



Australian Government

Department of Education, Employment and Workplace Relations

AHCAGB606A Manage price risk through trading strategy

Release: 1

AHCAGB606A Manage price risk through trading strategy

Modification History

Not Applicable

Unit Descriptor

Unit descriptor	This unit covers the process of managing price risk through trading strategy and defines the standard required to: determine cost of production; assess risk to financial returns through market or currency movements; analyse trends and evaluate forecasts; monitor and assess price movements; implement a trading strategy for price risk management.
------------------------	--

Application of the Unit

Application of the unit	This unit applies to the ability to determine cost of production, assess risk, analyse trends and evaluate forecasts, and monitor and assess price movements.
--------------------------------	---

Licensing/Regulatory Information

Not Applicable

Pre-Requisites

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
-----------------------------	--

Elements and Performance Criteria Pre-Content

Not Applicable

Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA

ELEMENT	PERFORMANCE CRITERIA
1. Conduct market research	1.1. Estimates of supply and demand are collated and evaluated. 1.2. Past trends are analysed and possible future scenarios assessed. 1.3. Own products are related to market indicators.
2. Determine price required	2.1. Cost of production is calculated and break-even price is determined. 2.2. Margins for profit and risk are determined. 2.3. Forward price objectives are set to meet cost of production plus profit required. 2.4. Personal attitude to risk is evaluated.
3. Develop sales plan	3.1. Cash markets are evaluated and projected price trends assessed. 3.2. Forward contract information is obtained and assessed. 3.3. Futures prices are obtained and assessed. 3.4. Options are evaluated against price objectives and the assessment of price movement risk. 3.5. Taxation and cash flow implications are assessed. 3.6. Appropriate mix of sale options is developed in a trading strategy. 3.7. Contingency plans are developed to address possible shifts in price trend.
4. Implement trading strategy	4.1. Appropriate expertise is sought as required. 4.2. Market information is monitored and trading strategy adjusted according to contingency plans.

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- determine cost of production
- assess risk
- analyse trends and evaluate forecasts
- monitor and assess price movements

REQUIRED SKILLS AND KNOWLEDGE

- use literacy skills to fulfil job roles as required by the organisation. The level of skill may range from reading and understanding documentation to completion of written reports
- use oral communication skills/language competence to fulfil the job role as specified by the organisation including questioning, active listening, asking for clarification, negotiating solutions and responding to a range of views
- use numeracy skills to estimate, calculate and record complex workplace measures
- use interpersonal skills to work with others and relate to people from a range of cultural, social and religious backgrounds and with a range of physical and mental abilities.

Required knowledge

- supply, demand and price relationships
- price trends and sources of market information/forecasts
- cost of production
- risk assessment and attitudes to risk
- selling options for the relevant commodity
- operation of futures markets, forward selling arrangements, put options
- foreign exchange rates
- contract law
- cash flow and taxation planning
- contingency planning.

Evidence Guide

EVIDENCE GUIDE

The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

Overview of assessment

Critical aspects for assessment and evidence required to demonstrate competency in this unit

The evidence required to demonstrate competency in this unit must be relevant to workplace operations and satisfy holistically all of the requirements of the performance criteria and required skills and knowledge and include achievement of the following:

- determine cost of production
- assess risk to financial returns through market or currency movements
- analyse trends and evaluate forecasts
- monitor and assess price movements
- implement a trading strategy for price risk management.

Context of and specific resources for assessment

Competency requires the application of work practices under work conditions. Selection and use of resources for some worksites may differ due to the regional or enterprise circumstances.

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole.

Cash markets may relate to:

- markets that do not involve any hedging or forward selling.

Unit Sector(s)

Unit sector

Agribusiness

Co-requisite units

Co-requisite units		

Competency field

Competency field	
------------------	--