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**COSAMB E-NEWS, JAN-FEB,2011 Edition 01**

**COSAMB wish you all a very happy and prosperous year, 2011**



**Events-2011**  
**Conference on Feb.17-19<sup>th</sup> at Goa**

It is a great pleasure to wish everyone a very Happy New Year, 2011. In this year may the Agricultural Marketing sector flourish to the extent possible and try to satisfy all the stake holders such as producers, consumers and intermediaries. COSAMB has always tried to discuss the issues of prime importance which are required to make this sector highly efficient. In this upcoming sector to make it economically efficient, the value addition and safe handling of agricultural produce till it reaches ultimate consumer is highly important because it is the health of the consumer which is the prime basis for the development of the economy of a nation. To achieve this specific purpose adoption of food safety norms and use of hygienic practices in the process of marketing of agricultural produce requires main attention now a days. All of us are to be very active and continuously in touch with the developments in the marketing sector in all the corners of the world so that we should be able to follow or develop competitive techniques to compete with the world scenario.

Nowadays every corner of the country is having the facilities of modern markets for handling of produce with the provision of better infrastructure. But it still requires more facilities to maintain the temperature and other facilities related thereto for an increase in shelf life and provision of regular supply throughout the year. Moreover the production techniques and the supply of the produce as per taste of consumer only can help us to sustain in the market which is the ultimate basis for efficient returns from the agricultural sector. The taste of consumer is also to be maintained by the supply of eatable with a change in variety all the times so that the produce should always stay in main demand to make the agricultural sector more viable.

To achieve success in this area, the exchange of ideas, technology and adoption activities play a major role and for this, regular interaction of the workforce engaged in this sector from the different corners regularly only can help. The success achievement in different activities at various places can be adopted directly without wasting time and money on the trials. COSAMB has always tried and will also in future try to take this task as a prime among its members. In the month of February, 2011 COSAMB is planning to meet in Goa to discuss these issues in great depth. Therefore, COSAMB hope to see you at the next conference at Goa and contribute to make this a success to achieve objectives by all the SAMB's. Your active involvement and support to open the closed doors will have a prime importance. With this, I wish you all the very best and a prosperous year ahead.

Ajmer Singh Lakhwal, Chairman, COSAMB

## COSAMB E-NEWS: Role in Development of Agricultural Marketing

I feel it a pleasure that COSAMB has started a bimonthly COSAMB E-NEWS with the beginning of this year i.e 2011. In this news all the activities taking place around the world related to agricultural marketing will be highlighted. This E-NEWS will cover the research articles, success stories, details of various schemes, related activities, views/suggestions for betterment of agricultural marketing expressed both from public and private sectors. In this first issue following articles are published:

1. Contract Farming In India, Problems and Prospects
2. New Market Development in India- A Private Model
3. Impact Analysis of Commodity Futures on Spot Prices and Risk Management in Essential Commodities

National Council of State Agricultural marketing Boards (COSAMB), a forum at National level, for all the State Agricultural Marketing Boards/ Departments for efficient agricultural marketing system was established in the year 1988. Its main focus is for the State Agricultural Marketing Boards/Departments and to discuss various related issues for provision of best infrastructure and efficient system to make the sector viable. The adoption of new techniques used by the developed nations is also discussed and their use in the present circumstances over here is planned.

Now a days it is the need of the time to go for qualitative produce so as to compete the world market scenario as production now can be made easily but to make its availability for longer periods in hygienic packing as per the requirement of the family is the most difficult task. The agricultural production is a seasonal production and for its availability for the longer period to be in hygienic pack food safety norms are required to be adopted. These food safety norms are to be adopted from starting of post harvesting till it has reached to the final consumer. After the standardization and grading, the packing and scientific storage to make it available till it is to be consumed is required at the place of production or at consumption. The movement of the produce from production to consumption area should be in the specialized container so that its shelf life and content value should not be affected. The processing facilities are to be generated at the place of production especially for the value addition so as the produce be available to consumer in different tastes and round the year. The quality control measures should be made mandatory and the product should be sold in the market after proper certification. On the other side certain laboratories be established for tasting the product for the producer as well as consumer.

As it is a need of the present time, so the next conference at Goa on 12<sup>th</sup> to 14<sup>th</sup> February, 2011 will discuss food safety norms and hygienic practices in agricultural marketing for the supply of best quality of eatable to the consumer. All the members are requested to participate in this conference and share their views to make the agricultural produce of India to be a world competitive.  
S.S.Randhawa, MD,COSAMB



S. Ajmer Singh Lakhowal, Chairman COSAMB along with other members on 24-05-2010 in the COSAMB office

# Contract Farming in India, Problems and Prospects

A Case Study of Gherkin in Karnataka(2007-08)

Dr K C Gummagolmath  
Assistant Director,  
NIAM, Jaipur.

Contract Farming has the potential of addressing most of the urgent and critical needs of the Indian agriculture sector. It is, perhaps, the only way to make small and marginal farmers competitive by enabling them to access technology, credit and marketing. At the same time, it encourages the private sector participation in agriculture on a massive scale. It also provides a platform for reliable agricultural produce and supply of specified quality produce. Contract Farming, therefore, offers an exciting opportunity for multi-faceted development of Indian Agriculture.

Karnataka, is endowed with excellent agro-climatic conditions to take-up cultivation of all kinds of crops including field and plantation crops. There is a tremendous growth in agro-based industries in the state on account of availability of raw materials, both in quantity and quality. However, a proper linkage between producers and consumers is lacking.

Gherkin cultivation was mainly concentrated in tropical countries and the major consuming countries are European Union, Australia, USA and Canada. The gherkin cultivation is not in vogue in India. In the beginning of 90's this crop was introduced in southern India namely Karnataka, Andhra Pradesh and Tamil Nadu by the multinational companies and domestic companies with a sole purpose of exporting to global countries.

The study was conducted on **“Problems and Prospects of Gherkin Cultivation under contract farming in Karnataka”** with following objectives

1. To study the modus operandi from the view point of agreement in contract farming in between the farmers and the sponsoring company in respect of inputs supply, finance, technology, supervision – administration and risk management.
2. To study the impact of the contract farming on access to technology on the part of the farmers; and impact of the contract on marketing financing, packaging, transportation, extension storage, wholesaling and retailing etc.
3. To study the overall model of contract farming from the viewpoint of enforceability (Law and Policy) of contracts, dispute resolution mechanism and marketing efficiency.
4. To study the strength, weakness and opportunities (using SWOT analysis) lying with the contract farming in gherkin and safflower.
5. To suggest the appropriate policy measures based on the findings of the findings of the research for possible improvements in contract farming in India and replicate the same for other regions and other commodities.

The cultivation of gherkin is undertaken in 20 districts of Karnataka. This covering both southern and northern parts of Karnataka. In the beginning the gherkin cultivation was taken up in Southern districts of the State namely, Bangalore Urban and Rural, Tumkur, Kolar districts. In mid 90's Davanagere and Haveri districts were added to produce the gherkins. At present the other districts like Koppal, Bellary and Bagalkot are also emerging as gherkin growing centers. Karnataka being the pioneer in the production of gherkin its contributing is about 90 per cent share in India's gherkin exports.

The gherkin is cultivated extensively in six districts which includes traditional, emerging and upcoming zones. With respect to the traditional area Tumkur ranks first (12,500 acres) contributing 22 per cent of the area followed by Hassan (6,500 acres), Haveri (5,900), Davanagere (4,500 acres) and Kolar (3,750 acres). Though Bangalore rural and urban district were categorized under traditional districts but due to urbanization and acute labour problems these two districts are now lagging behind.

In production Tumkur ranks first with 46,250 tonnes and in productivity Kolar tops the list with a yield of 4.20 tonnes per acre. The average productivity of gherkin in the State ranges from 3.35 tonnes to 4.2 tonnes per acre. The minimum and the maximum yield of gherkin in the state range between 2.4 metric tonnes and 12 metric tonnes per acre.

Gherkin is basically used for making quality oriented edible pickle mainly used for table purpose. The normal fruit size preferred by the consumer is 12 mm shall account for 300 pieces per kg which fetches the highest price. The other grades are 17 mm, 19 mm and 25 + mm which fetch lower prices according to their size.

The harvest of gherkins starts from 28 day onwards and continues till 60 days. The contracting firms procure the produce at the farm gates by offering a price of Rs. 16 – 18 per kg for premiere quality followed by Rs. 6 and Rs. 4 per kg in respect of the large sized fruits. However, the exporting firms discourage the farmers to supply the large sized fruits by offering low prices.

The gherkin cultivation is popular among literate farmers. More than 80 per cent of the farmers are coming under the category of literate and even in case of non-contracting farmers the literate rate is over 80 per cent. The average age groups of gherkin growing contract farmers are in the range of 29 – 56 years in the study area and there is no significant difference in age in case of non-contract farmers.

The gherkin cultivating farmers mostly belong to the category of marginal (37 per cent) and small (53 per cent). However, the presence of big farmers (11 per cent) is also observed. In contrast marginal, small and big land holders account for 35 per cent, 54 per cent and 11 per cent in respect of non-contract farmers, respectively. The pattern shows that the sub-division and fragmentation has brought down the per capita size of the land holdings. The uneconomic holdings are no more left uncultivated because of this new opportunity.

The average area under gherkin cultivation in the study area is less than one acre (0.77 acres) when compared to cereals (1.90 acres), pulses (0.60 acres) oilseeds 0.23 acres and other

crops (0.69 acres) in case of contract farmers and in case of non-contract farmers cereals (2.05 acres), pulses (0.80 acres), oilseeds (0.30 acres) and other crops is 0.79 acres. The gherkin cultivating farmers take up less than one acre since the crop is labour intensive. It is also noticed that the gherkin growers giving more attention to gherkin cultivation at the cost of other crops.

The major crops grown in the study area are mainly cereals such as ragi, maize, jowar, paddy and the significant pulse is tur and Bengal gram. Groundnut and sunflower are the common oil seeds grown in the area. The share of fruits and vegetables, chillie and sugarcane is significant in selected districts namely Tumkur, Haveri and Bagalkot districts respectively.

Firms (EOUs) provide credit facilities for secondary expenses in addition to the inputs such as seeds, fertilizers, etc. The farmers require large investments for developing land, digging borewells, farm building, etc. To meet these expenses the contract farmers approach credit societies, banks and others for credit. In case of non-contracting farmers, they need money for seeds, fertilizers and all other farm activities, they borrow loans from credit societies, money lenders, village traders, etc.

The average yield varies from 3.60 tonnes per acre to 3.88 tonnes per acre. The minimum yield is shown in 2.50 tonnes per acre in Tumkur district and in Davanagere district (12.0 tonnes / acre). The average minimum, maximum and average for the selected districts was 2-8, 10-8 and 3-7 tonnes per acres, respectively.



Electronic Auction in Aalsmeer Flower Market on 06-10-2010 also known as Flora Holland, Netherland.



S. S. Randhawa, MD, COSAMB presenting Phulkari to Ms Maria A Cavit Secretary General WUWM at Rotterdam on 07-12-2010.

The EOUs supply seeds, fertilizers, pesticides and insecticides, threads to the farmers. Though the EOUs supply these inputs, some of the farmers do require cash for paying hired labours, supply water, digging of wells, etc. The farmers would approach the banks for their additional cash requirements. The major expenditure was on fertilizer, farm yard manure and picking of fruits which contributes about 60 per cent of total cost. The other costs incurred on seeds, treads (jute and plastic), land preparation and sowing.

The climatic conditions in many parts of the country are well suited for gherkin cultivation. The crop can be produced round the year, since the crop requires 90 days, three crops can be produced in a year. This situation also prevails in Karnataka, and gherkin producers produce 1 – 3 crops in a year. Many of the farmers (59 per cent) produce only one crop in a year followed by 31 per cent of farmers who produced two crops and only 10 per cent produce three crops in a year.

All the categories of farmers who produced gherkin along with other crops had higher income compared to non-contracting farmers. The average income of marginal farmers was Rs. 48,105 followed by small farmers (Rs. 49,156) and big farmers (70,238). As in the case of non-contract farmers the net income of marginal, small and big land holders are Rs. 30,185, Rs. 38,454 and Rs. 57,003 respectively.

The variations in income of the farmers in both the contracting farmers and non-contracting farmers were observed. The minimum income and the maximum income of the contracting marginal farmers were Rs. 35,313 and Rs. 63,005 respectively. In case of non-contracting marginal

farmers it was Rs. 26,531 and Rs. 87,730 which is lesser than the contracting farmers. The similar trend is also seen in the small and the big categories of farmers.



Delegation of COSAMB visiting the Vroegop Ruhe, Bleiswijk in Netherland on 07-12-2010.

All the categories of farmers opined that they would like to continue with the cultivation of gherkin with the same company as the company provides required support for the production of gherkin such as seeds, fertilizers and other inputs. The buyback system with a pre-agreed price reduced the risk in production, provides good income for a better standard of living. Most of the farmers are firm in continuing the production of gherkin in future years also.

The farmers expressed that the income of the family has increased after undertaking the cultivation of gherkin and they could acquire acquired assets and enjoy a better living standard. The study also reveals that the EOUs do not supply inputs on time, some times they provide less quantity of inputs. The farmers were of the opinion that banks should come forward to provide farm credit at cheaper rate of interest for digging wells, bore-wells as the crop require regular water. This would increase the yield level of gherkins. It is observed from the sample districts; the farmers from all the groups sell their produce to the non-contracted EOUs as these EOUs offer higher price than the contracted price.

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There are about twenty five companies engaged in the production, procurement, processing and export of gherkins from the state. The firms enter into contracts of gherkin cultivation and most of the EOUs are located in and around Bangalore. As mentioned earlier about 70,000 farmers have entered into contracts for the crop and are spread over about 58000 acres covering twenty districts of the state. The firms from the state are exporting gherkins to France, Germany, US, Russia, Australia, Korea, Belgium and Srilanka.

EOUs have two types of contract agreements namely direct model and intermediary model. Once the farmer agrees to produce gherkin on be half of the EOUs, they enter into a bipartite agreement between company and the farmers. The field investigators visit the farm regularly at least once in a week. In the second model the intermediary acts as on agent between the farmer and the EOUs. The facilitator/ intermediary supply all the necessary support for the production of gherkin to the farmers. EOUs totally depends on them to monitor all the services from supply of inputs, farm practices etc. the facilitators get a margin of Rs.3-4 per Kg of Gherkin.

### **SWOT Analysis of Gherkin Cultivation in Karnataka**

#### **Strengths**

- 1 Scope for adoption of new technology
- 2 Aversion of price risk
- 3 Income stability due to assured price
- 4 Timely supply of Inputs and production by the firms
- 5 Credit facility by the companies
- 6 Guidance from qualified staff
- 7 Development of new skills through better extension
- 8 Opening of small and marginal farmers to International markets
- 9 More bargaining power for small holders due to large number of companies
- 10 Incentive for better performance and welfare fund for growers
- 11 Higher yields due to better management
- 12 Match between Demand and Supply balance due to fixed allocation of quota in advance
- 13 Availability of Grower's Record
- 14 Higher level of income
- 15 Support from local scientific agencies and government

#### **Weaknesses**

- 1 Risk of cultivating new crop and hence problem in adoption of new production technology
- 2 Risk of over matured fruits due to delay in harvesting just by a day

- 3 Risk of Refusing to purchase the specified quota in the case of decline in export
- 4 Exploitation by the firms by offering relatively lower price as compared to export price
- 5 Improper advise by the staff of the firms
- 6 Weak legal backup for the growers i.e. No arbitration agency in case of dishonoring contracts
- 7 Misunderstanding between growers and representative of firms on adoption of production practices
- 8 Poor quality of seeds and other inputs
- 9 Delay in payment of sale proceeds
- 10 Chagrining higher prices for inputs
- 11 Irrespective of grades, imposition of price cuts
- 12 Non availability of domestic market

### **Opportunities**

- 1 Pooling of resources at one place
- 2 Lower cost of production due to cheaper inputs
- 3 Ensures supply of inputs to the farmers and output to the firm
- 4 Helps to overcome land constraints
- 5 Maintenance of uniform quality of the produce
- 6 Lot of potential exists for export
- 7 Encouragement of the system by government policies
- 8 Emergence of strong grower associations
- 9 Better technology transfer and Sharing of ideas among growers
- 10 The firm's participation in community affairs
- 11 Increase in private investments
- 12 Promotion of processing and value addition
- 13 Reduction of migration from rural areas
- 14 Backward and forward linkage is possible

### **Threats**

- 1 Farmers non-acceptance for new crop
- 2 Breach of contract either by growers or by company
- 3 Diversion of inputs to other crops by the farmers
- 4 Indebtedness of growers due to excess advances

- 5 Chances of creation of monopsony market
- 6 Social and cultural constraints between contract and non-contract farmers
- 7 Due to entry of more firms, cutthroat competition exists among firms
- 8 Leads to monocropping
- 9 Government policies affecting trade
- 10 Firms may disappear from the area
- 11 Fear of possession of land by the companies
- 12 Poor cultural acceptability
- 13 Intermediary may take undue share in the 'Intermediary Model of Contract Farming'

### **Conclusion**

Diversification of crops and the new farming system involves tremendous amount of technological input and market orientation requiring additional capital resource of mammoth proportion. In this direction, the corporate sector is coming forward to play a crucial role in agricultural development through contract farming systems. The government of India, emphasizing the need for a new legislation for farm sector, amended the APMC Act recognizing contract farming system and making several provisions to regulate the system. It is the order of the day that we have to move forward from traditional farming to value added contract farming to improve the lot of rural population emphasizing the need for a new orientation for farm sector and the states should create new laws for enabling contract farming on commercial basis and enabling corporate to contract their requirements from farms. The farming community is also waiting for the change for better living conditions and the solution to the problems of traditional technology and management practices. Their low bargaining power with input suppliers and produce markets, inadequate infrastructure and market information, lack of post harvest management expertise and inadequate capital to grow quality product are the major constraints faced by them.

The commitment driven contract farming is no doubt a viable alternate to farming model provides which overcomes the burning problem of diminishing farm size and assures reliable input supplies to farmers and deliver farm produce to the contracting firms, and solves their marketing problems in one stroke. The successful models like gherkin model in Karnataka should be encouraged and extended progressively to the rest of the agricultural commercial enterprises for mutual benefits of the farmer and the consumer in particular and the development of Indian agriculture in general.

- Any member of COSAMB or any person engaged in agricultural marketing sector or institute intends to present his views, activities of the organization, success story, experience or article etc. in COSAMB e-news, please send an e-mail to [contact@cosamb.org](mailto:contact@cosamb.org)
- Any material sent for publication in COSAMB e-news does to give right to publication, it is subject the approval of COSAMB office.



COSAMB members discussing the issues in Executive Body meeting on 24-05-2010 in COSAMB office .

**Issues discussed in the meeting at 2.00 PM on 24-11-2010 at Krishi Bhawan, New Delhi with Hon'ble Secretary, Department of Agriculture & Co-operation , Government of India.**

- GOI should provide direct assistance to strengthen the APMCs, market infrastructure and facilities required for the marketing of agricultural produce. A separate budget be kept for providing direct financial assistance to the weaker APMCs.
- Standardization, grading, packing and processing facilities for value addition in case of perishable produce in the specialized production areas, a suitable model be developed and direct assistance be given to the farmer organization, co-operatives and APMCs also.
- Smaller godowns/storage device be provided either through the direct financial assistance to farmers or farmer organizations or through the co-operatives or by APMCs in the rural marketing centers to enhance the holding capacity of farmer which is turn helps to control the glut in season.
- Some schemes in relation to marketing with some financial assistance to the farmer be formulated such as better handling facilities, protecting from natural hazards, cleaning of the produce, packing at farm level in hygienic packs.
- The special emphasis be laid on the consumables and hygienic packs by adopting good hygienic practices to prevent the outbreak of diseases resulting from pathogens including bacteria, fungi parasite etc. The waste from the agricultural produce must also be handled efficiently by making its usable by products. A committee should be setup to frame the guidelines for the hygienic practices.
- Quality testing laboratory in the marketing of agricultural produce be established to ascertain its contents so that better quality produce must fetch better returns as well as to save the consumer from buying the harmful products. Quality certification must be enforced.
- Procurement should be as per better standards of the produce as the best quality produce should be paid better price and procurement should be made throughout the year by enhancing the periodical prices keeping in view the storage and handling charges.
- Training facilities in agricultural marketing both for marketing officials and farmers be strengthened region wise which will help to use the new strategies and also to meet new challenges in the present period of liberalized marketing. Research facilities are strengthened to plug the bottle necks in the system.
- Direct payment through cheque to the farmer on the spot is a mission at GOI level.
- Marketing network at the national level should be developed along with agmarknet.
- Open auction for the price settlement and the commission at the time of transaction which is to be charged from the buyer only as per model act be enforced in Delhi also.
- Amendments based on the model act should not be enforced in financial assistance schemes such as strengthening of marketing infrastructure and national horticultural mission.

# New Market Development in India-A Private Model

Dr. J. S. Yadav,  
COO  
Premium Farm Fresh Produce Ltd.

Farm Fresh Produce intends to be the pioneers in wholesale markets in India and to become the biggest and best service provider for fresh produce. It is the first company having **ISO 9001-2000 in Building & Operating Infrastructure for Agricultural Produce**. India's first Private Wholesale Market has been established in Nashik and is running its pilot project successfully. With the overwhelming response from the stakeholder's in Premium Market, Nashik, the company has plans to start with four markets in Karnataka viz. Hassan, Belgaum, Shimoga and Kolar. In Gujarat it has licenses for 6 locations namely Baroda, Gandhinagar, Gandhidham, Surat, Mehsana and Rajkot. The Government of Punjab has also granted in-principal approval for establishment of such markets in Amritsar, Ludhiana, Mohali and Jalandhar.

For benchmarking of modern technologies, systems and concepts, Premium has collaborated with various international organizations. It has signed a memorandum of understanding with the Commerce and Industry Ministry of China for "technology transfer" and also a 'Friendship Opening Agreement, Intention' with the China Agricultural Wholesale Markets Association. Other international tie-ups include collaboration with Grupo DMX - Maxico for Multi Level Parking, MOU with World Union of Wholesale Markets - Asia Pacific for Cool Chain Development and exclusive agreement with the world's largest wholesale market called Rungis International, Paris. Initially, the company also established technical and strategic relationship with Sydney Market Limited. Now, it is also in dialogue with Seoul Market, Korea, for necessary collaboration and technical support.

## **Premium Market, Nashik**

Nashik is country's one of the most potential horticulture hub. It is the major producer and supplier of onion, tomato, pomegranate, grape and other vegetables for markets within the State, outside the State and outside the country. Nearly 90% of the grapes and onions produced are dispatched outside the State. Almost 60% of the grape production in the State is reported from Nashik. Onion production is reported to be 50% or even more of the State production. It constitutes a share of 40-45 % of Grape, 30-40 % of Pomegranate, 40 % of Onion & 12 % of Tomato production of India. To

tap this great potential Nashik has been selected as an ideal location for establishing a new private wholesale market.

The functional structure of the market is in the form of a Hub and Spoke Model wherein the Market will be set up as the hub and Collection Centers (CC) as spokes, spreading across 15-25 km radius around the hub. The said distance has been arrived at keeping in mind the optimal radial distance up to which the farmer's cost of transportation and availability of various other options do not outweigh the returns expected from the market.



A view of prayer at the inauguration of National level conference on 12th Sept., 2010 in Siliguri, W. Bengal

The market will perform the main function of conducting the auction of the fresh produce as well as ancillary functions of grading, storage, packaging and selective retail. The Collection centre on the other hand, perform the main function of consolidation and project efforts itself. Aggregation of produce from growers and ancillary functions of sorting, price display of auction markets and cash settlements to growers to support exporters, processors, supermarkets, etc. directly and offer alternates to the buyer-seller.

This model has been adopted on trial run in Premium Market at Nashik for which it was honored with **“Notable Agricultural Market in Asia Pacific”** award by World Union of Wholesale Market (WUWM), Asia Pacific Regional Working Group in 2008.


Premium Market is spread across an area of 38 acres and is located in Adgaon (Mumbai-Agra Highway), Nashik. The main objective of opting for pilot Project was to get a firsthand experience at field level and gradually scale up the entire gamut of perishable trade. Unlike the existing APMC run wholesale markets in India, which focus primarily on the development of hard core infrastructure, have most of the times failed in discharging key functions due to improper planning of the market layout, lacking strategic planning for future expansion and mismanagement in the capacity utilization leading to congestion, creating a breeding ground to the malpractices & uncontrolled situation in these markets, further creating operational inefficiencies. Rather as a corporate entity Premium focused on soft linkages which are critical for networking of the stakeholders to establish effective market linkages since inception. As a part of the development of soft linkages a separate Backward Linkage team was put on force to effectively communicate & convince the farmers, transporters to bring their produce to this new market. In this regard nearly 7,500 farmers were profiled as per a purposefully designed selection criteria in the adjoining villages. This is a unique model wherein the company first plugged the risk of arrival/shifting of trade and to undertake need assessment and accordingly go ahead with the creation of infrastructure /facilities. The throughput achieved and acceptance of the project by the stakeholders in the pilot testing stage will determine the scale of development needed in the market.

Initially, the major hindrance for establishing this market was acceptance of a Private Market by APMC itself which threatened the farmers and traders to shift their trade in the new market. Premium team, along with its few trusted local supporters spread awareness about the project and influenced them to shift trade from the local wholesale market to the new one which offered them many more tangible and intangible benefits.

In addition, a Forward Linkages team was also put on roles to effectively communicate & convince traders, loaders & commission agents, transporters etc. with the benefits of this new market. Nearly hundred registered traders, loaders for different destination markets have been roped in to participate in various market operations like auctions, packing, loading and trading of the perishable produce.

The market is getting a favorable response from the farmers as well as traders. Farmers are reported to receive a better price for their produce when compared to the local market, where they have traditionally been selling their produce. Premium Market also ensures spot daily cash payment to farmers, which is yet another feature which has attracted around 10,000 growers to sell their produce in the new market. Even the traders are satisfied with the hassle free trade environment, good hygiene

and the quality of produce that is being maintained in the market through grading, uniform packaging and the produce which is reduced to minimum number of possible grades.



*Premium Market, Nashik*  
*India's First Private Modern Wholesale Market for Fruits and Vegetables*


*Premium Value for Premium Produce!*





**Features:-**

- Hub & Spoke Format
- Supported by more than 20 Value Added Centers
- Modern Auction Center
- Reputed and Trustworthy Traders
- On the Spot, Immediate Cash Payment
- Strong MIS and Information Dissemination
- Clean and Hygienic Market Premises
- Cool Chain Supported Infrastructure
- 24/7 Security Systems
- Separate Pack-houses for Exports
- Adequate Space for Easy Movement of Vehicles and Parking
- One Stop Shopping Facility

*Upcoming Projects in Karnataka*  
*(Kolar, Hassan, Belgaum and Shimoga)*

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The pilot testing has helped the company to assess the viability of the project in terms of the business potential, volume arrivals, economics, trade dynamics, customer expectations and also to

prepare guidelines for the expansion of the project in Nashik as well to inculcate & strengthen the internal capabilities to operate markets in other states.

The market has achieved success in facilitating trading of 10000 MT of grapes in the first two months of the start of the market operations for the first quarter ending 2009. In case of pomegranate, the market is able to attract 10-12 percent of the pomegranate arrivals from the local market (government APMC) in first 15 days of the start of the season starting from August, 2009. This is a marked achievement for the market in its pilot.

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## **Reforms in Agricultural Marketing as per Model Act, 2003 by GOI**

- Allow establishment of
    - Private Markets
    - Cooperative Markets
    - Farmer-consumer Markets
    - Direct marketing
  - Safeguard the interest of the farmers through provisions for Contract Farming
  - Single point levy & payment of market fee
  - Single point registration of functionaries
  - No commission agent shall act on behalf of agriculturist seller and no deduction to be made towards commission
  - PPP (Public Private Partnership) in:
    - Management of Market
    - Marketing extension activities
    - Promotion of e-trading
    - Electronic Spot Exchanges
  - Encouraging professional management in APMCs
  - Establishment of State Agricultural Produce Marketing Standard Bureau.
- .....

NIAM in Executive Body meeting held on 23-11-2010 approved the Memorandum of Understanding (MOU) between CCSNIAM and Netaji Subhas Training Institute for Agricultural Marketing (NSTIAM) for jointly organizing Training Programmes.

Chairman observed that NIAM should increase its outreach and make similar arrangements as with NSTIAM with another organizations like MANAGE for Southern Region.

Chairman COSAMB also suggested collaboration with NIAM for Northern States and informed that facilities and infrastructure are available for this purpose in Chandigarh, which may be utilized for training programmes. Chairman desired that such an arrangement may be finalized quickly.

# **Impact Analysis of Commodity Futures on Spot Prices, and Risk Management in Essential Commodities**

## **(2007-08 and 2008-09)**

Dr. Purushottam Sharma  
Assistant Director  
NIAM,Jaipur.

In any agriculture-dominated economy, like India, the farmers face not only yield risk but price risk as well. Commodity futures and derivatives have a crucial role to play in the price risk management process, especially in agriculture. Commodity derivatives and futures are instruments to achieve price discovery and price risk management. After withdrawal of prohibition on futures trading in 2003, the volume of futures trade increased exponentially in agricultural commodities till 2005-06 but the trade in Bullion and other metals over took it in 2006-07. Overall, non-agricultural commodities have been dominating the futures markets in India.

There was a significant upsurge in prices of some of the agri-commodities from the middle of 2006 to the first quarter of 2007, though the contribution of agricultural commodities, particularly 'food grains', in WPI inflation was small due to relatively low weight. This spurt in prices of essential commodities and increasing inflation was, according to one school of thought, caused by the excess speculation in commodity futures trade and had become an issue of concern for the government as well as people. In response to the public outcry against futures markets and their perceived role in causing inflationary trends in the prices of essential commodities, on January 23, 2007, the FMC, at the suggestion of the GoI, de-listed two commodities - urad and tur, both pulses from trading on futures exchanges out of concern about rising food prices which was perceived as caused by speculation in the futures markets. Later, on February 27, 2007, FMC limited the trading in wheat and rice futures to squaring off until the expiration of running contracts, for similar reasons. Hence it is felt imperative to study the working of futures markets in agro-commodities, particularly essential commodities with the specific objectives of knowing the impact of commodity futures on spot price volatility, to understand the problems in physical delivery procedure and farmers and traders views on commodity futures trading.

Two crops viz.; wheat and maize have been selected for the study. Wheat being the major staple food crop and futures for wheat has been banned. Maize is also a cereal crop for which futures trade is continuous. Secondary as well as primary data were used to fulfill the objectives of

the study. Daily prices of Wheat from Bareilly, Shahjahanpur and Hardoi markets and for maize from Davangere and Bangalore markets were collected from January 2000 to December 2008. Futures prices and trading volume and open interest data were collected from the website of NCDEX.

For collection of primary data, largest producing states and districts, one for each commodity, were selected for Wheat (Hardoi in Uttar Pradesh) and Maize (Davangere in Karnataka). From the district selected four villages for wheat and three villages for maize, in consultation with district agriculture officer and mandi officials, were selected for the study from the largest producing taluka/block. About 15% of the total crop growing farmers were selected randomly from the list prepared for crop growers in each village. To fulfill the objectives of the study, annualized volatility in market prices of wheat and maize was analysed (seasonal as well as before and after futures trading) from the return series of mandi prices.

To know the impact of introduction of futures on the volatility of spot prices, a measure of volatility was so constructed and regress it on a proxy variable (to account for macro-economic factors) and a dummy variable (to account for the impact of futures trading). Monthly volatility measure has been constructed as standard deviation of daily spot returns. This volatility series was constructed for wheat at Bareilly and Sahjahanpur market and for maize at Davangere market.

To know the effect of futures trading activity on the volatility of commodity prices, the Granger causality test was conducted by running the regressions on the wheat and maize futures trading data collected from NCDEX. This test will help determine if there is a bi-directional impact flowing from one to other prices and vice versa. Apart from prices, the test is also used for understanding the relationship between volumes and prices of wheat and maize.

The annualized volatility was observed to be higher for the pre futures period for wheat where it was upto 26% during 2003 in Shahjahanpur and 27% for the year 2001 at Bareilly. Volatility of Wheat before futures period was 49% at Shahjahanpur and Bareilly markets, which has declined to 31% and 33% during the post futures period, respectively. But at Hardoi market volatility in wheat prices was 15% in pre-futures period which has increased to 31% in the post futures period.

In case of maize, annualized volatility was observed to be increased in the post futures period at Davangere and Bangalore markets. This was mainly because of the higher day-to-day variation in arrival grades of maize in the APMC markets and prices in the market were not

reported separately for different specified grades. Thus, the annualized volatility analysis gave the mixed results for the two selected commodities.

The volatility in wheat prices at Bareilly market was higher during pre-futures period. Monthly pattern shows higher volatility during harvesting months and in the October month. Post futures monthly volatility in wheat prices observed to be higher during pre-harvest and harvest months particularly in the year 2006. Monthly volatility in wheat prices at Shahjahanpur indicates that wheat prices in March and April months were fluctuating higher during pre-futures which have reduced during post futures but during post futures volatility in wheat prices in the lean months has increased compared to pre-futures period. Monthly volatility pattern in Maize prices at Davangere market suggests that during pre-futures period the volatility in maize prices was higher in pre-harvest and harvest months which also continued during post futures period. Also the volatility during lean months has increased marginally during the post- futures period.



Mr. Ashok Santra, CEO, WBSAMB discussing certain points with participants of conference on 13-09-10 at Siliguri,, West Bengal

## **Impact of Futures on Volatility**

The preliminary analysis was conducted on the mandi by the descriptive analysis and unconditional volatility on the price data collected from Bareilly and Shahjahanpur for wheat and from Davangere for maize, the monthly SD of daily return series of this data was modeled as GARCH (1,1) to know the impact of futures introduction on the series. The purpose of this study is to empirically investigate the effect of introduction of futures trading on the market price volatility of wheat and maize. The main hypothesis that the volatility of the spot market has not changed after the introduction of futures is investigated along with others such as change in news transmission speed and change in persistence of volatility shocks.

The main finding of this investigation is that there has not been any significant change in the spot price volatility after the introduction of futures trading for both market prices in case of wheat and maize, implying thereby that there is no impact of introduction of futures trading in wheat and maize. However, the coefficient for the after futures ban in wheat period was found significant and negative in case of Bareilly, suggesting that the volatility there is marginal reduction in volatility after ban in futures.

To examine if the nature of volatility remains same after the introduction of futures in wheat and maize and after delisting of wheat futures, the sample is divided into pre-futures, post-futures and after futures ban and then run the GARCH process for each period. From the results of analysis indicated that there is no significant change in the nature of volatility in three sub-periods for wheat at Shahjahanpur and two sub-periods for maize at Davangere, suggesting that introduction of futures in wheat does have neither stabilizing nor destabilizing effect on wheat and maize, and therefore, did not contribute to the increase in the market efficiency of the spot markets.

But in case of Bareilly market the nature of volatility has changed after the introduction of futures trading. Thus, pre-futures the effect of information was persistent over time, i.e. a shock to today's volatility due to some information that arrived in the market today, has an effect on tomorrow's volatility and the volatility for days to come. After futures contracts started trading the persistence has disappeared. Thus, any shock to volatility today has no effect on tomorrow's volatility or on volatility in the futures. This might suggest the increase in market efficiency after futures, since all information is incorporated into prices immediately.



Mr. Ad van Paridon, Director addressing the delegation of COSAMB at Rotterdam Wholesale Market, Netherland on 07-12-2010.

In order to check the parameter stability in the regression models of pre-, post-futures and futures ban, assuming constant error variance, Chow test for structural change signifies that the regression coefficients statistically does not differ for three sub periods, thus suggesting that there is no any structural change in the nature of volatility in all three price series.

### **Impact of Trading Activity on Volatility**

The results of the Granger causality test suggested that volume of wheat trade in futures had a significant causal impact on open interest and vice versa, both volume and open interest on futures had significant causal impact on spot price volatility and not vice versa, futures prices had significant causal impact on spot prices and vice versa. It is evident from the results of the Granger causality test for maize that futures prices had a significant causal impact on spot prices of maize and vice versa, volume had a significant causal impact on futures prices and vice versa, and volume had a significant causal impact on spot price volatility and not vice versa. Thus, volatility in futures prices does have a

causal effect on the volatility in spot prices of wheat and maize. Further, the futures trading activity has a significant causal effect in spot prices of wheat and maize.

### **Performance of Commodity Futures**

To understand the performance of commodity futures, ratio of standard deviation of futures to spot price and ratio of standard deviation of basis to spot was calculated. The results indicated that the futures and spot price variability is substantially different for Wheat and Maize. The results suggests that the futures price variability is substantially less than the cash price variability in some of the contracts of wheat, indicating inefficient utilization of information if we assume cash markets are efficient. The month-wise analysis indicates that there may be the increased speculative activity in the delivery month in few contracts or prices not incorporation current information efficiently.

For maize futures, the ratios are either higher than 1.25 or lower than 0.75 for most of the contracts analysed indicating that the futures prices do not utilize information efficiently as their cash markets. The ratio turned out to be greater than 1.25 in the expiry/ delivery month contracts for more 50 per cent of the contracts indicating that futures price volatility was higher compared to the spot prices, and less than 0.75 for about one fifth of the contracts indicating increased speculative activity in the delivery month or prices not incorporation current information efficiently.

Basis and spot price risks are assessed by computing their standard deviation for each month and for every contract. In case of wheat futures at NCDEX, the ratios shows that there were very few contracts with less than 0.5 ratios and in most of the contracts the ratio was worked out to be more than 1.0 implying thereby that variation in basis was higher than the spot price variation leaving meager chance to hedgers to manage risk. Thus, futures contracts in wheat does not provide hedge opportunity. In case of maize, the ratios worked out were less than 0.5 for most of the cases indicating that the volatility in basis is less that the volatility in prices and these results suggests that the hedger find futures useful to manage business risk. Thus futures contracts of maize provide perfect hedge opportunity to minimize their risk through hedging activity.

### **The mandatory requirements for physical delivery and farmers' participation**

- The participants giving delivery are required to be registered with sales tax
- The participants giving delivery are required to be registered with the respective local mandi and *mandi* tax paid receipt /certificate is required to be handed over/transferred to the next buying member/client along with other settlement related documents like invoice/s.

- Requirement for opening of client account: proof of identity, proof of address, proof of bank account, proof of demat account, proof of sales tax registration, copy of PAN card (Mandatory), copy of latest income tax return and information about last three years income and investment. Farmers as a participant of commodity futures trading can't even open an account with the broker members as list of documents required for opening of accounts with brokers may not be available with farmers like PAN number, registration of sales tax, copy on income tax return, etc.

The response regarding delivery of commodities on or from commodity exchange designated warehouses revealed that no any wheat and maize trader and processor taken physical delivery as well as no one tendered for physical delivery. The reasons cited for not taking or making physical delivery were the problem of delivery location, problem of assaying in the district place, complex procedure of taking or tendering physical delivery, time consuming process of taking or making physical delivery, etc. Some of the traders in group discussion revealed the common problems they encounter with in physical delivery are:

- Delay in giving physical delivery- this even may take 15 to 20 days after the date of contract expiry. According to contract specifications and exchanged delivery guidelines, there is no compensation in case of such late deliveries, and the participants has to bear the loss, if any, to them in terms of difference on the price at contract expiry at which physical delivery was settled and the change in spot prices during those 15 to 20 days.
- Inferior quality of the delivered commodity- is another type of problem few of the traders face in the physical delivery and also not compensated for the lower quality in terms of charging discounted price. They further revealed that due to this reason we do not go for physical delivery of commodities instead prefers to settle in cash.

### **Farmers Awareness and Decision Making**

From the observations of the study it can be inferred that, in case of wheat farmers only 2 farmers out of 241 total sampled farmers in Hardoi district of Uttar Pradesh have only heard about commodity futures. They do not know further about the commodity futures and its direct or indirect benefits they can derive. In case of maize, only 4 farmers out of 251 total selected farmers from Davangere district of Karnataka were aware about commodity futures.

While deciding on the area to be put to cultivation of different crops (crop selection and area allocation decision), all category of farmers consider previous years price of the crop in mind along with the factors like price of related crop and resource availability with them. The maize farmers in Davangere district considers previous year's price of the crop as a major factor to decide the area allocation at the time of sowing maize. The other factors farmers consider at the time of deciding on area allocation under different crops were price of the related crop, resource availability with them and labour availability. Since most of the farmers were not aware on direct and indirect use of commodity futures in their farming business, they do not consider futures price of harvest period contract at the time of making decision on area allocation to a particular crop during sowing of the crop.

### **Farmers Information Seeking Behaviour and Source of Price Information**

As regards price information source, wheat farmers in the study area bank mainly upon traders (83% farmers reported sourcing price information from traders) followed by fellow farmers (43%), news paper (38%) and television/radio (37%). Very few farmers take price information from mandi, implying that for farmers in the study area traders were easily accessible and trusted source for getting information related to commodity prices. Major source for getting price information for maize farmers in Davangere district were traders in the market (57% of the total farmers responded seeking price information from traders), followed by fellow farmers (36%), news papers (28%), and radio/television (26%).

### **Risk Management through Retaining Produce for future sale**

The sales deferring behaviour of wheat farmers in Hardoi district revealed that one-fourth of the total farmers store their produce of wheat for taking benefit of higher prices. About 76% farmers of medium category were highest to store their produce for future sale followed by Semi-medium farmers (48%) and marginal and small farmers (10%). For storing the produce no any farmer availed credit or pledge loan. If benefits of warehousing receipt and pledge loan scheme be transferred through greater awareness among targeted farmers, more farmers can get benefit of higher prices in the lean season. In case on maize, about 45% farmers defer the sale of maize at the time of harvest to gain higher prices in the future point of time. Majority of large and medium farmers defer sale of maize for future period and store maize in their homes/godowns, while only a

quarter of marginal and small farmers store maize for managing price risk and taking benefit of higher prices in the market during lean season.

The farmers stored their wheat for seven to eight months period after the harvest to take the maximum benefit of the increased market prices during the lean season. That means they sale their wheat in the months of November-December months. Maize farmers in Davangere deferred sales for about 3-6 months and store the produce. The farmers sold their produce at the time of high prevailing prices in the market after 3-4 months of storage.

Decision factors for deferring sales of wheat produce and storing it for sale in future point of time when prices in the market are high are previous years price of the crop during lean season and expectation of high price in future point of time through own analysis. It is obvious that with the negligible awareness about commodity futures, farmers does not consider futures price while deciding on deferring sale and storing wheat for sale in future. Prices of maize realized by farmers in the previous year and own analysis of expected price in the future point of time were the major factors based on those farmers decided to defer sale and put the produce to store to minimize price risk and gain from higher prices.

Money requirement for meeting different obligations by farmers was the major factor that decides the time of sale of stored wheat by farmers in Hardoi followed by the prevailing high price in the market during lean season. Farmers under medium farm size group were the majority of farmers who stored wheat for sale in future and they decide to sale stored wheat when prices in the market were high during lean season. The time of sale of stored maize with the selected farmers in Davangere district of Karnataka was decided by the prevailing price in the market. More than 90% farmers who stored maize for future sale responded that they decide time of sale on the basis of prevailing high price in the market. About 70% responded the need of money for meeting different family obligations as a factor in deciding the time of sale of stored maize.

The farmers, who had stored wheat, gained Rs. 46.5 per quintal benefit in terms of higher price than the harvest period price. Semi-medium farmers got highest benefit of Rs. 64.5 per quintal followed by Medium (Rs. 49.5/qt.) and marginal & small farmers (Rs. 38/qt.). The risk management by maize farmers through deferring sales of maize produce and selling it after 3-5 months paid on an average Rs. 31 per quintal to the selected farmers as increased price realization compared to the prices in the harvest period. Since most of the wheat and maize farmers were not aware about the commodity futures trading and role of futures price as an indicative spot price for future date, they did not consider take use futures price indication at the time of sale of their produce in the market.



SS Randhawa, MD, COSAMB along with other officials greeting delegates from Rungis International Market, Paris, France on 24-09-2010 in COSAMB office at New Delhi.

### **Farmers' inability to manage risk through Commodity Futures**

The major factors that hinder the farmers to take active part in commodity futures and benefit directly through hedging were:

- most of the farmers were unaware on commodity futures concept and thus unable to benefit from this market instrument;
- the average total production of wheat and maize per farmers is well below the lot size on commodity futures and leaving home requirement aside, the marketable surplus with them did not qualify the lot size, hindering them to take part in commodity futures; the cash requirement to fulfill the margin requirement is about Rs 10,000 to 15,000 they have to deposit at the time of entry in the market, maintain mark-to-market margin and tender period & Delivery period margin which was 2-3 times higher than normal margin requirement is so high that they need finance;
- The delivery centres were also limited to few locations and that too far away from their locations leading increased cost of delivering commodities in physical to exchanges; The fear of non-compliance of commodity quality to the contract specifications at the time of assaying leading to major loss to farmers;



Mr. Florian of Rungis International Market, Paris addressing the member of COSAMB on 24-09-2010 in COSAMB office at New Delhi.

### **Perceptions of Wheat Traders and Processors**

About 31 traders and 5 processors of wheat were selected for the study on their perceptions and use of commodity futures in their business. Ten traders from Bareilly and Shahjahanpur APMC markets and 11 traders from Hardoi market were selected for the study. Out of total 34 traders and processors trade on commodity futures, 15% trade on NCDEX exchange platform, 24% trade on MCX, and 62% trade on both the national level commodity exchanges. All the traders trade in wheat and other commodities in which these traders trade were Guar, Mentha oil, Pulses, Silver, Gold and Crude. Out of 25 maize traders and processors selected in davangere market who trade in commodity futures, 68% trade on NCDEX exchange platform and 32% trade both in NCDEX and MCX exchange platform. Maize traders in Davangere trade mainly in maize, paddy, and sunflower in mandi and in futures they trade mainly in Maize, Guar, Chilli, gold, silver, etc.

## **Knowledge of Traders on Commodity Futures**

Out of the total traders and processors trade on commodity futures, responded that all know about commodity futures, only 44% were aware about the benefits of commodity futures, 38% know about the role of commodity futures in their business, only 12% know on how to participate in commodity futures, only 1 trader knows hedging and physical delivery procedure and contract specifications, and only 12% were aware about margin and cost of hedging.

Almost all the maize traders and processors in Davangere responded that they know about commodity futures and their benefits to them and the economy. About 96% traders and processors responded that they know the role of commodity futures trading in their business and about 85% know about the procedure of participating in commodity futures trading. About 93% traders and processors were aware about hedging mechanism on commodity futures but only 33% know about the physical delivery procedure of commodities on exchange platform and only 30% were aware about margin system and cost of hedging. Seventy per cent of the traders were aware on contract specifications of commodities traded on exchange platform.

Most of the wheat traders and processors responded that their position in commodity futures was mainly based on advice from broker operator and specialists' opinion. Only one trader responded that his decision to take position in commodity futures was based only on own analysis of supply and demand condition of the commodity they trade in. A quarter of maize traders and processors taken position in commodity futures based on own analysis of demand and supply condition of the commodity. About two-third traders take position based on advice either from broker operator or specialist opinion.

## **Impact of futures on Trade**

On the question of impact of commodity futures with Wheat traders in Hardoi, Bareilly and Shahjahanpur markets of Uttar Pradesh, most of them responded that there was no any effect of introduction of commodity futures on their turnover, cost of trade, profit earning out of their business and price risk management. A quarter of wheat traders responded that the price risk after ban of futures trading in wheat has increased. On the other hand, most of the maize traders and processors responded that turnover of their trade had increased after the introduction of futures trading in maize, 85% responded that the cost of trade had reduced, 81% responded that profit have increased and 96% traders and processors had responded that their price risk have reduced after introduction of commodity futures in maize.

## **Perception regarding commodity futures**

The perception of most of the wheat traders and processors was positive on commodity futures trading as about 50% traders responded that the futures trading is an instrument of better price discovery, price risk management and futures prices help in better bargaining. But still half of the traders and processors selected does not know much about these aspects or were negative on these aspects of commodity futures requiring thorough understanding of the concepts and process. Thus, thorough training of this important segment of stakeholders of commodity futures is required.

On the perception of maize traders and processors, more than 70% responded that the commodity futures is an instrument of better price discovery, price risk management, it disseminates real time price information and thus help in better bargaining at the time of buying/selling of commodities. Commodity futures is transparent and trusted trading platform was responded positive by more than 90% traders.

The response regarding delivery of commodities on or from commodity exchange designated warehouses revealed that no any trader processor taken physical delivery as well as no one tendered for physical delivery. The reasons cited for not taking or making physical delivery were the problem of delivery location, problem of assaying in the district place, complex procedure of taking or making physical delivery, time consuming process of taking or making physical delivery, etc.

### **Recommendations:**

- Exchanges and clearing houses should ensure the timely delivery of the commodity and in case of delay in the delivery, buyers should be compensated upto the date of delivery instead of paying a part from the penalty amount charged from seller on the basis of E+5, in case of loss to the buyer participant.
- Exchanges and clearing houses should also ensure delivery of commodity satisfying the quality as per the contract specifications else compensate through charging discounted price commensurate with the difference in quality instead of exact entry price.
- Since awareness regarding commodity futures among farming community as well as among traders and processors is very limited. Thorough training on project basis for farmers and traders on the use and role of commodity futures prices is required. This will boost up the

direct and indirect use of commodity futures in farming as well as trading business and risk minimization.

- Since most the farmers in the country are small and marginal and semi-medium farmers having minimum marketable surplus, intermediary organizations may be promoted who would assume the role of aggregator and hedge the farmers stock on futures on behalf of farmers. These organizations should be given thorough training on all aspects of commodity futures and agricultural marketing and should have legal status for taking positions on behalf of farmers in commodity futures.
- Introduction of smaller trading lots in all the major food grains items may ensure mass participation by the farmers leading to in the increased stability in the futures as well as in physical market. With the introduction of small trading lots the participation of genuine participants and farmers as hedgers can be increased in futures trading which would lead to better price discovery.



Delegation of COSAMB at the venue of Rotterdam Wholesale Market, Rotterdam, Netherland

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