# Farmers Reap Richer Harvest with Futures

30,500 small farmers used futures market for the first time to sell produce at much higher rates


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Mumbai: Thousands of farmers have started using commodities futures to get better prices for their produce, in line with Prime Minister Narendra Modi's recent call that such bourses should help cultivators, not speculators.

India's largest farm futures bourse said, 30,500 small farmers had for the first time used the futures market through farmer producer organisations (FPOs) to sell their produce at much higher rates than what agents at mandis used to offer them.

NCDEX has, for the first time, managed to get 30,500 small and marginal farmers out of 1.62 lakh registered last year to deliver around 12,000 tonnes of produce on the exchange platform through FPOs. FPOs from Maharashtra, Rajasthan, MP, Bihar and Gujarat have tendered crops such as maize, soyabean, castor seed, kokud and jeera for delivery on the exchange.

"We have over the past year and a half used FPO as an expedient vehicle to bring over 30,000 farmers onto the futures market," said Samir Shah, CEO, NCDEX. "Considering there are 18 crore farmers in the country, this is but a drop in the ocean, but a significant one nonetheless and one that's gaining traction. Over the next two years it will be our endeavour to raise this number to at least 5 lakh." When the NDA government under AB Vajpayee re-introduced futures trading after a forty year ban in 2003, it was meant to benefit small farmers. These constituents, it was then said, were left at the mercy of middle men who exploited them and ended in their getting the least in the value chain from farm to fork. The situation is changing. In the past five years the spread of FPOs, first mooted by the government in 2002 as companies to link the farmer to the value chain in a more effective way than the cooperative structure, has enabled the exchange to draw small farmers to its platform, says Arpit Jain, financial manager at an MP-based FPO called Ram Rahim Pragati Producer Co. The FPO he works for has 4,500 farmers as its shareholders through 290 self-help groups.

Last year, it purchased soyabean at NCDEX rates from its own farmer shareholders instead of having them sell it in mandis hundreds of kilometres away to primary agents at throwaway prices. The FPO sold its farmers' produce on the exchange platform at a later date and got higher prices than it would had it delivered the same just after harvesting. Part of the higher price was distributed among the SHGs as ‘patronage bonus’ much like dividends are distributed to shareholders.

“Agri prices are volatile,” said Jain. “Take chana, which, in the past 10 days, has moved by .₹ 1,000 a quintal (100 kg). Such volatility puts the farmer in a quandary. But we find that we can lock in a price on the exchange instead of selling it just after harvest at prices dictated by the arthiya.” Agrees, Tofan Ram Meena, promoter of Jamwaramgarh Krishik Producer, and himself a farmer in Rajasthan.