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Raw Materials that Rule

Control of commodities shaped the world economy in the past and could decide its future

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COMMODITIES are the raw material of civilization—the lifeblood of the world economy. But their very name makes them sound far more ordinary than they are. A commodity is, by definition, something without a distinguishing identity. When something has been “commoditized,” it lacks the glamour of branded consumer goods. There’s no luxury logo on a barrel of oil or a ton of copper, no marketing campaign behind a shipment of wheat. And yet it’s precisely this uniform and interchangeable nature that allows commodities to be traded seamlessly on global markets—ensuring that people across the world can access the raw materials they need, regardless of where they live.

Because commodities are essential yet distributed unevenly among countries, they have always been a source of both economic opportunity and geopolitical vulnerability. The first long-distance trade routes emerged to move valuable raw materials across continents: The trans-Saharan caravans

connected West Africa’s goldfields and salt mines to North Africa and Europe; early maritime networks across the Indian Ocean traded spices, ivory, gems, and precious metals between East Africa, Arabia, India, and Southeast Asia. But these same resources also triggered conflicts.

Today, commodities continue to play much the same role—powering daily life while shaping the world’s economic destiny. Their importance is rising again as the world moves toward cleaner energy, expands digital infrastructure, and rebuilds its defense capabilities. And these shifts are creating new geopolitical tensions. Understanding commodities is not just about understanding the past; it’s about making sense of the defining economic and political challenges of our time. But what are commodities? How are they traded in modern markets? What drives their often volatile prices? And why do they sit at the center of modern financial markets and geopolitics?

Hard and soft

At the most basic level, commodities are the things we dig out of the ground, such as oil, copper, iron, or gold (*hard* commodities), and those we raise from the soil, like wheat, coffee, cotton, or cocoa (*soft* commodities). Everything we touch, eat, wear, or build begins with these unassuming substances.

The phone in your hand, for example, contains about 42 different minerals: Congolese cobalt, Peruvian copper, Australian iron ore, and a dizzying number of rare earths, sourced mainly from China. Even the electricity that charges it rests on commodities: oil, gas, coal, and uranium—or the critical minerals embedded in solar panels and wind turbines.

Whether trading hard or soft commodities, producers and buyers have always contended with a common challenge: how to cope with wildly fluctuating prices. A bumper harvest one year and a drought the next could make or break a farmer—and the same volatility threatened millers, merchants, and the banks that financed them.

To bring order to this chaos, the Chicago Board of Trade (CBOT) was founded in 1848, creating the first standardized marketplace where farmers and their customers could lock in prices months ahead. By selling a prospective buyer a *futures* contract—a piece of paper that ensures a certain price for a certain quantity of a specific commodity to be delivered at a specific date—farmers could ensure a given delivery price on their production months ahead. Beyond guaranteeing steady income,

futures markets allowed farmers to easily contract loans for irrigation, seeds, fertilizers, and pesticides, improving their yields and protecting their crops.

Similar institutions soon followed in other major trading hubs: the New York Mercantile Exchange (NYMEX) for energy products and metals, the London Metal Exchange (LME) for base metals, for example. These exchanges freed commodity trade from the constraints of physical and often local markets. The flexibility of global financial contracts allowed producers to hedge risks and buyers to secure stable prices. Crucially, they also allowed traders to scale their operations: By hedging financial risks that once limited their reach, merchants could move ever larger volumes across continents, accelerating the globalization of many commodity markets.

Futures and options

But a striking shift occurred as these markets matured. Trading increasingly revolved not around barrels, bushels, or ingots, but around the contracts tied to them. Futures, options, and other derivatives—originally designed as insurance tools—became assets in their own right. They attracted speculators, hedge funds, and eventually high-frequency traders. Because these instruments require only a fraction of the underlying asset's value as collateral, leveraged positions amplified both risk and reward, pulling commodities deeper into the heart of global finance. Commodity prices may sometimes reflect financial speculation more than physical demand for the underlying goods. The surge and ensuing sharp cor-

rection in gold prices in October–November 2025 illustrate this dynamic vividly.

Commodity prices are notoriously volatile for reasons that go well beyond the actions of speculators. On the supply side, production is usually slow to adjust: Drilling wells, digging mines, and planting crops all take time, capital, and decades of planning. On the demand side, buyers cannot easily substitute one raw material for another. Factories cannot redesign production lines overnight, refineries process only specific grades of crude oil, and global supply chains do not reroute at the flip of a switch. As a result, when global demand shifts or when geopolitical, climatic, or logistical shocks disrupt supply, prices tend to move quickly and by a lot.

Recent history offers countless examples. When China entered the global trading system and began its infrastructure boom in the early 2000s, demand rose so sharply across so many sectors that prices for oil, metals, and agricultural commodities all surged together—producing the so-called *commodity supercycle*. But when shocks are limited to a single input, prices can move in opposite directions, even within the same sector.

During the COVID-19 pandemic, for instance, China's lockdowns caused steel demand to collapse. Yet prices for iron ore, from which steel is made, continued to rise. This was because major mines in Africa and Brazil either shut down or slowed production at the same time, tightening supply just as demand weakened. This is why forecasting commodity prices is so difficult. It's not enough to track the global

economy. Forecasting requires a clear grasp of the distinctive dynamics of each market with all its quirks.

Geopolitical rifts

Commodity markets are deeply intertwined with geopolitics. And this relationship is not new: Empires fought for gold, silver, sugar, and spices; and naval fleets enforced access to rubber, oil, and other strategic supplies. During the colonial era, competition for commodities shaped the map itself: Borders were often carved around resource basins. Many of today's national borders and economic structures still reflect these commodity-driven legacies.

Today, the world's growing dependence on critical commodities—those essential for the defense industry, the energy transition, and the digital technologies to power artificial intelligence—has created a fresh set of geopolitical fault lines. Lithium, cobalt, and rare earths today command the same strategic importance that oil and steel once held. Countries rich in these materials are gaining influence; those without them are racing to secure long-term access through alliances, investment deals, and redesigned supply chains. Export controls, sanctions, and “reshoring” increasingly target the minerals that will define future military, industrial, and technological strength.

Enduring centrality

From ancient caravans to modern derivative exchanges, from colonial conquests to today's scramble for critical minerals, commodities have always sat at the intersection of economics, politics, and technology. They are the oldest building blocks of human activity yet remain indispensable to the global economy's most advanced sectors. As the energy transition accelerates, digitalization deepens, and geopolitical rivalry intensifies, the role of commodities will grow only more central. Their control shaped the global economy of the past, and it might shape the global order of the future. **F&D**

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