



# Freight Cost Management

Protecting Your Budget with  
Euronext CFF

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# The CFO's Freight Problem

Freight volatility directly impacts P&L, budgets, and shareholder confidence

- For most importers, ocean freight is among the top 5 variable cost items — yet it is one of the least managed
- Rate swings of \$3,000–\$10,000 per container directly erode margins on imported goods
- Annual freight budgets can be exceeded by 50–200% in a single rate spike (as seen in 2021 and 2024)
- The result: earnings surprises, margin calls from suppliers, re-pricing to customers, budget revisions

## The Comparison That Matters

- Airlines hedge jet fuel — it is standard treasury practice
- Food companies hedge commodity inputs — it is standard treasury practice
- Importers do not hedge container freight — but they should. The tools now exist.



# Quantifying Your Rate Exposure

What happens when rates move — and they always do

## **Example: European Retailer Importing 5,000 FEU/Year from Asia**

- At \$3,000/FEU: Annual freight cost = \$15 million
- At \$6,000/FEU: Annual freight cost = \$30 million — a \$15M budget overrun
- At \$10,000/FEU (2021 levels): Annual freight cost = \$50 million — 3.3x the baseline budget

## **This Is Not Hypothetical**

- COVID-19 (2020–2021): rates rose 9x in 18 months
- Red Sea (2024): SCFI doubled in 6 months as vessels rerouted around the Cape
- Tariff disruptions (2025): front-loading and demand shifts created fresh volatility

**The risk already exists. The question is whether you manage it.**



# How Freight Futures Protect Your Budget

The mechanics of hedging explained for corporate decision-makers

## **The Principle: Lock in a Rate Today for Future Shipments**

- Buy a futures contract at today's forward rate (e.g., \$3,500/FEU for Q3)
- If spot rates rise to \$5,000: you pay more in physical market, but receive \$1,500/FEU from futures
- If spot rates fall to \$2,500: you pay less in physical market, but pay \$1,000/FEU on futures
- Either way, your effective rate stays near \$3,500 — budget certainty achieved

## **What Changes — and What Doesn't**

- Your shipping operations remain exactly the same — same carriers, same routes, same service
- The futures position is a separate financial overlay — like an insurance policy on your freight cost
- Cash-settled in USD — no physical containers involved



# CFF Product Overview for Corporates

Euronext Container Freight Futures at a glance

- Listed on Euronext Amsterdam — regulated, transparent, MiFID II compliant
- Four route-specific contracts: FENE, FEUW, NEFE, NEUE
- 18 consecutive monthly maturities — hedge up to 18 months forward
- Cash-settled against the Xeneta Shipping Index by Compass (XSI®-C)
- Centrally cleared — no bilateral counterparty risk, no ISDA documentation
- Eligible for hedge accounting under IFRS 9 — important for CFO/treasury approval
- Lot size: 5 FEU — scalable from small hedges to large corporate programmes
- Access via any Euronext clearing member or through broker-assisted EFS



# Hedging Example: Supplementing Annual Contracts

Using futures to protect the unhedged portion of your freight spend

## Scenario: Retailer with 12-Month Carrier Contract + Unhedged Back Half

- Annual contract covers Jan–Dec at \$3,200/FEU for the first 6 months
- Back half (Jul–Dec) subject to GRI adjustments and peak season surcharges
- Volume: ~2,500 FEU in the exposed back-half period

### The Hedge

- Buy 500 CFF FENE contracts ( $2,500 \text{ FEU} \div 5$ ) across Jul–Dec maturities at ~\$3,400/FEU
- If peak season drives rates to \$5,500/FEU → futures gain:  $\$2,100 \times 2,500 = \$5.25$  million saved
- If rates stay flat or fall → your physical costs are lower, futures cost is manageable

**Result: Your annual freight budget is protected. Your CFO can plan with confidence.**



# P&L Impact: Hedged vs. Unhedged

Smoothing the impact of freight volatility on your bottom line

## **Without Hedging: Your P&L Follows the Market**

- When rates spike: freight costs overshoot budget, margins compressed, potential for earnings warning
- When rates crash: windfall savings but no ability to lock them in for the future
- Quarterly results become hostage to freight market moves you cannot control

## **With Hedging: Your P&L Is Stabilised**

- Rate spikes are offset by gains on your futures position
- Budget accuracy improves — freight costs become more predictable
- Quarterly earnings guidance becomes more reliable
- With IFRS 9 hedge accounting, gains and losses flow through OCI — reducing P&L volatility

**Southwest Airlines saved billions by hedging fuel early. The same opportunity now exists for freight.**



# Hedge Accounting Under IFRS 9

How container freight futures qualify for hedge accounting treatment

## Why Hedge Accounting Matters

- Without hedge accounting: futures gains/losses flow directly through P&L — creating artificial volatility
- With hedge accounting: gains/losses are matched with the hedged item — smoothing reported results

## CFF and IFRS 9

- CFF contracts are exchange-traded derivatives based on an EU BMR compliant index
- They meet the key IFRS 9 criteria: designated hedging relationship, documented strategy, measurable effectiveness
- Cash flow hedge accounting allows the effective portion to be parked in OCI

## Removing the Biggest Internal Objection

- A Big 4 co-authored IFRS 9 white paper for container freight futures is in preparation
- This removes the "our auditors won't know how to treat this" objection
- Contact us for pre-publication guidance and sample hedge documentation



# Getting Started: Clearing Member Access

The path from decision to first trade

## **Step 1: Internal Alignment**

- Use the Board Presentation Template (available from Euronext) to secure internal approval
- Engage your CFO with the hedge accounting guidance and P&L impact analysis

## **Step 2: Select a Clearing Member**

- We provide pre-vetted introductions to clearing members experienced with corporate hedgers

## **Step 3: Open Account**

- Standard KYC — most physical hedgers qualify for MiFID II ancillary activity exemption

## **Step 4: First Trade**

- Start small — even 10 contracts (50 FEU) gives you practical experience
- EFS (broker-assisted) available for those who prefer off-screen execution

**Typical timeline: Decision to first trade in 4-6 weeks**



# The Forward Curve for Tender Planning

Using the 18-month forward curve in your procurement strategy

## **Before People Trade Futures, They Reference Futures**

- The 18-month CFF forward curve shows where the market expects rates to be
- Use it to benchmark carrier proposals during tender season
- Compare carrier contract rates against the futures curve to assess value

## **Practical Applications for Procurement**

- Contango (curve rising): consider hedging now before rates climb further
- Backwardation (curve falling): the market expects rates to ease — but use futures to protect the upside
- Budget setting: lock in rates for the fiscal year using the forward curve as your baseline
- Scenario analysis: model best/worst/expected freight costs using curve data



# Next Steps

Your action plan starts today

## **1. Request the CFO Briefing Pack**

- Comprehensive guide covering hedge accounting, margin impact, and P&L smoothing

## **2. Download the Board Presentation Template**

- A neutral 10-slide deck ready for internal presentation to your board or risk committee

## **3. Schedule a Treasury Workshop**

- Bring your CFO, treasurer, and procurement lead — we'll walk through your specific exposure

## **4. Get a Clearing Member Introduction**

- We'll match you with a clearing member experienced in onboarding corporate hedgers

**Contact: [freight@euronext.com](mailto:freight@euronext.com)**



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