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Agri future markets

What is the issue?

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

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- Agri - future marketing system remains unsupportive of farmers.

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What are agri-futures?

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

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

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- 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.

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

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What are the issues with Indian agri - future markets?

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

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

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