

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

UNSTARRED QUESTION NO:3171

ANSWERED ON:24.04.2012

FUTURES TRADING IN FOOD COMMODITIES

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

- (a) the details of food commodities in the country that are traded in commodity exchanges;
- (b) whether the Government has assessed the impact of futures trading of the said commodities including wheat, pulses and oilseeds on their spot prices;
- (c) if so, the details of the outcome of the said assessment;
- (d) whether the Government has any proposal to ban futures trading on food items to check the rising prices;
- (e) if so, the details thereof and if not, the reasons therefor; and
- (f) the steps taken/proposed to be taken by the Government to bring in transparency in futures trading?

Answer

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

(a): A statement containing the details of food commodities traded on commodity exchanges is enclosed as Annexure.

(b) & (c): The Forward Markets Commission (FMC); the regulator of commodity futures markets under the provisions of the Forward Contracts (Regulation) Act, 1952 had assigned a study on `Impact of Futures Trading in Wheat, Sugar, Pulses and Guar seeds on Farmers` in 2008 to IIM, Bangalore. While the study was primarily intended to find out how futures trading is helping major stakeholders in the value chain of these commodities, it also dealt with the impact of futures trading on the prices of these commodities. The study did not find any visible link between futures trading and price movement and suggested that the main reason for price changes seemed to be changes in the fundamentals (mainly on the supply side) of these commodities. The Government also constituted an Expert Committee under the Chairmanship of Prof. Abhijit Sen, Member, Planning Commission. The study report stated that data analyzed does not show any clear evidence of either reduced or increased volatility of spot prices due to futures trading.

(d) & (e): The Central Government does not propose to ban futures trading on any food item that is currently traded in the futures exchanges. As indicated in reply to questions (b) and (c) above, futures trading does not contribute to price rise in commodities. The RBI in its Annual Report for the year 2009-2010 (July 2010) also concluded that forward trading was not the reason for any rise in the prices of food items in India.

(f): FMC regulates the commodity futures market, which is a mechanism for price discovery and price risk management. The Five National Commodity exchanges set up under the aegis of the Forward Contracts (Regulation) Act, 1952 have online trading and computerized clearing and settlement mechanism which ensures a high level of transparency. In order to enhance transparency, FMC has also prescribed mandatory registration of Members, Know Your Customer norms and separate bank accounts for clients and members etc.