

NCDEX hopes futures trading in potato, rubber resumes

The National Commodity and Derivatives Exchange (NCDEX) hopes that futures trading in 'Chana', Soya oil, Rubber and Potato, which were banned early this month, will resume in September.

Managing Director and CEO of NCDEX R. Ramaseshan told reporters here Tuesday that the current ban on these commodities is effective till September 6. 'The ban is usually for a short period. If there is no new ban, then futures trading in the four commodities can hopefully resume,' he said.

The four commodities together account for a trading volume worth nearly Rs.150 billion every month out of the total volume estimated at Rs.1,640 billion, according to the latest data available on the Forward Markets Commission web site.

Roughly, these commodities clock a daily turnover of about Rs.10 billion in the three national exchanges - NCDEX, Multi Commodity Exchange of India (MCX) and National Multi Commodity Exchange of India (NMCE). Of these, only 'Chana' is an essential commodity.

On what the exchange plans to do for greater participation by farmers, Ramaseshan said the central government is considering allowing some 'intermediation' system to operate, which would help to aggregate farmers produce for delivery into the trading system thereby ensuring a wider farmers' participation in commodity exchanges.

He said the situation is that it is now possible for farmers to know prices. 'But the problem is that it is not cost effective for delivering small quantities once they take a call on whether to sell or not to sell at a given price.' This situation does not permit larger participation of farmers in commodity trading.

But if 'intermediaries' were permitted who could aggregate the produce and deliver them as large sized contracts, then it would be possible for farmers to participate in large numbers. 'We have made presentations on this issue and suggested the need for an appropriate policy directive' to make intermediation possible.

On whether current efforts to do away with intermediaries in traditional 'mandis' (markets) will not be in conflict with what is being proposed now, he said: 'In such activity like commodity trading, a certain amount of intermediation is bound to exist.' As for lower level of participation of farmers in commodity trading in India, he said even in advanced countries the participation percentage of growers is 'less than 20 percent'.

On future plans for the exchange, he said NCDEX's strategy was to deepen its share in agri-space which currently ranged from 80 to 95 percent as well as to diversify into non-agricultural products.

In line with this strategy, NCDEX proposes to enter into futures trading in cotton, castor seed and coffee. In the non-agricultural segment, it has launched a programme of carbon trading by introducing contracts in certified emission reduction (CER) - a clean development mechanism product.

The contract launched in April is 'one of the most successful contracts in the world today', he said adding that in a little over a month since its launch, the exchange has clocked volumes of close to Rs.4.5 billion.

'NCDEX will also be actively developing the spot exchange as there is little integration between the spot and futures markets. Unlike the securities markets where the spot market developed before the derivative segment, in the commodity space, it has been the other way round. An integration will help in the overall growth of the system.'

'We are working on several products in the agri and non-agri segments which hold considerable potential for futures trading,' said Unupom Kausik, chief business officer of NCDEX Limited.

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