



# Protecting Margins for NVOCCs & Consolidators

Locking the Buy-Side to Defend  
Your Spread

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# The NVOCC Business Model

Buy from the carrier, sell under your own bill of lading — the spread is your margin

## How NVOCCs Operate

- NVOCCs purchase container space from ocean carriers (at carrier rates or spot) and resell to shippers
- They issue their own bill of lading and take responsibility for the shipment
- The margin = sell price to shipper minus buy price from carrier

## The Asymmetric Risk

- NVOCCs often pre-sell capacity at fixed rates to win customer contracts (weeks or months in advance)
- But they buy carrier space at spot or short-term rates — which can spike between sale and shipment
- If spot rates surge after the sale, the NVOCC's margin is crushed — potentially into negative territory

**NVOCCs carry one of the most concentrated rate risk exposures in the entire shipping supply chain.**



# How CFF Solves the Margin Squeeze

Lock your buy-side cost the moment you sell to a customer

## The Hedge

- When you sell a shipment to a customer at a fixed price, immediately buy CFF futures for that month
- Your locked-in buy cost = CFF futures price. Your locked-in sell price = customer contract
- Your margin (sell minus buy) is now fixed at the time of sale — regardless of where spot goes

## Example

- You sell 500 FEU on FENE at \$3,500/FEU to your customer for September delivery
- Buy 100 September FENE contracts at \$3,000/FEU — locked-in margin = \$500/FEU x 500 FEU = \$250,000
- If spot rises to \$4,500: carrier charges more, but futures gain offsets. If spot falls carrier charges less, futures loss offset. Net margin = \$250,000 either way

**CFF transforms the NVOCC from a rate speculator into a spread business with predictable margins.**



# Digital Forwarders & CFF

How tech-enabled forwarders can use CFF as a pricing backstop

## The Digital Forwarder Model

- Digital platforms (Flexport, Zencargo, etc.) offer instant quotes and online booking
- Quoted prices may be valid for hours or days — but underlying carrier costs move continuously
- The gap between quote and shipment creates rate risk identical to the NVOCC model

## CFF as Pricing Infrastructure

- Use CFF forward curve to price customer quotes more accurately — forward prices replace guesswork
- Hedge each customer booking in real-time via automated CFF execution through broker API
- Offer customers guaranteed fixed-price quotes for longer windows — competitive advantage

**CFF gives digital forwarders the pricing confidence to offer longer validity quotes and win more business.**



# Building a Hedging Programme

From ad-hoc hedging to a structured, board-approved risk management framework

## Governance

- Board or management committee approves the hedging mandate, risk limits, and authorised instruments
- Define maximum hedge ratio (e.g., up to 80% of forecasted volume) and tenor (e.g., up to 12 months)

## Policy & Process

- Document a hedging policy: who can trade, what instruments, what approval thresholds
- Establish daily/weekly reporting: open positions, P&L, margin utilisation, hedge effectiveness

## Broker & Execution

- Select a clearing broker with freight derivatives expertise
- Start with EFS block trades for simplicity, migrate to screen trading as confidence grows

**A well-governed hedging programme is an operational advantage — it protects margins and enables bolder commercial decisions.**



# Getting Started: NVOCCs

Practical next steps to begin protecting your margins with CFF

## Immediate Actions

- Calculate your monthly buy-side volume by route — this determines your hedge size
- Identify your average lead time between customer sale and carrier purchase — this is your risk window
- Contact a freight derivatives broker to discuss account opening and execution options

## Pilot Programme

- Start by hedging your largest route for one month — match each customer sale with a CFF buy
- Track the hedged vs. unhedged margin over the pilot period to quantify the benefit

## Scale Up

- Expand to all routes and build an automated hedge-on-sale workflow with your broker
- Use CFF forward curve pricing to make your customer quotes more competitive and accurate

**NVOCCs that hedge can offer longer-term fixed pricing — a powerful competitive advantage in a volatile market.**



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