Introduction

Access to natural resources has always been the bedrock of economic life; no society, however advanced, can survive without it. Yet, natural resources are spread unevenly across the globe and they are rarely found in the same place where they are consumed. Throughout human history, the need for natural resources has therefore been a basic driver of trade. The spread of industrialization during the nineteenth century magnified the demand for natural resources. This development picked up pace with the second industrial revolution from the 1870s onwards, as new technologies created demand for new resources. In addition, the fast-growing urban societies that grew up around new factories craved enormous amounts of foodstuffs to survive. This insatiable demand could only be met by moving huge volumes of basic materials from where they were found or grown to where they were needed to fuel industrial production and to feed the workers manning the machines. As a result, natural resources from all over the world were physically transformed into global value chains.

Companies, particularly multinational businesses, created global value chains in which a vertically integrated firm would control the different stages of the production process, for example from mine to smelter to end product. Global value chains could also be established through arm’s length market transactions with producers specializing in one step of the production process and then selling on the commodity to a company involved in the next stage of production for further refining. The latter way of creating value chains opened up ample opportunities for middlemen to become involved. Specialized commodity-trading companies were one such type of middlemen. These companies did not usually mine, grow, refine, or smelt the commodities needed in production processes; they concentrated on physically linking the different stages of production together by buying the output from one stage, transporting it to another place, and selling the commodity to a producer involved in the next stage of production.

Specialized commodity-trading companies became increasingly important in the international economy toward the end of the nineteenth century. Some of the commodity traders grew to have a truly global presence, that is they were doing business on at least three different continents. For several important commodities, trading companies acquired a dominant role, combining their knowledge of markets with logistical and financial capabilities to transport, transform, and market commodities globally. It is notable that several of the trading companies...
that grew large during the first global economy before 1914, such as Cargill and the Louis Dreyfus Company, have displayed a remarkable stability and still control important commodity markets today. While other big players have disappeared, new entities with links back to the initial movers often took over their position.

A commodity is most commonly defined as a basic good used in commerce that is interchangeable with other goods of the same type, or as bulk undifferentiated and unbranded goods (for a good discussion of the definition of commodities, see Topik and Wells 2012: 7–8). In a narrow sense, commodities might also be understood only as raw materials, but although ultimately all commodities come out of the ground, they might also have undergone one or several refining steps, and still be considered as a commodity. Commodities are usually grouped into two main types: hard and soft commodities. Hard commodities are typically natural resources that must be mined or extracted (such as gold, coal, and oil), whereas soft commodities are agricultural products or livestock (such as corn, wheat, coffee, sugar, soybeans, and pork).

A commodity is generally understood as a type of product of uniform quality. When a commodity is traded on a commodity exchange, it must fulfill specific quality requirements. The quality of the commodity on an exchange is thus essentially uniform across producers. However, as products that ultimately come from nature, the chemical form of a commodity depends on its origins, and thus there is really no such thing as a standard physical commodity (Buchan and Errington 2017). The distinctive physical properties of commodities are one of the basic foundations for the commodity traders’ business model. Not only do they link producers and consumers by physically moving a commodity from one geographic location to another; they also change the properties of the commodity by blending commodities of different qualities to match the demands of the customer, and by storing them to time the delivery to maximize profits and suit the production timetable of the customer. The global commodity traders buy, transport, and sell the basic stuff that the world needs to function and on which modern life hinges – metals and minerals, oil and foodstuffs.

Global commodity traders continue to play an important role in the global economy; today a handful of companies control the flow of hundreds of billions of dollars of the world’s commodities. Despite their importance, traders have traditionally not maintained a high public profile. Recent media articles on the traders have all played with different versions of the same chorus: they talk about “secretive giants,” (Daily Telegraph 2011) “a cluster of publicity-shy companies,” (Blas 2011) about “the hidden companies of the global economy,” or “the biggest companies you never heard of” (Onstad et al. 2011).

This chapter argues that although there has always been widespread trade in commodities, global commodity trade only arose with the second industrial revolution in the latter decades of the nineteenth century. The revolution in information and transportation for the first time enabled companies to trade commodities actively on several continents. Over the last 150 years, the centers of commodity trading have shifted between different locations, but despite these shifts, there has been a remarkable stability in the industry. Overall, large commodity trading companies have played an important role in creating global value chains by physically transporting natural resources between different parts of the world and by transforming raw materials to make them into commodities.

**Literature overview**

In scholarship as well as the media, commodity trading companies have generally flown under the radar and we lack any broad studies of the role and impact of global commodity traders. Unlike the situation for general trading companies, where there is a wealth of studies, the existing
literature on specialized commodity traders is limited and scattered (on general trading companies, see Michael Aldous’ chapter in this collection). It can be divided into three broad categories: works on the economics of commodity trading, studies of the business history of specific companies, and, finally, popular journalistic investigations of aspects of commodity trading.

The most comprehensive work on the economics of commodity trading is Philippe Chalmin’s (1989) book on *Traders and Merchants: Panorama of International Commodity Trading*. Chalmin analyzes the economic rationale for global trading firms and explains the different functions that the companies fulfill in the international economy. In addition, he gives a historical overview of the development of the major sectors of the commodity trade, with short histories of the dominant global traders in the 1980s, when the book was written. In addition to Chalmin’s work, the economist Craig Pirrong (2014) has written a white paper commissioned by Trafigura, a global commodity trader, which discusses the fundamental economics of commodity trading. Pirrong’s main argument is that commodity trading firms add value by identifying and optimizing transformations in commodities by reconciling mismatches between supply and demand.

Despite the size and historical importance of big commodity trading companies, there are only a limited number of works on their business history (for a short and concise overview of the history of commodity trading companies, see Jones 2005). Generally speaking, researchers have not had access to the companies’ archives. Many of the existing works are therefore based on an outside-in perspective of the firms gained from published information or government archives. There are some notable exceptions, such as Wayne Broehl’s (1992, 1998, 2008) monumental three-volume study of the giant grain trader Cargill, today the largest privately held corporation in the United States in terms of revenue. There are also a couple of other monographs on different aspects of Cargill (Morgan 1979; Kneen 2002). Cargill’s historical competitors are not as well served, although there are some works on Bunge & Born (Green 1985; Dehne 2013) and Archer Daniels Midlands (Lieber 2000).

The role of commodity trading companies in other soft commodities has been less studied, but Philippe Chalmin’s (1990) monograph on the history of the sugar company Tate & Lyle is important. Based on access to company archives, Chalmin analyzes how this global sugar giant developed from its origins as essentially a sugar refiner to focus increasingly on trading. There is also a growing literature on the history of Swiss commodity traders and their involvement in agricultural commodities, for instance Christof Dejung’s (2013a, 2013b) work on the Volkart company and its involvement in the cotton and coffee trade.

The situation in hard commodities, especially metals, is similar. There are some important works on the most important specialized metal traders, such as Susan Becker’s (2002) monograph on the pre-World War I history of the German company Metallgesellschaft, the biggest metal trader in the world before 1914, and Helmut Waszkis’ (1992) book on Philipp Brothers, the American company that dominated international metal trading from 1945 until the 1980s. Becker based her works on the Metallgesellschaft archives, while Waszkis, who worked as a metal trader for Philipp Brothers, had access to internal correspondence and conducted a large number of interviews with company employees. Waszkis, together with his son (2003), has also written a very informative history of metal trading, tracing traders through history from antiquity to today, while Becker (1998) in a book chapter compares the pre-World War I development of Metallgesellschaft with that of its two biggest domestic competitors, Beer, Sondheimer & Co. and Aron Hirsch & Sohn.

The more recent history of trading in hard commodities is still a rather blank spot. There are no academic studies of the dominant global commodity traders of the last couple of decades, such as Glencore, Trafigura, Noble Group, or Vitol. Consequently, the move by metal traders
into the oil markets has been virtually unexplored, although some journalists have written about this in books aimed at a more general market (Kelly 2014), and especially with a focus on the infamous Marc Rich (Ammann 2009; Copetas 1985).

The existing literature on the history of commodity trading companies is not extensive and there is still much to discover, but the historiography does show the importance of commodity traders in creating global markets for commodities by linking sites of primary production with manufacturing plants and consumer markets through physically moving and transforming natural resources. Some of the works also illustrate the key point that the definition of a commodity trading company can be a slippery affair, as for instance Tate & Lyle developed from a producer and miner to become more and more of a trader, while a company like Glencore, which started out as essentially a non-ferrous metal trader, through its merger with the mining company Xstrata has become perhaps as much a miner and producer as a trading company. Helmut Waszkis’ (2001) work on one of the Bolivian tin barons, Moritz Hochschild, illustrates this point well. Hochschild started out trading Bolivian tin ores with European producers, but then gradually took control also over mining operations, which eventually became the key focus for his operations.

The existing body of work essentially focuses either on the economics of the industry or the business development of different companies. Only to a very limited extent do existing studies consider the national and international political economy in which global commodity traders have operated.

**The development of global commodity traders**

Large, specialized commodity trading companies with extensive international operations only came into existence in the second half of the nineteenth century, enabled by the technological advances of the second industrial revolution, and especially the advent of mass production and mass marketing, and the impact of the transport and information revolutions of this period (Dejung 2013b: 1005). The traditional small and middle-scale merchant houses, which for centuries had made a living through trading a wide range of products, often on a small scale, could not satisfy modern industrial manufacturers’ gluttonous appetite for raw materials. That demand could be better met by traders that could build up extensive buying capacity in the areas where the commodities were first produced and also had the capital to invest in warehouses. In addition, these traders also built up effective selling organizations in the industrial districts where the commodities were transformed into consumer goods. By specializing on trading large volumes of one or a few commodities, some traders gradually grew into having a global presence.

The new demands for scale in commodity trading was not the only reason why larger specialized commodity traders became dominant in many commodities. Traditionally, the operations of many traders had relied on access to advances granted by purchasers. However, the introduction of the telegraph shifted the relations between the end-users and the middlemen and gave potential customers the ability to compare offers from different merchants, which meant that the traders increasingly had to start trading on their own account. The new business practices put a strain on liquidity, which could only be handled by securing short-term credit from merchant banks. Credit was generally more accessible to larger trading companies, and smaller entities were often pushed to the side by bigger competitors (Dejung 2013b: 1005).

As commodity traders increasingly traded on their own behalf, the time-lag between purchase and delivery made heavy demands on finance. It also carried the risks of price and currency fluctuations. To insure against risks, the traders embraced the growth of new commodity exchanges, where they could hedge their operations. Futures markets for globally traded articles such as cotton, coffee, and sugar emerged in the late 1860s and early 1870s, while the London
Global commodity traders

Metal Exchange was established in 1877. In the words of Alexander Engel (2015: 289), futures trading provided intermediaries with an important instrument to bridge the fast circulation of information and the slow circulation of goods.

The first trading companies which achieved a global presence could be found within the world of minerals and metals. A necessary condition for this development was the shift in energy used to fuel the smelters where pure metals were extracted from their ores (Evans and Saunders 2015). Since antiquity, metals, with their high value relative to weight, had always been traded over great distances, but this was not the case with metallic ores. Because of their bulky nature, ores were instead smelted in close proximity to the mines where they were extracted, using local timber for fuel. However, from the 1830s onwards, coal-fired smelters in coal-rich areas started to become dominant. The combination of advances in smelting technology and the reduction of transport costs, made it viable to break the traditional geological determinism of metal reduction and bring ores from faraway places to new giant smelters fed by coal. For instance, by the 1850s, the coal-fired smelters of Swansea extracted copper from ores that came from the Caribbean, Chile, Namaqualand in southern Africa, Algeria, Australia, from the Iberian peninsula, from the United States, and from Newfoundland (Evans and Saunders 2015: 4).

With metal smelting free from the constraints of geology, a brisk trade in metallic ores opened up, and especially in the second part of the nineteenth century, a host of new metal trading companies entered the business. Many of the new companies operated from London, but the German cities of Hamburg, Berlin, and, especially Frankfurt am Main, soon grew in importance as the steel- and non-ferrous industries took off in the German states. By the turn of the twentieth century, three big German companies dominated the international trade in non-ferrous metals and in metallic ores. The biggest of them, Metallgesellschaft, had roots both in London and in Frankfurt. The Cohen family of Frankfurt had traded in metals since the eighteenth century. In the late 1830s they established close links with the Merton family of London through marriage (Mosse 1987: 188). New generations of the families developed their trade both in Frankfurt and London, with the Frankfurt offices retaining a leading role. The company started out trading the traditional “old” metals – copper, lead, and zinc – but eventually it also tried to enter newer products like aluminum, nickel, and pyrites on a large scale. At the start, the company mostly traded the output of domestic mines to German-speaking customers, but after the family incorporated its German business as “Metallgesellschaft” in 1881, it started to look beyond central Europe. The company rapidly built up a network of representatives in the industrial centers of Europe and the United States, and in 1887 it set up a subsidiary company in New York. This signaled the start of a new strategy, and during the next decade, Metallgesellschaft set up new subsidiaries in places like Mexico, Australia, and Belgium. In this period, the company also started to make equity investments in mines and smelters, and it used its ownership interests to secure long-term contracts to sell the output of the producers it now partially owned (Becker 2002).

Metallgesellschaft’s two biggest competitors were also based in Germany. Aron Hirsch & Co. was founded in 1805 in Göttingen, near the important mining district of Harz. Like Metallgesellschaft it started out doing local business, but it gradually expanded its reach by opening up offices in the principal industrial centers in Europe. Although not on the same scale as Metallgesellschaft, Aron Hirsch & Co. during the final decades of the nineteenth century bought ownership interests in metal works in France, Belgium, and Britain, as well as making investments into mines in Australia, the Americas, and the Far East (Becker 1998: 66–85). The last of the big three, Beer, Sondheimer & Co. was a more recent enterprise, and it was established when two senior salesmen from the Cohen/Merton company left to start on their own. Like the other two companies, Beer, Sondheimer grew quickly, and opened offices all over the
world, especially focusing on the trade of lead, zinc, and copper, but also iron and manganese ore (Waszkis and Waszkis 2003: 130–131). By 1900, all three companies had representatives in all countries where metals were mined, processed, or consumed.

While the biggest commodity trading companies in metals and minerals had become global companies by the turn of the twentieth century, the same was not the case with traders dealing with other key commodities. Both in grain and cotton, two of the main globally traded commodities, there were large and important trading companies with a dominant market presence, but these companies would have more of a regional, rather than a global focus. Grain traders like Cargill, Bunge and Born, and Louis Dreyfus, or cotton traders such as Volkart or Ralli, sourced their commodities in specific regions of the world (Cargill in the US Midwest, Bunge and Born in Argentina, Louis Dreyfus in Russia and Romania, Volkart and Ralli on the Indian subcontinent) and sold in specific markets (Cargill mainly in the United States, Bunge and Born in Western Europe, Louis Dreyfus in Western Europe and Britain, Ralli in Britain and Western Europe, Volkart in Western Europe and Japan). Developing global organizations that could effectively penetrate what was in reality a number of regionally oriented markets was challenging.

While large trading companies became important in some commodities, this was not the case for all of them. Petroleum is one example. From the 1860s and onwards petroleum rapidly gained a market all over the world (see Boon’s chapter on oil in this volume). Initially, trading companies were instrumental in bringing the product from the sites of production to where the petroleum was consumed, but as larger companies gradually took control over the production chain, traders were more and more pushed to the side. In the United States, Standard Oil, which by the 1880s had managed to take control over most of the oil refineries in the country and thus had a stranglehold on the whole US oil industry, at first exported petroleum through trading companies. However, by around 1890, the company started to develop its own marketing operations, both in Europe and the rest of the world. The company entered into alliances with European entrepreneurs and set up jointly owned companies to sell directly to the end users in the different markets. Independent traders were increasingly squeezed out from the business (Hidy and Hidy 1955: 147–151, 535–537). Standard Oil’s strategies for taking control over the whole downstream production chain and its marketing operations were followed by the other large international oil companies in the period (see for instance Jonker and van Zanden 2007: 73–79).

The same development can also be seen in another “new” commodity: aluminum. Modern industrial production of aluminum only really started around 1890, and soon the three large German metal trading companies took an interest in the metal. Metallgesellschaft developed links with the pioneer producers, and in the first international cartel which the producers set up, Metallgesellschaft handled the cartel’s sales on the German market. Aron Hirsch & Co. and Beer, Sondheimer on their side, entered into long-term contracts with several of the aluminum producers which were set up immediately after the original patent protection period of the Hall-Héroult process for producing aluminum expired. The metal traders supplied the smelters with metallic ores, and in return got privileged access to market the metal produced. However, as the large international aluminum producers integrated backwards in the production chain and took control over the bauxite mines which supplied the input factor, and also managed to take control over the smaller independent producers, the trading companies were gradually pushed out of the industry. After World War I, trading companies no longer played any important role in the aluminum industry (Storli 2010: 52–53; Becker 1998: 79).

As these examples illustrate, commodity traders played a significant part in the markets for some commodities, while for others they did not. This depended on the specific set-up of the industry. In commodities where there were bottlenecks in the production chain (either through
limited deposits of a natural resource, or through technological or financial demands, such as the capital-intensive nature of oil refining and aluminum smelting), this often led to one group of producers taking control over the whole industry. Through vertical integration, the middlemen could be eliminated, and the producers would develop their own marketing organizations. However, in commodities with a large number of independent producers, which was generally the case with soft commodities such as coffee, cotton, and grain, middlemen tended to maintain an important role.

It was not only the set-up of an industry which affected commodity traders’ room for maneuver. The political situation was also important. While the second half of the nineteenth century was characterized by few barriers to international trade and thus made it easier for trading companies to grow, the period from the outbreak of World War I and until the end of World War II proved disruptive for international trade and some of the old traders lost much of their importance. The large German metal traders were especially hard hit. During World War I, the Allied governments expropriated their international assets and destroyed their vertical integration strategies; during the 1920s, the German traders struggled to rebuild old global networks. Both Beer, Sondheimer and Aron Hirsch & Co. went bankrupt in 1930, while Metallgesellschaft continued as a shadow of its former self. The ascent of Hitler was also difficult for the company. Even though the Merton family, who ran the company, had converted to Christianity, they were still considered Jews by the Nazis and most of the directors had to leave the company (Auerbach 1965: 200–201). Also for traders in other commodities, the interwar years were challenging.

However, neither political currents nor the specificities of an industry were necessarily set in stone. After the end of World War II, political changes like the Cold War and decolonization enabled a handful of commodity trading companies to become truly global. The Cold War was especially beneficial for US traders, while decolonization tended to favor trading companies domiciled in small and tax-friendly European countries.

While trading companies based in Europe had dominated international trade in many commodities up to the outbreak of World War II, after the war had ended, US companies would soon take over the mantle in key commodities. Partially, this had to do with the experience of the war in itself, when the United States cemented its position as the center of the world economy, but just as important was what happened after the war. When an uneasy peace turned toward a Cold War, US authorities started to worry about their supplies of strategic raw materials. The US government built up massive stockpiles of strategic materials in preparation for a five-year future war. By December 1956, the different stockpiles in total contained 24.5 million tons of 75 different materials valued at $6.2 billion (Bidwell 1958: 46 fn. 22). These materials had been assembled partially through purchases from domestic producers, but increasingly they came from abroad. After 1954, with the installation of the Agricultural Trade Development and Assistance Act (popularly known as Public Law (PL) 480, US companies could barter surplus agricultural commodities for foreign raw materials. Between 1954 and 1961, US farm products worth a total of $1,354 billion were bartered through the PL480 program (Fifteenth semiannual report on activities carried on under Public Law 480, 83 D Congress, 1962).

These barter deals were important to the development of commodity traders. First of all, they were generally very lucrative for the companies, since the government provided generous credit arrangements as an incentive. More importantly, they allowed the companies participating in the operations to develop knowledge and contacts in foreign markets, and enabled them to grow their organizations in new parts of the world. For instance, the US grain trader Cargill, which up until then had concentrated on the US market, through the barter deals for the first time gained a foothold in Asia, particularly in India and Pakistan, but also in Europe (Broehl
1992: 791–792). The barter deals were even more important for the main New York-based metal traders, especially companies like Philipp Brothers, Associated Metals and Minerals, and Continental Ore Corporation. Not the least on the back of the barter deals, these three companies now emerged as the most important metal trading companies in the world with offices on all continents. Since all these three companies had been established by émigré German Jews who had left the country in the 1930s as a result of the Nazi regime, there was also a link back to the old dominant metal traders of the pre-1914 world (Waszkis and Waszkis 2003: 191–198).

After 1960, the same commodity trading companies increasingly became involved in trading the commodities of the Soviet Union and its satellites. To purchase industrial goods, the Soviet Union sold significant amounts of raw materials to the western world. These sales would often occur with the assistance of commodity traders. Either the traders would buy the commodities outright from the Soviet Union, or they would sell them on commission. For grains, the situation was the reverse. From 1963 and onwards, the Soviet Union would regularly need to buy grain from the West, and these operations were very lucrative for grain traders such as Cargill (Broehl 1998: 36–45). Up until the collapse of the Soviet Union in 1991, trade in commodities to and from the Soviet Union was an important factor in explaining the growth of large commodity traders.

The second important trend was decolonization which accelerated after 1960. This is important because after having gained political independence, the leaders in the new states also sought economic independence, especially through taking control over their own natural resources. Consequently, during the 1960s and the 1970s a nationalization wave swept over the non-western world. By the end of the 1970s, virtually all mines and oil wells outside the western world had been nationalized (Kobrin 1984: 338). This broke up the existing vertically integrated chains of production in a number of commodities. Commodity traders were adept at profiting from this development by contracting with the nationalized companies to market their output. For instance, when the newly independent state of Guyana in 1971 nationalized the biggest bauxite operation in the country, Philipp Brothers immediately sent representatives to Georgetown, the capital of Guyana. Two months after nationalization, Philipp Brothers were appointed as exclusive worldwide marketing agents for the new Guyanese state bauxite company (Storli 2015: 215).

The nationalization wave that followed decolonization also enabled commodity traders to break into the lucrative oil trade. Philipp Brothers was at the forefront of this development, and from a slow start in the late 1960s, the company already by the early 1970s was making huge profits on the oil trade. By 1978, oil contributed 50 percent of Philipp Brothers’ total turnover (Chalmin 1989: 249). By the end of the 1950s, Philipp Brothers was already the biggest metal trader in the world; 20 years later it was an international giant, dealing in over 150 different industrial raw materials with representatives in virtually every country in the world (Storli 2014).

From the 1960s, Europe gradually again became a center for global commodity traders, with much of the trade being directed especially from Switzerland, but also from other small states such as the Netherlands and Luxembourg. Some of the big American traders had set up subsidiaries in Switzerland in the 1950s, and the number of commodity trading companies in the country only increased in the decades thereafter (Guex 1998: 166). There were three main attractions to Switzerland. First, the country had very benevolent tax policies, especially for companies engaged in international trade. Second, Switzerland was one of the banking centers of the world with strong banking secrecy regulations, which was important for commodity traders with their dependence on large short-term credit lines. Finally, Switzerland was politically neutral, which meant that Swiss-based companies would not be stopped by many of the
political considerations that companies from other countries had to adhere to (Ammann 2009: 77).

Generally, the large commodity traders proved adept at profiting from instability and political risk. Unlike regular production companies, they did not run the risk of losing their assets through nationalization. It is, after all, difficult to nationalize a business which first and foremost is based on the ability to match a buyer and a seller, and not on bricks and mortar. Second, in many instances they were also able to secure loans to states which normal banks would not have done, because they could take the output from, for instance a state-owned mine, as collateral. Finally, because of their low profile and since they generally were private companies, and not publicly listed, they were less susceptible to popular pressure and were therefore able to operate in states which could be no-go zones for other international companies. The rapid growth of Marc Rich and Co., which in the 1980s became the dominant metals and minerals trading company in the world, is a good example of how the willingness to operate in zones where other companies were loath to go, could pay off handsomely. Between 1977 and 1988, for example, the company violated the United Nations’ embargo against South Africa by exporting petroleum to the country. Allegedly, the company made a profit of over $2 billion dollars in South Africa in this period (Ammann 2009: 189–193).

One of the reasons why commodity traders were able and willing to operate in controversial areas was that they mostly were able to carry out business unnoticed by the general public. However, around 2000, traders increasingly came under scrutiny. Several large commodity trading companies were investigated for their role in the scandal surrounding the United Nations’ Oil-for-Food Programme, the relief operation implemented after 1996 to avert a humanitarian crisis caused by the international sanctions imposed on Iraq. The Programme permitted Iraq to sell oil on the international market in return for purchasing food, medicine, and other civilian goods. Despite its noble intent, it suffered from allegations of massive fraud and corruption. The Independent Inquiry Committee which was set up to investigate the claims, in its final report detailed how several companies, including commodity traders like Vitol, Glencore, and Trafigura, had taken advantage of the Programme (Goldstone et al. 2005). Soft commodity traders, especially those involved in trading palm oil, have also come under criticism for their business practices. For instance, in *Newsweek*’s environmental ranking of the 500 largest publicly traded companies in the world, the Singapore-based commodity trader Wilmar came out on the bottom. As a result, Wilmar was named as the “worst company in the world” in headlines all over the world (*Newsweek* 2012).

Another key development in recent decades has been the rise of South East Asia, and especially China, as global centers for the use and consumption of commodities. In tandem with this development, some commodity trading companies based in the region have become globally active. This is especially the case in soft commodities, where companies such as Wilmar and Olam, both headquartered in Singapore, were established around 1990 and within a couple of decades had become among the top commodity trading houses by revenue (Buchan and Errington 2017). Starting out just a few years earlier with metals and minerals as its original focus, another newcomer, Noble Group based in Hong Kong, had a similar trajectory. All of these companies have gone public to strengthen their capital base, but, at the same time, this also means that they have to be more open to the public about their operations.

**Concluding remarks**

Over time, the centers of global commodity traders have changed. Before World War I, and to some extent before 1940, the big traders were generally European. They had started out with
proximity to the end-users of commodities in the key European markets, be they German non-ferrous metal traders, British or Swiss cotton traders, French or Belgian grain traders. After 1945, the geographical center of commodity trading tended to shift to the United States, where a number of US-based traders became a dominant force. From the 1960s onwards, the center gradually gravitated back to Europe again, and especially to small, tax-friendly European countries such as the Netherlands, Luxembourg, or Switzerland. Especially Switzerland, which combined low taxes, political neutrality, and a well-developed finance sector with a well-developed sense of discretion, became an attractive place for trading companies. After 2000, there has been a new trend, where global trading companies based in South East Asia have become increasingly more important.

However, while the centers of commodity trading have shifted over time, there has been a remarkable continuity in the ranks of the dominant trading companies. This is especially evident in soft commodities, where the four largest traders today all can trace their history at least back to the nineteenth century (Archer Daniels Midland established in 1902, Cargill in 1865, Louis Dreyfus Company in 1851, and Bunge in 1818). In hard commodities, this trend is not as evident: all of today’s top six trading companies were established well after World War II, and some even after 2000. Still, the founders of these companies were often trained in one of the older companies, which themselves had links back to the dominant German metal trading companies of the first global economy.

Although commodity traders have been among the key actors in the creation of global markets for commodities, the existing literature is remarkably scant. The main reason is the dearth of easily accessible company archives. However, by combining material from different sources, it will be possible to better assess the role and impact of global commodity traders. Future research would do well to investigate how commodity trading companies organized their businesses across borders and continents. Potential key questions include why some localities and industries have been more resilient to the penetration of traders than others, and how these actors worked to overcome barriers to trade. Another central issue is the question of how traders interacted with other important actors, such as local entrepreneurs and middlemen, multinational companies, and political players to set up global value chains. To understand economic globalization, it is important to understand how the different geographies were linked together in practice by investigating how the interactions of traders with other economic actors shaped global commodity markets and value chains, and how this changed over time. In short, it is important to embed the study of the companies in the international political economy in which they have operated. Finally, future research should help us understand the societal impact of global commodity traders. How have the operations of these companies affected the commodity producing states?

References

Global commodity traders


