GOVERNMENT OF INDIA
FINANCE
LOK SABHA

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COMMODITY TRADING
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Will the Minister of FINANCE be pleased to state:

(a) the item-wise details of commodities traded in each of the commodity exchanges of the country during each of the last three years and the current year;

(b) the mechanism put in place to ensure that futures trading do not result in undesirable price rise;

(c) whether cases of middlemen benefiting at the cost of the farmers and consumers has arisen; and

(d) if so, the details thereof and action taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a): The item-wise details of commodities traded in each of the commodity exchanges of the country during each of the last three years and the current year are given in Annexure.

(b): The Forward Markets Commission has put in place a number of measures to address undue price volatility. These are as under:

i) Market-wide open position limits: Restrictions on open positions have been imposed in such a manner that no single individual/ entity or group of individuals/entities, acting in concert, would be able to corner the market or influence the price discovery process.

ii) Daily price fluctuation limit bands or circuit limits - These limits are linked to historical spot market movements and discourage unbridled movement of prices in variance with the market fundamentals.

iii) Additional and Special margins − Additional and Special margins are imposed by the exchange or the Commission in case of undue price volatility.

iv) Most of the agricultural contracts have a compulsory delivery logic with a staggered delivery period of 10 (Ten) days to bring about better convergence with the physical markets.

2. In addition, the Forward Markets Commission calls for daily reports from the Exchanges and takes other pro-active steps to ensure that there is no misuse of the futures market and that the futures prices discovered on the platform of the exchanges reflect broadly the demand and supply fundamentals.

3. Several studies have pointed that futures trading does not lead to price rise.

(c) & (d): No Madam. The commodity futures market is a mechanism for price discovery and price risk management. Futures contracts are traded on the commodity exchanges through members who are registered with the Forward Markets Commission and the commodity exchanges. The participants in the commodity futures market include processors, exporters, importers etc. who use the contracts traded on the commodity exchanges for hedging their price risks. Farmers are not directly participating in these markets. The price signals discovered on the platforms of commodity exchanges are used by the farmers for deciding on the crops to be sown by them and for taking marketing and storage decisions.