

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

UNSTARRED QUESTION NO:2868
ANSWERED ON:11.12.2012
PRICE FLUCTUATION IN FUTURES MARKET
Singh Shri Ravneet

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

- (a) whether the price fluctuation in the trading of foodgrains in futures market affects the prices in the actual market;
- (b) if so, whether any steps including ban on futures trading have been taken or are proposed to be taken by the Government to overcome this problem; and
- (c) if so, the details thereof?

Answer

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

(a): No, Madam . The futures market merely discovers the likely prices of a given commodity at future points of time depending on the likely supply-demand scenario. The price of any commodity is determined by actual demand and supply position in the market. Prices are bound to fluctuate depending on the additional information/data available or expectations of market participants relating to demand and supply factors. Such information is received and price expectations change almost on a continuous basis. Hence, the futures market only facilitates price discovery and price risk management. The report submitted by the Committee set up by the Government under the Chairmanship of Prof. Abhijit Sen in April 2008 and RBI, in its Annual Report for the year 2009-2010 also indicated that forward trading was not the reason for rise in the prices of commodities in India.

(b)& (c): Does not arise in view of reply to part (a) above.