

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

UNSTARRED QUESTION NO:6178
ANSWERED ON:04.05.2010
EARNING FROM ONLINE TRADING
Rathod Shri Ramesh

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

- (a) whether surveys/studies suggest that the farmers can earn more for their produce through online exchanges;
- (b) if so, the details thereof alongwith the suggestions made therein; and
- (c) the implementation status of the said recommendations?

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): Yes, Madam.

(b): The study on `Impact of Futures Trading in Wheat, Sugar, Pulses and Guar seeds on farmers` conducted by the IIM (Bangalore) and the Abhijit Sen Committee have dealt with the impact of online commodity futures trading on farmers in their reports. It has been observed therein that commodity futures can be used by the farmers for making the following decisions:

- i) Cropping decision; - the decision on what crop to plant is made based on expected prices and yields of different crops. Market price risk makes it difficult to forecast the prices that would prevail at the time of harvest.
- ii) When to sell the produce in the market?:- Whether the current cash price is better than the expected price in the future or should wait for a more favorable spot price in later months?
- iii) If the farmer is entering a forward contract for delivery of produce at some future date, he/ she can negotiate an appropriate price of such a contract.

Thus, an important benefit of the futures market is that it discovers the prices of commodity in advance thereby helping the fanners to take planting /sowing and selling decisions. The study further observed that, with the existing market infrastructure; and farmers merely accepting the offered price, information on futures prices could become a potent tool for bargaining. These signals are now available to the farmers in the futures platform. Presently, some of the farmers have benefited from the vibrant futures market though they do not participate directly.

(c): The FMC and the Government of India have accepted the recommendations made in the study reports and taken the same into consideration while devising various policies with regard to the Commodity Futures Market. An amendment to the FCR Act 1952 to strengthen the regulatory capabilities of FMC and enabling developments in the commodities futures market space will be placed before the Parliament at the earliest.