

Price in India

Promoting India Commodity Prices for Steering the Nation's Next Growth Phase



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Every phase of industrial growth in history has been supported by access to essential commodities. The metals that build infrastructure, the energy that powers factories, the agricultural inputs that feed populations — commodities are the circulatory system of any growing economy. What distinguishes the world's most economically consequential nations is not merely their consumption of commodities, but their influence over how those commodities are priced.

India today stands at a defining crossroads in this regard.

India is already among the world's largest consumers of several critical commodities. The country consumes approximately 165 million tonnes of steel annually, making it the world's second-largest consumer. India accounts for nearly 25 percent of global gold demand — over 700 tonnes per year — driven by jewellery, investment, and cultural consumption patterns that are deeply embedded in the economy and society. India is the third-largest consumer of crude oil globally,

consuming about 5 million barrels per day. In base metals, India's consumption footprint is expanding rapidly in line with infrastructure development, renewable energy deployment, and manufacturing growth.

Despite this scale of physical participation, India remains largely a price-taker in global commodity markets. Prices for the commodities that Indian businesses consume, produce, and trade are set in London, Chicago, New York, and even Shanghai. Indian manufacturers, importers, and producers use prices generated by markets that often reflect conditions in other economies rather than India's own supply-demand realities.

The concept of 'Price in India' addresses this structural gap. It is not about rejecting international benchmarks — global commodity prices serve an important coordination function across supply chains. The opportunity is to develop and use credible, transparent domestic price discovery mechanisms that reflect India's growing economic weight: its physical consumption, production realities, quality standards, logistics structures, and financial market depth.

India consumes 25% of the world's gold and is the world's second-largest steel consumer — yet prices for these commodities are set in London and Chicago. That is the gap 'Price in India' seeks to close.

As India accelerates its trajectory toward a developed economy, the absence of domestic commodity pricing influence becomes an increasingly significant gap — in risk management, in competitive pricing for manufacturers, and in the country's ability to shape the global commodity trade conversations that matter to its industrial future.

The Cost of Not Following Domestic Price Benchmarks

The absence of robust domestic commodity benchmarks, or not following such benchmarks where available, is not an abstract problem. It translates into measurable economic costs for Indian businesses every day.

Consider aluminium. India hosts some of the world's largest integrated aluminium smelting operations. Indian companies produce millions of tonnes of primary aluminium annually from Indian mines, through Indian refineries, to Indian smelters. Yet aluminium transactions in India are routinely priced against a European exchange benchmark — a price derived from its inventory positions in Rotterdam, Chicago, Korea or other warehouses. When that exchange's aluminium price spikes due to warehouse dynamics in Detroit or geopolitical developments in Russia that affect Russian exports to Europe, Indian manufacturers buying and selling aluminium face that volatility regardless of whether Indian domestic supply-demand fundamentals warrant it.

This basis risk — the difference between the global benchmark and actual domestic realities — represents a persistent cost for Indian industry. The presence of transparent exchange-traded price discovery mechanism for domestic aluminium, which discovers prices that fully reflect domestic fundamentals, makes the case for eschewing such costs.

Gold presents a different dimension of the same problem. India is the world's second-largest importer of gold. The import bill ran to approximately USD 72 billion during financial year 2025-26. Yet, a lot of transactions within India use prices at New York or London as references, translated at the prevailing dollar-rupee rate. That exclusive Indian factors such as seasonality associated with weddings, festivals etc. determine Indian prices, but are not reckoned in domestic transactions, indicate avoidable inefficiencies in market practices.

For agricultural commodities, the problem is particularly acute. Indian farmers and traders producing/ trading soybean

or cotton are often refer to pricing signals from marketplaces in Chicago that may reflect American crop conditions, US biodiesel policy changes, or Argentine export taxes — factors that have limited bearing on the Madhya Pradesh soybean crop, or the ginning margins at a Gujarat ginning mill. Being unable or unwilling to access domestic price signals distorts investment decisions, supply chain planning, and risk management at every level of the agricultural value chain.

The cumulative cost of this dependence is difficult to quantify precisely, but it manifests in three ways: first, as unnecessary volatility exposure for Indian businesses; second, as sub-optimal risk management since hedging against a poorly correlated international benchmark provides incomplete protection, compelling hedging in costly international markets; and third, as lost opportunity to build the financial market depth that makes India's hedging markets globally influential.

Benchmarks, Infrastructure, and the Trust Foundation

A commodity price benchmark is only as credible as the physical delivery and quality infrastructure that underlies it. This is a fundamental principle of commodity market development that distinguishes durable benchmarks from fragile ones. The trading hubs and marketplaces whose prices have evolved as benchmarks historically emerged from their global network of approved warehouses, rigorous quality specifications, and a delivery mechanism that gave physical buyers genuine confidence of their quality standards. India's commodity market development therefore cannot lose sight of developing the physical infrastructure that supports benchmark credibility.

Warehouse infrastructure is the most critical element. India already has an accredited warehouse ecosystem operating under electronic negotiable warehouse receipt (e-NWR) frameworks through Warehousing Development and Regulatory Authority (WDRA). The WDRA framework provides a national system for standardised storage, quality testing, and electronic warehouse receipts that serve as collateral and settlement instruments.

Assaying and quality standardisation present another important dimension. Commodity markets require standardised quality definitions that allow participants to trade contracts with confidence about what they will receive. For metals, this means alignment with well-recognized quality standards. For agricultural commodities, it requires clear and enforceable grading systems that producers, traders, and processors can rely upon.

Recognizing the importance of superior indigenous quality standards for creation of domestic benchmarks, MCX has been creating and popularizing India Good Delivery (IGD) standards for multiple commodities. After the success with such standards for Gold and Lead, MCX recently published IGD standards for Silver, Aluminum, Copper and Zinc. Suppliers of these metals which meet these standards shall be empaneled by the Exchange, after due process of audit and scrutiny, and their goods are accepted as MCX Good Delivery for settlement of the respective Futures contracts.

Logistics connectivity — connecting commodity-producing regions with warehousing, processing, and port infrastructure through reliable transport systems — is the final link in the chain. Price discovery in commodity markets is most effective when the cost and efficiency of physical delivery are predictable. India's infrastructure investments under programs like the Gati Shakti National Master Plan and PM-Kisan logistics initiatives are gradually improving this connectivity, creating a more favourable environment for commodity market depth.

India's International Market Opportunity: From Consumer to Price Influencer

As India's economic weight in global commodity markets grows, there is a strategic opportunity to transition from being primarily a large consumer that absorbs international price signals to becoming an active participant in setting them.

This transition has both a domestic and an international dimension.

Domestically, the development of deep, liquid, and credible commodity derivatives contracts on Indian exchanges creates reference prices that Indian businesses can use for transactions, planning, and risk management. As MCX contracts have gained depth and popularity, domestic commodity transactions that are currently priced informally or against international benchmarks can increasingly use Exchange prices as reference rates. This process — the gradual adoption of domestic benchmarks by physical market participants — is how commodity price benchmarks establish themselves.

Apart from broad-basing participation by inclusion of all types of financial institutions, developing depth in commodity derivatives markets would also require education and awareness of market participants. Commodity markets create maximum economic value when their participants understand their fundamental purpose: transparent price discovery and efficient risk management. Expanding commodity market education — through industry engagements, university programs, exchange-led awareness initiatives, and financial intermediary training — is an investment in the quality of future market participation. Informed participants make better hedging decisions, contribute more meaningfully to price discovery, and are less susceptible to the misinformation that can damage market confidence.

Internationally, India's engagement requires trading platforms to connect domestic commodity ecosystems with global capital flows. Opening of India's commodity derivatives market to foreign participation — including, but not restricted to, Foreign Portfolio Investors (FPIs) — can establish this connection. After all, the increasingly free international trade in physical commodities need to be mirrored in freer inward movement of international capital in domestic commodity derivative markets, especially when capital outflows towards international commodity hedging and investment markets have progressively been liberalised.

Global comparisons offer instructive reference points: Singapore's LNG pricing initiatives have progressed by aligning with Asian demand realities. Shanghai's rise as a significant pricing centre for copper, iron ore, and other commodities over the past decade demonstrates that new benchmarks can establish themselves when they are backed by deep

derivatives market with robust and transparent infrastructure and active institutional participation. India's commodity market development does not need to replicate any single model — but the underlying principle is consistent: focused development of commodities ecosystem through deepening derivatives market, broad-based institutional participation, and transparent and robust infrastructure are the foundations of price influence.

Conclusion: India's Commodity Market Moment

India's economic journey is entering its most consequential phase. The combination of expanding manufacturing capabilities, accelerating infrastructure development, growing energy demand, and rapid urbanisation will make India an even larger participant in global commodity markets over the coming decades. India's commodity consumption in steel, gold, crude oil, copper, and agricultural commodities will continue to grow in absolute terms and as a share of global markets.

This growth creates both a necessity and an opportunity.

The necessity is stronger domestic price discovery and efficient risk management tools that work for Indian businesses, price signals that reflect Indian realities, and financial infrastructure that reduces the economic cost of commodity price volatility for manufacturers, farmers, exporters, and importers across the economy.

The opportunity is India's evolution from price-taker to price-influencer in the global commodity system — a transition that would reflect and reinforce India's broader economic emergence.

The idea of 'Price in India' represents this aspiration in concrete terms. It is not a slogan — it is a market development agenda grounded in India's physical commodity strengths, its growing industrial requirements, and the sequential investments in financial infrastructure, institutional participation, and technology that can translate those strengths into pricing influence.

For India's commodity market ecosystem, this moment calls for continued investment in market depth, expanded participation, and the trust-building infrastructure that makes benchmarks credible. The goal is creating markets that genuinely serve India's economy — markets where prices are transparent, risk management is accessible, and India's voice in global commodity pricing reflects the scale of its physical engagement.

The future of commodity markets will be determined not only by where commodities are produced or consumed, but by where trusted, transparent, and credible prices are discovered. India has the physical foundation to earn that role.

The commodity markets that serve India's next growth phase will be built over the coming years — through enabling policy and regulatory development, infrastructure investment, and market ecosystem building. The direction is clear. The work is underway. The opportunity is India's to claim.

Views are personal