Market Talks
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COMMODITIES · BEGINNER · LESSON 2 OF 15

The Four Sectors

Energy, metals, agriculture and livestock: what each group contains, what drives it and how big it is

12 min read 8 quiz questions with answer key

COMMODITIES · BEGINNER · LESSON 2 OF 15

The Four Sectors

IN ONE SENTENCE

Commodities fall into four main sectors: energy, metals, agriculture and livestock. Energy and metals are hard commodities that are mined or pumped from the ground, while agriculture and livestock are soft commodities that are grown or raised. Each sector has its own drivers, seasons and risks, and knowing which sector a commodity belongs to is the first step to understanding why its price moves.

Four families of commodities

There are hundreds of raw materials in the world, but the ones that trade on major exchanges fall into four broad families, called **sectors**:

- **Energy:** crude oil, natural gas and the fuels made from them, such as gasoline and diesel.
- **Metals:** precious metals such as gold and silver, and industrial metals such as copper and aluminium.
- **Agriculture:** crops such as corn, wheat and soybeans, and tropical crops such as coffee, sugar and cocoa.
- **Livestock:** animals raised for meat, mainly cattle and hogs.

Commodities in the same sector tend to share the same drivers. Oil and natural gas both react to the economy and the weather. Corn and wheat both depend on the harvest. So when you hear that "energy is up" or "grains are down", it usually means a whole group is moving together. Some index providers split the four sectors into smaller groups. The Bloomberg Commodity Index, for example, uses six: energy, grains, industrial metals, precious metals, softs and livestock.

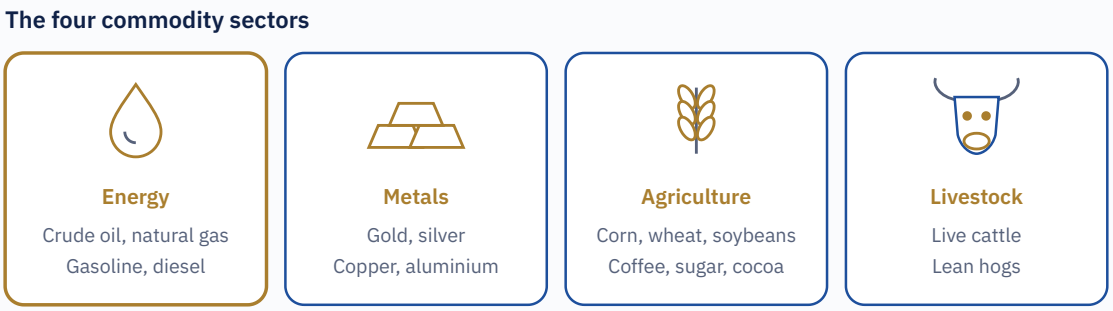


Figure 1. The four commodity sectors and some of the main markets in each.

Hard and soft commodities

Traders also sort commodities into two bigger groups:

- **Hard commodities** are dug or pumped out of the ground: energy and metals. They can usually be stored for a long time, and their supply changes slowly. A new oil field or copper mine can take many years to bring into production.
- **Soft commodities** are grown or raised: agriculture and livestock. Many of them spoil, so they are harder to store, and their supply resets every season. One good or bad harvest can change the picture within a few months.

This difference matters for price behaviour. Hard commodities tend to follow the economy and long investment cycles. Soft commodities tend to follow the weather and the calendar.

Be careful with one word. In trading, **"softs"** has a narrower meaning: it refers to a group of tropical crops, mainly coffee, cocoa, sugar, cotton and orange juice. So corn is a soft commodity, but it is not one of the "softs". Lesson 13 covers the softs in detail.



Figure 2. Hard commodities are mined or pumped; soft commodities are grown or raised. The difference shapes how their prices behave.

Energy: the biggest sector

Energy is the largest and most closely watched commodity sector, because almost every part of the economy uses it. Its main markets are:

- **Crude oil.** The two main benchmarks are WTI, a US crude, and Brent, a North Sea crude used to price most of the world's oil. Lesson 7 compares them.
- **Natural gas.** Used for heating, power stations and industry. Gas is harder to move than oil, so prices differ a lot between regions. Henry Hub is the main US benchmark. Lesson 8 covers gas.
- **Refined products.** Gasoline, diesel, heating oil and jet fuel are made from crude oil in refineries and have their own markets.

Crude oil itself is rarely used as it is. According to the US Energy Information Administration, a 42 gallon barrel of crude produced on average about **19.6 gallons of gasoline, 12.5 gallons of diesel and heating oil and 4.4 gallons of jet fuel** at US refineries in 2023, plus a range of other products. The total comes to more than 42 gallons because refining expands the volume.

Coal, electricity, uranium and carbon emission allowances are also traded, but they are mostly markets for companies and specialists rather than individual traders.

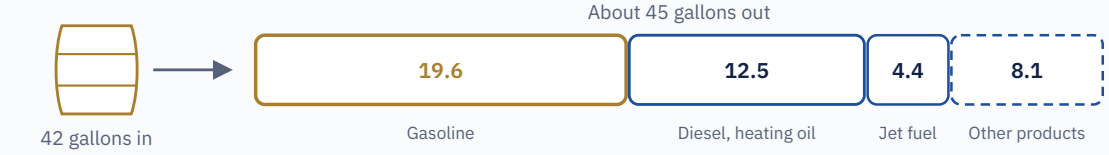


Figure 3. A 42 gallon barrel of crude oil is refined into many products. Refining adds volume, so more than 42 gallons come out.

Metals: precious and industrial

Metals come in two groups that behave quite differently:

- **Precious metals:** gold, silver, platinum and palladium. They are rare, they do not rust, and gold in particular is held as a store of value by investors and central banks. The World Gold Council reported record gold demand of **5,002 tonnes** in 2025, including **2,175 tonnes** of investment demand and **863 tonnes** bought by central banks.
- **Industrial metals**, also called **base metals**: copper, aluminium, zinc, nickel, lead and tin. They are used to build power grids, buildings, cars, machines and batteries, so their prices follow factory activity and construction around the world, especially in China, the largest user of many of them.

The line between the two groups is not perfect. Silver is a precious metal, but much of it is used in electronics and solar panels. Platinum and palladium are used in the exhaust filters of cars. That is why these metals react both to investor fear and to the health of industry. Lessons 9, 10 and 11 cover gold, the other precious metals and copper.

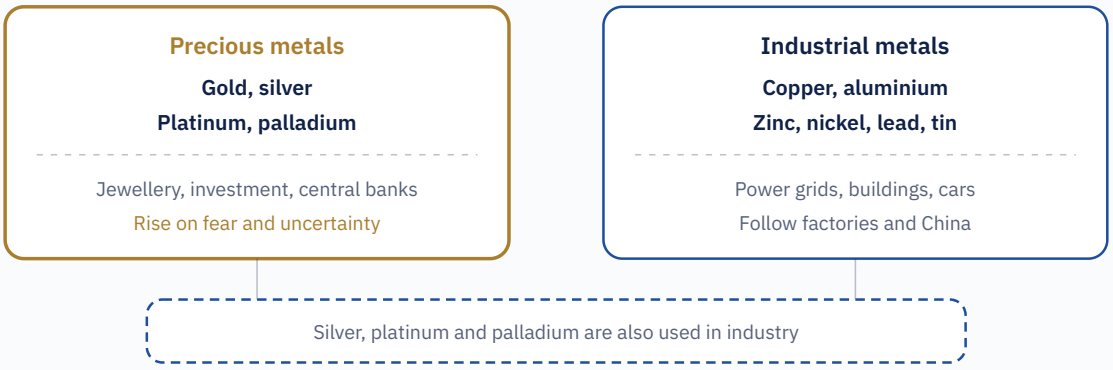


Figure 4. Precious metals and industrial metals have different uses and different drivers, but silver, platinum and palladium sit in both worlds.

Agriculture: grains, oilseeds and softs

Agricultural commodities are grown, which makes them the most weather-sensitive part of the market. They fall into two groups:

- **Grains and oilseeds:** corn, wheat, soybeans and the meal and oil made from soybeans, plus rice and oats. They feed people and animals, and corn and soybean oil are also used to make biofuels.
- **Softs:** coffee, cocoa, sugar, cotton and orange juice. They grow in warm regions, and some come mainly from a few countries. Most of the world's cocoa, for example, comes from Côte d'Ivoire and Ghana in West Africa, so a poor season there can move the world price.

Crops follow a calendar. In the US Corn Belt, farmers usually plant corn from mid-April to May and start harvesting from mid-September. The summer months, especially July, when the plants pollinate, are when weather news moves corn prices the most. Southern Hemisphere countries such as Brazil and Argentina grow on the opposite calendar, so news arrives from somewhere almost all year round.

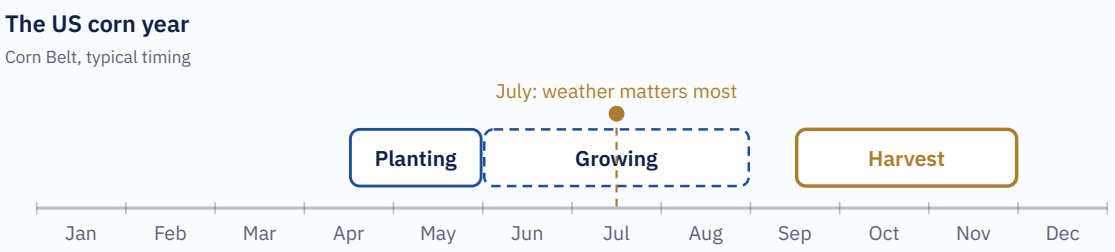


Figure 5. The US corn calendar. Weather during the summer growing season has the biggest effect on the size of the crop.

Livestock: the smallest sector

Livestock futures trade mainly at CME Group in Chicago. The main contracts are **live cattle** (cattle ready for slaughter), **feeder cattle** (young cattle that will be fattened) and **lean hogs**.

Livestock is different from every other commodity in one way: an animal cannot be stored like a bar of metal or a tank of oil. When it reaches the right weight, it has to be sold. Prices depend on the number of animals being raised, the cost of feed such as corn and soybean meal, disease outbreaks and how much meat people buy. Because feed is a big cost, livestock prices are often linked to grain prices.

Livestock is the smallest of the four sectors, and it is mostly traded by farmers, meat packers and specialists. Most beginners focus first on energy, metals and grains.

How big is each sector?

One useful way to compare the sectors is to look at a broad commodity index. The **Bloomberg Commodity Index (BCOM)** is one of the most widely followed. Its weights are set once a year, mainly from how actively each commodity trades and partly from how much of it the world produces.

For 2026, Bloomberg set these target weights: **energy 29.44%**, **grains 21.15%**, **precious metals 18.84%**, **industrial metals 15.76%**, **softs 9.17%** and **livestock 5.64%**. No group may make up more than 33% of the index, so the weights are spread out on purpose. Gold, at 14.90%, is the largest single commodity in the index, and Brent crude oil, at 8.36%, received its highest weight on record.

Other indices are built differently. Some give energy a much larger share because they weight commodities more by world production value. When you read that "commodities rose this year", it is worth checking which index is being quoted.

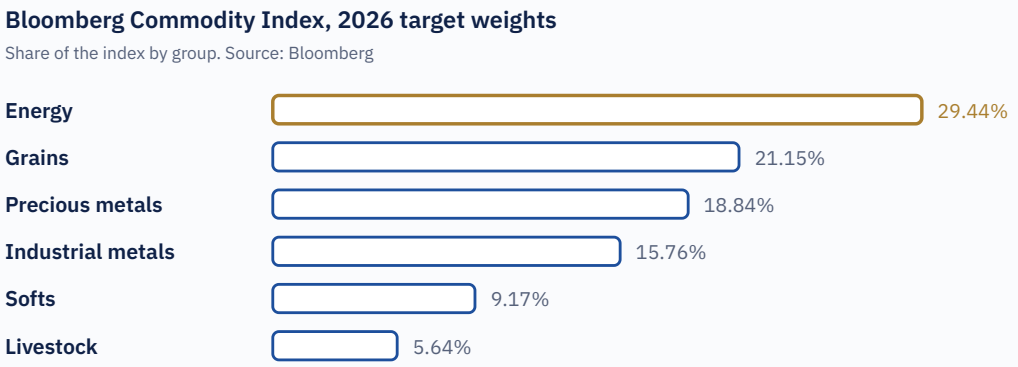


Figure 6. In the 2026 Bloomberg Commodity Index, energy is the largest group and livestock the smallest.

Each sector has its own drivers

Knowing the sector tells you what kind of news to watch:

Sector	Main drivers	Storage	Typical shock
Energy	Economic growth, OPEC+ decisions, conflicts, weather for heating and cooling	In tanks and caverns, at a cost	A key supply route is closed
Precious metals	Interest rates, the US dollar, fear and uncertainty, central bank buying	Almost forever	Investors rush to safety
Industrial metals	Factory activity, construction, demand from China	In warehouses, for years	A large mine shuts down
Grains	Weather, harvest size, export rules, biofuel demand	In silos, for a few years	A drought in a major growing region
Softs	Weather and plant disease in a few producing countries	Limited	A poor crop in a key country
Livestock	Herd size, feed costs, disease, consumer demand	Not possible	An animal disease outbreak

Some drivers affect almost every sector at once. A stronger US dollar tends to weigh on most commodity prices, and a global recession tends to hit energy and industrial metals first. Lesson 14 explains these links.

Why this matters for traders

- **Watch the right news.** Energy traders follow OPEC+ and inventory reports, metals traders follow interest rates and China, grain traders follow the weather. Knowing the sector tells you which calendar to watch.
- **Sectors move together.** If oil is rising, check whether gas and fuels are rising too. A move across a whole sector is usually stronger than a move in one market alone.
- **Seasons matter for crops.** Grain and soft prices often become more nervous during the growing season, when weather news can change the size of the harvest.
- **Gold is not like copper.** Gold often rises when investors are afraid, while copper often falls when the economy weakens. The two can move in opposite directions on the same day.

Key terms

Sector	A group of commodities with similar drivers, such as energy, metals, agriculture or livestock.
Hard commodity	A commodity that is mined or pumped from the ground, such as oil, gold or copper.
Soft commodity	A commodity that is grown or raised, such as wheat, coffee or cattle.
Softs	In trading, a group of tropical crops: mainly coffee, cocoa, sugar, cotton and orange juice.
Precious metals	Rare metals held partly as a store of value: gold, silver, platinum and palladium.
Industrial metals	Metals used mainly in building and manufacturing, such as copper, aluminium, zinc and nickel. Also called base metals.
Grains and oilseeds	Field crops such as corn, wheat and soybeans, used for food, animal feed and biofuels.
Refined products	Fuels made from crude oil in refineries, such as gasoline, diesel, heating oil and jet fuel.
Commodity index	A basket of commodity prices with fixed rules and weights, used to measure the market as a whole.

Key takeaways

1. Commodities fall into four sectors: energy, metals, agriculture and livestock. Commodities in the same sector tend to share the same drivers.
2. Hard commodities (energy and metals) are mined or pumped, store well and have slow-changing supply. Soft commodities (agriculture and livestock) are grown or raised and depend on the weather and the season.
3. Energy is the largest sector. A barrel of crude is refined into gasoline, diesel, jet fuel and other products.
4. Precious metals react to fear, interest rates and central bank buying. Industrial metals follow factories, construction and China.
5. In the 2026 Bloomberg Commodity Index, energy is the largest group at 29.44% and livestock the smallest at 5.64%, with gold the largest single commodity at 14.90%.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. Which of these is a hard commodity?

- A Coffee
- B Live cattle
- C Copper
- D Wheat

2. In trading, what does the word "softs" usually mean?

- A All agricultural commodities
- B A group of tropical crops such as coffee, cocoa, sugar, cotton and orange juice
- C Any commodity whose price is falling
- D Metals that are easy to bend

3. Why does the supply of hard commodities usually change slowly?

A Because they are only produced once a year
B Because new mines and oil fields can take many years to bring into production
C Because governments ban new production
D Because they spoil quickly

4. According to the EIA, roughly how many gallons of gasoline did US refineries make from one 42 gallon barrel of crude in 2023?

A About 4 gallons
B About 12 gallons
C About 20 gallons
D All 42 gallons

5. Which metal is often used both as a precious metal and in industry, for example in solar panels and electronics?

A Silver
B Zinc
C Lead
D Aluminium

6. In the US Corn Belt, when is weather news usually most important for corn prices?

A In January
B In the summer, especially July
C Only after the harvest
D Weather never affects corn prices

7. What makes livestock different from every other commodity sector?

A It has no price
B Animals cannot be stored; they must be sold when they are ready
C It only trades in Asia
D It is the largest sector

8. **In the 2026 Bloomberg Commodity Index target weights, which group is the largest?**

A Grains

B Precious metals

C Energy

D Livestock

Answer key

1 C

Copper

Copper is mined from the ground, so it is a hard commodity. Coffee and wheat are grown and cattle are raised, which makes them soft commodities.

2 B

A group of tropical crops such as coffee, cocoa, sugar, cotton and orange juice

"Softs" is a narrower term than "soft commodities". It refers to tropical crops such as coffee, cocoa, sugar, cotton and orange juice, not to grains like corn.

3 B

Because new mines and oil fields can take many years to bring into production

Building a new mine or developing an oil field takes years, so supply cannot react quickly to higher prices.

4 C

About 20 gallons

US refineries produced about 19.6 gallons of gasoline per barrel, plus about 12.5 gallons of diesel and heating oil, 4.4 gallons of jet fuel and other products.

5 A

Silver

Silver is a precious metal, but a large share is used in electronics and solar panels, so its price reacts to both investor demand and industrial activity.

6 B

In the summer, especially July

Corn is planted in spring and harvested from mid-September. The summer, and especially July when the plants pollinate, decides much of the size of the crop.

7 B

Animals cannot be stored; they must be sold when they are ready

Metal, oil and grain can be stored, but an animal must be sold when it reaches the right weight. Livestock is also the smallest sector.

8 C

Energy

Energy has the largest target weight at 29.44%, followed by grains at 21.15% and precious metals at 18.84%. Livestock is the smallest at 5.64%.

SOURCES

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