

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

STARRED QUESTION NO:359  
ANSWERED ON:20.04.2010  
FUTURES TRADING IN SUGAR  
Shantha J.

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

- (a) whether the Government has imposed a ban on futures trading in sugar;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the benefits likely to accrue to the consumers therefrom?

**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) to (c): A Statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO.359 FOR 20-04-2010 REGARDING FUTURES TRADING IN SUGAR.

(a) & (b): Forward Markets Commission (FMC) which is the regulator for commodity futures trading suspended Futures trading in sugar on 26-05-2009 for a period upto 31-01-2009. Futures trading in sugar was suspended as an abundant caution against possible inflationary price expectations due to the severe domestic and global supply side constraints. The suspension was further extended till 30-09-2010.

(c): The likely benefit of suspension was perceived to contain inflationary expectation in the market as besides fundamental demand supply conditions sentiments also play role in price behavior. However, there does not seem to be any perceptible benefit from the suspension of futures trading in sugar as the prices in the physical market have been governed by the strong supply shortages.

Futures' trading in a commodity is a mechanism for price discovery and price risk management and not a mechanism to control the prices nor is it responsible for price rise in any commodity. The prices of any commodity are governed by the physical demand and supply factors. Price information emanating from the futures market is useful for policy makers to take timely corrective policy initiatives for supply side or demand side interventions to redress the supply-demand gap (which is responsible for the price rise).

Sugar prices are also governed by the global supply and demand factors. Hence, it is practically impossible in this age of advanced information technology to keep our markets completely insulated from the price movements in the global markets.