

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

UNSTARRED QUESTION NO:3200
ANSWERED ON:15.03.2011
FUTURES TRADING IN RUBBER
Ponnam Shri Prabhakar;Siricilla Shri Rajaiah

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

- (a) whether views/suggestions have been received to the effect that futures trading can help curtail prices of rubber;
- (b) if so, the details thereof; and
- (c) the steps taken to protect the interest of the rubber industry and the consumers?

Answer

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

(a): No Madam. The Government has not received any suggestions or views to the effect that futures trading can help curtail prices of rubber.

(b): In view of (a) above, question does not arise.

(c): Futures trading discovers the prices of the commodity based on the underlying demand and supply factors in the physical market. Futures trading is not intended to protect or promote sectional interests. Different market stakeholders, including the rubber industry and other consumers are free to use the futures market to hedge their price risks. The Forward Markets Commission, as the market regulator, ensures that the futures market functions efficiently and transparently to discover the prices, free from excessive speculation or manipulation. It deploys various regulatory tools, viz., market wide open position limits, for members as well as clients, daily price limits and margins, special and additional margins, compulsory delivery etc.

In addition, the regulator calls for daily reports from the Exchanges and takes other pro-active steps to ensure that there is no misuse of the market and that the prices reflected on the Exchange platform are governed by the underlying demand and supply factors in the physical markets. Thus, to check excessive speculation and price volatility, the futures market in commodities is kept under constant watch and surveillance on a real time basis.

However, various rubber cooperative societies and group of rubber growers in the state of Kerala dealing in rubber trade have reported that with the help of information provided on the futures trading platform, they are getting a transparent indication of current and futures prices of rubber based on which they are deciding whether to sell rubber now or in future and hence are not at the mercy of rubber dealers or tyre manufacturers who were the deciding factor of rubber price. They have also indicated that futures trading has protected them from local cartels and it provides a transparent and efficient mechanism for price discovery due to which the rubber growers were getting maximum farmgate prices (99% of market price), which is beneficial to rubber growers.