

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

UNSTARRED QUESTION NO:2367

ANSWERED ON:12.03.2013

EARNING FROM FORWARD TRADING

Hazari Shri Maheshwar ;Upadhyay Seema;Vardhan Shri Harsh;Verma Smt. Usha

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

- (a) whether prices of food items have allegedly been rising due to forward trading;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) the amount of revenue earned by the Government in the form of taxes from forward trading;
- (d) the number of commodity exchanges in the country;
- (e) whether the said exchanges are proving helpful in ensuring better prices for the farmers; and
- (f) 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) : According to available information there is no clear evidence that rise in food prices in India has been due to forward trading. An Expert Committee chaired by Shri Abhijit Sen, Member of the Planning Commission that analyzed annual growth rate trend 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): The information is being collected.

(d): There are 6 National Commodity Exchanges and 16 Regional Commodity Exchanges in the Country.

(e) & (f) : The twin functions of futures market are price discovery and price risk management. The farmers are benefited from the information regarding the futures prices discovered on the exchange platform even though they may not directly participate in the futures market. The futures markets lead to reduction in the amplitude of seasonal price variation and help farmers realize a better price at the time of harvest. This also helps farmers in planning their cultivation in advance as well as to determine the kind of crop which they would prefer to raise, by taking advantage of the advance information of the future price trends and probable supply and demand of various commodities in advance. Awareness programmes and capacity building programmes are undertaken by the Forward Markets Commission and the Exchanges in order to educate the farmers and other stakeholders of the benefits of price discovery and price risk management functions of the futures market.