
Futures Hedging Course for Producers and Consumers: Spreads, Margin and Limits

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Tokyo





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Programme Summary

Futures hedging for producers and consumers is the subject of this one-week training course for senior trading, treasury and risk leaders, ending in a hedge policy and limit framework for one commodity exposure. Price swings in energy, metals and agricultural markets reach budgets and loan terms faster than most hedge rules can respond. The programme moves from exposure and basis to spreads, margin and limits, using cases from producers, processors and financial institutions. Mars Training Centre UK delivers this programme on futures hedging to mixed-organisation cohorts.

The Business Case

A hedge protects a margin only when it matches the exposure, can be funded through margin calls and stays inside agreed limits. Poorly sized hedges create cash strain, reporting noise and trading losses that boards never approved. A shared method lets leaders decide what to hedge, with which contract, how much risk a desk may carry and how results are reported.

- Cash Liquidity: Improves as margin calls are forecast and funded before price moves arrive.
- Margin Stability: Improves as hedge ratios and roll dates follow the physical exposure.
- Risk Exposure: Falls as position limits and escalation rules are written down and tested.

Principles and Evidence Base

- ICE Introduction to Commodity Derivatives: Describes futures, options, hedging and margin, and frames the contract and margin work in Sessions 1 and 3.
- FIA Guidance on Exchange Rules and Regulation: Explains how exchange rulebooks bind market users, and shapes the rule review in Session 4.
- Basis and Spread Analysis: Relates physical prices to futures prices and to each other, and is applied in Session 2.

Intended Participants

- Trading heads who place hedges against physical purchases and sales.
- Treasury leaders who fund margin and protect liquidity.
- Risk officers who set and monitor limits on commodity positions.
- Finance directors who report hedge results to boards and lenders.
- Procurement and commercial leaders who fix input costs or selling prices.

Typical settings include energy producers, food processors, metals consumers and banks serving commodity clients.



Learning Outcomes

1. Participants will be able to construct an exposure map that separates physical risk from price risk.
2. Participants will be able to evaluate basis and calendar spreads to judge what a hedge will deliver.
3. Participants will be able to prioritise hedge ratios and roll dates against a stated objective.
4. Participants will be able to diagnose liquidity strain by forecasting margin under stressed prices.
5. Participants will be able to design position limits and breach escalation steps for a trading desk.
6. Participants will be able to justify a hedge policy and limit framework to a board.

Programme Structure

Day 1: Futures Hedging Exposure and Contracts

What exposure is being hedged, and with which contract?

- Exposure Identification Map
- Futures Contract Specification Sheet
- Hedge Objective Statement
- Physical and Paper Position Ledger
- Hedge Ratio Worksheet

Day 2: Basis, Spreads and Price Structure

How do price relationships change what a hedge delivers?

- Basis Tracking Chart
- Calendar Spread Analysis
- Contango and Backwardation Reading
- Roll Schedule Plan
- Inter-Commodity Spread Screen

Day 3: Hedge Sizing and Margin Funding

How is a hedge sized and funded through its life?

- Hedge Sizing Model
- Initial and Variation Margin Forecast
- Liquidity Stress Test
- Hedge Performance Review Template
- Hedge Result Reporting Note

Day 4: Position Limits, Rules and Controls

Which rules and limits bound the desk?



- Exchange Rulebook Review
- Position Limit Register
- Value-at-Risk and Stop-Loss Limits
- Counterparty and Clearing Review
- Breach Escalation Procedure

Day 5: Hedge Policy and Limit Framework

Do the earlier records form one framework that leaders can run?

- Applying the Session 1 Exposure Identification Map
- Testing the Session 3 Liquidity Stress Test
- Reviewing the Session 4 Position Limit Register
- Checking the Session 2 Roll Schedule Plan
- Completing the Hedge Policy and Limit Framework

Methodology

The programme uses a structured exercise method built on a shared case of a producer and a processor hedging the same commodity from opposite sides. Participants work through prepared price histories, margin statements and rule extracts, then adapt each record to their own exposure and desk.

- Suggested activity: Sizing a hedge for a monthly purchase programme and testing it against a basis shift.
- Suggested activity: Forecasting margin calls for a falling-price scenario and proposing how treasury funds them.
- Suggested activity: Drafting position limits for a small desk and ruling on a simulated breach.

Capstone Output

Each participant completes a hedge policy and limit framework for one commodity exposure. It holds an exposure map, hedge ratios and roll rules, a margin funding forecast, position limits and an escalation procedure. The framework is used at work to brief a board, instruct a trading desk and agree reporting with lenders.

Frequently Asked Questions

Is futures hedging training suitable for leaders who do not trade daily?

Yes. Futures hedging is taught through cases and templates. It assumes experience in trading, treasury, risk or finance, but no prior work on an exchange or in pricing models.



Which sources does futures hedging training rest on?

Futures hedging training rests on the ICE guide to commodity derivatives, FIA guidance on exchange rules and regulation, and basis and spread analysis.

How is the framework from futures hedging training used at work?

You use the hedge policy and limit framework to brief a board, instruct a desk, plan margin funding and set the escalation steps when a limit is breached.

How does futures hedging differ from commodity trade finance training?

Futures hedging addresses exchange contracts, basis, margin and position limits for price risk, while commodity trade finance training covers lending against goods, receivables and collateral.