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Abstract

The commodities market serves as a cornerstone of global trade and economic activity, facilitating the exchange of raw materials vital for industry and consumption. This abstract explores the complexities and dynamics of the commodities market, delving into factors driving price fluctuations, including supply and demand dynamics, geopolitical tensions, weather patterns, and technological advancements. Moreover, it examines the role of financial instruments such as futures contracts and options in hedging risks and speculating on price movements. The abstract also sheds light on emerging trends in the commodities market, such as the rise of sustainable and ethical sourcing practices, digitalization, and the influence of environmental regulations on market dynamics. Understanding these factors is essential for investors, policymakers, and businesses seeking to navigate the intricacies of the commodities market and capitalize on its opportunities while managing associated risks.

Key words: Commodities market, Price fluctuations, Financial instruments, Market dynamics, Investors, Policymakers.

Introduction

Commodities Market:

10 years prior , interest in security and trade instruments (stocks ,bonds commodities)was thought about a bet by a larger number of people in India . This discernment has how ever , changed over the recent years .Today ,similar arrangement of financial backers can be putting resources into numerous instrument , be it common asset ,stock , and wares.

The right blend of items and value in your portfolio can help you profits by appealing returns ,while diminishing the gamble part . Go into the items exchanging trade NCDEX and-MCX-to see which wares are for exchanging ,their agreement size and different measures. You should get hold of a wares intermediary to comprehend how exchanging functions.

- Products exchange choice agreement are all in all correct to by (call choice) or sell(put choice) basic ware future at foreordained costs on the date of agreement expiry it is essential to take note of that , not at all like in value choice where choices include freedoms to sell or purchase portions of organizations at per-set costs , it works a piece diversely for the ware exchanging space.

- A wares market includes trading, or exchanging a crude item such, as oil, gold or espresso.

- Their are hard products, which are by and large regular assets, and delicate items which are domesticated animals are agrarian merchandise.

• Spot products markets includes Prompt conveyance, while subsidiaries markets involve conveyance later on.

• Financial backer can acquire openness to products by putting resources into organizations that have openness to items straightforwardly through Prospects contracts.

• An item market is a commercial center for purchasing, selling, and exchanging unrefined substances or essential items.

• Items are in many cases parted into two general classes: hard and delicate products. Hard wares incorporate normal assets that should be mined or removed — like gold, elastic, and oil, while delicate items are horticultural items or domesticated animals — like corn, wheat, espresso, sugar, soybeans, and pork.

Meaning of Commodities Market:

The commodities market is a financial market where traders buy and sell contracts for the delivery of physical goods or raw materials such as agricultural products, metals, energy, and other primary products. These markets provide a platform for producers, consumers, and investors to manage price risk and speculate on future price movements of commodities.

Components of Commodities Market:

The commodities market typically consists of four main components:

1. **Commodities:** These are the actual goods being traded, such as agricultural products (e.g., wheat, corn), energy (e.g., crude oil, natural gas), metals (e.g., gold, silver), and others.
2. **Producers/Suppliers:** These are the entities responsible for producing or supplying the commodities. They can be farmers, mining companies, oil drilling firms, etc.
3. **Consumers/End Users:** These are the individuals or businesses that ultimately use the commodities in their operations or for consumption. They could be food processing companies, manufacturers, utilities, etc.
4. **Market Participants:** These include traders, speculators, investors, and hedgers who engage in buying and selling commodities through various financial instruments such as futures contracts, options, and exchange-traded funds (ETFs). They help facilitate price discovery and liquidity in the market.

Review of Literature

1. Vivek Rajvanshi (2015) in his paper "Item Fates Market in India", made sense of the working of prospects market and difficulties of the prospects market. The paper itemized the beginning of wares and their development to turn into an elective class of speculation and heading towards financialization. Challenges alongside the development were focussed in the review. The review presumes that the Fates market rules the spot market and the outcomes recommend that shortcomings in market prompted expansion in Premise Chance which can be diminished by supporting the ware prospects. The paper likewise recommends that item fates give straightforward value disclosure to the exchanged products. Likewise, the market members are worried about the liquidity and higher exchange costs.

2. Bhaskar Goswami, Isita Mukherjee (2015) in the paper "How alluring is the Product Prospects in India?" contrasted the profit from item fates and normal stocks, long haul government securities, depository bills , pace of expansion and definite that significant yields are for the most part connected with high gamble in accordance with the overall hypothesis of hazard return. The standard deviation on genuine paces of return of ware fates are same as the standard deviation on ostensible paces of return. Results propose that thought normal stocks gave better yield yet gave unfortunate supporting during expansion.

3. S. S. Servanathan, Dr. V. Manohar (2013) in the paper "Web based Exchanging - An Understanding to Products Exchange with Extraordinary Reference to India" made sense of the web based exchanging process and the connected patterns India. It is presumed that web based exchanging India has not taken off regardless of the advantages which incorporate low exchange costs, accommodation, speed, limit traversing, further developed correspondence, and hazard the executives. One of the explanation cited for the equivalent was the monetary states of brokers and the concentrate likewise expects that web based exchanging wares will improve with better financial circumstances.

4. Shunmugam and Debojyoti Dey (2011) in the paper "Considering Product Subsidiaries and their Effect on the Indian Economy" endeavored to give a complete perspective on all the exploration concentrates on ware subordinates market. The paper zeroed in essentially on the effect of spot markets and the eco framework on the product subsidiaries market. It talked about that wares have performed well in the business sectors and the advantages are procured by different partners. It is proposed that the subsequent stage would be institutional help to be given so wares can grow further. This could be through permitting new items like choices, records and different intangibles which would draw in the gamble unwilling financial backers.

5. Sunanda Sen, Mahua Paul (2010) in the paper "Exchanging India's Product Future Business sectors" endeavored to concentrate on the advancement of item fates market and the authority approaches on future exchanging. It is seen that future exchanging rural items neither brought about cost revelation nor in less unpredictability in food costs. Additionally made sense of that future business sectors in wares appear to give new roads of hypothesis to dealers. The connection between product prospects and exchanging business sectors had been made sense of.

Need for the Study:

As commodities have an inverse relationship with equities and bonds' prices, investing in commodities can safeguard an investor's capital if the equities and bonds market fall. Leverage: Trading in commodities futures involves the use of leverage through margin, which is maintained with the broker.

Objectives for the Study:

- ❖ To study the concept of commodities market.
- ❖ To study about major exchange trading in Indian commodities market.
- ❖ To study the various trends in commodity trading.
- ❖ To understand the commodity price movements.
- ❖ To analysis various factors influencing the performance of the commodities market.

Overview of Commodity Market in India:

In India there are 12 recognized Commodity Exchanges of which 6 are National Commodity Exchanges and 6 are Commodity Specific Regional Exchanges. The following table shows various commodity exchanges in India:

Table-1

Sr. No.	Name of the Exchanges
A.	National Multi Commodity Exchanges
1	Multi Commodity Exchange of India Ltd., Mumbai (MCX)
2	National Commodity & Derivatives Exchange Ltd., Mumbai (NCDEX)
3	ACED erivatives and Commodity Exchange, Mumbai. (ACE)
4	National Multi Commodity Exchange of India Ltd., Ahmedabad (NMCE)
5	Indian Commodity Exchange Ltd., Mumbai(ICEX)
6	Universal Commodity Exchange Ltd, Navi Mumbai (UCX)
B.	Commodity Specific Regional Exchanges
7	The Chamber of Commerce, Hapur
8	Rajkot Commodity Exchange Ltd., Rajkot
9	India Pepper & Spice Trade Association, Kochi
10	Bombay Commodity Exchange Ltd, Mumbai
11	Spices & Oilseeds Exchange Ltd, Sangli
12	Cotton Association of India, Mumbai

Source:AnnualReports,2021-24,FMC

The regulatory body is Forward Markets Commission (FMC) which was set up in 1953. As of September 2015, FMC is merged with Securities Exchange Board of India (SEBI), the regulator of capital market. As a unified regulator for commodities and capital market, SEBI will be able to control and monitor commodity future trading and to check wild speculations. With a strong regulatory backup, commodity market can facilitate huge volumes of trade, in a manner that every participant is confident of trading. Given below are the major commodities that are traded in various commodity exchanges in India.

Table-2

Bullion	Gold and Silver
Oil & Oilseeds	CastorSeeds,Soy Seeds,CastorOil,RefinedSoyOil,Soymeal,CrudePalmOil,GroundnutOil,MustardSeed,Mustard SeedOil,CottonseedOilcake, Cottonseed
Spices	Pepper,RedChilli,Jeera,Turmeric,Cardamom
Metals	SteelLong,SteelFlat,Copper,Nickel,Tin,Steel,AluminiumZinc ingots
Fibre	Kapas,Long Staple Cotton,Medium Staple Cotton
Pulses	Chana,Urad, YellowPeas,Tur, Yellow Peas
Grains	Rice,BasmatiRice, Wheat,Maize,SarbatiRice, Jeera
Energy	CrudeOil,NaturalGas,Brent Crude
Others	Rubber,GuarSeed,Guargum,Cashew,CashewKernel,Sugar,Gur,Coffee,Silk,Sugar.

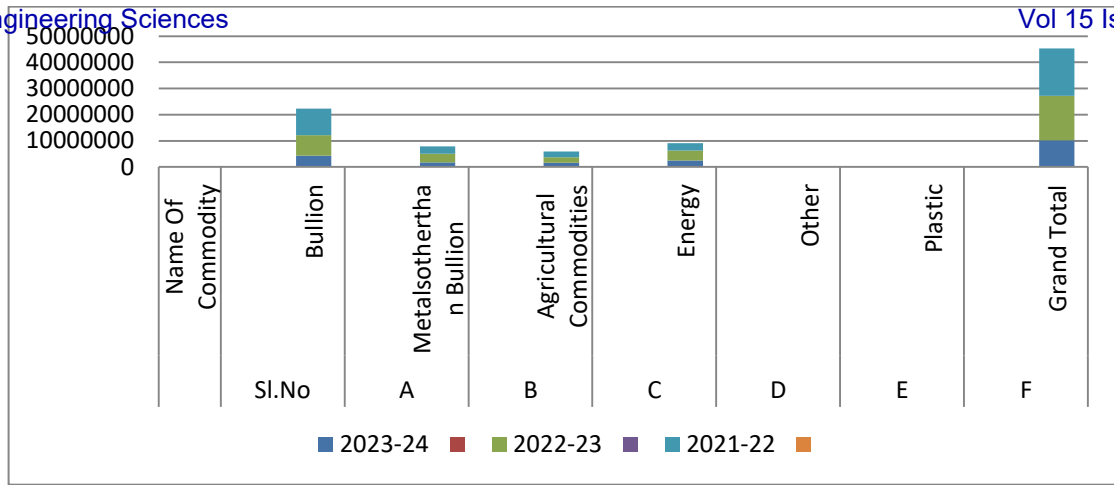
Source: www.motilaloswal.com

The following table shows value of various commodities traded in India. The market share of various commodities in terms of value shows that Bullion was maximum traded in all the three periods, where as agricultural commodities were least traded during these period.

Table-3: Value- In Crore

Sl. No	Name Of Commodity	2023-24		2022-23		2021-22	
		Value	Share%	Value	Share%	Value	Share%
A	Bullion	4308938	42%	7862679	46%	10181957	56%
B	Metals other than Bullion	1761360	17%	3260051	19%	2896721	16%
C	Agricultural Commodities	1602402	16%	2155700	13%	2196150	12%
D	Energy	2472095	24%	3768409	22%	2851269	16%
E	Other		0%	1.28	0%	1.35	0%
F	Plastic		0%		0%	6.45	0%
	Grand Total	10144795	100%	17046840	100%	18126104	100%

Source: Annual Reports 2021-2024, FMC



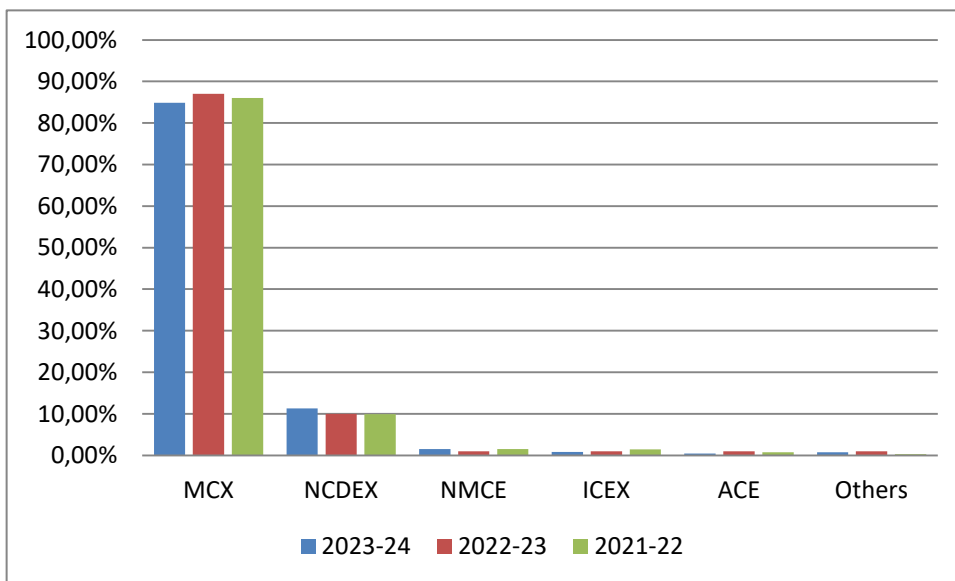
An exchange that allows trading of different commodities is known as commodity exchanges. Today apart from numerous regional exchanges, India has six national commodity exchanges, viz; Multi Commodity Exchange (MCX), National Commodity and Derivative Exchange (NCDEX), National Multi Commodity Exchange (NMCE), Indian Commodity Exchange (ICEX), Ace Derivatives Exchange (ACE) and Universal Commodity Exchange (UCX).

The following table shows the market share of various commodity exchanges in India

Table-4

Name Of Commodity Exchange	2023-24	2022-23	2021-22
MCX	84.89%	87%	86.05%
NCDEX	11.30%	10%	9.90%
NMCE	1.51%	1%	1.48%
ICEX	0.84%	1%	1.42%
ACE	0.46%	1%	0.76%
Others	0.72%	1%	0.30%

Source: Annual Reports 2021-2024, FMC



The table shows that MCX enjoys the maximum market share of more than 80% in all the three years followed by NCDEX and NMCE. ACE and ICEX have the least market share among all the commodity exchanges.

Since more than 95% of the trading in commodity market is done in MCX and NCDEX this paper focus on the trading of these two exchanges, where MCX specializes in bullion and metals and NCDEX is highly trusted in trading agriculture based products like oil, oils seeds, cereals etc

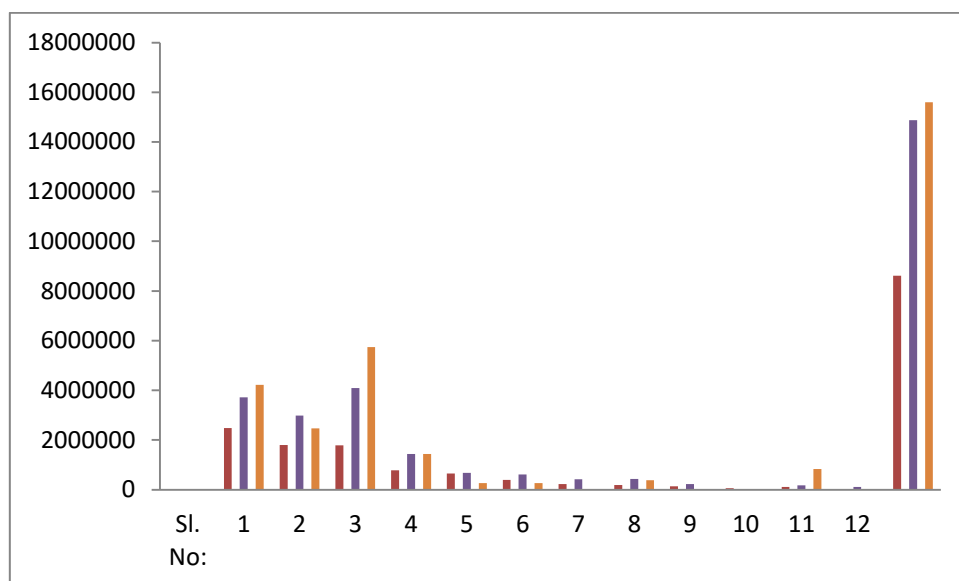
Commodity Wise Analysis of Various Commodity Exchanges In India

1. Multi Commodity Exchange (MCX), Mumbai The following tables how sthemaj or commodities traded in MCX during the period 2021-22 to 2023-24

Table-5

Sl. No:	Commodity	2023-24		2022-23		2021-22	
		Value in Crores	% Share of Value to Total	Value in Crores	% Share of Value to Total	Value in Crores	% Share of Value to Total
1	Gold	2482438	28.83	3720129	25	4224786	27.09
2	Crudeoil	1794312	20.84	2981892	20.04	2463336	15.79
Multi Commodity Exchange of India Ltd, Mumbai							
3	Silver	1780757	20.68	4086933	27.46	5738871	36.79
4	Copper	776666.3	9.02	1443348	9.7	1437082	9.21
5	Natural Gas	655322	7.61	672892.9	4.52	260916	1.67
6	Lead	398401.6	4.63	616192.2	4.14	259508.7	1.66
7	Zinc	228653.6	2.66	416834.4	2.8		
8	Nickel	187172.8	2.17	432047.2	2.9	385334.1	2.47
9	Aluminium	134964.9	1.57	229582	1.54		
10	Cotton	62439.13	0.73				
11	Other Commodities	110321.4	1.28	174795.6		827260.9	5.3
12	CPO			106409.7			
	Total	8611449	100	14881057	100	15597095	100

Source: Annual report, 2021-24 FMC

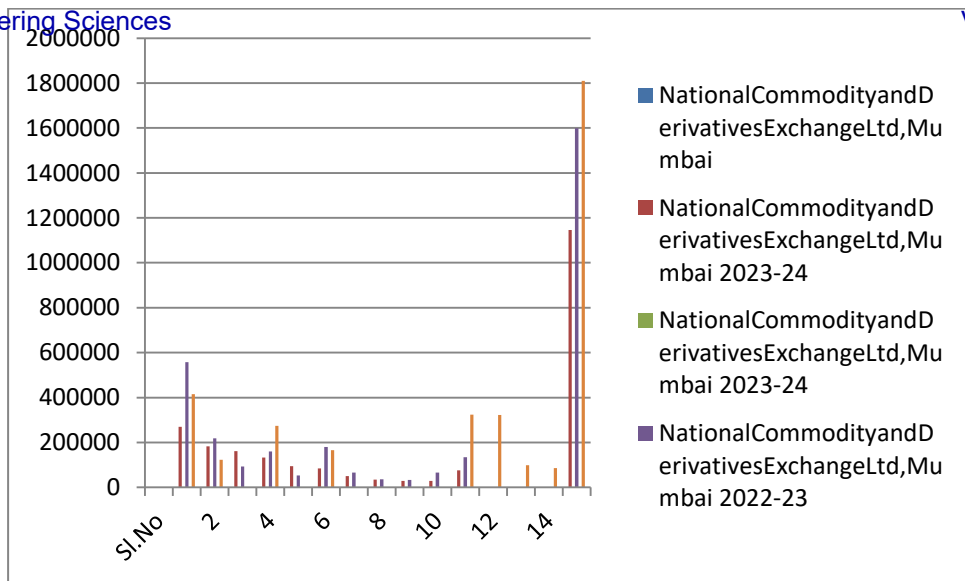


The table shows that Gold was maximum traded with a share of 28.83% during the year 2023-24, whereas cotton was the least traded commodity (0.73%) in the year. During the year 2023-24, silver was maximum traded with a share 27.46%, and aluminum was least traded (1.54%). In 2023-24 silver was maximum traded with a share of (36.79%) and lead was the least traded commodity with a share of 1.66%. Multi Commodity Exchange (NMCE), Indian Commodity Exchange (ICEX), Ace Derivatives Exchange (ACE) and Universal Commodity Exchange (UCX).The following table shows the market share of various commodity exchanges in India. Multi Commodity Exchange (NMCE), Indian Commodity Exchange (ICEX), Ace Derivatives Exchange (ACE) and Universal Commodity Exchange (UCX).The following table shows the market share of various commodity exchanges in India. Multi Commodity Exchange (NMCE), Indian Commodity Exchange (ICEX), Ace Derivatives Exchange (ACE) and Universal Commodity Exchange (UCX).The following table shows the market share of various commodity exchanges in India. Multi Commodity Exchange (NMCE), Indian Commodity Exchange (ICEX), Ace Derivatives Exchange (ACE) and Universal Commodity Exchange (UCX).The following table shows the market share of various commodity exchanges in India.

Table 6

National Commodity and Derivatives Exchange Ltd, Mumbai							
Sl.No	Commodity	2023-24		2022-23		2021-22	
		Value in Crores	% Share of Value to Total	Value in Crores	% Share of Value to Total	Value in Crores	% Share of Value to Total
1	Soya Oil	269914.6	23.55	557601.6	34.88	415762.1	22.97
2	Soya Bean	182336.3	15.91	217991.1	13.64	122637.8	6.77
3	Castor Seed	161068.7	14.05	93828.42	5.87		
4	Chana	132966.2	11.6	159492.6	9.98	274605	15.17
5	Dhaniya	95259.02	8.31	52828.99	3.31		
6	Rape Mustard Seed	84217.51	7.35	180196.8	11.27	165405.1	9.14
7	Cotton Seed Oil Cake	51044.17	4.45	65460.34	4.1		
8	Kapas	35461.41	3.09	36775.61	2.3		
9	Turmeric	29606.19	2.58	33083.6	2.07		
10	Jeera	28917.5	2.52	65955.89	4.13		
11	Other Commodities	75536.52	6.59	135210.8	8.46	324098.2	17.9
12	Guar Seed					323119.6	17.85
13	Guar Gum					98356.67	5.43
14	Crude Oil					86225.7	4.76
	Total	1146328	100	1598426	100	1810210	100

Source: Annual reports, 2021-24, FMC



The tables show that Soya oil was maximum trade in terms of Value during the period 2023-24, 2022-23 and 2022-23, with a share of 23.55%, 34.88% and 22.97% respectively whereas Turmeric was least traded in 2023-24, and 2023-24 with a share of 2.58% and 2.07% respectively. In the year 2022-23, crude oil was least traded with a share of 4.76%.

Future Growth Opportunities and Challenges to Commodity Market

The union budget for 2025-26 saw the announcement of the merger of the two regulators- Forward Markets Commission (FMC), regulator of commodities market with Securities Exchange Board of India (SEBI), regulator of capital market. The merger process will take place between September 2015 and early 2016. The merger will generate many opportunities for the commodity market to grow. There will be better market integrity as SEBI has the power to raid, search, impose fine and take action on irregularities. Products like options, exchange traded funds, weather derivatives, freight derivatives will be introduced, which will further accelerate the growth of commodity market. With merger, it is also expected that there will be new participants, who will be entering into commodity market viz; Banks, FPI and Mutual funds. Moreover, there will be penetration of exchanges and intermediaries into each other's market segment. A lot of challenges also arise with the merger. Finding additional manpower and resources to monitor the commodity market is one thing that SEBI should look into. Aligning the securities and commodities brokers to uniform regulations is also a challenge. Another important area where SEBI should look into is that of physical settlements, as the delivery and settlement process in commodity and stock exchanges differ significantly.

Conclusion

Commodity market has a great potential to become a separate asset class for market savvy investors, arbitrageurs and speculators. Commodities are understood and unlike equity market. The retail investors should understand the risk and advantages before entering into commodity market. By looking into the previous year's data, pricing in commodity futures are less volatile compared with equity and bonds, thus providing an efficient portfolio diversification option.

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