

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

**LOK SABHA**  
**UNSTARRED QUESTION NO. 103**

ANSWERED ON 2<sup>nd</sup> FEBRUARY, 2018/MAGHA 13, 1939(SAKA)

**AGRI-COMMODITY OPTIONS CONTRACTS IN GUAR SEED**

103. SHRI R. DHRUVA NARAYAN:  
SHRI SUNIL KUMAR SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has launched country's First Agri-commodity Options Contracts in Guar seed;
- (b) if so, the details thereof and the manner in which it is going to benefit the farmers;
- (c) whether the Government is planning to include other Agri-commodity under this in the near future; and
- (d) if so, the details of the Agri-commodities that are going to be included in it?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI P. RADHAKRISHNAN)

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(a) Yes. The National Commodity and Derivatives Exchange Limited (NCDEX), Mumbai has launched the Options on Guar Seed Futures on January 14, 2018, as approved by Securities and Exchange Board of India (SEBI). This is the first Options product on agricultural commodity futures allowed for trading in India.

(b) SEBI, vide circular dated June 13, 2017, issued guidelines with regard to eligibility criteria for selection of underlying commodity futures for launch of option contracts, product design and risk management framework to be adopted for trading in options on commodity futures. Based on the guidelines, NCDEX applied for options on Guar Seed 10MT futures, vide its application dated August 7, 2017 and SEBI approved the same on September 11, 2017.

Options are derivatives contracts in which the buyer of an Option has the right, but not the obligation, to buy or sell the underlying at a pre-decided price (exercise price) by paying some premium. At the time of expiry, if the exercise price of option is not perceived as favourable by buyer of an Option, he may choose not to exercise the option contract and thus will lose only the premium amount paid.

Farmers/Farmer Producer Organisations (FPO) may utilise this product by buying a Put Option, thereby hedging their sell price i.e. fixing sell price of their produce by paying a premium without any downside risk. However, if at the time of expiry, the Farmers/FPOs perceive that the exercise price of option is lower than the prevailing market price or, if they perceive that they may not be able to deliver the corresponding quantity of commodity for the exercise of the option contract they had entered into, they may choose not to exercise the option.

(c) & (d) Currently, SEBI has permitted Options contracts in only one commodity each in the category of agricultural commodity futures (Guar Seed) and in the category of non-agricultural futures (Gold). However, options on additional agricultural commodity futures are permissible, subject to exchanges applying to SEBI for more such commodities which meet the eligibility criteria prescribed vide SEBI circular dated June 13, 2017.

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