NCDEX in talks with procurement agencies to get them on board

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Government procurement agencies such as Food Corporation of India (FCI), National Agricultural Cooperative Marketing Federation (Nafed) and other State agencies will soon participate on exchange platforms for hedging purposes.

Top NCDEX officials said that the discussions are on and the agencies are encouraged to come on board to use the futures platform for the stocks they procure.

“We are encouraging government procurement agencies such as FCI, Nafed and State agencies to come on board as they are one of the larger buyers of commodities. They have to give good prices to farmers. But after procurement, they can use the futures platform. We may see some agencies come on the platform soon,” said Vijay Kumar, Managing Director, NCDEX.
“We are talking with these agencies. They are open to get on board. However, they may need to design specific internal policies. They are not barred from participating; they have done it in the past, too. They know what to do,” added Kumar.

He further said that their coming on board will help the liquidity on the exchange. “They can start anytime. There are no reasons not to start. What we understand is that they are exploring ways on how to take it up,” he said.

However, currently there is a limited number of commodities, which are procured by the agencies and also traded on the exchanges. These include wheat, soybean, chana and mustard.

Increased participation

The NCDEX is also looking at increased participation of FPOs in the commodity options. Currently, the exchange is offering options in five commodities, such as soybean, rapeseed, guar, spices and castor. “Coordination can be done by the FPOs. There are already 200-odd FPOs on board. However, Nabard has about 2,000-3,000 FPOs registered with them. This shows that there is a lot of work that needs to be done,” said Kumar.

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Room for more players

“We are building up participation for the current contracts. There is no immediate plan to launch a new futures contract. We are also focussing on popularising the Options contracts that we have introduced. It will be a hedging instrument for farmers,” he added.

Ruling out any adverse impact on the exchange business from escalating competition with the rise of other commodity exchanges, Kumar said: “There is a tremendous potential even in the current framework. There are 91 commodities listed for futures trade and we have 19 of them on offer. The market needs a lot of energy and money to be spent. It is good to have more players. That will grow knowledge and awareness.”

Link: https://www.thehindubusinessline.com/economy/agri-business/ncdex-in-talks-with-procurement-agencies-to-get-them-on-board/article26440089.ece