

On-line Trading Platforms in Global Commodity Markets

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Abstract

Today, internationally traded dairy products are bought and sold on Global Dairy Trade (GDT) or are strongly influenced by transactions that take place on it. GDT, a centralized marketplace for globally-traded dairy commodities, is an innovative auction-based online trading platform that establishes reference prices used by the industry that arise from GDT's regularly scheduled trading events. The New Zealand stock exchange offers derivative contracts based on the GDT trading platform, using GDT's clearing prices to settle against dairy futures contracts. CRA International designed, developed, and manages GDT trading events.

We examine and explain the motivation for developing GDT, how it works, its design, the reasons behind its success, and how it has grown. We look at the forward price curves generated by GDT trading and perform a statistical analysis of the hedging options that the regular trading provides.

We also describe the design and development of the Natural Fibre Exchange (NFX) — a trading platform designed to connect buyers and sellers of wool and other natural fibre products that CRA also manages.

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