

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

UNSTARRED QUESTION NO:1174  
ANSWERED ON:13.08.2013  
FUTURES TRADING  
Shivanagouda Shri Shivaramagouda

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

{

- (a) whether a Committee was set up to study the impact of trading in the forward market on the prices of commodities;
- (b) if so, the details thereof: (C) whether the Committee has since submitted its report;
- (d) if so, the details and the salient features thereof;
- (e) whether the Government has taken any steps based on the said report; 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): Yes, Madam. The Government had set up an Expert Committee in March 2007 under the Chairmanship of Prof. Abhijit Sen, Member, Planning Commission to examine whether and to what extent futures trading has contributed to price rise in agricultural commodities. The terms of reference of the Committee were as follows:

- i) To study the extent of impact, if any, of futures trading on wholesale and retail prices of agricultural commodities;
- ii) Depending on (i), to suggest ways to minimize such an impact;
- iii) Make such other recommendations as the Committee may consider appropriate regarding increased association of farmers in the futures market/trading so that farmers are able to get the benefit of price discovery through Commodity Exchanges.

(c) & (d): Yes Madam. The Committee submitted its report in April, 2008. The Committee analyzed annual trend growth rate in prices of sensitive commodities (food grains and sugar) in pre-futures and post- futures period and 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. The Committee also concluded that it was unable to determine any conclusive causal relationship in view of short time period during which futures markets have functioned and the complexities that arise because a large number of variables impact spot prices. The summary of findings and recommendations is given in Annexure-I.

(e) & (f): Yes, Madam. The Forward Markets Commission, the regulator for commodity futures markets under the provisions of Forward Contracts (Regulation) Act, 1952 (FMC) has initiated several measures based on the recommendations of the report. The details of the initiatives taken by FMC are enclosed at Annexure - II.