

Another year of futures ban in seven agri-commodities likely

NCDEX, cabinet secretariat against extending the ban, but govt worried about possible price spikes

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Futures trading in seven agriculture commodities on the National Commodity & Derivatives Exchange (NCDEX) is likely to remain suspended until December next year, two government officials said, a move linked to the political inconvenience of rising food prices ahead of state and general elections.

The proposed extension for a year beyond 20 December comes in the face of opposition from the NCDEX and the cabinet secretariat.

The issue goes into the heart of a delicate matter of political economy—whether or not widely consumed agricultural commodities such as pulses and rice should be allowed to be traded on the exchange, given their likely impact on food security.

The prices of wheat, non-basmati rice and chana and moong, in particular, have been shooting up in the run-up to five assembly elections due later this year.

The finance ministry through the Securities and Exchange Board of India (Sebi) first imposed the ban in 2021, halting futures trading in seven commodities—non-basmati paddy, wheat, chana, mustard seeds and its derivatives, soybean and its derivatives, crude palm oil and moong (green gram)—for a year to combat rising inflation.



The prices of wheat, rice, moong etc have been shooting up. HT

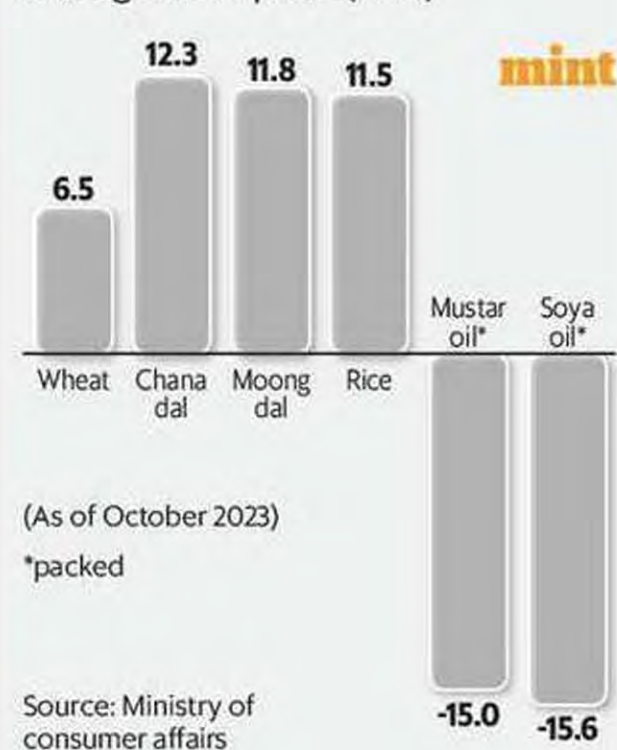
The ban was then extended for another year in 2022 despite protests by industry players and the exchange, which claimed it would hurt farmers.

Recently, the concerned departments reviewed the matter, as per government officials cited above. They said the food and public distribution department received representations from the NCDEX and the cabinet secretariat to review “the partial revocation of suspension in derivatives trading in edible oils and mustard seed.”

As per the representations, the continuation of the suspension will shut

Going up

Year-on-year change in all-India average retail price (in %)



SARVESH KUMAR SHARMA/MINT

down the exchange and the ecosystem created over 20 years will collapse, which they said will send the wrong signal across the world.

Trading aids price discovery and the

ciations such as the Solvent Extractors' Association of India (SEA), the Indian Vegetable Oil Producers' Association, the Mustard Oil Producers Association of India and the Central Organisation for Oil Industry and Trade (COOIT) urging the removal of the ban amid deflation in edible oil.

On Wednesday, the all-India average retail price of soya oil was ₹124.3 a litre, a 1.3% fall on-month and a 17.8% drop on-year, while mustard oil was quoted at ₹137.6 a litre, down 1.5% month-on-month and nearly 18% year-on-year. However, in the case of food commodities, wheat retail prices have risen 6.5% till date since October last year, and on Tuesday, the all-India average price was ₹30.29 a kg. Similarly, chana daal and moong daal retail prices shot up 12.3% and 11.7%, respectively. The all-India average price was ₹82.71 per kg for chana daal and ₹115.9 a kg for moong daal, according to the consumer affairs ministry. One of the officials said the government's priority

is “food security and to keep prices in check” as crucial state and national elections are around the corner. “The government has been taking preventive measures to cool off inflation,” the official

said. “After a detailed discussion, an extension to the ban for another year beyond 20 December 2023 has been proposed by the concerned committee which will be placed to the compe-

tent authority for a final call,” the official said.

Queries sent to the ministries of finance and consumer affairs, and food & public distribution remained unanswered at press time.

While there was no official response from the NCDEX and the cabinet secretariat spokespersons, SEA and COOIT confirmed that they sent representations and letters to Sebi and the food & public distribution department. Queries sent to other industry associations remained unanswered.

“There is a strong feeling in a large segment of society, including farmers, consumers and politicians that the people (industry players) who participate in futures trading manipulate the market,” NITI Aayog member Ramesh Chand told *Mint*.

“Even I have observed that futures trading plays a good role in price discovery when supply and demand are normal. When there is a deviation from that—either a supply overflow and price crashes or a shortage and prices shoot up—the futures trading aggravates the situation even through price discovery.”

“For example, once the market gives an advance signal that after five months, prices are going to rise, consumers would like to buy more, and everybody will be cautious. Similarly, if they feel prices will come down, farmers will not keep their produce and sell it immediately. This is the reason why the government” decided to ban futures trading, Chand added.

BLEAK FUTURE

SEBI, following finance ministry nod, first imposed the ban in 2021

THE ban was extended for another year in 2022 despite protests

LONGER suspension will shut down the exchange and the ecosystem, the industry fears

ban on it will only help middlemen fleece farmers, they argued.

The government received many letters and representations not only from NCDEX, but also from edible oil asso-