



Agricultural Commodity Market

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Abstract: *The primary function of India's commodity market for which commodity trading is to bring stability in commodity prices. MCX, NCDEX, NMCE, and Indian Commodity Exchange are India's four major commodity exchanges. It focuses on the agricultural goods. To protect the interests of poor Indian farmers, the government has made major interventions in agriculture. In the event of a major decline in crop prices, the concept of future markets emerges. This paper seeks the Indian Agricultural Commodity Market overall review.*

Keywords- *MCX, NCDEX, NMCE, Indian Commodity Exchange, and Spot Market.*

INTRODUCTION

India is number one producer of the agricultural commodities. Indian commodities markets are as old as developed countries like the UK or USA. India has been lucky enough to control the volatility in terms of ups and downs experienced by the agricultural marketplace from the very beginning, using superior technologies and through fairness in its policies. Commodity market's main rulers are price and quantity market forces.

Agriculture is our economy's primary sector, and primary sector trade is called commodity trading. Fruits, cocoa, coffee, sugar are examples of soft commodities, while the mined commodities like gold and oil are examples of hard commodities. This means buying or selling the underlying asset in the future at a specified date and price. Such trading can occur primarily through two modes—physically, or through derivative trading. To properly manage the risks involved in price fluctuations, farmers use derivative trading in commodity markets.

REVIEW OF LITERATURE

(Maravi, 2015) identified commodities in two types—soft commodities including fruit, cocoa, sugar, etc., and hard commodities involving extraction and mining, such as oil and gold. Under the 1952 Act, around 113 agricultural and non-agricultural commodities were notified for trading purposes.

(Bisen and Ashtikar, 2016) identified that commodity prices are uncertain and not easily predictable. Such commodity prices are key to stimulating economic and industrial growth. Commodity industry is subject to price risk, and the government has introduced various reforms to manage it effectively. Commodity derivatives are key to managing risks and stabilizing the economy's agricultural activities.

(Sharma, 2016) He examined the importance of the agricultural commodity market in India because it plays an important role in price-related risk management. There are several commodities with future and forward trading, and government controls the country's agricultural activity. The rapid spread of India's commodity market network and trade volume show remarkable performance in this area.

(Bansal, Dadhich and Ahmad, 2014) have examined the fact that the Indian Agricultural Commodity Market has grown rapidly in the country and there has been enormous trade in some commodities (metals). The period of early 2000's witnessed the country's ban on commodity trading lifted. This has boosted commodity trading volume, and the contribution made by metals was significant in this regard. Some disappointments have been noticed, however, regarding no increase in the value of many agricultural commodities. There was no remarkable improvement in developments in this area.

(Chhajed and Mehta, 2013) evaluated that the optimal pricing strategy is not good for all commodities. It may work for some, but not for all. If there is any change in the spot price leading to a subsequent change in future prices, effective hedging strategies can be framed. On the same lines, if any future price change calls for a subsequent change in the spot price, effective speculation strategies are formulated.

OBJECTIVE OF THE STUDY

A). To evaluate Indian agricultural commodity market performance.



B). To analyze the evolving farm commodity market in the Indian nation.

SOURCE OF DATA

The study is descriptive and undergoes to the applied research. All presented data and information are made available by tapping various secondary resources covering articles, research papers, journals, internet, library and publications.

LIMITATIONS OF THE STUDY

- A). Changes in regulatory bodies, i.e., moving from FMC to SEBI bringing data shortages
- B). Lack of large-scale data analysis possibility.

ANALYSIS OF DATA

Based on several research conducted, it has found an upward trend in future commodity trading during 2014-2016. In 2016, the value of commodity trading in futures declined due to falling in the lots traded contract and falling in quantity. However, an upward movement was noticed in 2016, but in 2016 it again showed a decline in next year. (Panda 2016)

In the meantime, the significant quantities and total value traded in lakhs have been shown by agricultural commodities traded in India since 2014-2016. There was also a decrease in the amount of future agricultural commodities until 2015, but there was an increase in 2016. The rise, however, could not continue for a very long time as there was a decreasing trend in lakhs in both quantity and total value in the next year from 2016 onwards. (Panda 2016; Sharma 2016)

CONCLUSION

As the percentage of the total trade volume on the Indian agricultural commodity market increased, the participation of hedgers increased. Technology can bring significant improvements to the trading system that can eliminate the haze surrounding agricultural commodities' future. There would be many developments in commodity markets, and its performance in the coming times would be much better than the current scenario, one needs to wait patiently and not expect a sudden spurt in trading volume.

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