

**GOVERNMENT OF INDIA  
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION  
LOK SABHA**

UNSTARRED QUESTION NO:2993

ANSWERED ON:08.12.2009

ONLINE TRADING IN ESSENTIAL COMMODITIES

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**Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:**

- (a) whether the ban on futures/online trading on rice, urad and other essential commodities has been lifted;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the Government proposes to ban futures/online trading in essential commodities in view of its speculative nature and its relation to rising prices; and
- (d) if so, the details thereof and the time by which it is likely to be banned?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K. V. THOMAS)

(a) & (b): No Madam, suspension on futures/online trading on rice, urad, tur and sugar has not been lifted.

(c) & (d): No Madam. It has been observed in recent period that commodities in which there are no futures trading have shown sharp acceleration in price rise. For instance there is no future trading in Urad and Tur since January 2007 when it was suspended. But the prices of these commodities are showing sharp increase during 2008-09. The year-on-year price increase (in terms of Wholesale Price Index) at the end of financial year 2008-09 (29.3.2009) was 14.7% for Urad and 17.1% for Tur. During the year 2009-10 (as on 17.10.09) Y-oY increase was 20.6% and 56.6% for Urad and Tur respectively. As against this there is futures trading in Gram. Year on Year change of Prices of Gram was negative at -6.8% in 2008-09 and -4.2% during 2009-10 (as on 17.10.09) respectively. Futures trading give only the advance and aggregated information of the likely price scenario of a particular commodity at future date. It is only a messenger of future event and not the cause of the same.

In the context of discussion regarding whether and to what extent futures trading in agricultural commodities influence the wholesale and retail prices of these commodities, the Government had set up an Expert Committee to study this aspect. The Expert Committee set up by the Government analyzed the daily, weekly and monthly data on price volatility (spot price). The analysis made by the Expert Committee led it to conclude as follows:

‘Given these conflicting results from daily as against weekly and monthly data, no strong conclusion can be drawn on whether introduction of futures trade is associated with decrease or increase in spot price volatility’.

The Expert Committee also analyzed annual growth rate in prices of sensitive commodities (food grains and sugar) in pre- future period and post future period and concluded that although inflation clearly increased post-futures in some sensitive commodities that have higher weight in consumer price indices, it is not possible to make any general claim that inflation accelerated more in commodities with futures trading.

Therefore, the Expert Committee found that there is no conclusive link between futures trading and rise in prices of the commodities.