PREFACE

Indian Commodities Derivatives Markets have been on roller coaster since their formal regulation from 2003. The establishment of NMCE, MCX, NCDEX, etc. marked the beginning of institutionalized efforts on organized Commodity Derivatives. With more than Rs 100 lakh crore turnovers in organized derivatives, these markets found benefiting the Producers and traders with Price signals and Price stability. Commodities on Agricultural Commodities focused on Price Discovery in Spot Markets and helped the millions of cultivators to hedge their Price risk. A periodical intervention by Government of India with ban on trading in select commodities indicate the understanding the Market micro structure and patterns, factors contributing to systematizing the Market mechanism need closer analysis. The present study is towards the said direction.

While documenting the functioning of Indian Commodity Derivatives Market, the present study focused on Institutional Infrastructure, Market practices, Seasonality (if any), Spot and Future price behavior during the contract cycles etc. An overview of Agricultural Commodity Markets in India indicate the cyclical fluctuations over decades, constant decline in Production and Productivity of certain commodities mainly due to decline in Area under cultivation for agricultural purposes and large scale conversion of land for Urban expansion of cities and towns. A cyclical failure of monsoon, failure of Government policy initiatives for sustain Agricultural Development, fixation of remunerative prices for Agro producers paved the way for period food shortages resulting in blame games of non-functioning of Commodity Market. Scams in functioning of National Sport Market Exchange, introduction of Commodity Transaction Tax, etc. have given big blows for volumes in Commodity Derives during 2013-14.
Present study tried to examine the basic tenants for price behavior in Spot and Futures Markets, identifying the existence of Contango and Backwardation patterns, price interdependencies between spot and future markets, benefits that the producers realized in terms of price risk reduction, hedge ratios etc. A evaluation of the said aspects provide direction for policy markets to stream line the activities in Markets in India.

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