

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

UNSTARRED QUESTION NO:3389

ANSWERED ON:30.11.2010

FUTURES TRADING

Maharaj Shri Satpal;Singh Shri Rajiv Ranjan (Lalan);Yadav Shri Dinesh Chandra

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

- (a) whether futures trading in essential commodities has contributed to increasing prices/inflation in such items;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) whether the Government has imposed a ban on some agricultural/food items;
- (d) if so, the details thereof;
- (e) whether the Government proposes to ban futures trading in all the essential commodities;and
- (f) if so, the details thereof and the action taken thereon?

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. Futures trading has not contributed to increasing prices/ inflation in any commodity including essential commodities.

Presently actively traded essential commodities are wheat, chana, mustard seed, soyabean, soy oil, maize and potato. Futures trading in these commodities were permitted in pursuance to the National Agricultural Policy 2000. In view of the concerns expressed about the role of futures trading in fuelling inflation Government had set up an expert Committee to go into the issue. The Committee appointed under the Chairmanship of Planning Commission Member Prof. Abhijit Sen did not find futures market responsible for the increase of the prices of essential commodities. Another study by the Indian Institute of management, Bangalore on Wheat, Rice, Tur, and Urad also did not find any influence of futures trading on the price rise in such commodities. The increasing convergence seen in the physical and futures prices of the commodities in the recent past is indicative of the fact that the futures prices have, by and large, been a correct barometer of the expected prices at a future point of time. This has also been corroborated by the RBI in its latest Annual Report of 2009-10 on the basis detailed analysis of the futures market data of essential commodities since 2004, i.e., when the market opened up.

(c) & (d): Considering the concerns of the Govt. about the escalating prices of certain essential commodities or strong inflationary expectation in the economy as a whole, the FMC, as a measure of abundant caution, suspended the futures trading in 8 essential commodities, viz., rice, wheat, sugar, tur, urad, chana, soy oil, potato (apart from rubber) on 4 different occasions over the last 4 years. But prices, of these commodities continued to rise on the back of erratic supply and constantly rising demand. The prices of sugar, for example, doubled after suspension of futures trading. Prices of tur and urad have risen by over 100% post-suspension. Thus, it is proven time and again that since Indian commodity futures trading is regulated effectively, it has not caused any price or supply distortion.

(e): In view of the reasons stated in reply to part (a) to (d), there is no proposal to ban the futures trading in all the essential commodities.

(f): Does not arise in view of reply to part (e) above.