

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:1823
ANSWERED ON:04.12.2006
PRICE RISE DUE TO FUTURE TRADING
Jha Shri Raghunath

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the permission to undertake forward/future trading in wheat, pulses and other foodgrains has led to the spiralling of prices in the retail market;
- (b) if so, whether the Parliamentary Committee on Food, Consumer Affairs and Public Distribution has recommended a ban on forward/future trading in wheat and other essential items of mass consumption so as to contain the price in open market;
- (c) if so, the action taken on the above recommendation of the Committee; and
- (d) the details of prevailing rate of wheat, pulses and other foodgrains during the year 2005-06 and 2006-07?

Answer

MINISTER OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a) : No, Sir. The rise in prices of wheat, pulses and other foodgrains has been mainly because of shortfall in domestic supplies relative to demand and hardening of international prices.

(b) & (c): Yes, Sir. Futures trading enables the various stakeholders such as producers, processors, exporters etc. to shift the risk involved in their activities arising out of adverse price fluctuations through hedging to those who are willing to assume it in the hope of making some profit. Futures trading also render services to the farmers / cultivators. Hedging facilities would enable those farmers who grow commodities in very large quantities to hold on to their crops or stocks, spread out the sales of such stocks over a period of time and thereby realize a better average price for their produce. A futures market provides to the farmer, at the time of sowing, an advance indication to the expected levels of prices of different commodities during the marketing period, thereby enabling him to undertake proper crop planning. Although smaller farmers generally do not participate directly in the futures trading, they may benefit from futures trading due to efficient and transparent price discovery. In view of this, the Government has submitted to the Standing Committee on Food, Consumer Affairs & Public Distribution that futures trading in wheat and other essential items need not be banned.

(d) : The details of the prevailing retail prices of important foodgrains in the four metropolitan cities during 2006-2007 and 2005-2006 is given below:

Unit: (Rs./Kg.)

Commodity/Centre 2006-07 2005-06
As on 28.11.2006 As on 28.11. 2005

Rice		
CHENNAI	12.00	12.00
DELHI	14.50	13.50
KOLKATA	12.00	10.00
MUMBAI	13.00	11.00

Wheat		
CHENNAI	17.00	11.00
DELHI	12.00	10.00
KOLKATA	NT	NT
MUMBAI	15.00	11.50

Gram		
CHENNAI	41.00	30.00
DELHI	41.00	27.00
KOLKATA	40.00	25.00
MUMBAI	45.00	25.00

Tur		
CHENNAI	35.00	36.00
DELHI	34.00	33.00
KOLKATA	30.00	31.00
MUMBAI	34.00	30.00

NT- not traded

Source: State Food & Civil Supplies Departments