Global Commodities Forum

Commodities amid the Climate Emergency: Sustainable Trade and Value Addition

The 2024 Global Commodities Forum

On 9 and 10 December 2024 UNCTAD will host the 2024 edition of the Global Commodities Forum at the Palais des Nations in Geneva and online.

The Forum – organized by UNCTAD and its partners – is a major multi-stakeholder conference to discuss pragmatic solutions to challenges faced by stakeholders of agricultural, mineral and energy commodity value chains, notably including those based in commodity-dependent developing countries.

The theme of the 2024 Forum is “Commodities amid the Climate Emergency: Sustainable Production, Trade and Value Addition”. Specifically, the Forum will bring together stakeholders from the public and private sectors, International Organizations, and academia in a policy dialogue to address challenges and opportunities for commodity production, trade, and value addition in the context of the mounting risks and disruptions caused by climate change. As detailed below, the ongoing climate emergency has significant implications for agricultural, mineral and energy value chains around the world.

In each session of the 2024 GCF, panellists will examine specific aspects of the ongoing climate emergency and energy transition that affect sustainable production, trade, and value addition of different commodity sectors.
On day 1, the first session of the Forum will address the challenges and opportunities posed by the global energy transition for developing countries reliant on fossil fuel exports. This includes adapting to decreased fossil fuel demand and securing alternative revenue sources to enhance economic resilience amidst potential shocks like reduced Foreign Direct Investment and asset stranding.

In the second session, experts will explore how natural fibers, like cotton, bamboo, and hemp, can aid climate change mitigation and adaptation. These fibers offer sustainable alternatives to products with higher environmental impacts, such as those from fossil fuels or synthetics. The discussion will focus on enhancing value addition, livelihoods, and climate mitigation in these chains, proposing solutions to overcome obstacles like price fluctuations and scale issues for their prosperity.

On day 2, the third session will delve into the impacts of environmentally-motivated mandatory standards set by importing countries on agricultural value chains. These standards aim to reduce environmental footprints, responding to evidence linking land use changes to deforestation and the climate crisis. Discussions will cover implications for stakeholders in producing countries and challenges in implementing traceability solutions.

In the fourth session, experts will explore how producing countries can capitalize on rising demand for critical energy transition minerals (CETMs) to foster sustainable value chains, economic diversification, and citizen welfare. While many developing nations possess abundant CETM reserves, there’s a risk of exacerbating commodity dependence. The session offers a platform for multi-stakeholder dialogue to ensure CETM demand drives reliable supply chains and sustainable development.

**Conceptual Background**

**The world is facing an unprecedented climate emergency, with significant implications for the production, trade and consumption of commodities**

The climate emergency presents a myriad of challenges spanning various sectors, including agriculture, mineral production, and energy. Escalating climate change effects, compounded by cyclical weather phenomena like El Niño and La Niña, heighten the unpredictability of weather patterns, leading to complex risks for societies worldwide.¹ Shifts in precipitation patterns strain freshwater resources and disrupt agricultural yields, exacerbating water scarcity and food security concerns, particularly in vulnerable countries.

Extreme weather events, such as floods and excessive rain, disrupt agricultural supply chains, impacting commodity prices globally. For instance, cocoa harvests in West Africa suffered due to black pod disease and swollen shoot virus outbreaks, leading to a significant increase in cocoa prices. The resulting deficit in world cocoa supply drove higher prices through the first quarter of 2024, with the price of cocoa increasing from US$ 2.24 per kg in July 2022 to US$ 5.56 in February 2024, an increase of 148 per cent.

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The climate emergency’s impact extends to mineral production, as water stress intensifies in affected regions, and mineral production is very intensive in the use of water resources. Meanwhile, the transition to renewable energy sources increases demand for critical minerals essential for clean energy technologies, presenting both challenges and opportunities for developing countries reliant on mineral exports.

The energy transition away from fossil fuels towards renewable sources is expected to accelerate, potentially leading to the depreciation of fossil fuel assets and impacting the economies of developing countries dependent on them. However, there’s also an opportunity for mineral-endowed developing countries to add value domestically to critical minerals, fostering economic growth and reducing environmental footprints. Ultimately, effective climate mitigation and adaptation efforts are imperative to address these multidimensional challenges and ensure sustainable development for all.

In parallel, millions continue to live in poverty developing countries

The climate emergency highlights the intricate ties between commodity production, trade, value addition, and socio-economic dynamics, notably in developing countries. Persistent poverty and inadequate infrastructure impede these nations from leveraging natural resources for sustainable growth. Rural poverty, common in these areas, strains commodity value chains, contributing to environmental degradation like deforestation, largely from small-scale farming. Yet, sustainable commodity practices offer development opportunities, requiring enduring strategies and strong policies to encourage economic diversity and value addition, thereby fostering resilience and progress.

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3Source: UNCTAD calculations using World Bank data.


6A recent study finds that small-scale farming was responsible for 68 per cent of world deforestation between 2000 and 2018. See Branthomme, A., Merle, C., Kindgard, A., Lourenço, A., Ng, W.-T., D’Annunzio, R. & Shapiro, A. (2023), “How much do large-scale and small-scale farming contribute to global deforestation? Results from a remote sensing pilot approach”, Rome, FAO.
Sustainable production, trade and value addition in commodities can be a potent development tool

Export diversification and dynamic commodity production and trade complement each other, enhancing economic resilience and growth. Diversification broadens a country’s export range, reducing reliance on a few key commodities and geographic trade concentration, thus mitigating risks associated with price fluctuations and market volatility. Dynamic production and trade involve adapting to market changes, technological advancements, and consumer preferences through innovation in production, value addition, and marketing. Strategic partnerships, infrastructure investment, and market diversification create new trade opportunities. 7

Unresolved challenges, as well as new multiple risks and uncertainty threaten the capacity of developing countries to use commodity production and trade for development

The climate emergency intensifies challenges for developing countries reliant on commodity production and trade, necessitating climate adaptation measures. Volatile commodity prices, driven by climate-related shocks, threaten fiscal stability, especially in commodity-dependent developing countries (CDDCs). Additionally, meeting climate targets clashes with exploiting fossil fuel and mineral reserves, crucial for revenue in many developing nations, risking stranded assets. 8 Yet, this dilemma offers opportunities for countries possessing minerals vital for the energy transition, contingent on sustainable practices and fair benefits distribution. Environmental concerns drive demand for sustainable commodities, 9 but compliance may burden stakeholders, particularly smallholders, affecting employment and poverty alleviation. 10 Agricultural alternatives like cotton, hemp and bamboo offer sustainable options but face regulatory and technological barriers. Similarly, mineral-producing nations confront calls for sustainable practices and fair benefits sharing amid the climate crisis. Navigating these challenges underscores the importance of proactive policy interventions to foster sustainability, equity, and resilience in commodity value chains, especially in vulnerable developing countries.

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9 For example, in June 2023 the European Union introduced a regulation setting mandatory due diligence rules for all operators and traders in the Union importing, selling or exporting palm oil, cattle, wood, coffee, cocoa, rubber, and soy from 1 January 2025.