

# Top-up cover helps market growth

## CÉRÉALIS

Despite the impact of the Russia-Ukraine war on the global supply of wheat, French trader Céréalis has continued to thrive, having successfully switched to new suppliers. Aided by Credendo's Top-Up product, Céréalis has also been able to access insurance cover and financing to meet the growing demand for wheat in its key markets.

Céréalis is a wheat trading company headquartered in Paris and established 25 years ago. It specialises in trading wheat – as well as some maize and soybean meal – and selling it to private mills in West and Central Africa.

The company shipped approximately 395,000 tonnes of produce last year – worth around EUR 175 million – to countries such as Cameroon, Ivory Coast, Mali, Burkina Faso and Gabon.

Céréalis used to trade in a mixture of wheat from Russia, as well as produce from France and other markets. Yet, by the end of 2021, Céréalis decided to stop buying Russian wheat as it was getting increasingly difficult to do business

with Russian suppliers – even before the outbreak of the Russia-Ukraine war in February 2022.

The company now trades French wheat, but also buys more wheat from new suppliers in Argentina and more recently Poland, which helped lessen the impact of the Russian invasion at the start of 2022 on their business.

"We were lucky that our traders had the foresight of how the market might develop," says Florence Nunes, Export Director at Céréalis.

However, the onset of the war did result in wheat trading grinding to a halt until the end of April as the market paused to observe how the Russian invasion of Ukraine would affect global wheat stocks.



"Once trading resumed, demand recovered and Céréalis was able to make up for any lost business during the preceding months," Nunes says.

Credendo supported Céréalis throughout these challenging times, with the two companies having worked together since 2010. Céréalis commonly used credit insurance to cover the risk of non-payment. Since 2019, it has also been making use of Credendo's Top-Up product.

This tool allows Céréalis to obtain cover on amounts that exceed the credit limit set by its first-line insurer – it essentially 'tops up' the existing level of cover in place.

It has been invaluable in supporting Céréalis' large shipments of wheat to their most important markets in West and Central Africa. Some first-line insurers would not have sufficient credit limits to provide the required level of cover to enable Céréalis to sell their entire ship's worth of wheat to their suppliers.

"We often ship 30,000 metric tonnes of wheat by boat and deliver to eight or nine customers at a time, with volumes ranging from 2,000 to 12,000 metric tonnes per customer. We need to have a solution to cover that," Nunes says.

She adds that it was particularly difficult to obtain sufficiently high credit limits from their first-line insurer when working with a new customer.

A further benefit of Credendo's Top-Up product is that Credendo will match the capacity already agreed upon and underwritten by the first-line insurer. This makes the process far quicker than it might be compared to other top-up providers.

"We just follow the limit of the first-line insurer. For example, if the first-line insurer is covering EUR 2 million, then we agree to grant up to a maximum of the same amount," says Isabel Kervyn, Sales Director at Credendo – Guarantees & Speciality Risks.

"If they have a new client and need to increase the insured amount, we can get back to them within a couple of days – or even faster if it is urgent," she adds.

The partnership with Credendo has also been particularly important in helping the trading company gain access to bank financing.

"In the first place, the Top-Up product helps us from a risk management point of view – and on the other hand we also have the capacity to secure financing from our banks," Nunes adds. "We have been able to develop a financing capacity thanks to the Top-Up product. Otherwise, we would have had to rely on cash to pay the suppliers."

The need for more financing to support Céréalis' growing African business is further demonstrated by a recent partnership signed in early 2023 with major French financial institutions in support of a financing facility for the wheat trader.

Having a reliable insurance partner as well as access to financing is essential for Céréalis' operations in the challenging West and Central African market. The main

risks are political risks – such as decisions by the central banks to limit the amount of local currency that can be changed into foreign currency – which can hamper payments from their buyers.

Access to financing helps Céréalis to deal with delayed payments while also ensuring it is paying its own suppliers on time.

Inevitably, there have been some situations where Céréalis had to submit a claim. In these cases, Florence Nunes appreciated Credendo's 'partnership approach' in seeking to recover the non-payment and trying to keep the buyer in business.

"Together we try to find a solution and continue to do business with the buyer," Nunes says. "Credendo's teams really know the market well and they are truly reliable."

She reflects that their customers are generally private mills producing vital foodstuffs for the country's population. Therefore, there is a very clear need to ensure payments are eventually made and mills stay in business. "Nobody gains from a non-payment situation," she says.

Looking to the future, Céréalis aims to strengthen its relationship with Credendo as it increases its customer base.

"Our ambition is to further develop our business with Credendo and to use the Top-Up product even more. Our customers rely on us. We are working with new mills and there is a lot for us to do in this market," Nunes concludes.



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Export Director at Céréalis

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