

Futures trading in agricultural commodities

8.48 The Government of India in 2003-04 had initiated major steps towards introduction of futures trading in commodities, which included removal of prohibition on futures trading in all the commodities by issue of a notification and setting up of the National Level Commodity Exchanges. The momentum gathered in 2003-04 continued in 2004-05 and manifested itself in increases in volumes, participation, number of commodities traded and various new initiatives taken by the National Exchanges (Table 8.25).

8.49 The major agricultural commodities traded at these exchanges were soya oil, guar seed, guar gum, chana, jute, rubber, pepper, turmeric, wheat, kapas (cotton) etc. These exchanges have introduced various innovations which would increase efficiency of agricultural marketing in the country. The development of a system of physical delivery of commodities backed by warehouse receipt system is expected to help eliminate rigidities

Table 8.25 : Value of trading in agricultural commodities	
Name of the Exchange	Value of Trade (till Nov. 2004) (Rs crore)
National Commodity and Derivative Exchange, Mumbai.	91470
Multi Commodity Exchange, Mumbai.	4384
National Multi Commodity Exchange, Ahmedabad.	9325
Source : Ministry of Consumer Affairs.	

inherent in the trading of physical goods by providing for a judicious mix of protection against both price and quality risks. The National Commodity and Derivative Exchange, Mumbai has launched pilot projects in the States of Gujarat, Madhya Pradesh and Andhra Pradesh to help farmers understand the concept and benefits of hedging the price risk on the trading platform of an Exchange prior to harvesting.