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

UNSTARRED QUESTION NO:4734
ANSWERED ON:23.04.2013
BENEFITS OF FORWARD TRADING
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Department of Consumer Affairs/Forward Market Commission (FMC) had commissioned a study during the year 2010 to ascertain the percentage of small and marginal farmers benefitted from futures/forward trading in the country;

(b) if so, the details and the outcome thereof;

(c) the manner in which the small and marginal farmers are being benefitted from futures/forward trading; and

(d) the measures taken to protect the interest of consumers?

Answer

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

(a) & (b): Yes, Madam. A study was assigned by the Forward Markets Commission (FMC) which is the regulator for Commodity Futures Markets under the provisions of the Forward Contracts (Regulation) Act, 1952 to NABARD Consultancy Services (NABCONS) in May, 2010 to examine the percolation of benefits of Commodity futures market among small and marginal farmers and increasing their participation in the commodity futures market platform. The NABCONS has submitted its final report in the year 2011. The salient features of the report are as follows:

The objective of the study was to ascertain the percolation of the economic benefits of the commodity futures market to small and marginal farmers and to ascertain the extent of direct and indirect benefits that have accrued to these farmers as a result of the commodity futures market

The study examined a cross-section of farmers growing nine identified crops across six states in India. The nine commodities covered under the study are Cotton, Coffee, Jeera, Turmeric, Pepper, Cardamom, Rubber, Chilli and Maize.

The states covered under the study are Punjab, Gujarat, Karnataka, Maharashtra, Kerala and Andhra Pradesh.

Methodology for conducting the Study: Suitable questionnaires were developed by NABCONS in consultation with FMC. Field visits were conducted in the identified locations of the selected States for collection of primary data at ground level through informal interaction / discussions / interviews with the farmers.

The findings and suggestions/recommendations of the report are placed at Annexure-I.

(c) & (d): The twin objectives of futures trading are price discovery and price risk management. Futures market provides efficient price signals which enable the farmers to take optimum cropping and marketing decisions. The physical market stakeholders such as importers, exporters, processors etc. also benefit from hedging their price risk in the futures market. In order to improve the transmission of prices discovered by the futures market, the Forward Markets Commission, (FMC) which is the regulator for Commodity Futures Markets under the provisions of the Forward Contracts (Regulation) Act, 1952 has undertaken a project to disseminate the futures prices by installing Ticker Boards at important Mandis/APMCs etc. across the country. As of 30th March, 1863 Ticker Boards have been installed in various mandis/ APMC/Krishi Vikas Kendras/Co-operative Banks etc. in different parts of the country. Awareness programmes are also being conducted at regular intervals to familiarize the stakeholders, including the small and the marginal farmers regarding the benefits of futures trading. In order to protect and safeguard the interest of the consumers of financial services i.e. clients and investors in the commodity futures markets and to increase awareness among stakeholders, the Forward Markets Commission conducts awareness programmes and has also taken the following measures:

The commodity exchanges have been directed to communicate the details of the trades executed on their platform to the concerned clients, at the end of each trading day, through SMS and E-mail alerts.

The Investor Protection Fund (IPF) has been operationalised in all National Exchanges and as on 31st December 2012 an amount of Rs 79.89 crores have been transferred to IPF by the exchanges.

The members of the National Commodity Exchanges have been directed to settle accounts of their clients every quarter.

A common Know Your Client (KYC) format has been finalized by the commission and implemented with effect from 1st April, 2012, thus ensuring that clients would not need to go through multiple KYC forms to trade in more than one commodity exchange.

Clients have been exempted from paying arbitration fees/ charges for amounts uptoRs 10 Lakhs.

Exchanges have been directed to be pro-active in clients' grievances redressal.