Vitol, Glencore)



Financing Facilities

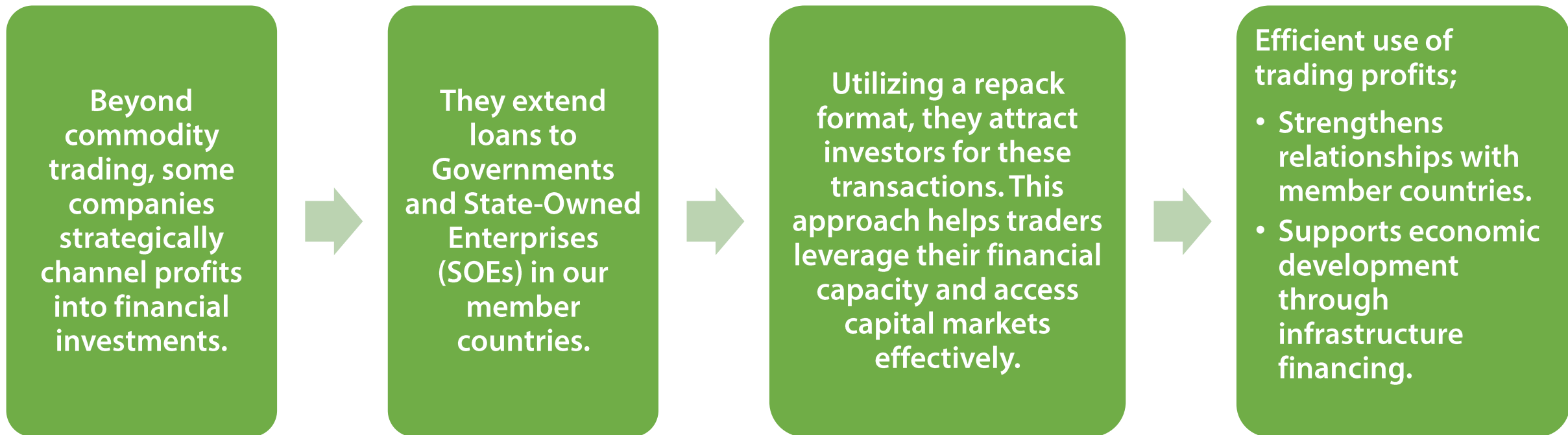
Extending financing facilities to governments . This financing can be in the form of prepayment arrangements, loans, or infrastructure development funding. (i.e Trafigura, Vitol, Cargill, Frontera, Aramco)



Manufacturing Facilities

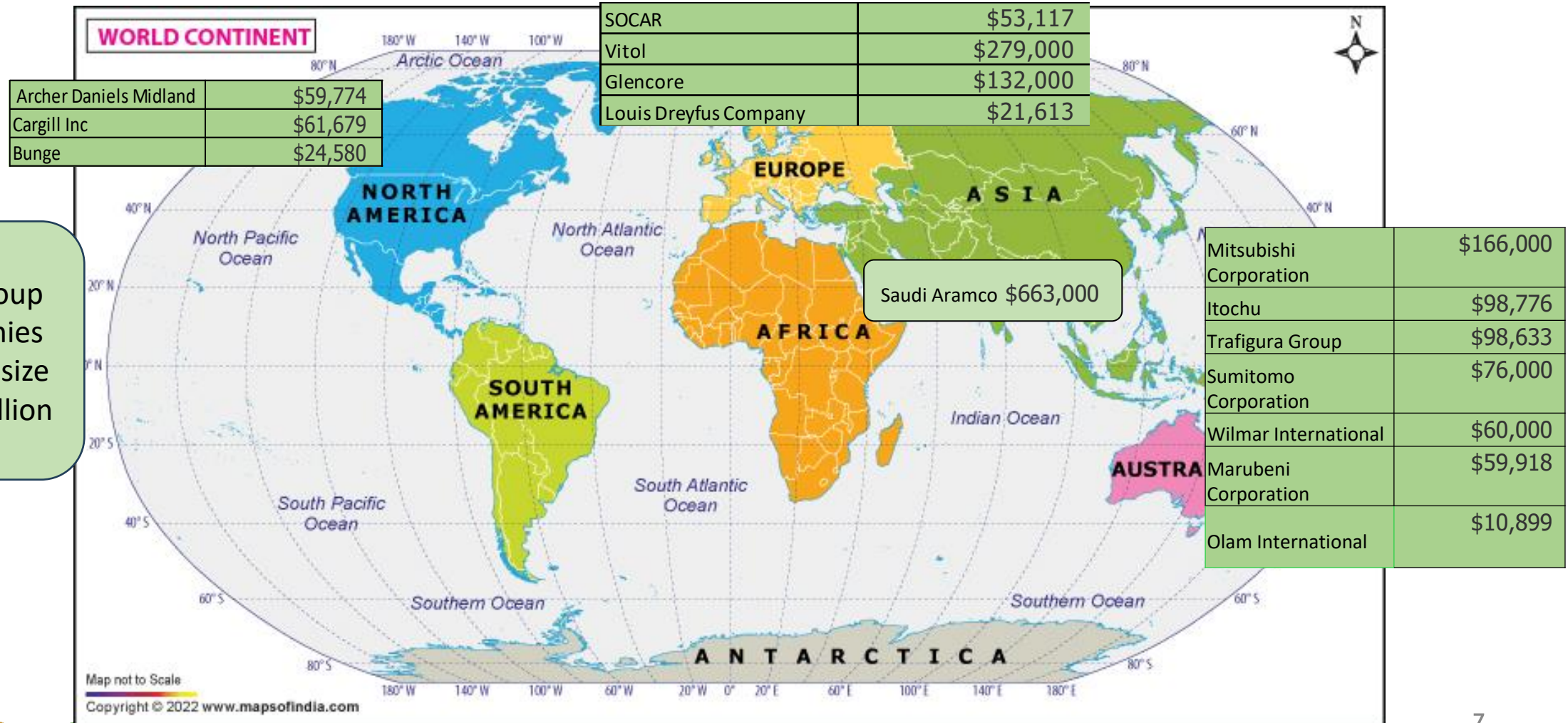
Using raw materials they trade to produce value-added products. (i.e. Cargill, Glencore, Mitsubishi, Aramco, Socar)

Trading Houses in Financing Facilities



World's Top Trading Houses

By asset size (US\$ million)



Top 15 Group of companies with asset size of \$ 1.9 Trillion

World's Top Trading Houses

(By type of Products)

Trading House	Description	Products	Geographical coverage
1. Cargill	Cargill is an American multinational corporation that is involved in the trading, processing, and distribution of agricultural commodities. It has CARGILL CFSI which is specialized in providing financing with offices in UAE, UK, US and others.	Cargill is known for trading in a wide range of commodities, including grains, oilseeds, sugar, and meat. It also provides financing through CARGILL CFSI.	Operations span across the Americas, Europe, Asia, and Africa.
2. Archer Daniels Midland (ADM)	ADM is a global food processing and commodities trading corporation based in the United States.	Specializes in the processing and trading of grains, oilseeds, cocoa, and various agricultural products.	Operations extend globally, with a significant presence in North America, Europe, and Asia.
3. Bunge	Bunge is a leading agribusiness and food company, involved in the global trading and processing of agricultural commodities.	Specializes in the trading of grains, oilseeds, sugar, and fertilizer products.	Active in North and South America, Europe, and Asia.
4. Louis Dreyfus Company (LDC)	LDC is a global merchant and processor of agricultural goods, with a focus on sustainable and responsible trading.	Trades in grains, oilseeds, coffee, cotton, and sugar.	Operations span across the Americas, Europe, Asia, and Africa.
5. Glencore Agriculture	Glencore Agriculture is a major player in agricultural commodity trading and operates as part of the larger Glencore Group.	Focuses on grains, oilseeds, sugar, and cotton.	Active in regions such as South America, Europe, and Asia.
6. Wilmar International	Wilmar is a Singapore-based agribusiness and food processing group, known for its significant role in the global palm oil trade.	Specializes in palm oil, as well as other agricultural commodities such as soy, sugar, and grains.	Operations across Asia, Africa, and the Americas.

World's Top Trading Houses

Trading House	Description	Products	Geographical coverage
7. COFCO International	COFCO International is the overseas trading arm of COFCO Group, a major Chinese state-owned food and agribusiness company.	Engaged in the trading of grains, oilseeds, sugar, and soft commodities.	Active globally, with a focus on South America, Europe, and Asia.
8. Olam International	Olam is a multinational agribusiness and food processing company headquartered in Singapore, with a strong emphasis on sustainable practices.	Trades in a wide range of commodities including cocoa, coffee, grains, and nuts.	Active in Africa, Asia, the Americas, and Europe.
9. Noble Group (Now part of COFCO)	Noble Group was a major commodity trading company, and it has been acquired by COFCO International.	Historically involved in the trading of grains, oilseeds, and energy products.	Operations globally, with a focus on Asia and the Americas.
10. Agrium (Now part of Nutrien)	Agrium was a major player in agricultural products, including fertilizers, and it has been acquired by Nutrien.	Historically known for its role in the trading of agricultural products.	Operations globally, with a significant presence in North America.
11. Vitol Group	A leading energy and commodities company engaged in oil, natural gas, and refined products trading.	Engaged in the trading of Oil, natural gas, refined products.	Active globally
12. Trafigura Group	A multinational commodity trading company dealing in metals, minerals, and energy.	Trades in a wide range of commodities including Metals, minerals, energy.	Active Globally
13. Mercuria Energy Group	An energy and commodity group involved in trading, storage, and supply of crude oil, refined products, and natural gas.	Crude oil, refined products, natural gas.	Active

Experience with existing client Cargill



ICIEC onboarded Cargill in early 2022 following extensive deliberations on policy terms and transaction's structure as well as compliance check.

Within a year, Cargill become the First client contributing to the ICIEC overall premium (USD 20m in 2023)

Cargill is a global corporation that operates in the agriculture, food, and financial industries. It was founded in 1865 by William Wallace Cargill as a small grain storage company in Iowa, USA.

In addition to its core businesses in agriculture and food, Cargill also has a significant presence in the financial sector through its subsidiary, Cargill Financial Services (CFSI).

Cargill has initiated a program to provide trade loans to banks and governments/state-owned enterprises (SOEs).

The Cargill trade loan program typically utilizes a structure known as TRLA (Trade Receivables-Backed Loan Agreement) in combination with an LC (Letter of Credit) structure.



Experience with existing client

Trade Finance deals : Bank
risk – Egypt / Uzbekistan



Project Finance deals -
CIV



Trade Finance deals – SOEs



Pipeline deal – Funding to
STO Guaranteed by MoF
Maldives

Client Onboarding and Risk Enablers

Client onboarding of trading houses:

- Cross referencing of trading houses' contacts active in other zones/regions to ICIEC hub office present in that region for follow up
- direct approach of trading houses located in the same country/region as ICIEC hub offices
- active participation in global trade events/seminars/workshops
- host own workshop for trading houses to explain ICIEC solutions and risk appetite
- expand strategic partnerships with stake holders involved in commodity trading ecosystem such as banks/FIs, insurance brokers, and trade associations/organizations
- reverse marketing from the buyer's/issuing bank's end

Risk Enablers:

- Incentivize trading houses through premium discounts to secure more transactions in focused and low-pressured markets
- Implement additional risk mitigants for transactions in modest, high pressured, and high-risk markets such as:

*) reduced cover (50-70%)

*) reinsurance/co-insurance with the local ECAs and to rely on their on-the-ground-knowledge of the buyer

*) consider 1st loss and 2nd loss structure

Risk Perception on MSs

Focus Market	Mixed Market			High risk		
	Low pressure	Modest pressure	High Pressure	High Risk (Discouraged)	High Risk (Extreme Category-Restricted)	Off cover
1. Azerbaijan	1. Albania	1. Cameroon	1. Bangladesh	1. Burkina Faso*	1. Gabon*	1. Syria
2. Bahrain	2. Algeria	2. Nigeria	2. Cote D'Ivoire	2. Chad*	2. Iraq	2. Yemen
3. Brunei	3. Iran	3. Türkiye	3. Egypt	3. Comoros	3. Lebanon*	3. Sudan***
4. Indonesia	4. Turkmenistan		4. Senegal	4. Djibouti	4. Libya	4. Niger***
5. Jordan	5. Uganda			5. Gambia	5. Palestine	
6. Kuwait	6. Benin			6. Guinea	6. Suriname	
7. Kazakhstan				7. Maldives		
8. Mauritania				8. Mali*		
9. Malaysia				9. Mozambique		
10. Morocco				10. Tunisia**		
11. Oman				11. Pakistan***		
12. Qatar						
13. Saudi Arabia						
14. United Arab Emirates						
15. Uzbekistan						

*under watch due to mid east crisis **under watch due to Sahel crisis *** Moved to Off cover from high political risk (Extreme category -restricted)

Status of ICIEC relationship with other trading houses



They have both trading and financing facilities. They also need PRI for their stock in our member countries.



Discussions underway for infrastructure projects. In addition, the first STP transaction will be concluded on the trading side.



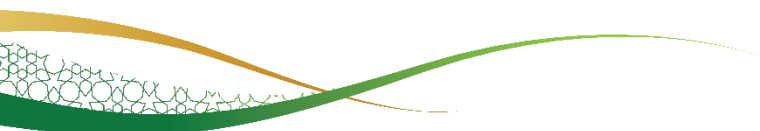
Based in the UK and Switzerland with presence in Turkiye, Singapore and Dubai. They have trade with Middle East and Asian member countries. They have also an investment arm to be expanded with a focus on financing and PRI.



Relationship has been established and several discussions took place for Iraq. Trade and Financing are in scope.



Initial discussions for collaboration took place. Cargill model to be implemented for financing facilities.



Status of ICIEC relationship with other trading houses



There were discussions for their trade business in Nigeria. It will be expanded in other member countries.



There is a CSTP policy for trading activities, and there are ongoing discussions for PRI for their oil exploration projects in Azerbaijan.



The relationship has been established to collaborate on their trading activities.



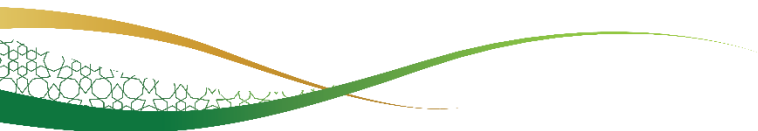
First STP transaction has been concluded for the supply of wheat, will explore more to expand the relationship on trading. They have also financing activities managed from Switzerland and it is an area for improving the relationship.



The relationship has been established to discuss trading and financing activities.

Recommendations

- 1) Review the Country limits/Risk Perception for the focus member countries
 - *Example: The capacities of some countries have reached the limits (i.e BGN- Egypt)*
- 2) Structured Insurance Solutions for high-risk countries
 - *Co-insurance mechanisms (Example: 50% support cover from ICIEC, 50% - ECA or DFI involvement.)*
 - *Reinsurance as an alternative solution in some countries*
 - *Obligor-based re-assessment in high-risk countries for essential commodities*
- 3) DD missions with Risk management and underwriting to target member countries
 - *Example: Usually, the Trading Houses conduct their own DD practice before starting financing. So ICIEC and the trading house may organize joint missions.*
- 4) Attending Trade Finance events (GTR) for networking, accessing the latest market trends, insights, best practices
- 5) Incentivize the food security transactions brought by the trading houses especially in less pressured countries in terms of ICIEC exposure (fast track)



The team composition

- Sis Ayse Selda
- Bro Abdul Gafoor
- Bro Rony Azar
- Bro Miguel Kosasih
- Bro Pape Diagne
- Bro Arysbek Zhumabek

THANK YOU



<https://iciiec.isdb.org>