

Candidate must adhere to the word limit specified in the question.
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1. The derivatives market can provide reliable price signals and help farmers and other stakeholders to take informed signal.
Explain.

Agriculture in India is often seen as risk taking - farming, due to several factors

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  graph TD
    A[several factors] --> B[monsoon cycles]
    A --> C[production output]
    A --> D[price crash for commodity]
  
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Safeguard,

• PM Fasal Bima yojana scheme - Insurance for reduction in yield. But still it is largely helpless to most farmers

Derivatives

future and options, - in which assets derive their value based on performance

In Farming.

1. Farmers can get information about current price level of commodities
2. Going into contract agreement at current prices for selling at future.

UPSC

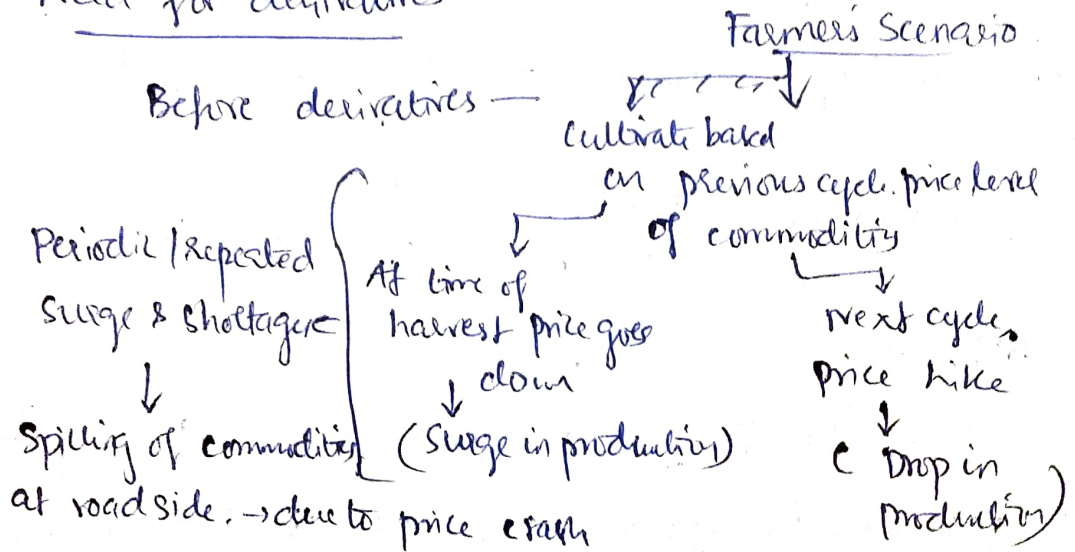
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उम्मीदवारों को इस हार्डिप में केवल प्रश्न संख्या लिखनी चाहिए। Candidates must not write on this margin.

Only write question number in this margin

3. Buyers have to pay premium to buy the 'put option', which acts a Insurance

Need for derivatives

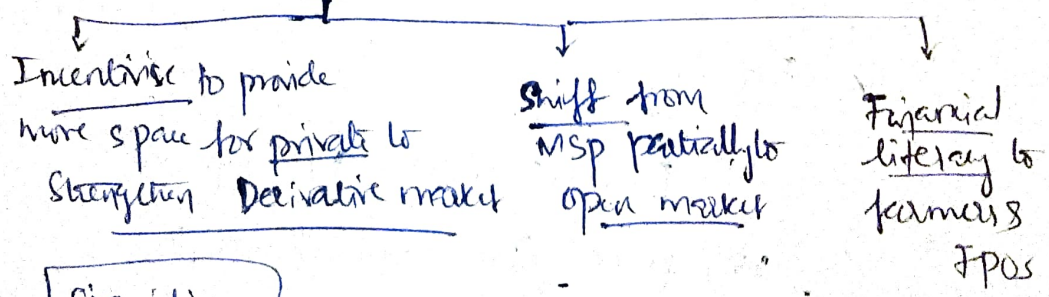


Transfer of burden

Transfer risk from Farmers to ^{buyers paying} premium

GOI - may consider 'Agro Put Fund' to share premium

Market reforms



Significance

Farmers can realise the price at current prices, even if price falls in future and can also sell in open market. Making them true Atmanirbhar