

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

UNSTARRED QUESTION NO:1442

ANSWERED ON:09.08.2011

FORWARD TRADING IN FOOD ITEMS

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

- (a) whether forward trading in food items has been held responsible for the unabated rise in food prices around the world including in India, according to a report by the World Development Movement;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Government proposes to take any step to ban forward trading in agriculture produces in order to curb food inflation in the country;
- (d) if so, the details thereof, and if not, the reasons therefor; and
- (e) the time by which food prices are likely to stabilise in the country?

Answer

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

(a) & (b): According to the report of the World Development Movement, volatility in food prices around the world has been attributed to investment bankers investing large amount of money into commodities like wheat and maize. However, investment banks and financial institutions are not permitted to trade in commodities futures trading in India.

Moreover, in India, all futures contract in commodities are traded through the regulated exchanges and conservative open position limits are prescribed by the Forward Markets Commission and there are no special limits permitted to institutional participants except for hedging purposes after verifying all the relevant documents.

(c) & (d): No Madam, as according to available information there is no clear evidence that rise in food prices in India has been due to forward trading. An Expert Committee of the Planning Commission that analyzed annual growth rate in prices of sensitive commodities (food grains and sugar) in pre- futures and post futures period, 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.

In essence, other factors particularly demand supply mismatches, degree of dependence on imports and international prices in these commodities etc tend to affect commodity prices.

(e) : The movement of prices is being monitored closely.