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Book Review: The World for Sale: Money, Power, and the Traders Who Barter the Earth's Resources

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When I started reading “The World for Sale: Money, Power, and the Traders Who Barter the Earth's Resources”, as an Equity Analyst focused on the Resources sector I had a good understanding of commodity trading companies. This was also due to our exposure to Glencore, which perhaps has the largest metals trading business in the world. Glencore has both a mining business and a trading business, where they trade their own commodities and those of third parties as well.

But even for me, this book was an eye-opener to the influence these types of companies have on the world, and at times it read more like a thriller, a tale of greed and perhaps arrogance... This was undoubtedly the aim of authors Jack Farchy and Javier Blas.

Commodities form the bedrock of our modern lives, from the metals used within our cellphones, to the fuels that power our cars (and generators in South Africa) and the food products found in our kitchens. The question is, what defines a commodity and what is commodity trading?

A commodity is a basic good that is interchangeable with goods of the same type; examples are grains, oil, natural gas and certain metals. Trading, meanwhile, has a long history, going back centuries, and has been around before we were trading equities on stock exchanges.

The premise of a trading company's business model is simple: buy natural resources in one place and time and sell them on at another time for a profit. This model carries forward to modern commodity trading as well, with the key to success also including maintaining a low profile and keeping the business as secretive as possible. This is partly to keep buyers and sellers in the dark, in order to maximise the trading margin.

“The World for Sale” explores the world of modern commodity traders and how they have influenced our everyday lives while operating mostly unknown to much of the world.

In writing this book, the authors were able to interview 100 active and retired commodity traders. Luck was perhaps also on the authors' side as public interest started to grow as commodity traders started coming out of the shadows.

This was perhaps due to Glencore's listing on the London Stock Exchange in 2011, helping bring financial information on this shadowy world to light. The Glencore listing was also a function of their own success, rather than a desire to open their books to the world.

From this book we learn how power is concentrated in the hands of a few companies and key individuals, and it is their decisions and the risks they take that can have real geopolitical implications.

For example, the five largest oil trading companies handle 24 million barrels of oil per day, which is an astonishing one-quarter of total global demand. And trading companies were able to take advantage of the storage capacity they had at the start of the Covid pandemic by buying oil when the prices fell to unbelievably low levels and selling it at higher prices when the world started to open again.

Two other examples of the political impact of trading companies: the decisions that Vitol took during the Libyan civil war in 2011 which influenced the conflict's outcome; and following the Soviet Union's collapse when trading companies stepped in to save factories. This eventually facilitated the rise of the Oligarchs by financially supporting them when other companies were imploding.

Reading about the outsize influence that the trading companies have wielded globally certainly makes us take a step back and question what the negative implications are when a few can influence the world, ultimately for their own profitability. The authors do make you ponder whether commodity traders are crooks.

Over the last few years, the skeletons have fallen out of commodity trading companies' closets, and there have been various investigations into their practices. These companies are known for sailing close to the wind, and sometimes they step across the grey line. For us this was evident when Glencore pleaded guilty in 2022 to foreign bribery and market price manipulation. Part of the remedial action recommended was implementing stricter compliance procedures.

Perhaps my biggest concern with this book is that the balance of its reporting is skewed towards making out trading companies to be the villains. But even if they are (as noted above), we must also query the broader financial systems that keep it going. A tougher question is what a modern world would look like if one of its key cogs disappears. They do serve a vital function. And importantly, one of the major themes of the next commodity cycle is the need for decarbonisation, and commodity trading companies like Glencore will be key players in that transition.

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