

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

UNSTARRED QUESTION NO:1813
ANSWERED ON:09.03.2010
COMMITTEE ON FUTURES MARKET
Ahir Shri Hansraj Gangaram

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

- (a) whether the Government has decided to constitute a special committee to study the correlation between rising inflation and futures trading in the country;
- (b) if so, whether the Bill to amend the Forward Contracts (Regulation) Act, has also been brought under the purview of the Committee;
- (c) if so, the details thereof;
- (d) whether the Government is contemplating to add the condition of compulsory delivery in futures transactions; and
- (e) if so, the details thereof?

Answer

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

(a): No Madam. The Government had set up an Expert Committee in 2007 under the Chairmanship of Professor Abhijit Sen, Member, Planning Commission to study whether and to what extent futures trading has contributed to price rise in agricultural commodities. The Expert Committee submitted its Report in 2008 and stated 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.

(b) & (c): Do not arise.

(d) & (e): Contract Design are approved by the Regulator, Forward Market Commission (FMC). It is stated by FMC that almost all Agricultural commodities traded in the futures market are on compulsory delivery settlement mode.