



(Transforming Rural Economy to Global)



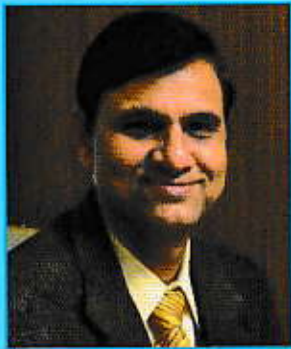
Journal 2014

3rd International Convention

14th June 2014,

New Delhi

Commodity Participants Association of India



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From the Editor's Desk...

Release of special edition of any journal is always exciting. More so, when the journal is released just after the landslide victory of the new Government. With Modi Government at the centre, the Indian corporate sector, financial market and the overall economy has embarked upon continuous upswing. The commodities market which is an integral and substantial part of economy cannot be left behind. It is hoped that the paradigm shift in the Government will enable the commodities future market to achieve its primary aim of providing optimum value to producer and a reasonable cost to the consumers.

Discovery of price and hedging the risk, are the driving factors for establishment of a well-regulated, competitive and investor-friendly commodities market. Success of this eco-system only can create a global hub of commodities future market in India. Whether the market has been able to fulfill the aspirations of all the stakeholders in this direction is the theme of this journal. We have the benefits of different thoughts, inputs and deliberations in this compilation from experts and wizards of commodity market on the theme "Commodity Futures Market, India - The Next Global Hub".

Non-integration of spot market with the futures market is one of the major impediments which require urgent focus of the regulators, the Government and other stakeholders. Futures markets are always off-spring of well-established spot markets. However, in India, the physical market is scattered because of different regulations prescribed by different states which not only tax different commodities differently but also restrict the physical movement of goods. Well-established warehousing, system of negotiable warehousing receipts and GST is a pre-requisite for unleashing the plethora of opportunities provided by this market towards employment, stabilization of prices, procurement and cultivation policies.

India is the largest importer of edible oils, pulses, crude oil, gold, etc. Similarly India contributes significantly as an exporter of cotton, soya, tea, spices, minerals, etc. Still India has remained only as a price-taker and is not in a position to influence these prices to our advantage. One of the major reasons is non-availability of a vibrant, liquid, cost-effective futures market. Futures market can contribute a lot in bridging the Indian current account deficit by inviting lot of margin money and funds to Indian bourses from abroad who may come to India if India becomes the price-setter and is in a position to provide adequate liquidity, prompt settlement mechanism and effective warehousing for international trading goods. India should take a lead in setting up an integrated electronic commodities trading platform among SAARC countries. This platform would run a common order book amongst participating countries. Member countries can share the logistics and settlement responsibilities on the commodities exposure they have, if required, commodities-wise mini hub can be created among SAARC countries.

The traits and skill of trading is part of our DNA and if developed and supported properly, India can again become a Golden Sparrow. However, the trading has always been looked down and is accused of creating artificial shortages, speculation and fuelling inflation. Though, various studies have negated this contention completely. Therefore, a change in mindset is required which can pro-actively encourage the trading equating it with an industry which not only provide employment to semi-skilled and unskilled workforce but also provide a time- tested distributive model. Association like CPAI has a major role to play here.

Certain key priorities are crucial to deepen the commodity market in India. These include opening, widening and simplifying the participation in commodity markets by making it easier for stakeholders, farmers, traders and investors to participate more enthusiastically. Improving and upgrading support services such as warehousing infrastructure, testing facilities, demat trading, grading system, and credit finance are integral to the holistic development of the commodity market. The introduction of staggered delivery, aggregators, margin relaxations for genuine hedgers, improvement in monitoring and surveillance, eliminating multiple compliances is the right medicine for next level of growth. Reduction in cost by abolishing CTT and other administrative costs may be ideal for bringing back the volumes in this market. Investor protection and education is the key for survival and growth of this market and need not be re-emphasized.

The FCRA amendment bill will bring a stronger regulatory environment as well as innovations such as options and indices giving a boost to the trading through exchanges. This will surely help in curbing the menace of Dabba trading which is aggregating the issue of unethical practices. The clearing and settlement functions may be detached from the Exchanges by making a separate corporation which can interact with the exchanges, warehousing and banks by providing fungibility of risk and margin across exchanges. This will release large amount of unutilized margins with exchanges and bring a significant reduction in costs.

I would like to convey my best wishes for the success of 3rd International Convention of Commodities Participants Association of India and hope that the Convention will help to analyze and discuss crucial aspects of commodities market and trends in global commodities markets for further development to keep pace with current economic scenario worldwide.



Dr. Naresh Maheshwari