

FOOD & BEVERAGE

FOOD AND BEVERAGE IMPORTERS CAN BE IMPACTED BY EXCHANGE-RATE FLUCTUATIONS. TAKE STEPS TO MANAGE YOUR RISKS.

Regardless of whether international products are paid for in U.S. dollars or foreign currency, exchange-rate fluctuations can have a material impact on net income and cash flow.

International trade requires a strategic approach to protect your company against potential revenue erosion and margin compression from exchange-rate fluctuations.

Engage with a PNC Foreign Exchange Specialist to help manage this risk and facilitate your FX payment needs.

TAKE THIS SITUATION FOR EXAMPLE

A U.S. wine importer has agreed to purchase a shipment from Italy in 6 months for **€1 million** and to sell it to a U.S. retailer for **\$1.5 million**. At the time of the order, the EUR/USD exchange rate is 1.1500 so the importer earns an estimated gross profit of **\$350,000**.



WHAT IF?



If the EUR strengthens by 10%...



the cost of the wine increases by \$115,000...



and profit decreases to \$235,000.



If the EUR weakens by 10%...



the cost of the wine decreases by \$115,000...



and profit increases to \$465,000.

FOREIGN EXCHANGE HEDGING CAN HELP TO MITIGATE THESE RISKS

If the wine importer enters into a forward contract to lock in the exchange rate in 6 months, the cost of the wine would remain at **\$1.168 million** regardless of future currency fluctuations and profit after hedging costs would be **\$332,000**.¹



PNC not only offers expertise in foreign exchange hedging, but also in the food and beverage industry.

WE HAVE DEDICATED
\$13 BILLION
in capital to food & beverage.

The PNC FX team always offers tremendous advice to help manage my foreign currency needs. The orders and execution of wire instructions are seamless. I highly recommend PNC for any business's foreign currency needs.

– Jonathan Newman, Chairman and CEO, Newman Wine

CONNECT TO THE RIGHT TEAM

[Click here](#) to sign up for our quarterly newsletter on the food and beverage industry. Get daily foreign exchange commentary along with regular currency forecasts and market updates, reports covering regional, national and international trends, webinars, videos, white papers, and articles to help you succeed in the global market at pnc.com/ideas.

CONNECT TO THE RIGHT TEAM

Connect with PNC's Foreign Exchange specialists to get a strategic perspective and tactical support for managing your business risk in an unpredictable global market. Contact a PNC Foreign Exchange Representative at **1-888-627-8703** or visit pnc.com/fx.

¹ Historical spot rate: 1.1500. Hypothetical forward point adjustment: 0.0180. Hypothetical all-in hedged rate: 1.1680. Forward contracts are not FDIC insured, nor are they guaranteed or insured by PNC Bank or any of its subsidiaries or affiliates.

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