

GOVERNMENT OF INDIA
MINISTRY OF AGRICULTURE AND FARMERS WELFARE
DEPARTMENT OF AGRICULTURE, COOPERATION AND FARMERS WELFARE

LOK SABHA
UNSTARRED QUESTION NO.4013
TO BE ANSWERED ON THE 20TH MARCH, 2018

TRADING OF AGRICULTURE COMMODITIES MARKET THROUGH NCDEX

4013. SHRIMATI RAKSHATAIKHADSE:

Will the Minister of AGRICULTURE AND FARMERS WELFARE कृषि एवं किसान कल्याण मंत्री be pleased to state:

- (a) whether the Government proposes for an instrument in trading of agriculture commodities market through NCDEX to realize better prices for the agriculture produce;
- (b) if so, the details thereof;
- (c) whether the Government also proposes to launch a mobile app for farmers to get familiar with the options and commodity market and to learn through this app; and
- (d) if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND FARMERS WELFARE

कृषि एवं किसान कल्याण मंत्रालय में राज्य मंत्री (SHRI GAJENDRA SINGH SHEKHAWAT)

(a): National Commodity and Derivatives Exchange Limited, Mumbai (NCDEX) has launched the new instrument i.e. Options on Guar Seed Futures on 14th January, 2018, as approved by Securities and Exchange Board of India (SEBI), in accordance with its guidelines, specified vide circular dated 13th June, 2017. This is the first Options product on agricultural commodity futures being traded on the commodity derivatives exchange in India. Additionally, another derivative instrument - Futures - on various agricultural commodities are also being offered by commodity derivatives exchanges as instruments to hedge price risk in underlying commodities.

(b): Futures are derivatives contracts that allow for buying or selling of the underlying commodity at a predetermined price on pre-specified future date. Here, the buyer/seller has the obligation to necessarily execute the transaction at the delivery date, but is able to protect against the price risk.

Options, on the other hand, are derivatives contracts in which buyers of option contracts are granted the right to buy or sell the underlying by paying some premium to option sellers. However, there is no obligation on buyers of an option (option buyers) to exercise the options contracts at the time of expiry of contracts. In the event, the exercise price of option is not perceived as favourable by buyers of an option (option buyers) at the time of expiry of option contract, he may choose not to exercise the option contract and thus will lose only the premium amount paid.

Farmers/Farmers Producer Organizations (FPOs) may utilize 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/FPO perceive that the exercise price of option is lower than the prevailing market prices 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 chose not to exercise the option.

(c) & (d): No, presently the Government has not proposed any such app. However, NCDEX has informed that they have launched a mobile app called NCDEXMandi.com on 14th January, 2018, coinciding with the launch of their agri option contracts on guar seed futures. The app is a repository of educative and informational material relevant to the market. The app features sections such as Mandi Khabar, NCDEX Paathshaala and Agri commodity Options amongst several other informative sections.
