

# Commodity Trading Fundamentals

Four (very dense) half days for a quick yet comprehensive overview of the commodity supply chain.



NICOLETTE DE JONCAIRE  
Journalist L'Agefi

Getting familiar with the fundamentals of commodity trading over four half days is a bit of a challenge. So is teaching the subject matter. Meant for people in back office, financial and other support functions (as well as anyone wishing to gain a cursory understanding of trading, including ignorant members of the press), the Commodity Trading Fundamentals course organised by STSA aims at providing a quick yet comprehensive overview of the commodity supply chain.

Needless to say, the course is dense. Laid over eleven sections, it leaves little space for breaks or distraction. Beyond the trading work flow per se – which covers trading contracts, trading operations, shipping and chartering, laytime and demurrage, as well as trade finance – there are useful chapters on documentation (including model documents), legal principles, risk and insurance, and counterpart relations. The introduction covers the basics of why we trade, who trades and how we trade, together with a historical and geographical perspective of how the sector developed. There is also a handy glossary of the terms used in trading companies to help laymen through the maze of professional jargon. All in all, there is sufficient material there to cover months rather than days of study.

The use of case studies drawn from real life examples complement the more theoretical teachings and a sprinkle of anecdotes – including how things can go horribly wrong – keeps the audience on its toes. To retain attention (and make the whole thing palatable), our teacher, Richards Watts, ran a quiz at the end of each section: a nice and obvious way to ensure that basic concepts are assimilated before moving on. In addition, Q&A sessions offer the opportunity to spell out obscure points and dig further if necessary.

Bearing in mind that the course is not intended for those who wish to acquire in-depth knowledge of the topic, nor is it for those who have never heard the words “commodity trading” before, information is presented at an adequate level and with appropriate depth. Instructions are easy to follow, concepts are made clear, and all questions are answered to satisfaction. There are also flowcharts and graphics to help summarise the more complex processes.

The first key lesson to be learnt is that commodity trading is about people. Technical knowledge is indispensable but when all hell breaks loose, it's all about knowing the right person in the right place and having built trust. A friendly phone call to a port captain in the Horn of Africa can untangle the messiest of situations. The second key lesson is that commodity trading and operations is not a nine-to-five job on week days. When your cargo gets stuck somewhere in the South China Sea or in the Strait of Hormuz on a Saturday night, you will catch some sleep later.

The course content is made available in a hefty binder (not the easiest item to carry around) and is, unfortunately, not obtainable in electronic format. This is a shame but understandable from STSA's view point.

Unsurprisingly, the bi-yearly sessions are fully booked and STSA struggles to offer more as courses are handled by professionals with extensive industry experience. Richard Watts' day job is to run his own service company, HR Maritime.

Commodity Trading Fundamentals is internationally renowned. Given how short the course is, one would expect it to be attended exclusively by locals. This is not the case. People travel from the UK, the US and other parts of the world to be there. One of my class mates, CEO of a Mongolian trading house, had come all the way from Ulaanbaatar. It is pointless to add (but we shall do it anyway) that such a course represents an opportunity for networking and the participants can make friends as they hang around in Geneva. Surely, this must be good for the reputation of the Swiss commodity trading hub. ■