

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

UNSTARRED QUESTION NO:3079

ANSWERED ON:13.12.2011

AGRI-COMMODITY TRADING

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

(a) whether the Associated Chambers of Commerce and Industry of India (Assocham) has suggested to curb excessive speculation in futures trading in farm commodities to contain food inflation;

(b) if so, the details of the said report alongwith the reaction of the Government thereto; and

(c) the steps taken/being taken by the Government to regulate agri-commodity trading?

Answer

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

(a)&(b) Yes, Madam. The ASSOCHAM had submitted representations dated 07.07.2011, 22.07.2011, 27.07.2011 and 28.07.2011 to the Forward Markets Commission alleging excessive speculation in futures trading in Black Pepper, Ghana, Guarseed, Guar gum and Coriander. The details of the report of the ASSOCHAM Research Team received by Department are at Annexure I.

2. Forward Markets Commission (FMC); the Regulator for commodity futures markets under the provisions of the Forward Contracts (Regulation) Act, 1952 regularly monitors the movement of spot and futures prices and intervenes in the market, if warranted, after a detailed examination of price trends. Special margins are also imposed as a regulator measure to curb excessive price volatility in any commodity. The Regulator imposed special- margin of 10% on long side (including 5% cash margin) on Black Pepper contracts with effect from 27th May, 2011. In the case of Guar Gum, special margin of 10% on long side was imposed on 28th July, 2011, which was subsequently removed in stages.

3. Special margin of 10% on long side was also imposed on Guar Seed on 26th July, 2011. In the case of Coriander, special margin of 10% on long side was imposed on 25th July, 2011.

(c) The Regulator, to rule out the possibility of price manipulation, constantly monitors the prices and trading positions in all commodities traded in the forward markets and adequate regulatory measures, like daily price fluctuation limit, limits on open positions that can be held by any Client/Member, special margins on buyers and/or sellers whenever warranted, are taken to prevent excessive speculation or market abuse by any individual or a group in the market. The limit on open position is fixed in such a manner that no single individual/entity or group of individuals/entities acting in concert would be able to influence the price discovery process. In addition to the above, compulsory delivery for agri-commodities helps to keep the futures market in alignment with the physical market.