Dr. Ranjeet Mehta
CEO & Secretary General

08:01:2025

Shri Amit Shah
Hon'ble Home Minister
Ministry of Home Affairs
Government of India
New Delhi

Hon'ble Minister,

Subject: Regarding revocation of suspended commodity derivatives contracts

At the outset, we congratulate you on placing India as a beacon of economic growth in the World economic system. Under your able leadership, India is becoming the global growth center, marked by a series of ambitious developments and initiatives, such as Make in India, the introduction of the Goods and Services Tax (GST), and the Pradhan Mantri Jan Dhan Yojana.

This is with reference to the commodity derivatives trading in seven commodities, which includes Mustard Seed, Soybean and its derivatives, Chana, Moong, CPO, Wheat and Paddy (non-basmati) that was suspended for one year in Dec-2021. This suspension was extended twice in Dec-2022 and Dec-2023 respectively for one year each and recently until 31 Jan, 2025. All the constituents of the agri value chain have suffered on account of these suspensions.

Farmers/ FPOs have no visibility of prices, no reference prices and hence are forced into distress selling. Commodity prices often contributes significantly to the overall production cost of commodity dependent industries such as oilseed processors/ flour mills/ feed manufacturers etc. and hence any adverse movement in the commodity prices can impact the profitability of such industries. Commodity derivatives market allow such industry to bring some certainty to their businesses in the otherwise volatile markets, as impact due to price movements of inputs and output is taken care by a proper hedging in this market.

Suspension has compelled the large value chain participants to hedge their price risk in international markets such as Chicago Board of Trade (CBOT), ICE, Bursa Malaysia etc. However, currency risk and price movements due to some domestic factors which are not reflected in international prices makes this international hedge ineffective.

NCDEX is the leading commodity Exchange for agricultural commodities in India. The Exchange has contributed to the development of an effective price discovery mechanism, offered market driven instruments to manage price risk, developed a transparent book keeping mechanism for warehouse receipts and above all empowered FPOs to hedge their price risk. The relevance of commodity derivatives is most realized during volatile price movements as the hedge mitigates the market participant from price risk.

Our concern lies with the price risk that looms over the oil and oil seeds industry. The current market prices of oilseeds like Soyabean are trading below the MSP that is Rs 4892/ quintal while the mustard prices are marginally above MSP. Commodity derivatives can work as supplementary and complimentary instruments to government schemes to enthuse production/ supply and also balance price risk arising from any market disruption.

We strongly support the revocation of suspended commodity derivative contracts. We believe that commodity derivatives are tools that lend sustainability to the agri ecosystem supporting transparency and financial inclusion.

So, we request you to kindly consider restoring these derivative contracts. We believe that as developed and developing economies grow, the socio-economic profiles of their people and their businesses grow, as does the volume and flux of international trade in commodities. It is therefore imperative to ensure a policy ecosystem that enables fair price discovery, price and marketplace stability, and, resultantly, better price risk management for all constituents of the commodity ecosystem.

With best regards,

Yours sincerely,

(Dr Ranjeet Mehta)

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