

Comdaq – A Multiple Market Success



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History

- Founded and first market live in 1999
- Sugar followed by coffee in Jan 2000
- Our own software house in India
- Blend of technology and market expertise

What is Comdaq?

- Independent and neutral Internet Exchange for trading physical commodities
- 15 products live – soon to be 20
- Soft Commodities, Fibres, Precious and Platinum Group Metals, Agricommodities, rice, essential oils, media exchange
- On-line broker

Comdaq Platforms

- Central Exchange – anonymous
- Tenders and auctions – named
- White Label software solutions – bespoke
- Supply chain management services and data integrator

Central Exchange

- Indicative or firm pricing
- Anonymous
- Full on-line negotiation
- Automatic trade confirmation
- Acceptable counterparty selection
- Ability to view the entire market

Auctions

- Open or closed
- You define who can participate – you know their names from the outset
- No one else can see what is going on
- One counterparty or many
- Entirely flexible terms and conditions
- Full on-line negotiation and contract generation
- Make the buyers compete for your product!

Tenders

- Buyers version of auctions
- Same attributes
- You are chosen as a supplier by the buyer

Summary of the platforms

- Simple to use
- Designed by traders for traders
- Instant telecommunications cost savings
- Longer-term infrastructure cost savings – with supply chain integration
- More time for strategic issues
- Entirely flexible for all market participants

How Are we Doing?

- Product to the value of US \$850 million will trade this year at Comdaq
- US \$0.5 bn trade value so far in 2001
- Precious metals US \$350 million
- Agriculturals US \$150 million
- Coffee and softs
-don't hold your breath

How Have we Done This?

- We saw the writing on the wall early on
- We are brokers with electronic capability
- If we had waited for 'pure internet' it would have been too late
- We were and are prepared to change the business model dramatically
- We have numerous products – not reliant on just one
- One goal – revenue generation

Why do These Products Work?

- Very broad markets
- Numerous, well financed, sellers, end-users and intermediaries
- The products cover basic needs
- Not third world produced and first world consumed
- The huge imbalance does not exist

Coffee and e-commerce

- A very small market
- Total imbalance – 4 end-users control the market
- They have no desire to open things up
- The market has driven itself into a corner
- E-commerce must be used to benefit the producer
- End users must be prepared to give the producers the cost benefits
- Trading platforms are all very well but if your telephone does not work.....

Supply Chain Integration

- Essential to realise cost savings
- All parties will be able to share the same data
- Information reduces cost
- Requires acceptance of change
- Promotes transparency
- Rolled out on rice and being mirrored onto all other sites – including coffee

Transparency – The Key or the Castle?

- Transparency is not popular
- Markets are opaque and volatile
- Margin call driven pricing (where futures markets exist)
- Volatile price moves (where they don't)
- Tail wags dog
- Transparency is feared – ignorance or real threat?
- Is it actually a fear of change?

The Benefits of Transparency?

- Creates a level playing field
- Can reduce volatility
- More access to finance
- Encourages new players
- Encourages the creation of new products
- Better risk-management opportunities

How will this all Happen?

- Personal relationships remain vital
- Pure internet trading will not just 'happen'
- The role of the broker is key to the transition
- Net Assisted Brokerage
- Education, guidance and leadership role
- There has to be a balance in the market

What we Want From Coffee

- Brokers to join us
- Producers
- All players on an EQUAL basis
- Open architecture – all b2b platforms communicating

= More balance in the market

The Future....

- B2b physical products cleared
- Integration with existing larger exchanges/brokers
- The potential cost savings will HAVE to be taken
- Consolidation will continue

Conclusion

- Change is inevitable
- Neutrality is key
- Flexibility is essential
- Pure internet trading will evolve – it will not just happen
- Keep paying the telephone bills!

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