

Box 5.2 : Development of electronic spot exchanges

The Government and FMC have allowed the national commodity exchanges to set up three spot exchanges in the country, namely the National Spot Exchange Ltd. (NSEL), NCDEX Spot Exchange Ltd. (NSPOT) and National Agriculture Produce Marketing Company of India Ltd. (NAPMC). During 2009, there was significant expansion of spot exchanges' trading facilities in India. These spot exchanges have created an avenue for direct market linkage among farmers, processors, exporters and end users with a view to reducing the cost of intermediation and enhancing price realization by farmers. They would also provide the most efficient spot price inputs to the futures exchanges. The spot exchanges would encompass the entire spectrum of commodities across the country and would bring home the advantages of an electronic spot trading platform to all market participants in the agricultural and non-agricultural segments. On the agricultural side, the exchanges would enable farmers to trade seamlessly on the platform by providing them real-time access to price information and a simplified delivery process, thereby ensuring them the best possible prices. On the buy side, all users of the commodities in the commodity value chain would have simultaneous access to the exchanges, which would be able to procure at the best possible prices. Therefore, the efficiency levels attained as a result of such seamless spot transactions would result in major benefits for both producers and consumers. Thus the exchanges would enhance the efficiency of the existing OTC markets in the country

So far, Maharashtra, Karnataka, Gujarat, Rajasthan, Orissa and Madhya Pradesh have given licences to the spot exchanges to undertake electronic spot trading. The agricultural commodities traded on the spot exchange platform are cotton, castor seed, desi channa, guar seed, RM seed, wheat, barley, red arecanut, maize, yellow peas, urad, lemon tur, soyabean, jeera, ground nut, sugar, moong and pepper. In the process, farmers' realization has increased by 4-5 per cent. The total turnover of the three exchanges during 2009 was Rs 2,810 crore.

Source: Ministry of Consumer Affairs.