



Any Suitable Time at Better Prices

On June 2, 2005 the Belarusian Universal Commodity Exchange held its first trading session

Andrei BOBOK, Economy of Belarus

A new organization has appeared in the country – the Belarusian Universal Commodity Exchange (BUCE). It was set up by the Government on the initiative of President of Belarus Alexander Lukashenko. What are its core principles and purposes? Why is it necessary?

Exchange Stands the Test of Time

Time and world practice have proved the advantages of trading via exchanges. The Belarusian Government needed several years to set up this kind of mechanism in Belarus based on international experience. In June 2004 the governmental resolution set the rules and regulations of trading and a list of goods for sale only via the Commodity Exchange. So far there have been just two items on the list – metal and timber. In the near future the list will be replenished by agricultural produce and some more products of the wood industry.

In every really strong and stable country the activities at a commodity exchange are subject to the strictest state regulation. It is quite natural as a commodity exchange is a powerful instrument influencing the country's economy. Even if a limited number of goods is sold via the exchange these goods may be of strategic importance. Therefore exchange prices, whatever free the price formation might seem, are indicators of the state of the national economy.

In short, the main goals of the Exchange include improvement of the mechanism of state regulation of the domestic and foreign trade and development of an organized

wholesale market. Of course, the most important task is to encourage major wholesalers to trade at the Exchange in order to make the biggest deals transparent. Yet, other economic agents and additional incentives are no less important. The Exchange is also designed to set up fair competition and put real price tags on both domestic and imported goods. As a result, middlemen will be pressed out from trade operations and it will

be more difficult for illegal goods to enter the market.

For the Sake of Sellers and Buyers

BUCE seeks to set up all conditions for a seller to sell its products at the most optimal time and at better prices. What are the interests both market participants and the state pursue?

Firstly, one can plan his sale strategy. There is no need anymore to look for a customer every month or quarter when the product is ready for sale. Neither there is a need to sell the product to anyone agreeing on his conditions and prices. When a seller has many options to choose from and necessary time to do so he no longer risks suffering unexpected losses. In turn, a buyer, who, as a rule, is a producer



EDITORS' NOTE

**Arkadiy SALIKOV –
Chairman of the Board
of Directors of the Belarusian
Universal Commodity Exchange**

BORN 1948, Minsk.

CAREER started his career in 1964 as a trainee assembler of radio-electronic appliances at the Promsviaz plant while still at school. Graduated from Minsk Radiotechnical Institute.

From 1967 to 1991 worked at Scientific Production Association Agat, since 1991 to 1999 – at the customs service. In 1999 appointed Deputy Chairman of the State Control Committee of the Republic of Belarus.

Since April 2005 – Chairman of the BUCE Board of Directors.



INVESTMENT PROJECT

BEREZINO CHEESE-MAKING PLANT

■ Total cost – USD 18,618 million. Funds required – USD 11,743 million.
 Project supervisor - Berezino cheese-making plant: Romanovicha Str., 36,
 Berezino, Mogilev oblast, 223310, Republic of Belarus.
 Tel.: (+375-1715) 5-59-23, факс: (+375-1715) 5-63-66.
 E-mail: VES_minsk@tut.by

at the same time, is insured not to have any delays with raw materials deliveries.

Other important factors are reliability and confidentiality. It is far better to make a deal via a commodity exchange rather than to sign a contract with a concrete partner even if this is a state-run agency. Transactions executed on the Exchange avoid the risk of counterparty default because the Exchange clearing house acts as the counterparty to every trade.

In addition, in accordance with its charter, BUCE regularly publishes its quotations making them available for everybody. Of course, now when the volume of the Exchange trade is far from having the dominant share in the country's overall sales, the quotes cannot be 100 per cent relied upon. Yet, even now BUCE quotes provide useful information to any trader.

All the abovementioned helps protect interests of all market participants as well as circumvent mediators making trade a civilized process.

BUCE: Who is Who

BUCE was registered in the Minsk City Council as JSC with the authorized fund amounting to Br40 million. The Republic of Belarus is the controlling shareholder. Its founders are the Ministry of Economy of the Republic of Belarus, the Belarusian Concern for Material Resources, Beltorginfoservis, Beleximgarant, Savings Bank Belarusbank. The main managerial bodies are the General Meeting of Shareholders, Supervising Council and the Board of Directors. The

Arbitration Commission is responsible for settling any arguments on exchange deals. The Coordination Council headed by First Deputy Prime Minister of the Republic of Belarus Vladimir Semashko, was also set up to deal with organization of the exchange trade in the country.

Chairman of the BUCE Board of Directors Arkadiy Salikov prior to this appointment used to regulate the country's bank sector and foreign economic activities as Deputy Chairman of the State Control Committee of the Republic of Belarus. Minister of Trade of the Republic of Belarus Alexander

Ivankov chairs the Supervising Council.

Both residents and non-residents of Belarus are admitted to trade at the Exchange.

If a juridical entity or an individual entrepreneur wants to trade at the Exchange via his representative (trader) he has to submit a relevant set of documents which includes application forms filled by the applicant and his representative, notarised copies of certificates of the state registration, a statement of the indebtedness to the state budget

The main goals of the Exchange is to improve the mechanism of state regulation of the domestic and foreign trade and develop a formal wholesale market

and funds, balance sheet over the recent accounting business period (for juridical entities which are residents of Belarus). It is also necessary to submit the informa-

During a trading session at the Belarusian Universal Commodity Exchange





Belarusian Universal Commodity Exchange has been dealing in metal since June 29, 2005

tion on the registered number of payer (non-residents are liable to do so if they offer their goods for sale), a copy of the licence to deal in relevant goods and a copy of the document confirming appointment of the director and chief accountant as well as samples of their signatures and impression of the seal together with a copy of the passport of the individual entrepreneur and/or trader (certified by an employee of the Commodity Exchange in charge), a letter

of authority from the applicant to the trader which enables the latter to trade on behalf of the former and a contract stipulating the terms and conditions of trading at the Exchange signed by the representative. Non-residents are also required to submit a legalized extract from the trade register of their country of origin or other equivalent proof of their status as a foreign juridical entity (the extract should be notarized and translated into Russian. It should

be no older than 1 year at the time of filing the application).

After fulfilling all necessary formalities, welcome to the Belarusian Universal Commodity Exchange.

So far Wood and Metal. Only

It is not fortuitous that wood was the first product the Belarusian Universal Commodity Exchange started trading. This is the kind of resource which attracts big customers. Since the aim of the Exchange is to provide opportunities for sellers of this strategic product to make their offers simultaneously and sell the product in big consignments. On August 30, 2005 the Exchange invited bids for five birch lots. One of them was especially big – 45,000 cubic meters or about 1,000 railroad carriages. There were two foreign buyers eager to buy it. According to the rules of the Exchange the higher bid wins. As a result the price went up from EUR 27,3 per cubic meter to EUR 29,6, which brought additional EUR 103,500 to the seller. The overall increase in prices for the five lots totalled EUR 279,500.

Another reason why timber became the core commodity at the Exchange is that together with the domestic consumption, its export has been constantly growing. This year, for example, more than USD 80 mil-

EDITORS' NOTE

The development of commodity exchanges in Belarus

Set up in 1908, the Minsk Timber Exchange was the first Belarusian Commodity Exchange to regulate trade in wood and flax. Several years later another Commodity Exchange was opened in Vitebsk. However, they both were closed when the First World War broke out.

In 1921-1930 during the period of NEP (new economic policy) commodity exchanges opened in Minsk, Vitebsk and Gomel. However, they were liquidated during transition to industrialization.

Since 1991 till present more than 20 commodity exchanges were set up. The most famous were the Minsk Exchange, Belarusian Commodity Exchange of Manufacturers, Mogilev Universal Regional Exchange, Belarusian Agricultural and Industrial Exchange. Many of them were something in between a fair, a wholesale trading house and an exchange. They all were closed due to insufficient legal regulation and economic instability.

In January 2003 the Council of Ministers of the Republic of Belarus passed the resolution "On the Belarusian Universal Commodity Exchange". In June 2004 the Government adopted Resolution #714 to set out the rules of trading at the exchange and a list of goods subject for sale there, hence creating all prerequisites for putting the Belarusian Universal Commodity Exchange in operation.



lion worth of timber are planned to be exported against USD 62 million last year. Under such circumstances the former forest management system, when forestry economies were in charge of slightly more than half of all timber felling and so-called 'other users' whose activities were difficult to control executed almost one third of timber cutting, turned out to be inefficient. As a result, a considerable part of timber was sold via mediators. By making all operations with timber transparent, the Exchange will definitely save the situation.

BUCE has been dealing in metal since June 29, 2005. Then, there were just two participants. Yet, by the end of November the number

**The starting price
of EUR 27,3 per cubic meter
went up to 29,6,
which brought additional
EUR 103,500
to the seller**

of participants propelled to reach 83. So far they have concluded 743 deals to the total amount of Br17,3 billion. Among the state organizations accredited to trade at the Exchange are the Ministry of Energy, Belresursy concern, Ministry of Industry, Belarusian Railways, Ministry of Agriculture and Foodstuffs, Ministry of Architecture and others.

The volume and the offering range of metals have been gradually extended. On September 7 there were 8,900 tons of metal set for sale, on September 28 the volume rose to 49,100 tons and exceeded 97,000 tons on November 9. The greatest demand is for sheet products and pipes. The monthly domestic demand for imported metal averages 150,000 tons. Now, when the Exchange started operating, the national manufactures have an opportunity to buy these products at optimal prices and without mediators. It is noteworthy that quite often contract prices for metal are lower than the prime ones. Even when the sellers are residents of

Price quotations for metal production (selectively), October of 2005

Product	Type and size	Steel grade	State Standard	Terms of Supply	Terms of Payment	Price per 1 ton, Br, VAT included			Price dynamics to previous month, %
						Min.	Max.	Average weighted	
Reinforcement	18	A500C	CTO AC4M 7-93	ex-warehouse	delay of payment	1 200 000	1 200 000	1 200 000	
A3-class reinforcement	32	25Г2С	5781-82	ex-warehouse	upfront payment	1 350 000	1 350 000	1 350 000	
Round steel rods	12	Cr3	2590-88	ex-warehouse	delay of payment	1 400 000	1 400 000	1 400 000	-9,57
Round steel rods	16	Cr3	2590-85	ex-warehouse	delay of payment	1 458 775	1 458 775	1 458 775	-5,78
Round steel rods	45	35/45	2590-85	ex-warehouse	delay of payment	1 400 000	1 472 345	1 418 086	
Round steel rods	50	35,45	2590-85	ex-warehouse	delay of payment	1 330 000	1 472 345	1 424 987	
Round steel rods	56	45/35	2590-88	ex-warehouse	delay of payment	1 350 000	1 472 345	1 380 586	
Round steel rods	70	35/45	2590-85	ex-warehouse	delay of payment	1 360 000	1 472 345	1 392 318	
Hot-rolled steel sheet	3x1250x 2500	3cn/nc	16523-97	ex-warehouse	delay of payment	1 458 480	1 500 000	1 463 675	
Hot-rolled steel sheet	4x1500x 6000	Cr3nc	19903-74/14637-89	ex-warehouse	delay of payment	1 430 000	1 463 200	1 449 703	
Hot-rolled steel sheet	4x1500x 6000	Cr3nc5	14637-89	ex-warehouse	upfront payment	1 450 000	1 450 000	1 450 000	-5,31
Hot-rolled steel sheet	8x1500x 6000	3nc/cn	14637-89	ex-warehouse	delay of payment	1 390 040	1 450 220	1 426 816	-6,13
Hot-rolled steel sheet	8x1500x 6000	Cr3nc5	16523-97	ex-warehouse	upfront payment	1 475 118	1 475 118	1 475 118	5,05
Hot-rolled steel sheet	10x1500x 6000	Cr3cn/nc	14637-90	ex-warehouse	delay of payment	1 437 240	1 447 860	1 444 713	
Hot-rolled steel sheet	10x1500x 6000	Cr3	19904-90	ex-warehouse	delay of payment	1 430 000	1 430 000	1 430 000	-2,52
Hot-rolled steel sheet	12x1500x 6000	Cr3nc/cn	14637-89	ex-warehouse	delay of payment	1 430 000	1 447 860	1 442 300	
Hot-rolled steel sheet	25x2000x 6000	Cr3cn5	14637-89	ex-warehouse	delay of payment	1 540 000	1 540 000	1 540 000	
Hot-rolled sheets made of spring steel	3x600x 2100	65Г	TY 14-1-4118-86	ex-warehouse	delay of payment	2 392 835	2 392 835	2 392 835	
Galvanized sheet	0,55x1250x 2500	08nc	14918-80	ex-warehouse	delay of payment	2 542 900	2 832 000	2 720 808	
Break-elongated sheets	408	Cr3cn	8706-78	carriage-free	delay of payment	1 770 000	1 770 000	1 770 000	
Cold-rolled steel sheets	0,5x1000x 2000	08kn	16523-97	ex-warehouse	delay of payment	1 670 000	1 670 000	1 670 000	
Cold-rolled steel sheets	1,5x1250x 2500	08kn(Г)	16523-97	ex-warehouse	upfront payment	1 652 118	1 652 118	1 652 118	-6,40
Cold rolled sheet	1,2x1250	08nc	16523-97	ex-warehouse	upfront payment	1 920 000	1 920 000	1 920 000	
Bars	40x8	Cr3nc	103-76	ex-warehouse	delay of payment	1 400 000	1 400 000	1 400 000	
Rails	KP-70	Cr63	4121-96	ex-warehouse	delay of payment	2 100 000	2 100 000	2 100 000	
Seamless pipes	89x5	Cr10	8731-74	ex-warehouse	delay of payment	2 210 000	2 210 000	2 210 000	
Seamless hot deformed pipes	68x16	35	8732-78	ex-warehouse	upfront payment	2 360 000	2 360 000	2 360 000	
Water and gas pipes	40x3,5	Cr3cn	3262-75	ex-warehouse	delay of payment	1 770 000	1 770 000	1 770 000	
Water and gas pipes	50x3	Cr1-2nc	3262-75	ex-warehouse	delay of payment	2 000 000	2 000 000	2 000 000	
Shaped pipes	80x80x5	Cr3	380-94	ex-warehouse	delay of payment	1 860 000	1 860 000	1 860 000	
Shaped electric-welded pipes	100x60x5	09Г2С	30245-2003	ex-warehouse	delay of payment	2 395 400	2 395 400	2 395 400	
Shaped electric-welded pipes	108x3,5	10, 20	10705-80	ex-warehouse	delay of payment	1 693 300	1 706 280	1 704 549	
Angles	125x125x 10	Cr3cn	8509-93	carriage-free	delay of payment	1 404 200	1 404 200	1 404 200	
Angles	45x45x5	3nc	8509-93	ex-warehouse	delay of payment	1 400 000	1 400 000	1 400 000	
Angles	75x75x6	Cr3	8509-93	ex-warehouse	delay of payment	1 300 000	1 300 000	1 300 000	-12,08
Channels	10	Cr3cn/nc	8240-97	ex-warehouse	delay of payment	1 288 999	1 288 999	1 288 999	
Channels	12П	Cr3cn	8240-97	ex-warehouse	delay of payment	1 427 000	1 427 000	1 427 000	
Hexahedral steels rods	22	45	2879-88	ex-warehouse	delay of payment	1 630 000	1 630 000	1 630 000	



**Price quotations for roundwood (domestic market),
October of 2005**

Наименование	Grade	Terms of Supply	Date of Delivery 2005	Price per m ³ , VAT included		
				Min..	Max.	Average weighted
Pine saw logs (D. 14–24 cm)	1	FOR	October–November	84 000	84 000	84 000
Pine saw logs (D. 14–24 cm)	1	ex-warehouse	October–November	80 220	83 500	81 415
Pine saw logs (D. 14–24 cm)	2	ex-warehouse	October–November	66 850	76 000	69 055
Pine saw logs (D. 14–24 cm)	3	FOR	October–November	73 500	73 500	73 500
Pine saw logs (D. 14–24 cm)	3	ex-warehouse	October–November	53 525	53 525	53 525
Pine saw logs (D. 26 cm and more)	1	ex-warehouse	October–November	95 000	95 000	95 000
Pine saw logs (D. 26 cm and more)	2	FOR	October–November	78 000	100 500	86 438
Pine saw logs (D. 26 cm and more)	3	FOR	October–November	65 300	82 500	68 921
Alder saw logs (D. 26cm and more)	1	ex-warehouse	October	100 000	100 000	100 000
Oak saw logs (D. 14–24 cm)	2	ex-warehouse	November	220 000	220 000	220 000
Oak saw logs (D. 14–24 cm)	3	ex-railway station	October–November	140 000	140 000	140 000
Oak saw logs (D. 14–24 cm)	3	ex-warehouse	November	160 000	160 000	160 000
Oak saw logs (D. 26 cm and more)	1	ex-warehouse	October–November	430 000	430 000	430 000
Oak saw logs (D. 26 cm and more)	1	ex-warehouse	October–November	330 000	430 000	424 192
Oak saw logs (D. 26 cm and more)	2	ex-warehouse	October–November	300 000	300 000	300 000
Oak saw logs (D. 26 cm and more)	2	ex-warehouse	October–November	300 000	325 000	306 104
Oak saw logs (D. 26 cm and more)	3	FOR	October–November	245 000	254 000	248 620
Oak saw logs (D. 26 cm and more)	3	ex-warehouse	October–November	236 000	250 000	242 222
Oak saw logs (D. 26 cm and more)	3	ex-warehouse	October–November	240 000	260 000	247 050
Oak saw logs (D. 26 cm and more)	3	ex-warehouse	October	245 000	270 000	259 286
Oak saw logs (D. 36 cm and more)	3	ex-warehouse	October	271 400	271 400	271 400
Ash saw logs (D. 14–24 cm)	2	ex-warehouse	November	143 000	143 000	143 000
Ash saw logs (D. 14–24 cm)	3	ex-warehouse	November	100 000	100 000	100 000
Ash saw logs (D. 26 cm and more)	2	ex-warehouse	November	227 740	227 740	227 740
Ash saw logs (D. 26 cm and more)	3	ex-warehouse	November	182 900	182 900	182 900
Veneer raw materials, peeling, alder (D. 24 cm and more)	1	ex-warehouse	October	124 000	124 000	124 000
Oak firewood		ex-warehouse	October–November	40 000	40 000	40 000

the Republic of Belarus, metal consumers have a chance to conclude deals on easy terms not to mention all other benefits they are to enjoy after non-resident suppliers come to the market bringing along a wider choice and competitive prices.

Market Prices, Transparent Operations, Varied Services

The advantage of a commodity exchange market is that it creates a competitive atmosphere when a buyer and a seller agree on prices optimal for both of them. In fact, this is an open competition. For example, a seller names its price, a buyer starts bargaining, but if there are several buyers for the same item the price goes up and the seller makes additional profits. The same happens during purchase of metal products by our domestic customers. If there is not one but a dozen of offers a seller is bound to

Sellers put up goods at e-resource to draw custom

reduce prices in order to win the competition.

The plans of the Exchange for the next year include setting up its own network of brokerage firms. The trade will be executed via Internet, i.e. it will be possible to take part in the process without leaving the office. This is the future of our wholesale trade, when sellers will no longer surf Internet looking for customers on their own, but will post their offers on the single e-resource.

Although the Exchange mechanism approved by the Government has already been set in motion and is gathering momentum, many companies, which have developed their own mechanisms of accessing the global market, are still suspicious about it. According to Chairman of the BUCE Board of Directors Arkadiy Salikov, the main reason is the psychological



Belarusian Universal Commodity Exchange blasted off by trading in timber products

one. Transition to trading at the Exchange requires some time and this is not connected with organizational issues, the majority of which have already been settled, but rather with slow-thinking of some managers. Many of them think of the Exchange as a mediator when it is just a place where market participants make deals anonymously using numbers instead of names.

The Exchange provides additional services and insures the customers against possible risks. Before a seller or a buyer is admitted to the Exchange his financial soundness has to be thoroughly checked. In addition, the Exchange also controls implementation of the deals concluded. As for exchange fees, they are incomparable with the expenses a company pays to

maintain additional staff of supply managers necessary for constant search of sellers or buyers or for organization of tenders. Anyway, with the growth in the number of participants and turnover the fees will be lowered.

According to Arkadiy Salikov, there is yet another side of the medal. Subjective factors are another reason why many companies avoid trading at the Exchange. Frankly speaking, there are long-established schemes from which certain people benefit, which means that personal interests run counter to the corporate ones.

Yet Arkadiy Salikov believes that once the Government backs the project, the situation will be changed. It has already been turning for the best.

One more problem hampering the development of the Exchange is the lack of experienced personnel. There is no educational establishment for training this kind of staff therefore new employees have to be retrained right on the spot. This problem requires immediate solution at the state level rather than at the level of the Exchange itself.

As for creation of the necessary technical and information platform, electronic trading is already available. The rest is the matter of the near future. So is the extension of the range of products, which is no longer limited to the goods of strategic import and export. Any goods can be sold at the Exchange provided they have all relevant documents. Here BUCE is always eager to help.

The young Belarusian Universal Commodity Exchange is not only brining order to the timber and metal markets, it has started changing the face of the entire domestic wholesale market making the trade transparent and open, defending the interests of national manufactures and the whole state. It has already yielded sizeable benefits and is to multiply them every day. There are lots of things to think about for those who are still skeptical about the Exchange. Or they had better take part in the trade and see for themselves all the advantages BUCE provides. ■

EDITORS' NOTE

World exchange centres

The vast majority of the exchange turnover is concentrated in the world's leading trading and financial centres – the USA, UK and Japan. These countries account for 98 per cent of the global commodity exchange deals.

The leading futures and futures-options exchange in the world, the Chicago Board of Trade, deals in wheat, corn, oats, soybeans, silver, gold as well as state securities and bank deposits.

The Chicago Mercantile Exchange is the second large exchange offering a diverse product line based on interest rates, equities, foreign exchange, commodities and alternative investment products.

The New York Mercantile Exchange is the third largest in terms of its turnover and almost the same as the Chicago Board of Trade in terms of its trading volume. In 1989 more than 32 million futures and 6 million options contracts for crude oil, petrol, diesel, platinum and palladium were concluded there.

The largest European exchanges are the London Metal Exchange (aluminium, lead, copper, zinc and nickel) and the London International Petroleum Exchange (mazut, diesel, crude oil).

Paris exchange MATIF is now ranked fourth in its turnover.

The largest Japanese exchange is the Tokyo Commodity Exchange which turnover has exceeded 12 million contracts. It trades cotton and woollen yarn, caoutchouc, platinum, gold and silver.