

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

STARRED QUESTION NO:473
ANSWERED ON:06.09.2011
FUTURES TRADING AND PRICE RISE
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the Government has received any suggestions/recommendations regarding linkage of futures trading in essential commodities to the rising trend in their prices;
- (b) if so, the details thereof;
- (c) whether the Government has constituted any working group on Consumer Affairs headed by the Chief Minister of Gujarat to suggest ways and measures to control prices;
- (d) if so, whether the said working group has since submitted its report to the Government;
- (e) if so, the details thereof indicating the issues raised and recommendations made including futures trading in essential commodities; and
- (f) the present status of implementation of the said report?

Answer

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

(a) to (f): A Statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO PARTS (a) TO

(i) OF LOK SABHA STARRED QUESTION NO.473 FOR 06.09.2011 REGARDING FUTURES TRADING AND PRICE RISE.

(a) & (b): The Government has received references linking futures trading with increase in the prices of essential commodities. However, available information shows that there is no evidence that rise in food prices in India is due to forward trading in essential commodities. The RBI conducted a detailed study (Annual Report 2009-10) of the futures market since the start of the electronic commodity trading. The empirical analysis using the monthly data for the period 2004 to 2009 revealed that several commodities which are not traded in the commodities exchange, such as vegetables (except potato), fruits and milk, exhibited significant price increases during the year 2009-2010. Moreover, certain commodities that were suspended for trading in 2007, such as rice, wheat, tur and urad, also exhibited significant price increases subsequently. In conclusion, the report stated that commodity prices in India seem to be influenced more by other drivers of price changes, particularly demand-supply gap in specific commodities, the degree of dependence on imports and international price movements in these commodities.

(c) & (d): Yes Madam. The Working Group has submitted its report to the Government on 2nd March, 2011.

(e): The Working Group on Consumer Affairs chaired by Chief Minister, Gujarat, with Chief Ministers of Andhra Pradesh, Maharashtra and Tamil Nadu as members had been set up to suggest strategies/plan of action inter-alia for:

(i) Increasing efficiency of distribution channels from farm to consumers.

(ii) Reducing intermediation costs and for reducing gap between farm gate and retail prices.

(iii) State interventions for retailing essential commodities at reasonable prices.

(iv) Enforcement of statutory provisions to improve availability of essential commodities at reasonable prices.

The recommendations of the Working Group are given in the Annexure.

(f): The Working Group on Consumer Affairs has made recommendations covering inter-alia areas relating to Agriculture, Food & Public Distribution and Consumer Affairs. These recommendations have since been examined for a decision by the Government.

ANNEXURE

STATEMENT REFERRED IN REPLY TO PART (e) OF LOK SABHA STARRED QUESTION NO.473 FOR 06.09.2011 REGARDING FUTURES TRADING AND PRICE RISE.

The recommendations of the Working Group are as under:

1. Increasing efficiency of distribution channels from farm to consumers:

(a) Increasing competition in Agriculture Produce Markets,

(b) Need for Single Agricultural Market,

(c) Addressing information asymmetry,

(d) Improving Agri-infrastructure of backward and forward linkages for Agriculture Production and Marketing,

(e) Strengthen Spot & Future Markets. However, the Working Group has suggested inter-alia that food security being the utmost concern, for the time being, there should be a ban on the trading of essential commodities in the futures market,

(f) Integrate warehousing cold chain infrastructure,

(g) Testing and grading of farm produce and

(h) Development of Human Resources in the field of Agriculture Marketing.

2. Reducing intermediation costs and for reducing gap between farm gate and retail prices:

(a) Promoting farmers market,

(b) Reduction in farmers marketing risk,

(c) Promote setting up of agro processing infrastructure,

(d) Monetary policy in the nature of priority sector credit and

(e) Promote retailing by organized sector/cooperatives.

3. State interventions for retailing essential commodities at reasonable prices:

(a) Maintain adequate stock of essential commodities across the country,

(b) Set up Price Stabilization Fund,

(c) In case of crops having minimum support price (MSP), set up credible procurement system,

(d) Set up Global Food/crop production monitoring system and

(e) In the short term encourage substitution of pulses while implement policies to achieve self sufficiency in the production of pulses.

4. Enforcement of statutory provisions to improve availability of essential commodities at reasonable prices;

(a) To strengthen Essential Commodities Act & Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act and

(b) Need for enabling provisions to improve transparency in Trading/storage of essential commodities.