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Exchange Traded Forwards Show Farmers the Way Forward

By **Bhuwan Bhaskar**
bhuwan.bhaskar@ncdex.com

Recognizing that linking small primary producers to markets is a possible way to improve livelihoods of millions of farmers in India, NCDEX – the leading commodity exchange in the country had introduced a path breaking tool last year – exchange traded forwards. The Indian farmer for the very first time now had easy access to nationwide buyers on a transparent, regulated online platform. The seeds of an agricultural revolution have been sown and slowly but surely, one can see the green shoots emerging on the agricultural marketing landscape.

Techno Serve, a worldwide NGO which actively works with farmers has found regulated commodity exchanges to offer the perfect solution that will help strengthen economic development of the primary producers in India. It has put together a model that uses the platform of NCDEX to enable farmers to engage with private sector companies and sell directly and has received a thumbs - up for its effectiveness and efficiency from none other than the World Bank itself.

In this model, around 10 Farmer Producer Groups (PGs) from Bihar were roped in by the NGO to use the NCDEX forward platform for selling the member farmers' produce. In a pilot exercise, the farmer members from these PGs from villages like Amari, Purani Garail, Kathbajra, Pahartol and Baghwa aggregated around 1000

tonnes of Rabi Maize and used the NCDEX platform to sell 300 tonnes in spot market and 90 tonnes in forward market. The rest is stored in warehouses and will be sold after a couple of months when the prices go northwards.

"We could directly sell to the companies by using the NCDEX platform. Not only did farmers benefit from accurate weighing but also got Rs. 50 per quintal more than the previous year. Net result was that price realization to the farmers went up by 12% as compared to the last year" told Mr. Debranjani Pujahari from Techno Serve. Buoyant by the success of the pilot, the NGO plans to sell at least 25,000 tonnes of farmer produce through NCDEX platform next year and has already started connecting with various corporates and other NGOs too. "We are in touch with Cargill in Karnataka and Kellogg in MP for Soya Bean, Maize and pulses." He added. Quality consciousness is also on the up with farmers becoming aware of quality standards and grading. "It was very tough to make farmers understand initially. They had no clue about the concept of moisture content and its importance. Once we started using the NCDEX platform and received training on determining the moisture content, we realized the difference it can make. When the moisture content remained below 14%, the maize was categorized as grade A and we got better prices" said Sarvendar Kumar Mandal, SEW of Mirganj cluster.

Another major benefit has been the

accuracy in weighing as a result of using electronic weighing machines by the PGs. "Earlier, local traders used to take 7-8 kg out of a quintal of produce as their cut. Now selling through exchange platform has ensured, the process is completely transparent," he added. The Mirganj cluster has 5 PGs which comprise 540 farmers. Mandal is upbeat about the future and plans to add up many more farmers on his platform going forward.

"Earlier we used to sell our produce to local traders and we had to wait for weeks before we got our payments. But now the payments come directly in our account. Additionally, in order to meet the quality standards of NCDEX, we have trained local women to clean the produce. This has developed a new economic group with its own earning," told Sanjeev Kumar, SEW for Amari cluster. This cluster also has 5 PGs which comprise around 900 farmers. Sanjeev is a small farmer with 2 bigha land and opines that the success stories of the PGs selling their produce through NCDEX platform is inspiring others too. "Around 50 farmers have made inquiries and expressed their willingness to come on board," said Kumar.

Exchange Traded forwards is a developmental milestone in the journey towards bringing about inclusiveness of the Indian farmer. One that can help in bringing about integration of the fragmented physical markets in the country leading to a more developed and efficient agricultural market.

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