

Guide to World Commodity Markets

Consultants

John Edwards
and Brian Reidy

Editor

Ethel de Keyser

Guide to World Commodity Markets

Consultants

**John Edwards
and Brian Reidy**

Editor

Ethel de Keyser

Assisted by

**Sue Brinkhurst,
Anita Kogan and David Young**



**Kogan Page, London/Nichols Publishing
Company, New York**

Copyright © Kogan Page Limited 1979

**First published in Great Britain in 1979 by
Kogan Page Limited, 120 Pentonville Road, London N1 9JN**

ISBN 0 85038 193 2

**First published in the United States of America 1979 by
Nichols Publishing Company, Post Office Box 96, New York, NY 10024**

Library of Congress Cataloging in Publication Data

Main entry under title:

Guide to world commodity markets

Includes indexes.

**1. Commodity exchanges. I. Reidy, Brian. II. Edwards, John.
III. De Keyser, Ethel.**

HG6046.G84 332.6'44 79-12400

ISBN 0-89397-054-9

**Printed in Great Britain by
Anchor Press, Tiptree, Essex**

原书缺页

原书缺页

Contents

<i>Foreword</i>	11
Part 1: Introduction to Commodity Markets	
The Commodity Market: its Development and Function <i>John Edwards</i>	15
Growth of the Financial Futures Markets: 1978 <i>Paul Sarnoff</i>	21
Commodity Options <i>Dermot S L Butler</i>	29
Investment and Speculation in Commodities <i>James Sweeney</i>	37
Sources of Information <i>Ivan W Lynch</i>	41
The First International Aluminium Futures Market <i>John Wolff</i>	45
Part 2: The Commodity	
Background on the major commodities traded Cocoa, 53; Coffee, 59; Copper, 64; Cotton and Wool, 72; Grains, 81; Lead, 95; Rubber, 101; Silver, 107; Sugar, 112; Tin, 121; Zinc, 127	
Part 3: Commodity Market Data	
Argentina: Grain Exchange, 135	
Australia: Sydney Futures Exchange Ltd, 136	
Austria: Vienna Commodity Exchange, 138	
Brazil: Bolsa de Mercadorias de Sao Paulo, 139	
Canada: The Winnipeg Commodity Exchange, 140	
France: International Market of Robusta Coffee, 144; Cocoa Terminal Market on the Paris Commodity Exchange, 145; International Market of White Sugar of Paris, 146	



Metals prices, news and money rates on one terminal

The new Reuter Monitor Commodities Service provides traders, on a single desk-top unit, with an extended range of market moving data.

In addition to fast, up-to-the-minute prices on metals, futures, physicals and contributed pre-market data, the new terminal can simultaneously display the Reuter Monitor Commodities News or the Reuter Monitor Money Rates Service.

This new multi-function terminal gives the dealer access to information from Reuters' links with the futures markets; from

Reuters' own worldwide network of correspondents reporting news and price movements as they occur; and from market makers, brokers and other professionals contributing price and market information directly into the system.

The divisions between different markets are breaking-down. The interchange of constantly updated information is therefore more important than ever.

The new Reuter Monitor terminal, with its flexible displays, supplies this interchange.

REUTERS

Reuter Economics Services, 85 Fleet Street, London EC4P 4AJ. Tel: (01-353 6060).

Germany, West: Berlin Produce Exchange, 148; Grain and Commodity Exchange Rhein-Ruhr Duisburg-Essen, 149; Frankfurt Corn and Produce Exchange, 149; Lower Saxony Grain and Produce Exchange, 150; Worms Grain and Produce Exchange, 151

Hong Kong: Hong Kong Commodity Exchange, 152; The Chinese Gold and Silver Exchange Society, 152

India: Tobacco Board, 153; Coffee Board, 153; Central Silk Board, 153; Tea Board of India, 153; Cardamom Board, 154; Coir Board, 154; Rubber Board, 154

Italy: Bari Commodity Exchange, 155; Commodity Exchange of Bologna, 155; Florence Commodity Exchange, 156; Padua Commodity Exchange, 156; Parma Board of Trade, 156

Japan: Hokkaido Grain Exchange, 158; The Kobe Grain Exchange, 160; Kobe Raw Silk Exchange, 160; Kobe Rubber Exchange, 161; Maebashi Dried Cocoon Exchange, 161; Nagoya Grain Exchange, 162; Nagoya Textile Exchange, 165; Osaka Chemical Textile Exchange, 166; Osaka Grain Exchange, 167; Osaka Sampin Exchange, 169; The Osaka Sugar Exchange, 170; Kanmon Commodity Exchange, 172; Tokyo Grain Exchange, 174; The Tokyo Rubber Exchange, 176; Tokyo Sugar Exchange, 177; The Tokyo Textile Commodities Exchange, 178; Toyohashi Dried Cocoon Exchange, 180; Yokohama Raw Silk Exchange, 181

Kenya: Coffee Board of Kenya, 182; Coffee Lint & Seed Marketing Board, 182; East African Tea Trade Association, 183; Kenya Tea Development Authority, 184

Malaysia: The Malaysian Rubber Exchange and Licensing Board, 186; Datuk Keramat Smelting Sdn Berhad as Joint Operators of the Straits Tin Market, 188

The Netherlands: The Egg Terminal Market, 189; The Pork Terminal Market, 191; The Potato Terminal Market, 192

Norway: Oslo Fur Auctions Ltd, 195

Pakistan: The Karachi Cotton Association Ltd, 196

Singapore: Rubber Association of Singapore, 197; The Gold Exchange of Singapore, 198

Switzerland: Grain and Produce Exchange of Berne, 199

United Kingdom: The Liverpool Cotton Association Ltd, 201; British Fur Trade Association, 203; The Coffee Terminal Market Association of London Ltd, 204; Federation of Commodity Associations, 205; Federation of Oils, Seeds and Fats Associations Ltd (FOSFA), 205; The General Produce Brokers' Association of London, 206; International Commodities Clearing House Ltd, 206; The London Cocoa Terminal Market Association Ltd, 207; The London Commodity Exchange Co

Ltd, 209; The London Grain Futures Market, 209; The London Jute Association, 211; The London Metal Exchange, 212; The London Rubber Terminal Market Association Ltd, 214; The London Soya Bean Meal Futures Market, 215; The London Vegetable Oil Terminal Market Association Ltd, 218; The London Wool Terminal Market Association Ltd, 218; Rubber Trade Association of London, 220; Tea Brokers' Association of London, 221; The United Terminal Sugar Market Association Ltd, 222

United States of America: Chicago Board of Trade, 224; Chicago Mercantile Exchange, 235; MidAmerica Commodity Exchange, 241; The Board of Trade of Kansas City, Missouri, Inc, 242; Minneapolis Grain Exchange, 244; The Amex Commodities Exchange, Inc, 245; Citrus Associates of the New York Cotton Exchange, Inc, 246; Commodity Exchange, Inc, (COMEX), 247; New York Cocoa Exchange, Inc, 254; New York Cocoa Exchange, Inc, Trading in Natural Rubber Futures Contracts, 255; New York Coffee and Sugar Exchange, Inc, 256; New York Cotton Exchange, 258; New York Mercantile Exchange, 259; Wool Associates of the New York Cotton Exchange, Inc, 262

Uruguay: Agricultural Commodity Exchange, 263

Appendices

Appendix 1: Commodity Market Trading Members	267
Appendix 2: Glossary of Commodity Market Terms	365
Appendix 3: World Time Zones	370
Appendix 4: Conversion Tables	372
Appendix 5: Average monthly dollar/sterling rate based on market price at 11.30 each dealing day	374
Appendix 6: Conversion of US metal prices from cents per lb to sterling pounds per metric ton at varying exchange rates	375
<i>Index</i>	377
Index of Advertisers	383

Tables and Price Graphs

Tables

Aluminium: World Production 1973-1978	47
Aluminium: World Scrap Recovery 1973-1978	48
Aluminium: World Consumption 1973-1978	49
Cocoa Beans: World Production 1969/70-1978/79	55
Cocoa Beans: World Exports 1969-1977/78	56
Cocoa Beans: World Imports 1969-1977/78	57
Coffee, Green: Production - Average 1969/70-1973/74, Annual 1974/75-1978/79	60, 61
Coffee: Imports from all sources 1972/73-1977/78 (July/June)	62
Copper: World Mine Production, 1973-1978	66
Copper: World Smelter Production 1973-1978	67
Copper: World Refined Production 1973-1978	68
Copper: World Scrap Recovery 1972-1978	69
Copper: World Refined Consumption 1973-1978	70
Cotton: World Production 1969/70-1977/78	74, 75
Cotton: World Consumption 1969/70-1977/78	76, 77
Raw Wool: World Production 1973/74-1977/78	78, 79
Virgin Wool: Net Domestic Consumption 1970-1977	80
World Coarse Grains: 1974/75-1978/79 (July/June)	83
Soybeans: World Production 1972/73-1977/78	84, 85
Soybeans and Meal: Production and Exports by Selected Producer- Exporter 1965-1978	86, 87
Soybeans and Oil: Production and Exports by Major Producer- Exporters 1965-1978	88, 89
World Wheat and Wheat Flour: 1974/75-1978/79 (July/June)	90, 91
Lead: World Mine Production 1973-1978	96
Lead: World Refined Production 1973-1978	97
Lead: World Refined Consumption 1973-1978	98
Natural Rubber: World Production 1967-1977	102, 103
Natural Rubber: World Consumption 1967-1977	104, 105
Silver: World Supplies 1974-1978	108
Silver: World Consumption 1974-1978	109
Centrifugal Sugar: World Production 1971-1977	113, 114, 115
Centrifugal Sugar: World Consumption 1971-1977	116, 117, 118
Tin: World Production 1973-1978	123
Tin: World Refined Consumption 1973-1978	124
Zinc: World Mine Production 1973-1978	129
Zinc: World Slab Production 1973-1978	130
Zinc: World Slab Consumption 1973-1978	131

Price Graphs

Aluminium: London	50
Cocoa: London/New York	58
Coffee: London/New York	63
Copper: London/New York	71
Cotton: New York	73
Wheat: Chicago	91
Soybeans: Chicago	92
Soybean Meal: Chicago	92
Soybean Oil: Chicago	93
Corn: Chicago	93
Lead: London	99
Rubber: London	106
Silver: London/New York	111
Sugar: London/New York	119
Standard Tin: London	125
Zinc: London	132

Acknowledgements

We would like to express our appreciation to the following: the commodity market officials who provided the data on their markets; the Embassies, particularly the US Embassy in the United Kingdom, officials of which supplied tables and were generally most helpful; the various organizations which permitted us to use their tables and price graphs; and, finally, those individuals and organizations who assisted in the preparation of this book by their advice and by providing additional sources of information.

Foreword

With the increasing interest being shown in commodities by governments, trade circles and investors, I welcome this second edition of 'Guide to World Commodity Markets'.

Its up-dated information should provide a sound background to all who wish to increase their knowledge or involvement in commodities and lead to a better understanding of the vital part played by the commodity markets in international trade.

P G Smith CBE

Chairman of the Federation of Commodity Associations

Part 1: Introduction to Commodity Markets

GILL & DUFFUS GROUP

INTERNATIONAL COMMODITY MERCHANTS and Brokers in

Cocoa, coffee, sugar, tea, edible nuts, dried fruit
canned goods, grain, rubber, metals and chemicals.

Over the years the Gill & Duffus Group has developed considerable expertise in the use of commodity futures markets. The Group's overall experience is available to selected clients who wish to operate in these markets.

St. Dunstan's House
201 Borough High Street, London SE1 1HW
Tel: 01-407 7050. Telex: 887588

Subsidiary and Associated Companies in

Accra, Bahia, Geneva, Hamburg, Hong Kong, Kuala Lumpur, Munich,
New York, Paris, Rio de Janeiro, Singapore, Sydney, Takoradi, Toronto.

The Commodity Market: its Development and Function

John Edwards, *Commodities*
Editor *Financial Times*

Interest in the commodity markets, dealing in raw materials, has grown tremendously in recent years. There are several reasons for this. One is the growing dependence of the world, which is becoming more industrialized, on raw materials and basic foodstuffs to provide the improved standard of living required for a rapidly increasing population. Another is the oil crisis. In 1973, the Organization of Petroleum Exporting Countries (OPEC) cut back supplies and raised prices thus highlighting this dependence and raising doubts about future supplies of other vital raw materials.

The OPEC example also inspired developing countries, providing primary products, to seek a new economic order for the world in which they would receive a larger, and fairer, share of the available wealth. That battle continues. Meanwhile the world at large — ranging from politicians and economists to the man in the street — has sought to strip off some of the mystique surrounding commodity trading and to discover the forces affecting the prices of their daily food and the raw materials which keep industry functioning. Some entirely new concepts have been introduced into commodity trading as a result, reflecting the changing conditions in the world. Further major changes can be expected with the shifts in political and financial power to different areas, and the growth in demand from the developing world and from the Communist bloc countries.

Fundamentally, commodity trading is simply the transfer of raw materials from the point of production to the eventual consumer. This could be a short distance, as in the case of the farmer supplying eggs to the local village shop, or a long complicated journey during which the products pass through several hands before reaching a final destination. Producers can either sell direct to consumers, or via merchants and dealers. But the price of the commodity is not easy to decide, especially if the transaction involves transporting it across the world. This is where commodity markets play a vital role.

There are two basic types of commodity markets. One is concerned with the actual physical trading of the commodity on the spot, or even for delivery at some future date. The other is the commodity futures market, which is concerned mainly with 'paper' transactions and which plays an entirely different role.

The actual physical market is a meeting place for buyers and sellers to do business, often by auctioning the commodity for sale. Some commodities, such as tea and fur, are sold almost entirely by auction, either in the producing country or in the consuming area. In other cases, only a small proportion of the

commodity is actually sold at physical market places, but the prices paid provide a guideline for transactions outside the market between producers, merchants and consumers. Some commodity sales are transacted directly by negotiations between buyers and sellers, often on a government to government basis. All these physical commodity transactions are essentially an extension of trading between tribes that started in the early days of civilization.

Futures markets are a comparatively modern development, especially in their present form. There is some confusion about the role of these markets, since they are confined to a relatively few commodities and often seem to have developed more by accident than design. The fundamental purpose of futures markets, often forgotten these days, is to provide commodity buyers and sellers with insurance against unpredictable price fluctuations. This is known as hedging. The basic idea is to offset a physical forward commitment to buy or sell a commodity by an opposite transaction in futures. Thus if the physical price move in one direction brings the buyer or seller a loss, the futures transaction will offset this by providing a matching profit. But if the physical price movement gives the buyer or seller a profit, this is equally cancelled out by a loss in the futures market.

Although the buyer or seller may be lucky enough to guess the price movement accurately and make an extra profit on the market moving in his favour, normally he cannot afford to take the risk, since if the price moves in the wrong direction his business could be wiped out. Traders are not in business to gamble on price movements. By hedging on the futures market the buyer or seller is able to fix a known price in advance for forward transactions and to conduct his business accordingly. It is more of a gamble not to hedge in this way, when the opportunity is available. Merchants involved in both selling and buying commodities find futures markets an extremely useful tool enabling them to undertake trading that they might otherwise find too risky.

The same applies, though to a lesser extent, for producers and consumers. If they have a guaranteed price there is no need to hedge the risk. Futures markets, therefore, are concentrated on commodities which are internationally traded and the prices of which are not controlled but subject to fluctuation according to the law of supply and demand. Even then it is difficult to establish a useful futures market if it is impossible to confirm a standard quality on which to base prices.

However, assuming there is standard quality of the commodity that can be tendered onto the market together with relatively free pricing to encourage trading, either internationally or domestically, then the futures market can play a vital role, not only for hedging but also in establishing a true price for the commodity, taking into account all the influences at hand. It is often thought that the price of a commodity is the cost of production, possibly plus a profit margin for the producer. But this is not the case. For a start, production costs can vary widely between producers, and between countries. The real price of a commodity is what the buyer is prepared to pay. It would be useless, for example, to go on producing expensive bars of chocolate if no one wanted to buy them.

Obviously in the long-term costs of output have to be taken into account if the producer is to continue supplying the commodity. But in the short-term, the