



Freight Cost Certainty for Shippers & Importers

Protecting Your Landed Cost with
Euronext CFF



The Shipper's Dilemma

Locked into annual tenders but exposed to daily rate swings

The Annual Tender Trap

- Most shippers negotiate freight rates once a year during tender season (typically Q4/Q1)
- Rates agreed at tender can become irrelevant within weeks if spot markets surge or collapse
- Carriers may refuse bookings or impose GRIs when spot rates rise above contracted levels

Beyond the Base Rate

- Peak Season Surcharges (PSS) can add \$500–\$2,000/FEU with little advance notice
- Bunker Adjustment Factor (BAF) and Emergency Bunker Surcharge (EBS) add fuel volatility on top
- Total freight cost variance can reach 40–60% above budget in a spike year

Shippers hedge energy, FX, and raw materials — but freight remains the largest unmanaged input cost in global supply chains.



How Freight Costs Impact Your P&L

Freight is no longer a rounding error — it is a material line item

Freight as a Share of Landed Cost

- Pre-COVID: freight was 3-5% of landed cost for most consumer goods — easy to absorb
- During supply chain crisis: freight surged to 15-25% of landed cost, directly eroding margins
- For a mid-size European importer (5,000 FEU/year), a \$2,000/FEU spike = \$10M unplanned cost

Budget Variance & Margin Erosion

- Procurement budgets set in Q4 become obsolete by Q2 when peak season surcharges hit
- CFOs face a choice: absorb the cost (margin erosion) or pass it to customers (competitive risk)
- Earnings calls increasingly cite freight volatility as a material risk factor

With CFF, freight becomes a manageable, hedgeable cost — just like energy and FX.



The New Procurement Model

From fixed-rate tenders to indexed + hedged procurement

Traditional: Fixed-Rate Annual Tender

- Lock rate once a year with the carrier — no flexibility if market moves
- Carrier defaults if spot falls far below contract; shipper overpays if spot stays low

Emerging: Indexed Contract (Floating Rate)

- Pay spot rate (XSI®-C) plus an agreed spread — carrier always delivers, rate floats with market
- Solves service reliability but leaves budget certainty unresolved

Best Practice: Indexed + CFF Hedge

- Indexed contract ensures carrier service reliability (no default incentive)
- CFF hedge locks in the rate level — giving you budget certainty on top of service certainty

The combination of indexed physical contracts and CFF hedging is the future of freight procurement.



How CFF Works for Shippers

A long hedge locks in your freight purchase price — regardless of where spot rates go

The Long Hedge

- You are a buyer of freight (short the physical market) — you hedge by going long CFF futures
- If spot rates rise, your futures gain offsets the higher physical freight cost
- If spot rates fall, your futures loss is offset by cheaper physical freight — net cost stays locked

Matching Volume to Contracts

- Each CFF contract = 5 FEU. If you ship 500 FEU/month on FENE, you need 100 contracts/month
- You can hedge 100% of volume (full protection) or a portion (partial hedge with upside optionality)
- With 18 monthly expiries available, you can hedge up to 18 months of future shipments

CFF turns freight from an unpredictable cost into a known budget line item.



Worked Example: European Fashion Importer

Hedging Q3 peak season freight for 5,000 FEU annual volume on FENE

Scenario

- Annual volume: 5,000 FEU on Far East to North Europe (FENE)
- Peak season exposure (Jul-Sep): 1,500 FEU = 300 CFF contracts (5 FEU each)
- Current FENE Q3 futures price: \$3,200/FEU. Budget target: \$3,200/FEU

If Spot Rises to \$5,000/FEU

- Physical cost: $1,500 \times \$5,000 = \7.5M . Futures gain: $1,500 \times \$1,800 = \2.7M
- Net cost: $\$4.8\text{M} = \$3,200/\text{FEU}$ effective rate. Budget protected.

If Spot Falls to \$2,000/FEU

- Physical cost: $1,500 \times \$2,000 = \3.0M . Futures loss: $1,500 \times \$1,200 = \1.8M
- Net cost: $\$4.8\text{M} = \$3,200/\text{FEU}$ effective rate. Budget certainty maintained.



Getting Started

Align your procurement and treasury teams — then connect with a broker

Internal Alignment

- Procurement identifies the volume, routes, and seasonal exposure to hedge
- Treasury/finance approves the hedging mandate, margin funding, and accounting treatment
- Board or risk committee signs off on the hedging policy and risk limits

Broker Selection

- Choose a commodity broker with freight derivatives expertise (e.g., BANDS, Marex, StoneX)
- Your broker will structure the hedge, execute trades, and provide daily reporting

Next Steps

- Contact Euronext's CFF team for an introductory consultation and broker referral
- Request a tailored exposure analysis based on your shipping volumes and routes



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