



You Can't Have Too Much of a Good Thing

In the 11 months 2007, the Belarusian Universal Commodity Exchange reported 97,200 deals to the tune of Br 2409,31 billion, 2.4 times more than in 2006

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To be in the right place at the right time with the right commodity is a key to economic success. But it is also important to make maximum profits from that. The Belarusian Universal Commodity Exchange (BUCE) has been providing this opportunity to Belarusian dairy producers for two years already.

This year was marked with a huge demand for milk and Belarusian exporters were quick to seize the opportunity and earn good money. Since the beginning of the year the price for one kilo of non-fat dried milk grown by \$2, those for industrial casein exceeded \$3. Butter soared in prices by 89% from \$2.23 to \$4.21, Belarusian cheese added up \$1 per kilo during each trading session. In early November the Government put hard cheese and butter on the list of goods subject for sale at BUCE.

Stable Course in All Directions

In the 11 months 2007, the Belarusian Universal Commodity Exchange reported good results not only in the foodstuffs department. Other BUCE sections had also been successful. All in all, 550 auctions were held, 97,2 deals to the tune of Br 2,409.31 billion were concluded, 2.4 times more than a year before. Today about 4,000 traders are accredited at BUCE. The number of brokers doubled. The number of non-residents grew 2.5 times with as many as 625 traders from 40 countries taking part in auctions.

Sales of timber, agricultural products, and scrap metal shaped the real prices reflecting the demand and supply in the global market. As a result, Belarusian producers received about Br 35.4 billion profits from export sales and about Br 36 billion profits from domestic sales. In turn,

high as in the entire 2006: Br 100 billion against Br 42 billion.

Some 531,8 tonnes of ferrous and non-ferrous metals and articles thereof, scrap metals, coke and coal were sold via the metal production section to the total amount of Br 1171,4 billion, an increase of 2.1 times over the same period last year.

The timber section sold EUR 122,1 million (Br 355.04 billion) worth of timber, lumber, matches, particle boards and plywood. Although the export fell by 10.8%, the total sum of deals soared by 100%.

But the record setter in the number of sales at BUCE was the agricultural section with Br 669.37 billion deals concluded as of late

Belarusian importers of metal products saved Br 29 billion. The total savings of the BUCE traders as of late November were twice as



November 2007, which is 4.1 times more than a year before.

Making Maximum Profit from Dairy Sales

One of the priority targets of the Belarusian Universal Commodity Exchange is export and domestic sales of agricultural products since Belarusian milk, cheese, butter and other products have always been aimed for export and trade surplus in this sphere is one of the pivotal targets of the foreign economic policy of the country.

Today the Belarusian dairy market is considered to be one of the most dynamically developing. The state support of the agricultural sector promotes stable increase in milk production. Thus, according to the data provided by the Ministry of Statistics and Analysis, in January-August this year some 911,900 tonnes of dairy products were made, an increase of 10.5% as compared to the same time last year. The output of hard cheese jumped by 12.3%, that of non-fat dried milk, milk substitute and whey – by 7.3%, that of tinned milk – by 1.3%.

BUCE started dealing with agricultural products in December 2005 when the Council of Ministers passed resolution #1400 “On boosting exchange trade of

some products” which ruled that non-fat dried milk, industrial casein and rawhides were to be sold at exchange auctions only. This year rape seed oil, butter and hard cheese were added to the list.

In 11 months 2007, as many as 97,200 deals to the tune of Br 2,409.31 billion were concluded, an increase of 2.4 times on the year before.

As for hard cheese and butter, they were put on the list of products subject for sale at BUCE after a number of trial auctions. The auctions were held to evaluate the competitiveness and to set the real price of these pro-

ducts as no other economic instrument can solve the task as promptly and efficiently as BUCE does. Since the beginning of the year was marked with several natural calamities all around the globe, BUCE experts predicted the increase in prices for agricultural products. The European prices started growing in September (in Spain, the cost of foodstuffs went up by 10%, in the Czech Republic – by 20-30%, in Germany milk and meat rose in prices by 50%).

The results of the exchange trade in butter and cheese exceed all expectations with the prices propelling from the very first auctions. It is noteworthy that more than 200 non-residents were taking part in the auctions from 21 country, including Ukraine, Germany, France, Holland, the UK, the USA, Lithuania, Belgium, Syria, the Czech Republic, Moldova, Singapore. At some auctions the demand was ten times (!) as high as the supply. As many as 6,300 tonnes of butter to the tune of \$24.9 million and 3,600 tonnes of cheese to the tune of \$20.3 million were sold to foreign buyers.

On the whole, since the beginning of the year the sales of dried milk have doubled, the sales of casein have grown in more than 1.9 times with their prices up 2- and 1.71-fold respectively.

The additional revenues of Belarus exporters generated from

BUCE trading hall



Registration of traders



During an auction



non-fat dried milk sold at BUCE auctions totaled \$1.6 million, those from casein – over \$1 million, those of butter and cheese – \$272,000 and \$541,000 respectively.

Today Belarusian processing companies make dozens of products demanded both at home and abroad. However many of them failed to take advantage of the situation in the global market – indeed who could have foreseen that butter will become a deficit product – and continued selling at old prices which were much lower of the global ones.

Now it is difficult to calculate the losses of these companies and the state. Meanwhile the money could have been used to upgrade the production facilities, apply new technologies and enhance the quality of products. The increased demand is unlikely to last long. The EU countries, for instance, have already abolished the quotas on agricultural products made by EU farmers. This means that the production and supply will go up, hence increasing the competition in the global food market. In order to win the competition and build up the market share (Belarus plans to continue diversifying foodstuffs export destinations) it is necessary to meet the toughest international standards. This requires substantial investment.

In the light of reducing output and low supply of dairy products in the neighboring countries Belarus could have filled the free market niches, especially in Russia. Unfortunately, many Belarusian producers were slow to recognize the opportunity and to take advantage of the situation. Otherwise, the figures cited above would have been much higher.

Since the beginning of the year the total savings of BUCE traders have been twice as high as in the entire 2006: Br 83.7 billion against Br 42 billion.

The BUCE agricultural section was also dealing in dried whole milk, milk whey, tinned milk, fodder wheat and corn, meat, soye and sunflower meal, tinned fruits and vegetables.

Since September this year in line with the minutes of the session of the commission for market regulation of grain and processing products the Belarusian Universal Commodity Exchange has also been trading in rye flour. The demand has been exceeding 9,000 tonnes with \$195-205 offered per ton. Belarusian sellers were anticipating the price hikes and sold just 180 tonnes out of 4,000 tonnes supplied. They

proved to be right: at the next auction in early October the prices for rye flour went up to \$210-220 per ton with the demand as high as 13,300 tonnes. About 3,000 tonnes of flour was sold. The demand and the price for rye flour continue growing. So far, the additional revenues of Belarusian sellers have already reached \$1.7 million.

Since the time when BUCE started auctioning rye flour the average price for one ton jumped by 27% (from \$205 to \$260). The additional profits of sellers during one auction totaled \$57,000.

These are the direct results of BUCE operation. There are also indirect ones. For example, after foreign buyers came to the exchange, virtually all the Belarusian dairy producers applied for and received international quality certificates. Many of them upgraded their facilities to produce goods of superior quality. The market dictates terms and conditions. Now Belarusian producers also think about nice and convenient packaging and translate the inscriptions into foreign languages.

To Develop and to Be Developed

The situation in the dairy market once again proved the advantages of the exchange



COOPERATION

The Research Techno Park Metolit of Belarusian National Technical University is completing the negotiations with India's Supreme Tools on delivery of diamond cutting discs

A laser method of sputtering diamond films and ultrasound are used simultaneously to manufacture the diamond processing tool. The durability of the super-thin discs is 1.5 higher compared to those made following a conventional technology. This tool helps process diamonds in the most efficient way and save material production resources.

Founded in 1992, the Research Techno Park Metolit of Belarusian National Technical University designs new technologies and starts new manufactures. Metolit also provides assistance to small innovation-active companies in promoting their products.

Libyan investors show interest in such financially attractive sectors of the Belarusian economy as construction and renovation of real estate, first of all, high-class hotels and upscale housing, offices and entertainment centres.

The new projects, which are currently under consideration, include the construction of office blocks, a trading centre, a four-star or five-star hotel of one of the international renowned brands. A project on the Libyan Fransabank's advancement into the banking sector is in its final stage. This financial institution and a joint construction company created in Belarus have been implementing two construction projects – Architex and BME Business Centre. The total investments are estimated at \$30-40 million.

as an efficient instrument of price formation based on real competition. BUCE allows to fix real prices taking into consideration the market situation – the supply as well as the demand – and to conclude the most beneficial deals; to ensure transparency and safety of the deals; to avoid price manipulation and mediators. Although the exchange is not a party to a deal, it accepts the responsibility for accompanying the deal from the moment of signing.

BUCE e-auctions database gathers information about as many bids and offers as possible hence enabling BUCE customers to reduce expenses on maintaining marketing and supply services.

The exchange has been constantly improving its operation. Today BUCE central trading facility in Minsk has well-equipped workplaces in four trading halls, the affiliate network has been rapidly developing. The branches in Brest and Gomel have been opened. The branches in other oblast centers are to go live in the near future.

One can take part in BUCE auctions either via trading facilities in Minsk, Brest and Gomel (by the way, since the beginning of the year the deals concluded via Brest and Gomel branches

exceeded Br 50 billion) or via internet. Now about 48% of BUCE customers trade via the world wide web. BUCE provides free training in using its e-auctions system as well as software for those wishing to trade via internet. The accreditation is also free.

Throughout the year BUCE has been extending the list of goods eligible for exchange trade. For instance, the exchange will soon start auctioning cordovan, leather, building materials and some other goods.

With a view to attracting as many direct customers and suppliers as possible the Belarusian Universal Commodity Exchange cooperates with the Ministry of Foreign Affairs and Belarusian consulates abroad, takes part in international and domestic exhibitions, round-table discussions and seminars, establishes contacts with commodity exchanges both inside and outside the CIS. In 2007, BUCE took part in fairs in Poland, Lithuania, Azerbaijan, Kazakhstan. BUCE representatives went to Germany and the UK, foreign delegations from Venezuela, Lithuania and Latvia visited the exchange. Cooperation agreements were concluded with commodity exchanges of St. Petersburg and Uzbekistan. ■

