

Agri future markets

What is the issue?

\n\n

\n

- The Indian agri - futures remained at low levels forming only 2% of 1.6 billion global agri - futures contracts.

\n

- Agri - future marketing system remains unsupportive of farmers.

\n

\n\n

What are agri-futures?

\n\n

\n

- Derivatives are financial instruments with a price that is dependent upon or derived from one or more underlying assets.

\n

- Futures and options represent two of the most common form of "Derivatives".

\n

- 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.

\n

- Agri-futures markets are one way to ensure that farmers' planting and selling decisions are forward - looking, and not based on past prices.

\n

\n\n

What are the issues with Indian agri - future markets?

\n\n

\n

- **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.

\n

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

\n\n

What India can learn from china?

\n\n

- State participation in the futures markets through the State Trading Enterprises.
\n
- No abrupt suspensions of commodities.
\n
- Focus on choice of commodities, which are not very sensitive from food security point of view.
\n
- The Chinese volume of contracts is much higher in soya, mustard, and corn complexes, which are basically for feed.
\n
- 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.
\n

\n\n

\n\n

Source: Financial Express

\n