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# AN ONLINE PLATFORM TO IMPROVE FOOD MARKETS EFFICIENCY AND ACCESS: THE INTERNATIONAL MARKET OF THE ITALIAN ONLINE COMMODITIES EXCHANGE

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## Access, development and transparency of the food markets

To achieve an improved global food security, complex actions are required and the entire international community is involved. Certainly working for a balanced development of trade is ranked among the top priorities. The strengthening of trade – both domestic and international – of agricultural staple and processed commodities boosts economic growth. The more the markets are transparent and accessible to smallholders, the more the growth is widespread and balanced. The

“  
*Developing a system of open international trade, based on shared rules that are not discriminatory, and which can remove the distortions that restrict the availability of food, thereby creating the conditions for improved global food security*

”

(from the “Milan Charter”)

**Chambers of commerce** and the **Ministry of agricultural, food and forestry policies (MIPAAF)** are among the Italian institutions working to: promote access to markets for companies of all sizes (especially SMEs), provide clear rules for trade, disseminate information on price and market trends. The **Italian Online Commodities Exchange** and its

**International Market** are examples of concrete tools to meet these purposes.

# The Italian Online Commodities Exchange

The **Italian Online Commodities Exchange (BMTI)** was founded at the initiative of the Chambers of commerce in order to modernize their services in support of the marketing of foodstuffs and to bring transparency within the system of price formation. In particular the BMTI modernizes the traditional scheme of physical commodities exchanges, operating in Italy since 1913, taking advantage of the information and communication technologies.

The Online Exchange was established, after several years of trying, by the Decree of the Minister of Agriculture n.174/2006 (as amended), with the aim to provide operators with an alternative way for trading their products, ensuring efficiency and transparency of markets.

The BMTI has three main bodies: the “**National Deputation**” with functions of supervision and general direction; the management company “**BMTI S.c.p.A.**” which organizes and manages

the online trading platform and its related services; the **Chambers of commerce** which promote of the system.

## THE STRENGTHS OF THE ITALIAN ONLINE COMMODITIES EXCHANGE

- **Sale contracts valid for law**
- **Clarity in the trading rules**
- **Prior checking of the access requirements of the operators**
- **Easy access thanks to the online platform**
- **Reduced time and costs**
- **Additional services for the credit insurance**
- **Dissemination of real market prices, in favor of transparency**

In a nutshell, the BMTI is the regulated online market of agricultural, agro-energetic, agro-food and fish products and of logistic services, realized through an online platform unique at national level, accessible from remote locations. Here you can conclude contracts with prompt and deferred delivery; this market is physical and not a financial one.

Transactions on the BMTI can be made, upon accreditation, between producers, traders and processors (individually or associated) having a registered office in

the EU. The trade of goods takes place through a continuous auction, by the mediation of an **Intermediary Agent (SAI)**, which collects and manages the orders of the **operators**. It is possible to trade both commodities and high-quality products. The operators accredited to the BMTI can also take advantage of additional services, including credit insurance and financial services, to secure and sustain their businesses. At the base of the products negotiation we can find the **regulation**. It defines all the relevant aspects: the general way of working of the exchange, the operators' and SAI's requirements, the elements characterizing the quality of the product, the structure of the contract and also the disputes resolution methods.

The prices and quantities resulting from the online trade are included in the weekly “**Communication of prices**” of the Italian Online Commodities Exchange, disseminated both directly by BMTI and through the Chambers of commerce's channels.

The Italian Online Commodities Exchange is considered an Italian good practice. In 2010 was presented at the Agricultural Committee of the European Parliament and in 2012 at the FAO, as an example of what Italy has implemented to support market development and transparency.

# The International Market

In order to prevent disputes between the parties, it is a good practice to define in detail and in advance the conditions that will govern the contract. This is particularly true for business relations between companies from different countries. Since there is not an international law for trade, problems and misunderstandings may easily occur. This because they are naturally accustomed to operating according to their own law and local practices.

To extend the benefits and advantages of an online commodities exchange beyond European borders and **facilitate the matching of demand/supply** between European and non-European companies, BMTI S.c.p.A. created a regulated online platform to trade agricultural and agro-food products, based on the rules and practices of the international trade.

The solution implemented is the following:

- to use, whenever possible, established practices of the international trade;
- to establish general contractual terms to guide the conclusion of contracts in the International Market;
- to allow the parties to integrate their agreements with further contractual terms.

The ruling system of the Exchange is composed of the General Regulation, the General Conditions and the Special Conditions for the sale.

The General Conditions, together with the Special Conditions and the other contractual terms detailed by the operators for each offer, compose the **sale contract issued automatically by the platform**.

The transactions can take place between operators meeting the requirements established in the General Regulation which have received an ID and password to access the trading platform.

The platform records the prices and quantities traded. In this way, information on product prices can be disseminated, for the benefit of market transparency.

The activation of cooperation agreements between the Italian institutions and those of other countries can create conditions for using the **International Market** as an innovative tool to facilitate companies access to foreign markets, in a regulated and transparent environment.

## THE BENEFITS OF THE INTERNATIONAL PLATFORM

- **Easy access to foreign for SMEs**
- **Clarity and standardization of the negotiations, based on the practices of international trade**
- **Reduce the possibility of disputes between the parties, also thanks to a standardized nomenclature for the products qualification**
- **Improve market transparency, thanks to the dissemination of the prices of the traded products**

# Analysis and monitoring for market transparency

The growing volatility that nowadays characterizes the prices of the main domestic agricultural products is a phenomenon which finds its reasons not only in the fundamentals of the market supply and demand, but it also depends on factors resulting from the global economy (such as agricultural and trade policies of the major exporting and importing countries, geopolitical factors, financial speculation, etc.). Therefore the agricultural markets shift from their geographical boundaries and increase the complexity of their dynamics. Companies and policy makers are required to deal with this complexity every day, while taking their business decisions the former and while planning the economic policies the latter.

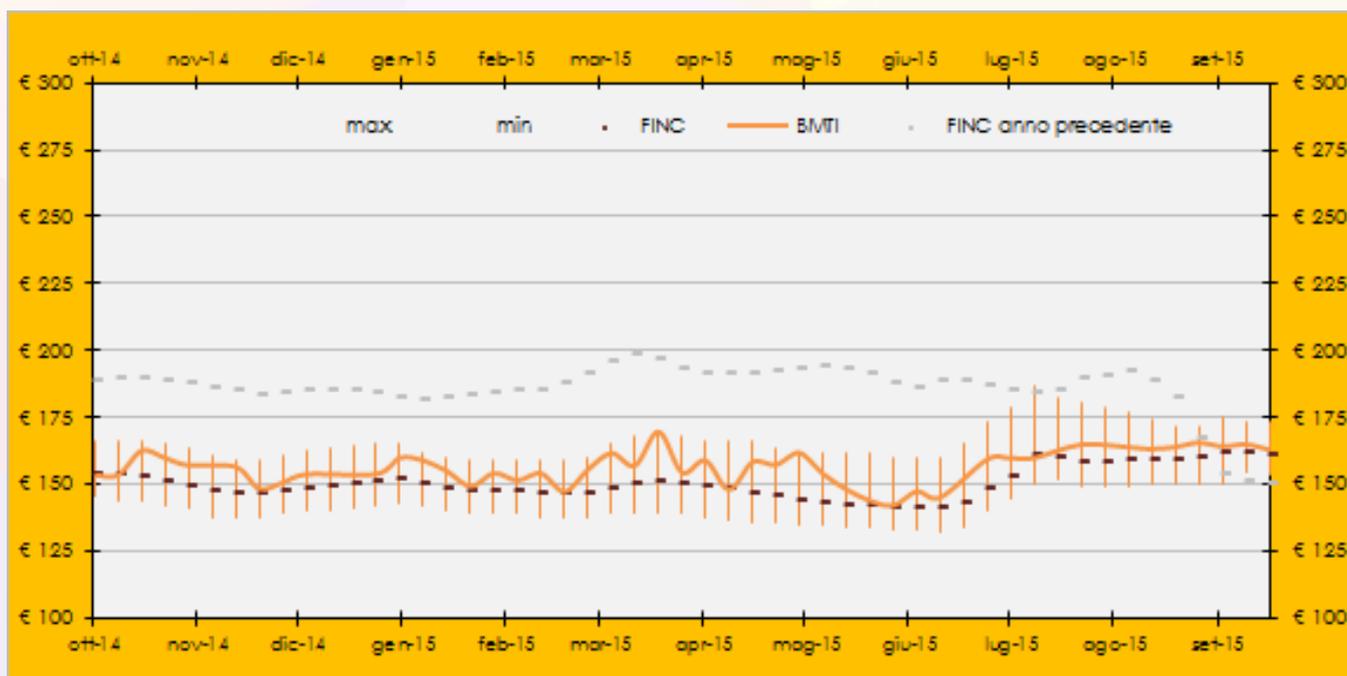
Consequently, the access to information about food prices, production and trade flows becomes extremely relevant for companies, which can be aware of the real value of their products and consequently they can be able to plan their business choices. This is equally important for the institutions, which have to set the policies in support of the agri-food sector and have to prevent and manage the increasingly recurrent market crises.

The monitoring of food supply chains and the dissemination of tools to enhance market understanding take a particular significance in a context where there are a wide range of heterogeneous data sources, which are often difficult to read (especially for small and medium-sized enterprises).

BMTI S.c.p.A, the Italian Chambers of commerce and the Ministry of Agriculture work constantly with the aim to collect, analyze and disseminate information on price trend and for the markets monitoring in order to improve their transparency.

## Development of the FINC and of BMTI quotations (€/t)

Source: Data processed by BMTI deriving from the prices collected by the chambers of commerce and from the online negotiations on the BMTI



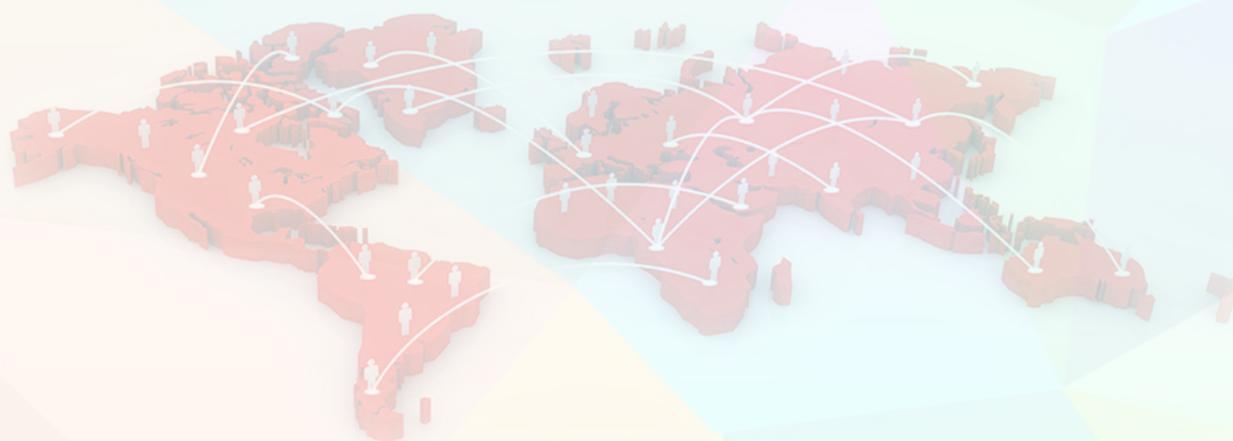
\* Synthetic index illustrating the market trends and the levels of the main quotations, created according to the official wholesale prices collected and disseminated by the Chambers of commerce and to the quotations deriving from the negotiations on the Italian Online Commodities Exchange.

# The Italian experience for the institutions of other Countries

The Italian experience on commodities exchanges, on the negotiation of agri-food products and on the market-monitoring can be an example for the institutions **engaged in the development and transparency of agri-food market**.

For this reason BMTI S.c.p.A. is available to cooperate with foreign institutions in order to:

- **Implement the International Market of the Online Commodities Exchange** Through projects of institutional cooperation, it is possible to select procedures for the implementation and the use of the International Market to facilitate trade relations between operators of different countries in a clear and transparent context, based on the common practices of the international trade.
- **Develop commodities exchanges in foreign Countries** Through advisory service and technical assistance, BMTI can draft analysis and feasibility studies, set the organizational structure and create the functioning rules for the development of the online commodities exchanges, both physical and hybrid, according to the needs of local communities.
- **Price collection, analysis and dissemination** BMTI can share its expertise with the institutions and agencies of other countries in the field of price collection, analysis and dissemination in order to promote the market transparency and the development of SMEs.
- **Standard contracts and commercialization rules** BMTI can implement capacity building activities towards other countries to share expertise on the drafting and the use of standard contracts for the sale of food products. Moreover, training sessions on the marketing standards required for exporting agri-food products in the EU.



# BMTI S.c.p.A.: the management company of the Italian Online Commodities Exchange

**Borsa Merci Telematica Italiana S.c.p.A. (BMTI S.c.p.A.)**, is a non-profit company of public interest owned by the Italian Chambers of Commerce. It was established by decree of the Italian Minister of Agriculture and Forestry Policies n. 174/2006 (as amended) with the aim of introducing innovation among the already existing commodities exchanges system, in order to support the Italian Chambers of commerce in the market regulation, monitoring and improvement of transparency.

The activities of BMTI S.c.p.A.

- Provision, organization and management of the online trading platform of the Italian Online Commodities Exchange
- Drafting of analysis and studies with the aim to disseminate, understand and monitor price trends and market dynamics, using the rich information asset deriving from: the wholesale prices database of the Chamber of commerce, BMTI negotiations, the data daily collected among the Italian wholesale markets and the dense network of contacts with BMTI's partners operating in different markets.
- Support the Ministry of agricultural, food and forestry policies and the Ministry of economic development, in their activities for the improvement of trade transparency.
- Support the Italian system of the Chambers of commerce in their activities of monitoring, regulation and transparency of markets.
- Implement training sessions for institutional partners and for the operators in in the field of prices andmarkets

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