

# The pivotal role of the commodity trader as financier

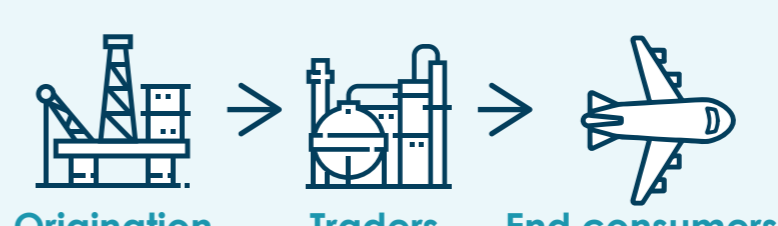
Based on EIU research into the evolving financing landscape for commodity traders, sponsored by ING.



## The evolution of commodity trade finance

A handful of traditional finance institutions with commodity finance operations continue to provide credit to the value chain through largely traditional means.

### The value chain



### Benefits to customers



### Outside challenges are pulling banks away from the commodity markets



## The growing role of the commodity trader as financier

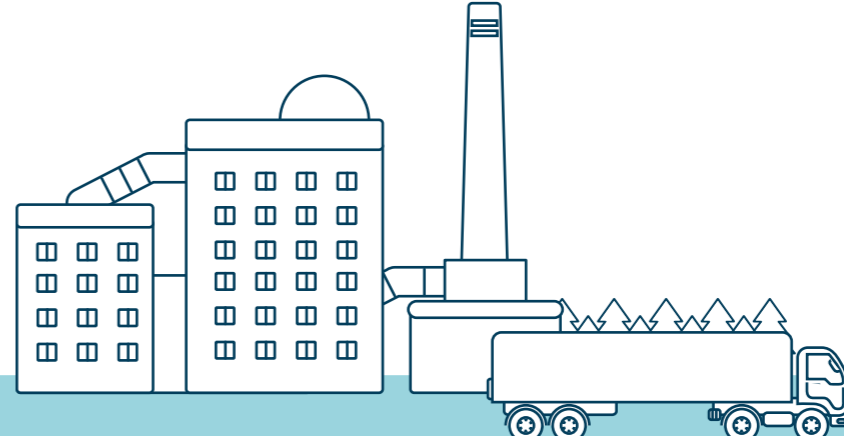
The traditional relations between financial institutions and commodity traders are evolving.

### What is a commodity trader?

Commodity traders are in the business of sourcing, moving, storing and processing commodities to enhance their value. The types of trade and transformative activities they engage in are diverse, as are their financing terms, funding strategies and risk management activities.



Large established merchants are still well-positioned, but even they could face a liquidity squeeze from the retreating banks. Traders are stepping in.



Small players in the value chain are less likely to receive attention from banks, let alone favourable financing or credit terms. Traders, willingly or not, are having to step in.



### Acting as financier exposes traders to new risks and rewards:

Extending financing terms to vendors along the supply chain:



This comes with:



And creates a demand for:



## Conclusion

Recent developments have prompted commodity trading companies to re-evaluate their borrowing arrangements and re-invest in the maintenance of their financing relationships. More than ever, many are having to step in and act as financiers themselves.

Ironically, this state of business relies heavily on the continued free flow of funding from the banks to the large commodity traders. Without it, commodity intensive companies could face serious liquidity challenges.

