Agri future markets

What is the issue?

- The Indian agri - futures remained at low levels forming only 2% of 1.6 billion global agri - futures contracts.
- Agri - future marketing system remains unsupportive of farmers.

What are agri-futures?

- Derivatives are financial instruments with a price that is dependent upon or derived from one or more underlying assets.
- Futures and options represent two of the most common form of "Derivatives".
- In futures contract buyer has the obligation to purchase a specific asset, and the seller has to sell and deliver that asset at a specific future date.
- Agri-futures markets are one way to ensure that farmers' planting and selling decisions are forward - looking, and not based on past prices.

What are the issues with Indian agri - future markets?

- **Governance -** They are often disrupted by sudden bans or suspensions by the government as many policymakers have deep mistrust in the functioning of these markets.

- The basic distinction between feed and food commodities is missing**.**
- There is less variety of goods to choose from the market.
- **Participation -** Very few farmers or farmer-producer organisations (FPOs) trade on such markets, due to the mistrust with the policymakers.
- **Implementation -** The creation of an all-India spot market/(e - NAM) for farmers is operating at a slow place.

What India can learn from china?

- State participation in the futures markets through the State Trading Enterprises.
- No abrupt suspensions of commodities.
- Focus on choice of commodities, which are not very sensitive from food security point of view.
- The Chinese volume of contracts is much higher in soya, mustard, and corn complexes, which are basically for feed.
- India being the largest importer of edible oils, especially palm and soya oils, these are promising candidates for agri - futures provided global players are allowed to trade in these.

Source: Financial Express