



COMMODITIES AT A GLANCE

Commodities are products stemming from agricultural production or mining production that have not yet been transformed: agricultural products, tropical beverages, energy, minerals, ores and metals.

Some facts and figures

- More than two billion people in the developing world - over a third of humanity - make their living from agricultural commodities.
- 38 developing countries are dependent on a single commodity for more than 50% of their income, while 48 countries depend on only two.
- Commodity prices reached record historical levels in nominal terms in 2006. They increased by more than 30% between 2005 and 2006 (and by 80% from 2000 to 2006), mainly due to the rise in crude oil as well as metals and minerals prices. However, prices of many commodities are still low in real terms.
- Strong demand for raw materials from China and India and other dynamic developing countries has had an important impact on commodity prices.
- The farmers share of the retail price has fallen in several cases. One example is the Robusta coffee producers who received (an average of) 23.8% of each consumer dollar spent on their product from 1980-88, but only an average of 9.1% in 1999-2003.
- 21 % of the global gold production stemmed from the African continent in 2005.
- Chile was the biggest copper producer in the world in 2005 with 36% of the world production.
- Cotton is a critical export for developing countries, particularly for nations in West and central Africa where it is estimated to account for between 5% and 9% of GDP, and between 35% and 40% of export revenues.



- The cotton sector employs some 20 million people in Africa, and is the largest sectoral source of livelihoods in Burkina Faso, Chad, Mali and Benin.
- African countries account for 36% of world production of raw cashew nuts, but because of the difficulty of the shell-removal operation, export 75% of the nuts in raw form, mostly to India.
- While 90% of cocoa beans are grown in developing countries, only 29% of cocoa powder and 4% of chocolate are processed in producing countries.
- World production of ethanol increased from less than 20 billion litres in 2000 to over 40 billion litres in 2005.

Key challenges

- Exorbitant transportation costs affect the competitiveness in many developing countries, especially landlocked countries. It is not unusual in Africa for as much as 40% of national export earnings to be diverted into international transport services.
- Lack of adequate storage facilities is a major source of loss in developing country agriculture and another impediment to competitiveness. After harvest losses could be easily reduced in many countries through better storage facilities.
- Insufficient productivity is an important obstacle to achievement of international competitiveness in developing country agriculture. Increasing productivity helps to fuel economic growth by generating surplus that can be issued for investment within the sector itself or outside it.
- Only about 7% of land under cultivation in Africa is irrigated, compared to 13% in Latin America and Caribbean region, which has similar population densities and resources endowments.
- Even in the absence of formal barriers to trade, commodity producers and processors may not be able to enter markets if they do not integrate into established supply chains.
- If commodity producers have not benefited adequately from global commodity markets, it is partly because most of the returns in the commodity sector are skewed towards the latter stages of the value chain.
- Commodity sector is very important for the development process in most developing countries, particularly the least developed countries. It is the main provider of employment, income, foreign exchange earnings and savings, all of which are crucial for poverty reduction.
- Improving market entry, improving the functioning of domestic and regional markets and moving up the value chain are all ways to shift the balance towards a more equitable distribution of these returns.
- Improving the functioning of domestic and regional markets is an important element of building competitiveness and broadening the impact of commodity-based growth.