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COMMODITY MARKET MOVERS

Commodity Markets 2025: A White Paper on Trends, Policies, and Pathways for the Future

Executive Summary:

The Commodity Market Movers 2025 event served as a timely platform to reflect on the evolution and future direction of India's commodity derivatives markets. As global benchmarks like London, Chicago, and Shanghai have shown, the maturation of derivative markets is not the result of one instrument or policy tweak, but of sustained ecosystem-building supported by regulators, exchanges, and market participants. The white paper emphasizes that India's commodity sector—vital for the Make-in-India agenda—requires a similar long-term vision that goes beyond immediate regulatory mandates. The discussions highlighted how recent reforms, particularly the introduction of delivery mandates, have coincided with a downturn in market activity, raising questions about whether the regulatory architecture is inadvertently stifling innovation and participation. Drawing parallels with global experiences, the event underscored that India must nurture its market through institution-building, calibrated regulations, and enabling policies that balance integrity with competitiveness.

From a regulatory and policy standpoint, the white paper puts forward several critical takeaways.

First, delivery-centric mandates, while aimed at ensuring credibility, must not come at the cost of liquidity and product innovation; flexibility in contract design is essential to attract a wider participant base.

Second, benchmark-based derivatives should be fostered to position India as a price discovery hub, supported by transparent indices aligned with IOSCO standards.

Third, institutional participation, especially by hedgers, funds, and international players, must be incentivized through clearer risk management frameworks and simplified compliance norms.

Fourth, warehousing and collateral systems must be strengthened and aligned with international best practices to build confidence in physical settlement.

Finally, the white paper calls for a Centre-State policy dialogue to harmonize policies that currently fragment markets and discourage participation.

The overarching message is clear: India must move from piecemeal reforms to a comprehensive ecosystem approach, with the regulator acting not just as an enforcer but as a market enabler. This shift will ensure that India's commodity markets can evolve into a global benchmark of resilience, transparency, and efficiency—transforming them into a critical pillar of India's economic growth story.

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Introduction

A Roller-Coaster Year for Commodities: The global commodity market has experienced a tumultuous period recently, characterized by geopolitical upheavals, evolving trade policies, rising precious metal prices, and widespread economic uncertainty. From war-driven energy supply fears to monetary tightening and currency fluctuations, volatility has become standard. Industry experts at the Commodity Market Movers 2025 event gathered to analyse these trends and develop strategies for the future. This white paper summarizes those insights into a comprehensive narrative intended for stakeholders across the commodity value chain – from physical traders and producers to policymakers and market regulators. The tone is balanced and suggestive: we emphasize key developments and advice in clear language, aiming to engage a broad audience while maintaining a professional, forward-looking perspective.

Focus of Discussions: Participants at the event—including veteran traders, economists, policy advisors, and regulators—painted a picture of a rapidly changing commodity landscape. They emphasized how "super fundamentals" (factors beyond traditional supply-demand metrics) now dominate market outcomes. They also highlighted the need for adaptable policy and regulatory frameworks to promote stability and growth amid this turbulence. The following sections summarize: (1) the latest market developments across key commodity sectors, and (2) policy and regulatory recommendations that emerged from the event's dialogues. Visual elements like summary tables are included to clarify challenges and proposed solutions. Minimal external references are used solely to reinforce points raised at the event, ensuring the focus remains on the insights from Commodity Market Movers 2025.

Commodity Markets - Beyond Supply and Demand: The Rise of "Super Fundamentals"

Traditional commodity fundamentals – the balance of supply and demand – remain important, but they are now only part of the story. Speakers observed that over the past two decades, commodity markets have been increasingly influenced by "six major drivers" beyond basic S&D data. These super-fundamentals include:

- **Economic Growth Trends:** There is a positive correlation between global economic growth and commodity demand. Many commodities, such as steel and copper, are considered "growth commodities," meaning that as economies expand, demand for these inputs increases accordingly. Currently, with India emerging as one of the fastest-growing large economies, domestic commodity consumption is expected to rise sharply. Indeed, as one panellist noted, India's journey from a $4 trillion to a $7.5 trillion economy will be "very commodity intensive," with consumption of base metals projected to grow in the high single digits annually. Conversely, concerns about a global growth slowdown have recently exerted downward pressure on industrial commodity prices (e.g., a broad price drop in early 2025 amid mounting recession fears).
- **Geopolitical Shocks and Trade Policy:** Geopolitics can instantly reshape commodity markets. Conflicts, sanctions, and trade wars create supply risks that push prices higher, especially in energy markets. Experts pointed to the Russia–Ukraine war as a prime example: the conflict stoked fears of oil and gas supply disruptions, significantly impacting energy prices. Likewise, tariff disputes and export restrictions have added uncertainty to agricultural and metal markets. One speaker joked that beyond government policies, even the "mood, trust, and fear of the people"—often fuelled by "WhatsApp University" (social media rumours)—have become significant influences on agricultural commodity markets. In short, headline risks often overshadow underlying fundamentals, forcing traders to watch geopolitics as carefully as crop reports or inventory data levels.
- **Monetary Factors and Currencies:** Global monetary policy changes profoundly influence commodities through interest rates and liquidity. Tightening monetary policy (raising interest rates) can strengthen currencies and increase financing costs, which lowers commodity demand and investment. Conversely, an easier policy can inject liquidity into markets, some of which channels into commodity speculation. It was noted that the cost and availability of money—determined by central bank policies—directly impact commodity pricing. Recently, a weaker US dollar has supported commodity prices: the U.S. Dollar Index dropped nearly 20% from its highs (around 120 to below 100), making dollar-denominated commodities cheaper

for international buyers. This has fuelled a significant rally in gold and silver prices as investors seek stores of value when currencies weaken.

- **Weather and Climate Variability:** Particularly for agriculture (but also relevant to energy and metals via hydroelectric generation, mining disruptions, etc.), weather remains a perennial wild card. Abnormal monsoons, droughts, or unseasonal rains can drastically alter crop outputs and push up prices of staples. Speakers stressed that *"when there is no rain, prices will spike"* – a relationship every market participant should understand. Climate-induced supply shocks (such as heatwaves affecting grain harvests or floods impacting mining operations) are becoming more frequent. As one panellist noted, this calls for better risk management tools for farmers (like weather insurance and better crop forecasting) and for traders to hedge such volatility. Encouragingly, some governments are responding – e.g. the Maharashtra state government's plan to plant 2 million hectares of bamboo to bolster green cover and climate resilience – but integrating climate risk into commodity strategy is still a work in progress globally.
- **Speculative and Investment Flows ("Fund Play"):** The influx of large financial players—hedge funds, pension funds, and algorithmic traders—has introduced a new layer of volatility to commodity markets. These funds can take large positions across futures markets, sometimes causing price swings beyond what supply and demand alone would dictate. As Mr. Chandrasekhar explained, these flows "exert an exaggerated impact on the market," moving prices well beyond fundamental value in some cases. He referred to this influence of speculative capital as part of the "super fundamentals,' emphasizing that commodities have become an investable asset class for diversified portfolios. The discussions about the event reinforced that high-frequency trading and trend-following algorithms are now key drivers, contributing to what one speaker called "hyper-volatility" in certain markets. For example, sudden shifts in fund positioning can trigger sharp intraday moves, and "tweets are moving the markets by 5–10%" in some cases. This highlights the need for strong risk management—by both market participants and regulators—to handle rapid swings.

In summary, these interconnected factors—economic trends, geopolitics, monetary policy, currency values, climate, and speculative flows—have created a complex landscape that commodity stakeholders must navigate. As one panel moderator noted, we are living in "very uncertain times" with "new layers of uncertainty" adding to "super-uncertainty and hyper-volatility." The result is that companies and investors need to be agile and forward-thinking. At the event's opening, a set of "mantras" was shared for resilience: emphasize security and adaptability, invest in scenario planning, build supply chain resilience, maintain financial flexibility, focus on talent and relationships, and promote innovation. These guiding principles reflect a consensus that success in the current environment depends on anticipating multiple scenarios and hedging against a broader range of risks than ever before.

Sectoral Highlights

1. Industrial & Precious Metals: A Story of Growth and Safe Havens

Industrial Metals (Base Metals & Steel): The consensus at Commodity Market Movers 2025 was optimistic about the medium-term demand outlook for base metals like copper, aluminium, zinc, lead, and steel, especially in emerging economies. India was a key focus: as it advances economically, its metal consumption is expected to increase rapidly. Panellists noted that India's copper usage could potentially double from approximately 2 million tons to around 4 million tons within 5–6 years, indicating an annual growth rate of about 8–10%. Government infrastructure spending, with India's federal capital expenditure reaching a record ₹11.2 lakh crore, along with initiatives like "Make in India," are driving higher metal demand in sectors such as construction, automobiles, power, and electronics. However, a word of caution was raised: despite being a leading global producer of some metals (e.g., aluminium, India still faces capacity constraints and might become a net importer if demand surpasses local supply unless new smelters and mines are developed. For instance, only two major copper producers operate domestically, and increased investment is necessary to meet the upcoming EV-related surge in copper demand for wiring, motors, and batteries. Panellists also emphasized that China's dominant role remains crucial: China produces approximately 90 million tons of combined copper and aluminium annually, compared to just around 6 million tons in India. As a result, shifts in Chinese demand, supply, and policies will continue to influence the global base metal prices.

Despite strong demand expectations, the price outlook for base metals was viewed as relatively stable or "range-bound" in the near term. Ample global inventories and an uncertain world economy could limit significant price increases, unless major disruptions occur. One expert described the outlook for base metals and steel as a "range-bound market"—unlikely to "increase sharply" but also not prone to deep crashes in the absence of a severe recession. In other words, volatility in metals may lessen compared to recent years, even as underlying consumption continues to grow. This positive outlook depends on incremental supply coming online, such as new mines or smelter restarts, and supportive policies: it was noted that Indian authorities are monitoring cheap steel imports, which could result from a glut overseas due to trade wars, and have implemented measures like anti-dumping duties. However, panellists debated the wisdom of such protective steps. The majority opinion favoured allowing market prices to stay low, which benefits downstream users, rather than artificially propping them up, with the belief that "lowest steel prices will always help productivity and growth." This highlights the broader balance between providing short-term relief for producers and maintaining long-term competitive efficiency—a recurring theme in policy discussions.

Precious Metals (Gold & Silver): Unlike the stability expected in industrial metals, precious metals have experienced a significant rally, reflecting their dual role as investment assets and industrial inputs. Gold, in particular, has soared, even reaching record highs above $3,200 per troy ounce in April 2025 amid global uncertainty. Participants at the event attributed gold's surge to safe-haven demand driven by "rising policy uncertainty, escalating trade tensions, and a shift away from other traditional safe assets." Central banks have also been major buyers (for reserve diversification), supporting gold prices. It was noted with some pride that India, culturally among the largest holders of gold, has benefited from gold's appreciation—"gold prices have now gone through the roof…So Indians are rich!", one speaker remarked casually. The Indian public's vast gold hoard (estimated to be the largest in the world) has effectively increased national wealth as prices climbed.

Silver has a notably compelling story. Often called the "poor man's gold," silver has not only benefited from gold's safe-haven rally but also enjoys strong industrial demand, especially from the clean energy sector, such as solar panels that use significant amounts of silver. Presentations pointed out that silver is facing a structural supply deficit – global mine supply lagged behind demand by over 280 million ounces in 2025, marking the fourth consecutive year of shortfall. Factors contributing to this include the depletion of major silver ore bodies (for instance, top mines in Mexico are expected to exhaust high-grade ore within two years) and reduced output as a by-product of lead and zinc mines, as base metal production has slowed. Meanwhile, demand for silver in electronics, solar photovoltaics, and decorations continues to grow. This bullish supply-demand dynamic has already driven a sharp price increase – silver surged about 25% over three months in early 2025. Panellists emphasized that this might just be the start: "Silver remains one of the best metals to be in… shortages have no mathematical model or limit on prices," one analyst stated. There is also a view that silver could continue to outperform gold in the coming year. While gold might still see modest gains — perhaps around 10% annually — silver's unique mix of tightening supply and rising industrial use positions it for potentially higher returns. In practical terms, investors and mining companies are closely monitoring silver's path, with some at the conference suggesting exploring silver-backed ETFs or funds to enable broader participation in this story. India launched its first silver ETFs in 2022, which now hold substantial tonnage in-country.

In summary, the metals segment discussions revealed a two-track scenario: base metals and steel driven by real-economy demand (with India's growth as a bright spot) but with relatively contained prices, versus precious metals fueled by macroeconomic fears and supply bottlenecks, leading to price gains. Stakeholders were advised to plan accordingly – for example, manufacturers using copper or aluminium should secure long-term supplies in anticipation of increasing volume needs (even if prices remain moderate), while those involved in precious metals should be mindful of potential volatility and opportunities in that space (like using price dips to hedge or accumulate).

2. Energy Commodities: Navigating a Shifting Landscape

Fossil Fuels (Oil & Gas): Energy markets in 2025 have been characterized by extreme volatility, driven by geopolitics and the ongoing tug-of-war between demand recovery and supply adjustments. The global oil market experienced notable fluctuations: crude prices, which hovered around $80/bbl. in 2024, fell to nearly $60 in early 2025 amid waning demand and temporary supply increases. However, the outlook remains delicate. According to the World Bank, global oil supply is expected to surpass demand in 2025, exerting downward pressure on prices, but risks such as OPEC+ policy changes or geopolitical flare-ups (like conflicts in key producing regions) could easily push prices higher. At the Mumbai event, experts highlighted that fears of supply disruptions related to war (e.g., in the Middle East) can trigger immediate price spikes, while diplomatic resolutions or coordinated stock releases can limit price gains. Natural gas has experienced similar volatility: after spiking in 2024, international gas prices declined in April 2025 following the announcement of new tariffs and a mild winter. Still, they may rise again with restocking efforts and weather extremes.

Despite these fluctuations, some analysts widely expect that energy inflation will ease by 2026, thanks to improved supply—such as more LNG export capacity coming online and higher oil production from non-OPEC countries—and levelling demand growth. In fact, a key highlight from a recent industry panel was that energy market inflation could “drop significantly by the end of 2026” if current trends continue. However, volatility will still be a common feature, meaning energy companies and consumers must hedge against price risks and cannot rely on a stable price regime. A policy takeaway here is the importance of maintaining strategic reserves and diverse import sources for energy-importing nations to protect against sudden spikes.

Energy Transition and Renewables: Another notable development is the rapid growth of renewable energy capacity, which is shaping traditional energy markets. Solar energy, for instance, has experienced installation increases of over 160% in five years. This has dual implications: structurally, it decreases demand for fossil fuels (such as coal and gas over time), but cyclically, it creates new dynamics (for example, midday solar output lowering daytime power prices, while dependence on gas for evening power peaks.

For commodity stakeholders, the energy transition presents new opportunities and challenges: demand is rising for critical minerals like lithium, cobalt, and nickel – topics not discussed in depth at the event but widely recognized in the industry - and for biofuels, while investments in fossil fuels face increased scrutiny. One speaker, a bioenergy entrepreneur, highlighted that agricultural waste is becoming "the new oil" – referring to India's push to turn crop residues into compressed biogas, ethanol, and other biofuels. Government programs such as SATAT (aiming for 5000 biogas plants) and new refineries for second-generation ethanol were mentioned as evidence that "the entire new bioenergy sector" is opening up.

This introduces commodities like biomass and carbon credits. However, a noted gap is the lack of transparent pricing mechanisms for these new commodities – such as the absence of a formal exchange for biomass prices- making it difficult for banks to finance and insurers to underwrite this sector. The call to action here is for regulators and industry bodies to develop standards (such as BIS standards for biomass) and potentially create trading platforms for these emerging commodities, enabling their integration into the broader market..

In summary, the energy discussions highlighted a period of transition and instability. Traditional energy markets need to be hedged and managed amid geopolitical risks and post-pandemic demand changes, while new energy commodities and renewables are becoming more important but require policy support (such as infrastructure, standards, and pricing transparency) to mature. Stakeholders were advised to stay adaptable – for example, refiners diversifying into petrochemicals or biofuels, power generators securing multi-year fuel contracts when prices fall, and governments helping to ease price shocks for consumers without relying on heavy-handed market interventions (except in genuine emergencies).

3. Agricultural Markets: Balancing Security and Freedom

Agricultural commodities hold a special place in policy discussions because of their direct influence on food security and inflation. The event's agri-commodities panel was particularly lively, emphasizing India's experience and sharing lessons relevant worldwide. Three main issues stood out: policy consistency, market infrastructure, and farmers empowerment.

Policy Consistency vs. Interventionism: Panelists acknowledged that frequent government interventions in agricultural markets often have counterproductive effects. In India, measures such as export bans, import quotas, stock limits, and suspensions of futures trading have traditionally been used to control price spikes in staples like rice, wheat, sugar, and onions. However, experts argued these tactics only address the symptoms of volatility rather than its underlying causes and can sometimes exacerbate the problem. They highlighted that media sensationalism, especially during minor price increases, often triggers knee-jerk policy reactions, including bans and restrictions, which ultimately hinder market development..

Market Infrastructure – APMC Reforms and Warehousing: To truly enable markets to function effectively, physical infrastructure and regulatory frameworks need enhancements. India's agricultural markets remain largely governed by the outdated mandi (APMC) system. The event noted that although a Model APMC Act was circulated in 2003 to allow single trading licenses across a state and other reforms, many states have not fully implemented it. In practice, there are still multiple mandi licenses, multiple stock licenses, and even intra-state trade can face duplicate fees. This fragmentation prevents the development of a unified national market. The recommendation was to implement "small process reforms" that can eliminate these barriers. As one expert echoed Mr. Sanyal's keynote, we may not need another "big bang" reform but rather a series of targeted fixes: unify licenses, remove arbitrary fees, and facilitate seamless electronic trading nationwide mandis.

India has made progress in grain storage, with around 230 million tons of capacity, but issues remain: low warehouse utilization and about 20% post-harvest losses, often due to poor facilities. Despite the existence of WDRA and a sound idea of negotiable warehouse receipts, government interventions like stockholding limits and export bans discourage storage, hurting the warehousing sector. Overstocked grain reserves in 2025, bought at high prices and sold below market, highlight inefficiencies that could be mitigated by reducing intervention and linking warehouse receipts with futures markets. A proposed system would allow farmers and traders to store grain in WDRA-accredited warehouses, obtain receipts, and trade them electronically, improving price transmission and market efficiency. Connecting warehouse, OTC spot trades, and futures into a transparent, integrated system—similar to modern equity markets—could revolutionize Indian agribusiness, minimize wastage, and benefit farmers..

Farmer Empowerment and Education: A recurring theme was that Indian farmers currently lack effective price signals and risk mitigation tools, leaving them vulnerable. *"Today the Indian farmer looks backward – at last year's price – to decide what to sow, whereas farmers in the US or Australia look forward 3–6 months via futures prices to make planting decisions,"* Ms. Garima Jain explained. The absence of an accessible forward price mechanism (due to limited futures penetration and frequent contract bans) means that Indian farmers often grow crops that were profitable last season, only to face gluts and low prices at harvest. Breaking this cycle requires giving farmers better market information and hedging avenues. The panel strongly advocated for educational initiatives at all levels – from policymakers to small farmers – to change mindsets about futures and derivatives. *"Futures market does not mean speculation,"* Garima stressed; it is about price discovery and risk management. The event concluded that financial literacy and commodity market training should be ramped up: *"If you ask what reforms are needed in agri, I can hand out a list…soil health reform, crop insurance reform… but one of the most important is education"*. Farmers need to understand concepts like how bad weather drives prices up (so they don't blame "speculators" for a drought-induced price rise), and how tools like forward contracts or put options could secure an income floor. There was excitement about new insurance and options experiments: for example, one pilot subsidized put option premiums for farmers, showing them that for a small fee they could guarantee a minimum sale price – and it reportedly *"succeeded, farmers saw it was beneficial"*. However, take-up remains limited, partly because of low awareness and lack of trusted advisors to guide farmers. The idea of developing a network of hedging advisory services was floated – akin to investment advisors for capital markets, but focused on helping cooperatives, FPOs (farmer producer organizations), and Agri-enterprises use futures/options effectively. Additionally, the government could consider incentivizing hedging by farmers/producer groups, perhaps via partial subsidies of option premiums or tax breaks for using formal market instruments. The broader point made was that empowering farmers with market knowledge and tools will ultimately reduce the need for government to "police" prices – market forces and informed participants will themselves ensure a balance between production and demand.

To synthesize the agricultural discussion, we present a summary of key challenges and proposed solutions that were highlighted:

Challenge in Agri Markets	**Insight or Recommendation from Event**
Frequent ad-hoc policy interventions (export bans, stock limits, futures suspensions) disrupting markets and investment confidence.	Adopt a more consistent, transparent policy regime. Use interventions sparingly and based on pre-announced triggers. Restore commodity futures where halted – research shows futures *do not* structurally fuel inflation. Over time, trust markets to equilibrate supply/demand instead of heavy-handed controls.
Fragmented domestic markets due to multiple mandi licenses and fees, limiting nationwide trade.	Implement pending APMC reforms: one license valid across each state (if not country), unify or waive mandi fees for interstate trade. Leverage the electronic National Agriculture Market (e-NAM) to create a unified platform. These process reforms can significantly reduce transaction costs.

Underutilized warehousing and high post-harvest losses despite ample capacity.	Integrate warehousing with markets: promote warehouse receipt financing and spot markets at storage points. Avoid policies (like stock limits) that disincentivize private storage. Improve warehouse infrastructure standards (cold chains, fumigation) with public-private investment so quality losses are cut.
Farmers lack price discovery and hedging tools, leading to cyclical gluts and poor bargaining power.	Expand futures/options access at the farm level. Encourage Farmer Producer Organizations to use simple hedging strategies (e.g., buy put options to insure minimum price) – possibly via government premium support. Provide extensive education and training in local languages on how derivatives can stabilize farm incomes.
Negative perception of futures ("speculation") among policymakers and public.	Educate stakeholders on the economic role of derivatives. Share findings of academic studies and successful pilot programs to show that futures help in *price discovery* and *risk transfer*, not unjustified price hikes. Also, engage with media to avoid sensationalizing normal price movements – perhaps develop commodity price indices for reference to inform calmer reporting.

Through these measures, the goal was to move toward an efficient, farmer-friendly market system where the government's role shifts from intervening in markets to facilitating them—such as by investing in better rural infrastructure, crop sciences, and digital platforms—while allowing price signals to guide production and consumption decisions. As one speaker neatly summarized: "People like us (Indian agri-traders) are as good as anyone in the world, but we don't have the opportunity to act like it because of so many obstacles. If reforms come, you have to run on your own feet." The clear message was that unleashing the full potential of India's (and other emerging markets') agricultural sector requires freeing up market mechanisms and empowering participants, all within a sensible regulatory framework that guards against extremes but doesn't stifle innovation or growth.

Policy and Regulatory Recommendations

While the previous sections have integrated numerous policy suggestions tailored to each sector, this section summarizes the key policy and regulatory insights from Commodity

Market Movers 2025. These recommendations primarily target policymakers and regulators but also include industry groups and market institutions, as effective market development relies on a collaborative effort.

1. Foster Forward-Looking, *Process-Oriented* Policy Reforms

The keynote address by a member of the Prime Minister's Economic Advisory Council emphasized that while headline-grabbing reforms like GST or a nationwide bankruptcy law are important, it's the often-overlooked "nuts and bolts" changes that make the real difference. In the commodity sector, regulators should focus on systematic process reforms—simplifying outdated regulations (such as multiple mandi licenses), digitizing procedures thoughtfully (only after re-engineering), and closing policy loopholes. Tackling the 20% of process steps causing 80% of delays can significantly increase efficiency. The 2015 consolidation of commodity regulation under SEBI, which improved confidence and aligned rules with equity markets, exemplifies how clear, ongoing regulatory updates—like modernizing WDRA guidelines or adjusting import duties—can accelerate market development. The key takeaway is that continuous, stakeholder-informed reforms are essential for sustainable growth, rather than waiting for rare "big bang" changes..

2. Reinforce Market Infrastructure and Integrity

Regulators and exchanges need to collaborate to strengthen the infrastructure that supports market integrity, especially by connecting spot and derivative markets. As Mr. S.K. Mohanty (former SEBI whole-time member) emphasized, "the real credibility of a commodity market comes from the real world of the underlying." This highlights the importance of aligning spot prices and futures prices. Two expert committees in India have examined this, but implementation still requires a push. Regulators should consider measures such as:

- Requiring or incentivizing delivery-based contracts in all possible commodities to ensure that futures aren't solely cash-settled without physical delivery.
- Investing in real-time price dissemination: for example, requiring all APMC mandis to report live prices to a central database accessible to exchanges. Mr. Mohanty recommended that spot market data should feed into exchange systems continuously. This would improve transparency and enable arbitrageurs to align prices across markets, thereby strengthening convergence.
- Upgrading warehousing and quality certification: Ensure that goods stored in warehouses meet standards so that a warehouse receipt accurately reflects deliverable quality, helping to prevent delivery disputes that can undermine trust in futures. If needed, revisit warehousing norms and consider allowing more flexibility

or competition in warehouse accreditation. Panelists urged SEBI and WDRA to "redo regulations" where necessary to bring more goods into the system—such as relaxing overly strict requirements that discourage smaller warehouses from joining the formal sector network.

Furthermore, exchanges should transition from passive platforms to "market builders." This involves taking responsibility for the overall health of specific key markets. A suggestion was for each exchange to select at least one commodity and develop its entire ecosystem – from improving production forecasts to engaging warehouses, spot traders, and processors – so that a truly liquid benchmark contract can emerge. "One liquid contract is worth millions in benefits to farmers and users," Mohanty noted. Regulators can support this by granting exchanges more flexibility and supportive policies (e.g., allowing innovative contract designs or index contracts). In return, exchanges should prioritize quality over quantity – instead of just boasting about the number of contracts or turnover, they should aim for contracts that truly reflect underlying value and attract "real open interest" from hedgers.

On the risk management front, clearing corporations are encouraged to adopt real-time, dynamic risk controls. Currently, margining is mostly rule-based (initial margin, exposure margin, etc., set by formula). Moving forward, with rapid electronic trading and algorithmic flows, real-time risk assessment tools—such as monitoring concentration risks or sudden volatility spikes and adjusting margins intraday—are necessary. This could include practices like circuit breakers harmonized between spot and futures, cross-margin benefits for hedged positions, and improved use of technology (AI/ML models to detect abnormal trading patterns). A forward-looking idea is that exchanges and clearers should not see themselves narrowly—an important point being they should go beyond "just facilitating trades" and actively nurture the market ecosystem, including educating participants and enhancing overall market health standards.

Basically, the policy message is about integration and modernization: break down silos between spot and futures, use data and technology to supervise markets in real time, and make market institutions responsible for overall market development, not just their revenue.

3. Encourage Broader Participation and Deepen Liquidity

A unanimous recommendation was to bring more participants into the commodity A unanimous recommendation was to include more participants in the commodity markets, especially the right kind of participants (hedgers, financial institutions, and knowledgeable retail traders and investors) informed retail investors). Several steps were outlined:

- **Re-integrate Banks and Insurance Companies:** In many jurisdictions, including India, banks and insurers have been either barred from or heavily restricted in their participation in commodity derivatives. Since they have significant exposure to commodity sectors through loans to farmers, miners, oil companies, and others, it is logical to allow them to hedge those exposures. The SEBI Commodity Advisory Committee's roadmap included banks and insurers in the "second phase" after mutual funds. Regulators should accelerate this process, possibly starting with bank subsidiaries or specific products, such as permitting banks to use commodity futures and options solely for hedging loan portfolios or to offer commodity-linked investment products to clients. As Mohanty suggested, banks could even partner in product development—co-branding commodity contracts or acting as "anchor users" that provide initial liquidity. An interesting concept is for large corporates and banks to involve their supplier networks in the market; for instance, a major food processing company could encourage its farmers to hedge on an exchange, with the company or bank perhaps guaranteeing performance or offering training. Likewise, insurers could use commodity derivatives to balance their portfolios, especially since commodity prices often move inversely to financial assets during inflation. The regulatory priority here is to address the concerns that kept these institutions out, such as fears of speculation or lack of expertise, by establishing clear hedging guidelines and potential position limits, and then opening the market for their participation. Their involvement would boost market depth and credibility.
- **Promote Institutional Investors (Funds) further:** The inclusion of Alternative Investment Funds (AIFs), mutual funds, and Foreign Portfolio Investors (FPIs) in commodities was a positive development. However, actual participation remains limited. Policymakers could consider incentives like tax neutrality for commodity mutual funds to attract asset management firms to launch schemes, and ensure that regulatory norms (such as portfolio limits) are supportive. One key insight was that liquidity attracts more liquidity – to draw in more hedgers, there needs to be sufficient liquidity, which often comes from speculators or institutional investors. Therefore, allowing a diverse investor base is crucial. It was emphasized that without strong liquidity, "all the institutional players…will never come." It becomes a chicken-and-egg situation, so easing entry for a broad range of participants can initiate a virtuous cycle of liquidity.
- **Enhance Retail Participation Carefully:** While large players are essential, a healthy market also benefits from participation by retail investors and small businesses, provided they are educated and protected. Policymakers should enhance investor protection and literacy in commodities. This could involve mandating risk disclosures by brokers, offering simulation trading platforms for learning, and launching nationwide awareness campaigns (similar to efforts for equities in past

decades). As small traders and farmers gain confidence, they contribute to market liquidity and represent the "real sector" presence. One farmer or miller hedging 100 bags of wheat may be small alone, but thousands of them create a stable demand for hedging that speculators can then meet. The event highlighted some pilot projects in this area (such as farmers using options via FPOs), and expanding these is a policy challenge that requires coordination among commodity exchanges, agriculture departments, and rural finance institutions.

- **Combat Negative Perceptions through Transparency:** To boost participation, regulators must enhance transparency and surveillance to prevent market manipulation. They should publish regular studies, share trade data (in aggregate), and highlight successful use of futures, such as predicting supply shortfalls. Communicating findings like the Abhijit Sen Committee report, which states futures are not merely speculative, can foster supportive policies. Media engagement, especially during volatility,—explaining price movements with data—can prevent misinformation. Overall, clear and proactive communication is vital for effective market management..

4. Embrace Innovation in Products and Sustainability

Finally, looking ahead, commodity market stakeholders were encouraged to innovate in both the financial products offered and the sustainability of commodity use:

- **New Financial Products:** The evolving commodity markets demand new hedging solutions. Possibilities like weather derivatives, water futures, and carbon trading are gaining interest. India's regulator has approved commodity indices and is exploring carbon credits, while discussions on green hydrogen and sustainable aviation fuel are underway. Regulators should facilitate pilot programs in a sandbox environment to attract participants such as renewable energy firms and companies managing regulatory risks. Proper design, learning from global best practices, and effective risk controls are essential, without stifling innovation. Additionally, expanding options with smaller lots and regional contracts tailored to specific hedger needs can enhance market utility. Targeted innovation is key to unlocking new opportunities and strengthening hedging effectiveness..
- **Sustainable Practices and ESG:** Commodity producers and traders face increasing pressure to meet environmental, social, and governance (ESG) standards. Policies can support this by encouraging sustainable commodity production and trading. For example, exchanges might list "green" commodity contracts—such as low-carbon aluminium or certified sustainable palm oil—to offer premium prices to eco-friendly producers. Governments could aid this through certification programs and

potentially tax incentives for verified green commodities. The mention of One Nation, One Symbol— a Made-in-India labelling initiative launched at the event—connects to promoting domestic products, which could align with sustainability if applied wisely (imagine a symbol indicating not just Made in India but also compliance with certain quality or environmental standards). Additionally, as the world moves toward decarbonization, policies that facilitate the transition—like the bamboo plantation example for carbon sequestration—can create new commodity streams (biomass pellets, carbon credits). This highlights the need for proactive regulation to incorporate these innovations.

In conclusion, the regulatory and policy roadmap derived from the event emphasizes evolution, inclusion, and innovation. By making steady yet persistent improvements, broadening participation, and adapting to new market dynamics, policymakers can greatly strengthen commodity markets. This, in turn, will promote greater economic stability—helping companies and farmers hedge risks effectively—and foster growth—by enabling efficient markets to allocate resources and attract investment. The Commodity Market Movers 2025 event was founded on the idea that such dialogue should lead to actionable insights. As one speaker insightfully remarked: “A conference is a great networking opportunity, but it would be a waste if we repeat the same topics next year – we should have acted on them this year.” In that spirit, this white paper aims to serve as a blueprint for action—transforming shared collective wisdom into tangible progress in the commodity market arena.

Conclusion

Charting the Path Forward: The commodity markets are at a crossroads in 2025. On one hand, they are buffeted by unprecedented volatility, uncertainty, and rapid change. On the other, they are supported by technology, innovation, and a growing recognition of their importance in everything from food security to energy transition. The Commodity Market Movers 2025 discussions painted a picture of both challenge and opportunity. Yes, markets are shifting under the weight of geopolitical tensions and macroeconomic swings – “markets are shifting, AI is revolutionizing trading, regulations are evolving” as the event introduction stated succinctly. But stakeholders are not helpless passengers on this roller coaster. By adopting strategic foresight, harnessing new tools, and implementing the thoughtful recommendations summarized above, they can steer toward a more stable and prosperous commodity ecosystem.

A Balanced Narrative: For commodity stakeholders, the main takeaway is balance. Balance between market forces and policy oversight—allowing markets to operate freely most of the time but with a safety net for extreme cases. Balance between innovation and regulation—encouraging new products and participants while ensuring transparency and fairness. And balance between profit motives and the public good—recognizing that well-functioning commodity markets can raise farmer incomes, reduce inflation, and secure resources, all of which benefit society at large. The tone of the event was suggestive: highlighting potential pitfalls and proposing ways to capitalize on recent developments constructively.

Engaging a Broad Audience: Whether you are a trader planning next year's strategy, a policymaker drafting commodity regulations, or a regulator refining market rules, we hope this white paper has presented insights clearly and practically. The language used by speakers was refreshingly accessible – metaphors like "WhatsApp University" for rumor mills and anecdotes about how opposition parties and media can sensationalize price spikes effectively conveyed the points without jargon. We have mimicked that approach here, believing that ideas resonate better when communicated simply. After all, complex issues like commodity volatility require the collective effort and understanding of many stakeholders to resolve. By bridging high-level analysis with grassroots realities, the event created a shared narrative. We have captured that here so that even those who were not in the room can join in conversation.

Turning Insights into Action: In the coming months and years, the hope is that these discussions translate into measurable changes. By the time Commodity Market Movers 2026 convenes, we will see that India (and other markets following similar paths) has reintroduced key futures contracts with success, streamlined its mandi system, or launched new indices for commodities like Battery Metals or Carbon Credits Perhaps policymakers will have restrained from emergency export bans because robust storage and hedging mechanisms made them unnecessary. And perhaps farmers will be checking forward prices on their smartphones before deciding what to plant, instead of relying on last year's outcomes. These outcomes are within reach if the recommendations herein are pursued.

In conclusion, the Commodity Market Movers event highlighted a simple yet powerful truth: commodity markets support essential human needs and economic activities. Keeping these markets healthy, efficient, and inclusive is not only the concern of traders or regulators – it benefits every citizen who eats food, uses energy, or buys manufactured goods. As one speaker passionately emphasized, "sustainable growth will only come if we take care of the poorest even as we promote entrepreneurship and climb the world order." A strong commodity market, supported by sensible policy, can help achieve that balance – making sure food stays affordable, resources are available for industry, and producers are adequately and fairly rewarded.

The journey ahead will require ongoing dialogue and collaboration. The Commodity Market Movers 2025 event was a significant step in that journey – transforming insights into strategy and introductions into game-changing deals. This white paper, based solely on the detailed transcript of that event, serves as both a record and a roadmap. The stage is set, stakeholders are energized, and the commodity market's next chapter is ready to be written – one of resilience, innovation, and shared progress prosperity.