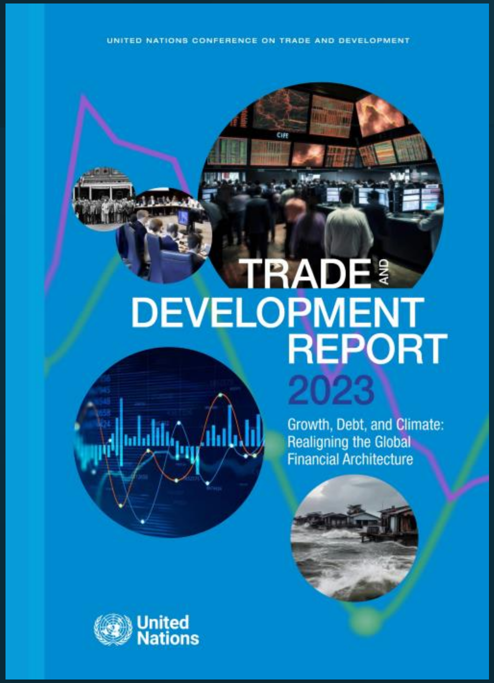
The Trade and Development Report




Trade and Development Report 2025 (Advance preview)
On the brink
Trade, finance and the reshaping of the global economy
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The Global Trade and Finance Nexus

Trade is a financial operation, insofar as the actual exchange of titles involves swapping one financial claim for another.

Around 90% of international trade depends on global banking and financial infrastructure.

Global macroeconomic context transmits policy shocks through financial markets.

Credit provision

Banking lending

Insurance

Securitization

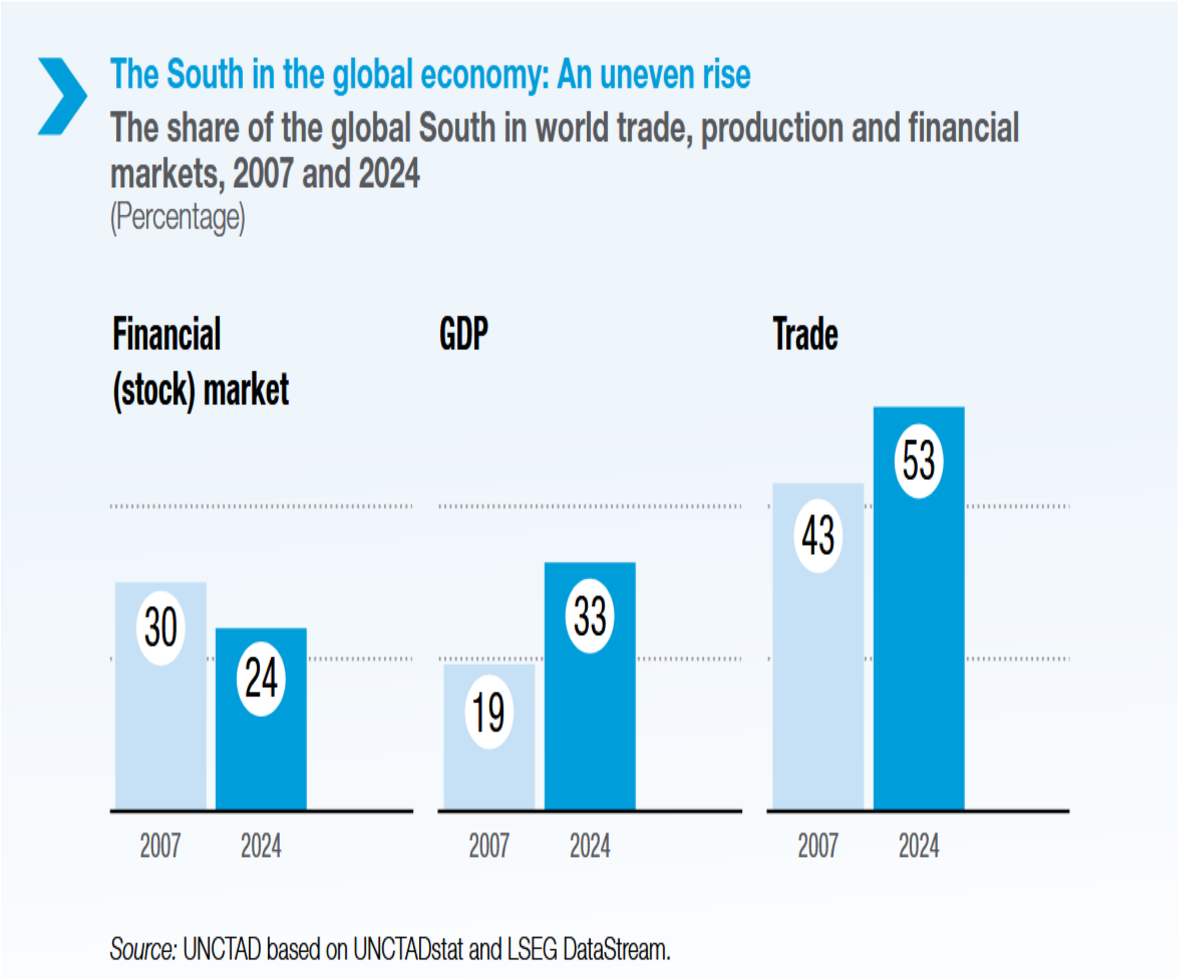
Capital market operations

Financialization

Trade and Development Report 2025:

The impact of the policy shocks of 2025 in the global context of financialized economy?

How can financialization explain the uneven integration of the developing countries, and what lessons does this asymmetry present to policymakers today?



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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The Financialization of Global Food Trading

Forthcoming in *Trade and Development Report 2025*

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Financialization and commodity cycles

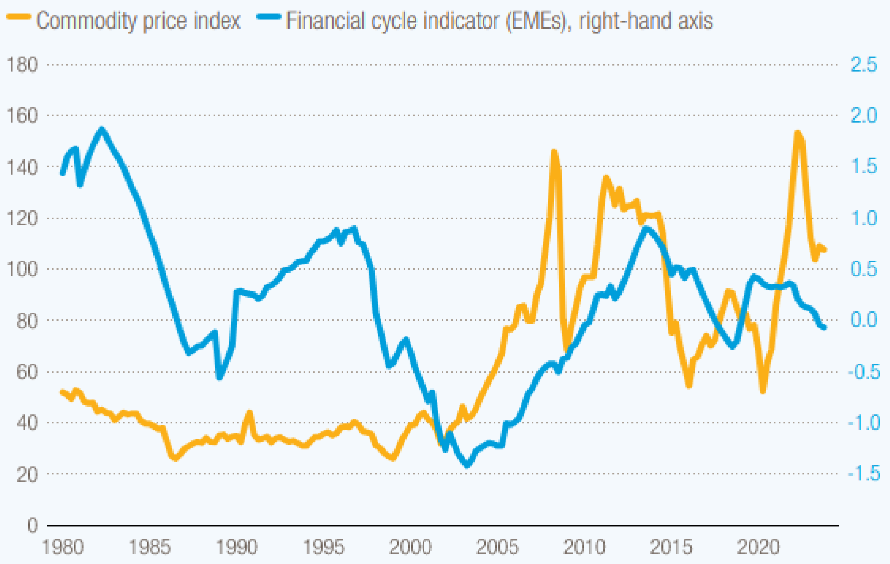
- 2000-2008: Banks, hedge funds and commodity traders join the financial boom
- 2010-2014: Commodity traders lobby to regulate the banks away (via Basle 3). Shadow banking expands into food trading
- 2014-2020: Low commodity cycle
- 2020 - : New price volatility cycle. Food traders as NBFIs

Financialization not only of markets; but of the companies themselves.

This has macroeconomic consequences

Financialization is increasingly shaping commodity prices, especially in emerging markets

Financial cycle indicator and commodity price index in emerging market economies, index 2010=100, 1980–2023



Source: UN Trade and Development (UNCTAD) based on Fitch; national data; Bank for International Settlements; World Bank commodity price data.
Note: Q1, first quarter; Q4, fourth quarter. Financial cycles are measured by frequency-based (bandpass) filters capturing medium-term cycles in real credit, the credit-to-GDP ratio and real house prices (Borio, 2014). Financial cycles are normalized by country-specific means and standard deviations before simple averages are taken for country groupings. Emerging market economies comprise: Brazil, Chile, China, Hong Kong (China), Colombia, Czechia, Hungary, India, Indonesia, Israel, Republic of Korea, Mexico, Malaysia, Singapore, South Africa, Thailand and Türkiye. Advanced economies comprise: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Kingdom of the Netherlands, Norway, New Zealand, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.
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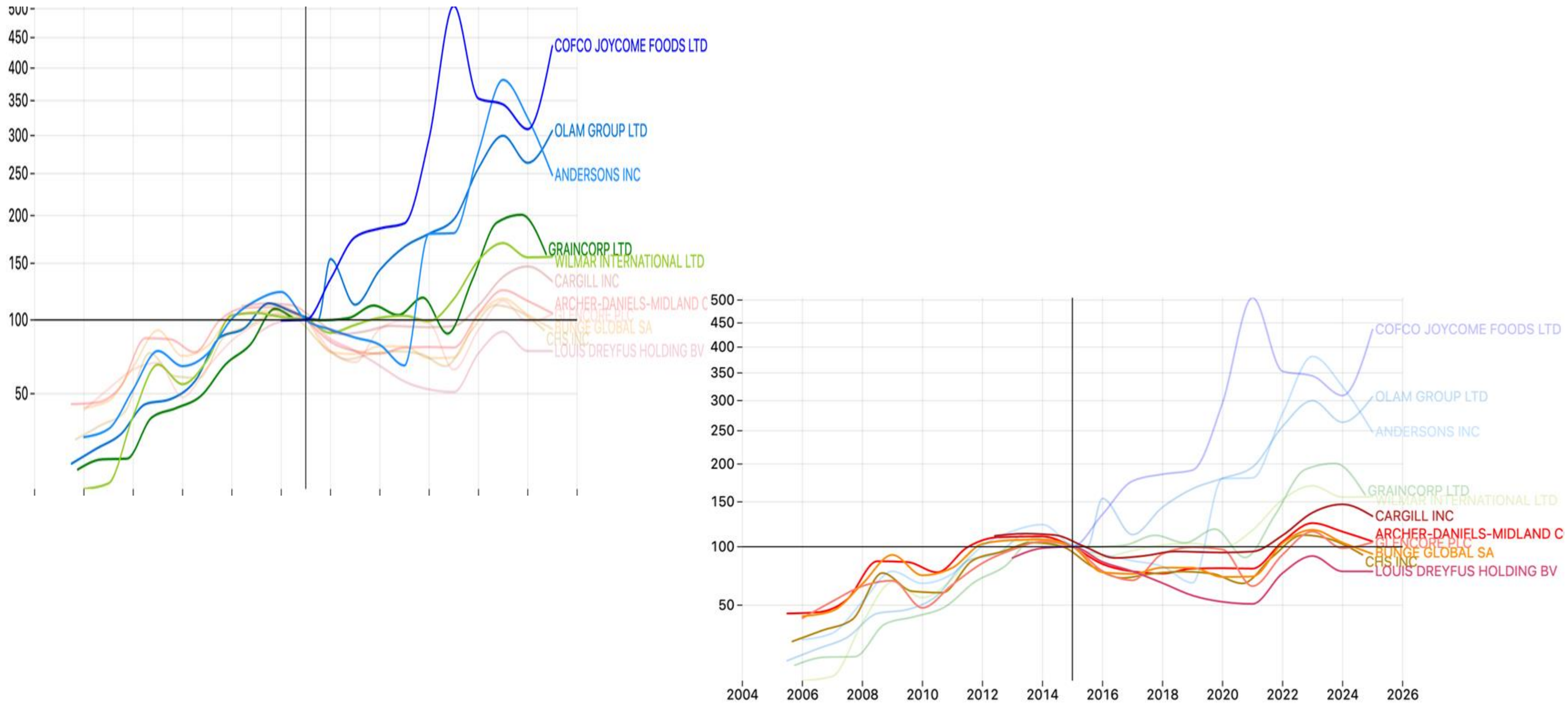
ABCD monopolies

- Unregulated access to under-regulated derivatives markets
- Their activities amplify price swings and volatility
- The sector remains non-transparent and carries new risks

Table III.1 Global food trading companies: Number of subsidiaries

Global ultimate owner	Number of subsidiaries
Glencore	877
Archer Daniels Midland	825
Cargill	780
COFCO International	734
Wilmar International	619
CHS	353
Bunge	352
OFI Group (includes Olam)	207
Akira Holding (includes Louis Dreyfus Corporation)	187
Andersons	150
CMOC Group	100
GrainCorp	60
Noble Group	56
CGB Enterprises	46
Scoular	20

Source: UNCTAD calculations based on Orbis database.



After the commodity supercycle, income trends among global food traders have sharply diverged

- Financialization involves not only opportunistic access to financial markets and profiting on derivatives trades

- Post-2010, major commodity trading firms have evolved beyond traditional trade intermediation, becoming critical nodes not only in supply chains but also in the financial networks that connect banks, capital markets and commodity producers.

- These new financial intermediaries have transformed the institutional framework of trade finance. They work in ways that could amplify, rather than contain, financial shocks.

Embedded derivatives

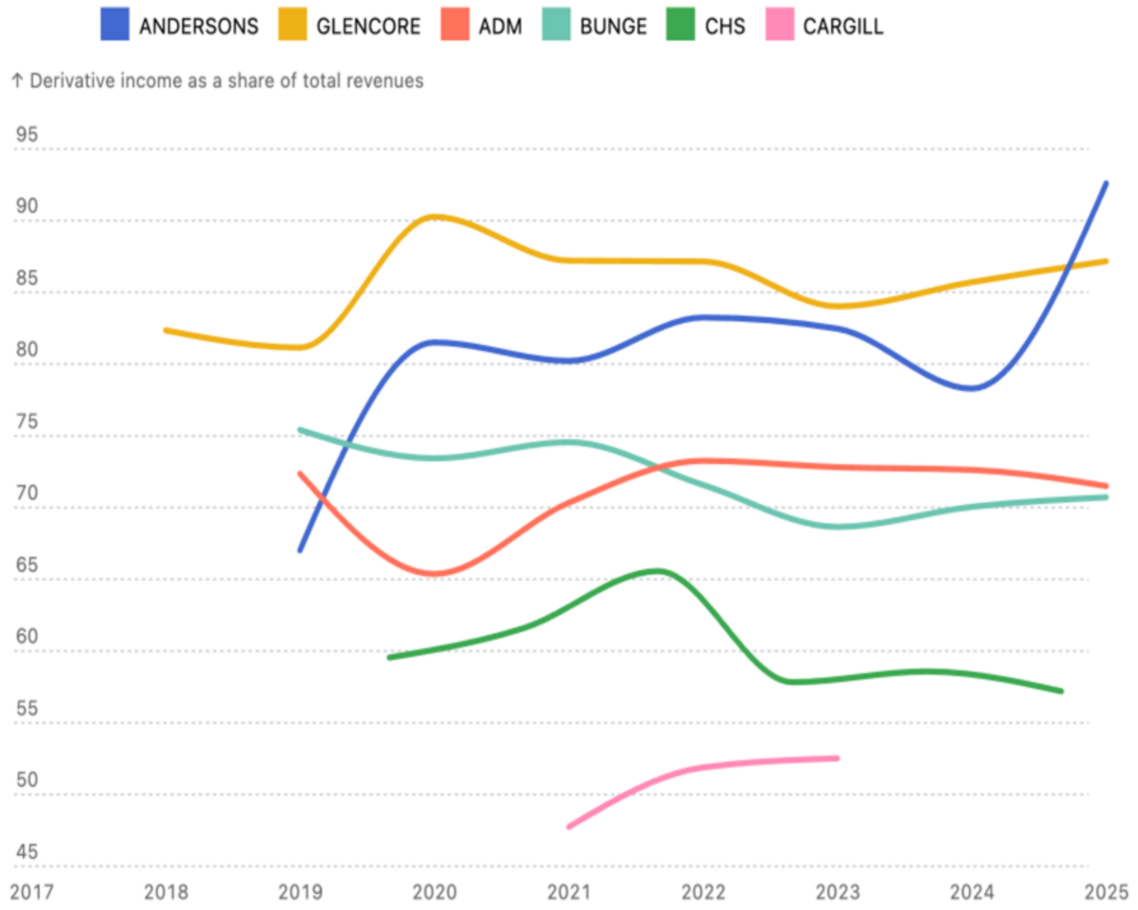
- Commodities like corn, soybeans, coffee, and oil are heavily traded assets with prices that fluctuate rapidly.
- Profiting from these swings requires understanding market interactions over trade periods.
- Derivatives embody this insight – they are not just complex contracts but models of market behaviour – highlighting "if-then" relationships.
- Embedded derivatives – derivative-like features within non-derivative contracts – adjust cash flows based on measures like commodity prices, exchange rates, or weather conditions.
- For example, a spike in energy prices due to geopolitical tensions can raise costs from fertilizers to transport, affecting wheat prices.
- Traders structure derivatives – like options triggered by oil volatility or weather-sensitive payoffs – to capitalize on these cascading effects.

ABCD+: income from derivatives

Derivatives as part of income structure

The stabilization of this trend suggests a deep, structural integration of the food trading companies into capital markets.

Dominant agrifood firms have the capacity to shape material conditions in food systems – from defining key technologies for food production to working conditions and the processing levels of packaged food (Clapp et al., 2025).



Overall, the post-2010 financial architecture of global food trading is underpinned by practices that create large international counterparty risks across at least 80 countries.

Bank intensity

Co-investment exposure

Minority shareholding

Policy takeaways

Reliance on **firm-based supervision and self-regulation** is inadequate to address evolving systemic risks.

Regulating the current structure of commodity trading requires new approaches to crisis management that can address **both operational continuity and financial stability.**

Rather than focusing primarily on leverage constraints among individual entities, policymakers need to address the systemic effects that leverage creates through its interaction with **market structures, the information architecture and trading networks**.

Competition policy tools and cross-market approaches must play a more central role in addressing the vulnerabilities created by concentrated market structures in commodity trading.

- The stakes in developing effective approaches to systemic risks extend beyond financial stability.
- They encompass the resilience of commodity markets underpinning global food and energy security, as well as transparent commercial outcomes in commodities markets, such as price discovery and risk management.

Thank you

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