

Cotton

FUTURES & OPTIONS



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The New York Board of Trade® (NYBOT®) provides the world's premier futures and options markets for several internationally traded agricultural commodities: cocoa, coffee, cotton, frozen concentrated orange juice (FCOJ) and sugar.

The trading of agricultural commodities represents one of civilization's oldest commercial activities. Crop commodities, such as cotton and sugar, have been in use for at least 3,000 years. Basic commodities with universal value in different cultures could be described as the first international currencies of exchange. With such a long history as a basis of commerce, it is easy to understand how the marketplace value of each commodity could play a major role in the rise and fall of empires.

The shape and scope of commodity trading has evolved since the early trading routes were established, but the role of commodity trading still remains a fundamental economic component in world economic development. The price fluctuations of a basic commodity can still shock the economy of a country or an entire region. The price of the latest yield of the citrus grove or the cotton field matters a great deal. The central importance of commodity pricing gave rise to the commodity exchanges and their principal pricing tools – futures and options contracts.

For well over a century, cotton, coffee, sugar, cocoa and citrus industry representatives have joined traders and investors in the New York Board of Trade (NYBOT) futures and options markets to engage in price discovery, price risk transfer and price dissemination for these internationally traded commodities. Each day, people from around the world look to the NYBOT markets for a benchmark price.

While the pricing role of the NYBOT markets has remained the same, the exchanges have changed their names, merging, expanding and adding new agricultural products over the years.

New York Board of Trade Historic Timeline

- 1870** **The New York Cotton Exchange (NYCE®) trades first cotton futures contracts**
- 1882** Coffee Exchange of the City of New York trades first coffee futures contracts
- 1914** Coffee Exchange adds sugar futures
- 1916** Coffee Exchange becomes the New York Coffee and Sugar Exchange
- 1925** New York Cocoa Exchange begins trading cocoa futures
- 1966** **New York Cotton Exchange adds Frozen Concentrated Orange Juice (FCOJ) futures**
- 1979** New York Coffee and Sugar merges with New York Cocoa Exchange forming the Coffee, Sugar & Cocoa Exchange, Inc. (CSCE)
- 1982** CSCE introduces options on sugar futures, first U.S. exchange-traded commodity option
- 1984** **NYCE introduces cotton options**
- 1985** NYCE adds FCOJ options
- 1986** CSCE adds cocoa and coffee options
- 1998** **CSCE and NYCE form New York Board of Trade (Board of Trade of the City of New York, Inc.)**
- 2004** **CSCE and NYCE become the New York Board of Trade® (NYBOT)®**

Potential users of the NYBOT Cotton Futures and Options markets are encouraged to read a companion NYBOT publication entitled "Understanding Futures and Options" for an overview and explanation of the basics of these markets. More information is also available at www.nybot.com and www.nybotlive.com.

COTTON – A UNIVERSAL COMMODITY

Cotton throughout history stands as a prime example of the power and influence of a single commodity on the political, economic and social lives of all the citizens of the world. The importance of this single crop can be felt in its complex history of rural land and urban industrial development. Because of its universality, the price of cotton wields enormous influence in the world economy. The arena of cotton pricing – **the cotton futures exchange** – therefore plays a major role in the history of this basic commodity.

Cotton has been in use for over 5,000 years. This remarkable fiber is not only one of the oldest known to man, it is also one of the most common and adaptable plants with a myriad of uses. The variety of cotton goods from basic essentials to luxury materials is as great as the range of the grade, type and quality of the raw cotton itself.

Each of the earliest civilizations developed its unique textiles: Egypt had flax; China had silk; Mesopotamia had wool; but cotton was the staple in two widely separated and independently advanced civilizations. Archeological discoveries give cotton a birthday somewhere before 3000 BC in India (the region that is now Pakistan) and 2500 BC in Peru. Rising empires soon moved cotton over expanding trade routes.



The Persians imported cotton from India. Traders carried it into China. It grew wild on the coast of East Africa. From Peru it migrated north up the American continents. The legions of Alexander the Great brought cotton back to Europe, but it was a luxury only the very rich could afford. Arab traders brought cotton to Europe on a larger scale by the ninth and tenth centuries. Before long the Spaniards and the Italians were weaving cotton. Cotton continually increased its value – for clothing, for blankets, for packaging for bindings and harnesses.