A History of Trading

The first recorded instance of futures trading occurred with rice in 17th Century Japan. Some evidence would show a possibility that there was also trading of rice futures in China as long as 6,000 years ago.

The problem of maintaining a year-round supply of seasonal crops and products such as olive oil led to a system that evolved into the Futures Trading Markets of today. In Japan, merchants stored rice in warehouses for future use. To raise cash, warehouse owners sold receipts against the stored rice. These were known as "rice tickets." Eventually, these rice tickets became accepted as a kind of general commercial currency. Rules came into being to standardize the trading in rice tickets. Over time, modern futures trading grew out of these rules.

In the middle of the 19th Century futures trading began in the grain markets of the United States. The Chicago Board of Trade (CBOT) was established in 1848. The New York Coffee, Cotton and Produce Exchanges were born in the 1870s and 1880s. Today there are ten commodity exchanges in the United States. The largest are the Chicago Board of Trade, The Chicago Mercantile Exchange, the New York Mercantile Exchange, the New York Commodity Exchange and the New York Coffee, Sugar and Cocoa Exchange.

Worldwide there are major futures trading exchanges in more than twenty countries among them Australia, New Zealand, Canada, England, France, Singapore and Japan. The products traded range from agricultural staples like Corn and Wheat to Red Beans and Rubber traded in Japan. Also included, are products as seemingly obscure as Pork Bellies up to our now infamous Petroleum Futures.

The biggest increase in futures trading activity occurred in the 1970s when futures on financial instruments, (FOREX) started trading in Chicago. Foreign currencies such as the Swiss Franc and the Japanese Yen were first. Also developed as futures marketable were interest rate instruments such as United States Treasury Bonds and T-Bills. In the 1980s futures began trading on stock market indexes such as the S&P 500. Other Derivatives followed.

The world wide exchanges are constantly looking for new products on which to trade futures. Very few of these new markets survive and grow into viable trading vehicles. A few examples of less than successful markets attempted in recent years are Tiger Shrimp and Cheddar Cheese.

Futures trading is regulated by the Department of Agriculture in an agency called the Commodity Futures Trading Commission. It regulates the futures exchanges, brokerage firms, money managers and commodity advisors.

About the Author

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