

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

UNSTARRED QUESTION NO:4009
ANSWERED ON:18.12.2012
AGRI COMMODITY TRADING
Ajay Kumar SHRI

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

- (a) whether the Government has taken any steps for greater regulation in agri commodity trading to curtail speculation and control food inflation;
- (b) if so, the details thereof;
- (c) whether the Government is planning to form a regulatory authority specifically for monitoring of agri commodity trading; and
- (d) if so, the details thereof?

Answer

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

(a) & (b): The Forward Markets Commission (FMC) the regulator for Commodity Futures Markets under the provisions of the Forward Contracts (Regulation) Act, 1952 uses several regulatory tools in order to ensure that the futures markets are not subjected to over-speculation and to ensure achievement of the intended purpose of price risk management and price discovery. FMC keeps a close watch on the price trends of all the commodities traded on the commodity futures exchanges and takes measures such as imposition of special margins, additional margins, increasing initial margin, pre-expiry margin and change in position limits etc. to intervene in the market as required. Recently, FMC has taken a number of measures to check excessive speculation that impacts price volatility. Some of these measures are introduction of staggered delivery system, disallowing contracts in the lean season, reduction of Final Expiry Date (FED) of some commodities, scrutiny of volume to open interest ratio, public disclosure of more trade related information and doubling of initial margin of seven food items. In so far as the food inflation due to the commodity futures trading is concerned, an Expert Committee chaired by Shri Abhijit Sen, Member of the Planning Commission that analyzed annual trend 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.

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

(c): No, Madam.

(d): Does not arise in view of (c) above.