

**Abstract: Commodity Prices, Government Policies and Competition**

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**Symposium on Trade in Primary Product Markets and Competition Policy,  
Geneva, 22<sup>nd</sup> September, 2011.**

World commodity prices tend to exhibit particular characteristics that differentiate them from other traded goods. This is reflected short-term volatility, occasional price spikes and the possibility of a relative decline in commodity prices over the long-run. In this paper, we overview the main features of commodity prices and the economic theory that underpins them. The aim of this overview of commodity price theory is to put recent events in world commodity markets in an overall context and serve as background for the remaining sessions on government policies and competition issues that arise in these markets. Particular attention will be paid to commodity price volatility and the factors that may cause price volatility to increase in the future. We also consider commodity market distortions and emphasise the impact of government policies; we note that government policies tend to promote domestic price stability while exacerbating world price instability. Finally, we highlight the range of competition issues that likely arise with respect to commodity markets and how they reflect on the features of commodity market prices outlined in earlier sections of the paper.