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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	ECONOMIC IMPACT OF TOURISM, WELFARE MATERIAL, PERSONAL BENEFITS, AND LIFE SATISFACTION OF LOCAL RESIDENTS <i>I MADE WARDANA, I GUSTI AYU DEWI ADNYANI & NI WAYAN EKAWATI</i>	1
2.	START-UP INDIA STAND-UP INDIA CAMPAIGN: SCOPE FOR WOMEN ENTREPRENEURSHIP DEVELOPMENT IN THE INDIAN MSME LANDSCAPE <i>DR. MAMTA JAIN, AWANTIKA RAJAURIA & DR. T. N. MATHUR</i>	7
3.	SOCIO ECONOMIC WELFARE SCHEME IMPLEMENTED BY GOVERNMENTS ON SC/ST IN RURAL AREA OF SIVAGANGAI DISTRICT OF TAMIL NADU <i>DR. S. GANAPATHY & THANGAM ALAGARSAMY</i>	14
4.	ECONOMIC DEVELOPMENT IN TRIBAL AREA OF HIMACHAL PRADESH: A REGIONAL LEVEL ANALYSIS <i>ANJU SHARMA & DR. K. C. SHARMA</i>	18
5.	PERFORMANCE EVALUATION OF COMMODITY DERIVATIVES EXCHANGES IN INDIA: AN ANALYSIS <i>A. MADHAVI & G. V. CHALAM</i>	22
6.	SALES FORCE MANAGEMENT: A CONSIDERABLE ASPECT OF MARKETING MANAGEMENT <i>DR. RUPINDER SINGH</i>	28
7.	A STUDY OF CONSUMER SOCIALIZATION AND IMPACT OF ADVERTISEMENTS ON CHILDREN & YOUTH <i>DR. N. SUMAN KUMAR</i>	30
8.	UNDERSTANDING CONSUMPTION EXPERIENCE AND TOURIST BEHAVIOR TOWARDS TOURISM PRODUCTS IN THE STATE OF NORTH INDIA <i>KULDEEP KUMAR</i>	34
9.	GOODS AND SERVICE TAX: A CHANGING OUTLOOK FOR INDIRECT TAXATION <i>DR. M. K. JAIN, DR. PANKAJ JAIN & RITIKA GUPTA</i>	41
10.	THE CALENDAR-MONTH ANOMALY AND THE INDIAN STOCK MARKET: EVIDENCE FROM BSE <i>DR. S. SATHYANARAYANA & S. N. HARISH</i>	45
11.	GLOBALISATION: BOON FOR INDIAN ECONOMY <i>BABALPREET KAUR</i>	51
12.	MUTUAL FUND: AN AVENUE TO INVESTORS IN INDIA <i>ARUNA R. SHET</i>	54
13.	ANALYSIS OF FACTORS DETERMINING MEMBERS' DECISION TO SALE COFFEE THROUGH COFFEE COOPERATIVES IN JIMMA ZONE: THE CASE OF GOMMA AND LIMU KOSA DISTRICTS <i>GETACHEW NIGUSSIE TEFERA</i>	57
14.	PATTERN OF EMPLOYMENT OF FEMALE WORKERS IN INDIA <i>D. SUMAN</i>	63
15.	MENTAL HEALTH AND ITS ASSOCIATED VARIABLES AMONG POLICE PERSONALS: WITH SPECIAL REFERENCE TO TIRUNELVELI CITY <i>M. NIROSHA KAMALI</i>	67
16.	THE CURRENT CRISES IN EU: AN EXPLORATORY RESEARCH <i>MALA RANI</i>	73
17.	ROLE OF KHADI AND VILLAGE INDUSTRIES IN THE ECONOMIC DEVELOPMENT OF THE JAMMU AND KASHMIR STATE <i>MOHD RAFIQ SOFI</i>	80
18.	IMPACT OF FOREIGN INSTITUTIONAL INVESTMENTS ON NATIONAL STOCK EXCHANGE <i>MONIKA PATEL</i>	85
19.	PERFORMANCE OF LIFE INSURANCE INTERMEDIARIES IN INDIA AND THE NEED FOR INSURANCE MARKETING FIRMS (IMFs) <i>ANINDITA CHAKRAVORTY</i>	89
20.	FINANCIAL INCLUSION OPPORTUNITIES AND CHALLENGES FOR INDIA <i>DR. OMPRAKASH CHOUDHARY</i>	93
	REQUEST FOR FEEDBACK & DISCLAIMER	97

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PERFORMANCE EVALUATION OF COMMODITY DERIVATIVES EXCHANGES IN INDIA: AN ANALYSIS

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ABSTRACT

The agriculture is the backbone of India with a sizeable population live on it for employment and livelihood, the functioning of markets of agricultural produce is important for policy makers and other stockholders. The markets are expected to realize a fair price for farmers, traders, which are often a serious issue due to seasonality, lack of storage facilities, yield differences across different geographical regions in our country. With recommendations of different Committees and after a prolonged debate, Government of India has permitted commodity derivatives trading from the year 2003. The prices of agriculture commodities in "Spot" and "Futures" markets with a revolution in information technology moved toward fairness and resulted in remunerative to farmers. This paper focused its attention on providing overall picture relating to functioning of select commodity exchanges in India. Further, the profiles of select commodities especially in terms of price trends are also analyzed. The functioning of futures markets in terms of number of exchanges volume of trading carried out by them is very promising. However, the developments in one market influence the other, where in the level playing field is not the same. This calls for a stringent regulatory environment, market surveillance and legal framework. The authors suggested that efforts need to be directed towards increasing the role of the government in order to regulate the activities of these markets.

KEYWORDS

agricultural commodities, trading, futures markets, derivative exchanges.

INTRODUCTION

Agriculture is the backbone of India with a sizeable population live on it for employment and livelihood, the functioning of markets of agricultural produce is important for policy makers and other stockholders. The markets are expected to realize a fair price for farmers, traders, which are often a serious issue due to seasonality, lack of storage facilities, yield differences across different geographical regions in our country. The abundance during harvest season, with damped price and differences in yield and quality, frequent government interference with administered prices on select commodities is resulting in a complex marketing environment for agricultural produce. This environment throws the farmers and traders to price uncertainty at every harvest season. With recommendations of different Committees and after a prolonged debate, Government of India has permitted commodity derivatives trading from the year 2003. Different agro commodities are traded and handled in different market centers located closer to production are often referred to as "Spot" markets. Commodity Derivatives Exchanges, like Multi Commodity Exchange of India Ltd. (MCX), National Commodities and Derivatives Exchange Ltd. (NCDEX), etc. are established to facilitate on-line trading platforms for forward trading replacing the informal arrangements of farmers with traders, commission agents, contractors, industrial buyers. With Forward Market Commission (FMC) at apex, the organized exchanges have provided structured framework for forward trading called "Futures". The prices of agriculture commodities in "Spot" and "Futures" markets with a revolution in information technology moved toward fairness and resulted in remunerative to farmers.

In this paper, an attempt is made to discuss the growth and development of Agriculture Commodity Derivative Markets in India. This description on Indian Commodities Markets is focused to provide the background to evaluate the performance in terms of commodities traded, volume, year to year growth, etc.

GROWTH AND DEVELOPMENT OF DERIVATIVES MARKETS IN INDIA

The commodity trading in India is believed to have existed for thousands of years. Its existence is found in "Kautilya's Arthashastra" and the words, like Teji, Mandi, Gali, Phatak have been commonly heard in Indian markets. The organized Futures markets were found commenced in 1875 with the setting-up of the "Bombay Cotton Trade Association Ltd". The Futures trading in oilseeds started in 1900 with the establishment of Gujurati Vyapari Mandi, which carried on Futures trading in Groundnut, Castor seed and Cotton. Futures trading in Wheat was existing at different places in Punjab and Uttar Pradesh. Calcutta Hessian Exchange Ltd. was established in 1919 for future trading in raw jute and jute goods, but organized future trading in raw jute was commenced by Indian Jute Association Ltd. in 1927. After independence, the Forward Contracts (Regulation Act) was enacted in 1952 to regulate the trading in forwards and Futures.

The FMC was instituted as a regulatory body for commodities in 1953. Nevertheless, Indian commodity market did not blossom over four decades. During the period of 1950 to 1993 many Committees were constituted, viz, Dantawalla Committee, Khusro Committee, Sharoff Committee by the Government of India to study the various aspects of futures trading. The Futures trade in spices was first organized by the India Pepper and Spices Trade Association (IPSTA) in Cochin in 1957. The mid 1960s witnessed an unprecedented rise in the prices of major oils and oil seeds due to sharp fall in output. Futures trading were banned in most commodities to contain speculation, as the Government attributed the futures trading as responsible for rising inflation. Latter Futures trading was all together banned in 1966 so that the govt. could have control on the movement of prices of many agricultural and essential commodities.

In the year 1991 after the introduction of economic reforms, the Government of India appointed an Expert Committee on forward markets under the Chairmanship of K. N. Kabra. In order to boost the Agricultural sector, the National Agricultural Policy 2000 has envisaged for external and domestic market reforms and dismantling all controls and regulations on agricultural commodity markets.

The Government of India has issued notification in April 2003 permitting the Futures trading in commodities, paving the way to establish national level commodity exchanges, MCX, NCDEX, which were working since 26th Nov 2002, 10th Nov 2003 and 15th Dec 2003 respectively.

The NCDEX Spot Exchange Ltd. (NSPOT) was established to provide an electronic platform was set-up by NCDEX on October 18, 2006. MCX has also setup a National Spot Exchange Ltd. (NSEL) in October 2008. The mission of NSEL is to develop a common market to provide a national level electronic quotation along with delivery and settlement facility for commodities. Indian Commodity Exchange India Ltd. (ICEX), another nationwide multi commodity exchange was established in 2009.

The ACE Commodity and Derivative Exchange got recognition on 10th Aug 2010. ACE has become a national exchange by upgrading itself from a regional exchange. On 30th Aug 2012, the Ministry of Consumer Affairs granted recognition to the Universal Commodity Exchange Ltd. (UCX). Commodities market has grown at an

exponential pace until the introduction of Commodity Transaction Tax (CTT) in July 2013. Towards the end of 3rd quarter of the year 2015, Forward Market Commission (FMC) was merged with Securities and Exchange Board of India (SEBI), to focus on enormous expectations for the future of Commodity Futures Market in India.

STRUCTURE OF INDIAN COMMODITY EXCHANGES

The commodity futures traded in commodity exchanges are regulated by the Government under Forward Contracts Regulations Act, 1952 and the rules framed there under. The regulator for the commodities trading was the FMC up to 2015, which was merged with the capital market regulator SEBI. At present the SEBI is controlling and managing all futures market trading activities along with the investors' protection measures. The SEBI, in order to effect the merger of FMC, has amended Securities Contract (Stock Exchanges and Clearing Corporation) Regulations, 2012 (SECC) and SEBI (Stock Broker and Sub Broker Regulations) 1992 and SEBI (Regulatory Fee on Stock Exchanges) in September, 2015. These regulations enabled functioning of the Commodity and Derivative Exchanges and their brokers under SEBI norms.

Later, the SEBI has also created a separate Commodity Derivatives Market Regulation Department for the regulation of commodity derivatives including exchange administration, market policies, risk management and handling of inspections and complaints. Additional division of intermediary registration surveillance, investigations, enforcement, regulatory assistance and research on Commodity Markets have been created within existing departments of the SEBI, which are expected to aid the convergence of both markets and build capacity.

COMMODITY EXCHANGES IN INDIA

India has experienced phenomenal growth in the commodity and derivatives segment since 2003, after the government has approved the operation of multiple exchanges. At present there are 22 commodity exchanges are operating, of which the 6 national level multi-commodity exchanges and others regional commodity exchanges. They are as follows:

TABLE-1: PERFORMANCE OF COMMODITY EXCHANGES IN INDIA (Amount in Rs. crores)

Sl. No.	Name of the Exchanges
A	National Exchanges
1	Multi Commodity Exchange of India Ltd. (MCX)
2	National Commodity & Derivative Exchange of India Ltd. (NCDEX)
3	National Multi Commodity Exchange of India Ltd. (NMCE)
4	Indian Commodity Exchange Ltd. (ICEX)
5	ACE Derivative and Commodity Exchange Ltd. (ACE)
6	Universal Commodity Exchange Ltd. (UCX)
B	Commodity Specific Regional Exchanges
7	Bikaner Commodity Exchange Ltd., Bikaner
8	Bombay Commodity Exchange Ltd., Vashi, Mumbai
9	Chamber of Commerce, Hapur
10	Central India Commerce Exchange Ltd, Gwalior
11	Cotton Association of India, Mumbai
12	East India Jute and Hussian Exchange Ltd, Kolkata
13	First Commodities Exchange of India Ltd., Kochi
14	Haryana Commodities Ltd. Sirsa
15	India Pepper and Spices Trade Association (Ipsta), Kochin
16	Meerut Agro Commodity Exchange Ltd., Meerut
17	National Board of Trade (NBOT), Indore
18	Rajkot Commodity Exchange Ltd. Rajkot
19	Rajdhani Oil and oil seed Exchange Ltd. Delhi
20	Surendranagar Cotton oils and oil seed Association Ltd., Surendranagar
21	Spices and Oil seed Exchange Ltd., Sangli
22	Vijoy Beopar Chamber Ltd., Muzaffarnagar

Exchanges	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MCX	6393302.17 (82.34)	9841502.90 (82.36)	15597095.47 (86.05)	14881057.12 (87.00)	8611449.07 (84.89)	5183707.00 (84.49)
NCDEX	917584.71 (11.82)	1410602.21 (11.81)	1810210.1 (9.99)	1598425.87 (10.00)	1146328.09 (11.30)	904063.00 (14.73)
NMCE	227901.48 (2.94)	218410.90 (1.83)	268350.95 (1.48)	176570.86 (1.00)	152819.01 (1.51)	36040.00 (0.59)
ICEX	136425.36 (1.76)	377729.88 (3.16)	258105.67 (1.42)	169897.14 (1.00)	85664.19 (0.84)	-
ACE	--	30059.63 (0.25)	138654.61 (0.76)	172010.18 (1.00)	46756.74 (0.84)	-
UCX	--	--	--	--	73.13.19 (0.72)	-
Others	89540.33 (1.14)	70636.83 (0.59)	53686.98 (0.30)	48878.92 (0.01)	28764.69 (0.28)	11684.00 (0.19)
Grand Total	7764754.050 (100.00)	11948942.35 (100.00)	18126103.78 (100.00)	17046840.09 (100.00)	10144794.98 (100.00)	6135494.00 (100)

Source: www.fmc.gov.in (Forward Markets Commission) & Handbook of Statistics 2015 (SEBI)

Figures in parentheses indicates percentages

Table-1 highlights the performance of Commodity Exchanges in India during 2009-2015. Total value of trading carried out in National Commodity Exchanges gradually increased from Rs. 77 lakh crore in 2009-10 to Rs. 119.5 lakh crore in 2010-11, Rs. 181.3 lakh crore in 2011-12 and Rs. 170.5 lakh crore in 2012-13. The total volume and value of trading declined in 2013-14 and in 2014-15. Only Rs. 61.4 lakh crore businesses is done by Indian Commodities Markets in 2014-15 for various reasons.

NATIONAL COMMODITY EXCHANGES

Now, an attempt has been made to analyze the performance of select National Exchanges is described below:

1. NATIONAL MULTI COMMODITY EXCHANGE OF INDIA LTD. (NMCE)

NMCE is India's first state of art demutualized, electronic, multi commodity exchange. The NMCE was conceived and promoted in 1999 by an Indian group of public agencies, and listed its first contracts on 24 commodities in Nov 2002. As of Oct 2009, the NMCE lists futures contracts on a total of 44 different commodities and had over 300 trading members. The contracts traded on NMCE are cash crops, food grains, plantations, spices, oilseeds, metal and bullion, among others. The commodity-wise trading details in NMCE were given in Table-2.

TABLE 2: PERFORMANCE OF NMCE DURING 2010-2015 (Amount in crores)

	Name of the Commodity	2010-11	2011-12	2012-13	2013-14	2014-15
		Value	Value	Value	Value	Value
A	Bullion					
i	Gold	4,625	13,508	3,952	4,052	0
ii	Goldguinea futures	2,778	9,640	2,191	2,393	0
iii	Kilogold futures	5,600	102	39	0	0
iv	Silver	3,604	146	0	0	0
	Total for A	16,608	23,396	6,182	6,445	0
B	Metals other than Bullion					
i	Aluminum	14,711	23,094	14,913	2,645	0
ii	Copper	15,256	21,828	11,216	2,961	0
iii	Lead	14,787	20,691	12,946	2,148	0
iv	Nickel	14,024	23,344	13,861	3,302	0
v	Zinc	13,594	22,361	11,005	2,871	0
	Total for B	72,372	1,11,318	63,940	13,927	0
C	Agricultural Commodities					
i	Cardamom	0	0	0	8	0
ii	Castor seed	2,385	3,865	6,193	18,917	6,764
iii	Chana	9,203	16,064	5,300	15,264	5,301
iv	Coffee Robusta	1,370	11,343	19,516	13,808	36
v	Copra	3,916	184	5,023	8,971	5,223
vi	Guar gum	5,178	58	0	511	0
vii	Guar seed	7,575	7,707	0	1,434	0
viii	Isabgulseed	14,249	11,936	13,623	13,284	733
ix	Menthol crystal	3,269	5	0	0	0
x	Pepper	3,821	3,038	2,014	712	2
xi	Rape/Mustard seed	11,333	14,961	7,584	17,024	7,154
xii	Raw jute	10,194	15,598	18,375	20,248	5,653
xiii	Rubber	23,846	16,684	9,937	9,221	4,068
xiv	Sacking	16,735	12,451	13,678	12,988	1,106
Xv	Soy oil	14,245	19,739	5,769	59	0
Xvi	Turmeric	2,112	0	0	0	0
	Total for C	129431	133636	107012	132447	36040
	Grand Total (A+B+C)	218411	268351	177134	152819	36040

Source: www.fmc.gov.in; SEBI Handbook of Statistics

2. MULTI COMMODITY EXCHANGE OF INDIA LTD. (MCX)

MCX is an independent commodity exchange established in 2003 in Mumbai. It is India's largest commodity futures exchange and the turnover of the exchange for the year 2015 was Rs. 51.8 lakh crore (865.5bn USD). MCX offers futures trading in Bullion, Non Ferrous metals, Energy, and a number of agricultural commodities (Mentha oil, Cardamom, Crude palm oil, Cotton and others). In 2015 MCX was 6th among the global commodity bourses in terms of number of Futures contracts traded. The Exchange is promoted by Financial Technologies India Ltd, SBI, and its Associates, NABARD, NSE, FIDFUND (Mauritius) Ltd, an affiliates of Fidelity International, Corporation Bank, the Union Bank of India, Canara Bank, Bank of India, Bank of Baroda, HDFC Bank and ICICI Ventures. The performance of MCX for select commodity is given in Table-3.

TABLE 3: PERFORMANCE OF MCX DURING 2010 – 2015 (Amount in crores)

Sl. No	Name of the Commodity	2010-11	2011-12	2012-13	2013-14	2014-15
A	Bullion					
i	Gold	2469246.00	4224786.00	3720129.00	2482438.00	1223870.00
ii	Platinum	5.00	10.00	0.00	0.00	0.00
iii	Silver	2700017.00	5738871.00	4086933.00	1780757.00	929557.00
	Total for A	5169268.00	9963667.00	7807063.00	4263195.00	2153427.00
B	Metals other than Bullion					
i	Aluminium	99352.00	122804.00	229582.00	134965.00	163210.00
ii	Copper	1145075.00	1488345.00	1443348.00	776666.00	378936.00
iii	Iron Ore	210.00	45.00	0.00		
iv	Lead	347835.00	340934.00	616192.00	398402.00	209530.00
v	Nickel	464578.00	403989.00	432047.00	187173.00	265110.00
vi	Steel	9.00	0.00	2103.00	477.00	0.00
vii	Tin	18.00	3.00	2.00	0.00	0.00
viii	Zinc	451782.00	353638.00	416834.00	228654.00	257428.00
	Total for B	2508858.00	2709758.00	3140109.00	1726336.00	1274213.00
C	Agricultural Commodities					
i	Almond	27.00	5.00	3.00	1.00	0.00
ii	Barley	568.00	0.00	0.00	0.00	0.00
iii	Cardamom	10882.00	16374.00	24139.00	11303.00	6384.00
iv	Chana	1184.00	3.00	0.00	0.00	0.00
v	Coriander	0.00	22.00	0.00	0.00	0.00
vi	Cotton	0.00	4846.00	25143.00	62439.00	34949.00
vii	CPO	22453.00	52552.00	106410.00	43552.00	41309.00
viii	Flake Mentha	11.00	0.00	0.00	0.00	0.00
ix	Guar gum	0.00	0.00	0.00	663.00	0.00
x	Guar seed	171.00	1.00	0.00	3606.00	0.00
xi	Kapas	2448.00	4955.00	4330.00	1622.00	140.00
xii	Kapaskhali	0.00	0.00	2605.00	2244.00	6.00
xiii	Maize	152.00	0.00	0.00	0.00	0.00
xiv	Mentha Oil	60253.00	101411.00	102400.00	41798.00	26054.00
xv	Potato	10535.00	11286.00	5250.00	4161.00	1426.00
xvi	Ref Soy Oil	4236.00	187.00	5.00	2.00	0.00
xvii	Rubber	0.00	0.00	0.00	0.00	0.00
xviii	Soyabean	1.00	0.00	0.00	0.00	0.00
xix	Sugar	1220.00	6138.00	11.00	0.00	0.00
xx	Turmeric	0.00	0.00	0.00	0.00	0.00
xxi	Wheat	0.00	0.00	0.00	0.00	0.00
	Total for C	114152.00	197781.00	270295.00	171391.00	110268.00
D	Energy					
i	ATF	0.00	8.00	0.00	0.00	0.00
ii	Carbon Credit ('000 tons of CFI Units)	0.00	0.00	0.00	0.00	0.00
iii	Crude Oil	1764265.00	2464963.00	2990695.00	1795205.00	1262646.00
iv	Gasoline	16.00	1.00	1.00	0.00	0.00
v	Heating Oil	13.00	1.00	0.00	0.00	0.00
vi	Natural Gas (trln. Btu)	284931.00	260916.00	672893.00	655322.00	383154.00
vii	Thermal Coal	0.00	1.00	1.00	0.00	0.00
	Total for D*	2049224.00	2725889.00	3663589.00	2450527.00	1645799.00
E	Plastic	0.00	0.00	0.00	0.00	0.00
F	Other	0.00	0.00	0.00	0.00	0.00
	Grand Total (A+B+C+D+E+F)	9841502.00	15597095.00	14881057.00	8611449.00	5083707.00
1	Natural Gas volumes are in Trillion BTU, Carbon Credit volumes are in 1000 tonnes of CFI Units and is not included for computing the Total Volume					
2	Conversion factors: Cotton (1 Bale=170 kg), Crude Oil (1 Tonne = 7.33Barrels), Heating Oil (42 Gallons = 100 barrels; 1Tonne = 7.5 Barrels),					

Source: Handbook of Statistics on Indian Securities Market SEBI.

3. NATIONAL COMMODITY AND DERIVATIVE EXCHANGE LTD. (NCDEX)

The NCDEX is an online commodity exchange incorporated on 23rd April 2003 under the Company's Act 1956. NCDEX is promoted by national institutions like LIC, NABARD, NSE, PNB, CRISIL, IFFCO, Canara Bank, Goldman Sachs, IDFC, ICE. NCDEX lists contracts on a host of agricultural commodities, besides metals, plastics, gold and energy products. It offers trading on more than 49,000 terminals across 1000 centers in India as on 31st July 2015. The performance of NCDEX for the years 2010-11 to 2011-15 is given in Table-4.

TABLE 4: PERFORMANCE OF NCDEX DURING 2010-11 AND 2014-15 (Amount in crores)

Sl. No.	Name of the Commodity		2010-11	2011-12	2012-13	2013-14	2014-15
A	Bullion						
1	Gold	Gldpurahm	2.00	0.00	0.00	0.00	0.00
2		Gold	65124.00	16158.00	554.00	40.00	0.00
3		Gold100ahm	117.00	8.00	0.00	0.00	0.00
4		Goldind100	0.00	0.00	1.00	0.00	0.00
5	Gold hedge	Goldh100	0.00	0.00	0.00	148.00	409.00
6		Gold hedge/gold intl.	0.00	156.00	0.00	5739.00	27899.00
7	Platinum	Platinum	0.00	0.00	0.00	0.00	0.00
8	Silver	Silver	5682.00	12990.00	528.00	16.00	0.00
9		Slvpurahm	2.00	0.00	0.00	0.00	0.00
10		Silver5ahm	0.00	0.00	2.00	0.00	0.00
11	Silver hedge	Silverhedg	0.00	0.00	0.00	0.00	1806.00
12		Silver hedge/silver intl.		126.00	0.00	291.00	2593.00
	Total for A		70928.00	29438.00	1084.00	6233.00	32708.00
B	Metals other than Bullion						
1	Aluminium	Aluminium	0.00	0.00	0.00	0.00	0.00
2	Copper	Copper	13823.00	18909.00	6127.00	51.00	2.00
3	Lead	Lead	0.00	0.00	0.00	0.00	0.00
4	Nickel	Nickel	187.00	3.00	0.00	0.00	0.00
5	Steel	Steel long/ steelcomm	22751.00	11511.00	2108.00	7.00	5.00
6	Zinc	Zinc	0.00	0.00	0.00	0.00	0.00
	Total for B		36761.00	30422.00	8235.00	58.00	7.00
C	Agricultural commodities						
1	Bajra	Bajra	0.00	0.00	0.00	0.00	5.00
2	Barley	Barleyjpr	1122.00	1057.00	5544.00	2508.00	1168.00
3	Castor seed	Castor1mt	0.00	0.00	0.00	7.00	121.00
4		Castor2mt	0.00	0.00	0.00	0.00	9.00
5		Castor seed	4347.00	7794.00	93828.00	161062.00	166952.00
6	Chana	Chana1mt	0.00	0.00	0.00	52.00	467.00
7		Chana2mt	0.00	0.00	0.00	0.00	128.00
8		Charjddel	112736.00	274605.00	159493.00	132914.00	102306.00
9	Chilli	Chilli	8494.00	11611.00	11753.00	7537.00	517.00
10	Cotton seed oil cake	Cocudakl	24589.00	30328.00	65460.00	51044.00	24721.00
11	Cotton	Cotton	0.00	0.00	0.00	1.00	94.00
12	Cotton seed	Cottonseed	0.00	0.00	0.00	136.00	2.00
13	Crude palm oil	Cpo	19.00	0.00		274.00	32.00
14	Coriander	Dhaniya	5598.00	17513.00	52829.00	95259.00	79879.00
15	Guar seed	Guar2mt	0.00	0.00	0.00	0.00	3.00
16		Guar seed	246283.00	323120.00	0.00	19567.00	12299.00
17		Guarseed10	0.00	0.00	0.00	42.00	46739.00
18	Guar gum	Guar gum	44764.00	98357.00	0.00	11058.00	31331.00
19	Gur	Gurchmuzr	8312.00	5488.00	6855.00	5824.00	2461.00
20	Jeera	Jeeraunjha	60864.00	55983.00	65956.00	28918.00	31229.00
21	Kachighani mustard oil	Kachighani	1.00	0.00	0.00	0.00	0.00
22	Kapas	Kapassrn	13155.00	19319.00	36776.00	35461.00	19445.00
23	Maize	Maize	967.00	2294.00	10768.00	63.00	0.00
24		Maize khrf	0.00	0.00	0.00	1613.00	810.00
25		Maize rabi	0.00	0.00	170.00	4492.00	1669.00
26		Maizy rnmz	611.00	0.00	0.00	0.00	0.00
27	Potato	Potato	3893.00	2871.00	594.00	79.00	0.00
28	Pepper	Pprmlgkoc	80460.00	75713.00	31468.00	589.00	0.00
29	Rbdpalmolein	Rbdpalmoln	0.00	0.00	90.00	0.00	0.00
30	Rubber	Rbrs4koc	1.00	13.00	3.00	0.00	0.00
31	Rmseed	Rmseed	87162.00	165405.00	180197.00	84218.00	52860.00
32		Rmseed2mt	0.00	0.00	0.00	0.00	4.00
33	Soya bean meal	Sbmealidr	0.00	0.00	2.00	0.00	0.00
34	Shankar kapas	Shankrkpas	0.00	0.00	39.00	2.00	1.00
35	Sugar	Sugarm	0.00	0.00	0.00	0.00	1996.00
36		Sugarm200	5340.00	15941.00	21241.00	12646.00	6590.00
37		Sugars	0.00	0.00	0.00	0.00	2.00
38		Sugars150	0.00	0.00	0.00	0.00	0.00
39	Soya bean	Sybean2mt	0.00	0.00	0.00	0.00	3.00
40		Sybeanidr	101645.00	122638.00	217991.00	182336.00	98131.00
41	Soya oil	Syorefidr	260363.00	415762.00	557602.00	269915.00	161422.00
42	Turmeric	Tmcfgrnmz	35705.00	15622.00	33084.00	29606.00	26424.00
43	Wheat	Wheat	3307.00	2661.00	5406.00	1637.00	1043.00
	Total for C		1109740.00	1664095.00	1557146.00	1138862.00	870863.00
	Grand Total (A+B+C)		1217429.0	1723955.0	1566465.0	1145153.0	903578.0

Source: SEBI – Hand Book of Statistics

4. INDIAN COMMODITY EXCHANGE LTD. (ICEX)

ICEX incorporated in the year 2009. It is the online derivative exchange of India which was established to provide transparent, time tested and reliable trading platform. It is promoted by India Bulls Financial Services Ltd., Reliance Exchange Next Infrastructure Ltd., MMTC Ltd., Indian Potash Ltd., KRIBHCO and IDFC bank. It has put in place assaying and warehousing facilities in order to facilitate deliveries. The exchange is ideally positioned to leverage on huge potential of commodities market and encourage participation of actual users to benefit from the opportunities of hedging, risk management in the commodities markets.

5. ACE DERIVATIVES AND COMMODITIES EXCHANGE LTD. (ACE)

ACE Derivatives and Commodities Exchange is India's 5th National Commodities Exchange was launched on October 26, 2010. The exchange offers contracts on soya beans, castor seeds, and mustard seed with plans to offer other contracts such as, Energy, metals and spices. It is promoted by Kotak Mahindra group, HAFED, Bank of Baroda, Corporation Bank and Union Bank of India. The exchange is operating through 230 registered members across the nation.

6. UNIVERSAL COMMODITY EXCHANGE LTD. (UCX)

UCX was set-up in 2012 as India's 6th national level commodity exchange. UCX is promoted by the IDBI Bank, IFCO, NABARD, REC and Commex Technology Ltd. It has started its operations on April 19, 2011 with 11 contracts in 9 commodities. The exchange facilitates Futures trading in Gold, Silver, Crude oil, Channa, Rubber, Mustard seed, Soyabean and Turmeric.

FINDINGS

This paper focused its attention on providing overall picture relating to functioning of select commodity exchanges in India. Further, the profiles of select commodities especially in terms of price trends are also analyzed. The price fluctuations might have made the Futures trading to pick-up the derivatives markets.

- Futures trading on Commodities is formally permitted by the Government of India since 2003.
- There are six major National Exchanges and sixteen Regional exchanges operating in this segment.
- FMC was regulating the Commodities trading until 2015 and it was merged into SEBI for greater financialization of Commodity trading.
- Among the national commodity exchanges, MCX dominates with 80 to 85 per cent of total business done. The NCDEX concentrates on Futures trading in agricultural commodities.
- The business of all commodity exchanges declines in 2013-14 and 2014-2015 due to introduction of Commodity Transaction Tax (CTT) and failure of the National Spot Exchange.

CONCLUSION

The functioning of futures markets in terms of number of Exchanges Volume of trading carried out by them is very promising. The benefits accruing to farmers, traders, commission agents, etc., in terms of price prediction, hedging opportunities are laudable. On line trading platforms are opening the commodity trading to general investors who focus only on portfolio diversification benefits and facilitate the financialization of commodity market space.

However, such financialization is not without costs. The developments in one market influence the other, where in the level playing field is not the same. This calls for a stringent regulatory environment, market surveillance and legal framework. The FMC – SEBI merger should address on this issue.

SUGGESTIONS

A well-organized spot market is a pre requisite for the efficient functioning of futures markets. The functioning of futures exchanges depends on supporting infrastructure for possible physical delivery, warehousing facility, credit facilities against warehouse receipts. Simplification of trade procedures margin requirements, contract sizes and creation of greater awareness among agricultural farmers will alone bring volumes to the futures markets. Larger the number of players in the market, lower the distortions and arbitrage benefits. Efforts need to be directed towards increasing the participants, like small and medium farmers to corporate hedgers.

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