

Appendix 11.1

CRB Raw Industrials Spot Price Index Basic Facts*

- “CRB BLS Raw Industrials [includes]: Hides, tallow, copper scrap, lead scrap, steel scrap, zinc, tin, burlap, cotton, print cloth, wool tops, rosin, and rubber.”
- “A spot price is a price at which a commodity is selling for immediate delivery. In the absence of a spot price, a bid or asked price may be used. Some of the prices used are nominal prices in that they are not actual transaction prices. Often they are exchange prices—a price for a completely standard commodity which eliminates the effect of minor quality changes on actual transaction prices.”
- “The prices used in the index are obtained from trade publications or from other government agencies.”
- “The commodities used are in most cases either raw materials or products close to the initial production stage which, as a result of daily trading in fairly large volume of standardization qualities, are particularly sensitive to factors affecting current and future economic forces and conditions. Highly fabricated commodities are not included for two reasons: (1) they embody relatively large fixed costs which fact causes them to react less quickly to changes in market conditions; and (2) they are less important as price determinants than the more basic commodities which are used throughout the producing economy.”
- “The criteria for the selection of commodities were (1) wide use for further processing (basic), (2) freely traded in an open market, (3) sensitive to changing conditions significant in those markets, and (4) sufficiently homogeneous or standardized so that uniform and representative price quotations can be obtained over a period of time.”

* Excerpted from http://www.crptrader.com/crbindex/spot_background.asp.
Source: Commodity Research Bureau.
