PRICE DISSEMINATION PROJECT

A XI\textsuperscript{th} FIVE YEAR PLAN PROJECT

AN INITIATIVE BY:

FMC
AGMARKNET
NIC
MCX
NCDEX
NMCE
ICEX
ACE
Introduction:

The dissemination of spot and futures prices of agricultural commodities to all agriculture sector participants, especially the farming community across the country has been identified as an important activity in the XIth Five Year Plan by the Planning Commission. The Forward Markets Commission (FMC), as the regulator of the Commodity Futures Market in India, has been given the mandate for implementing the directives of the Planning Commission for dissemination of agricultural commodity prices across the country. In response to this directive, the Forward Markets Commission formulated the Price Dissemination Scheme which is being implemented by it across the country in partnership with the Department of Agriculture and Marketing, Ministry of Agriculture, and the five National Commodity Exchanges – The Multi Commodity Exchange of India (MCX), The National Commodity Exchange of India (NCDEX) and the National Multi Commodity Exchange of India (NMCE), ACE Derivatives and Commodity Exchange Limited (ACE), Indian Commodity Exchange Limited (ICEX).

Price discovery and dissemination

The Commodity Futures Market in India comprises five National Commodity Exchanges - MCX, NCDEX, NMCE, ACE and ICEX and 18 Commodity Specific (Regional) Commodity Exchanges. These Exchanges perform the critical economic functions of price discovery and price risk management. The price signals – futures prices – emanating from the exchange platform indicate the traded value of the underlying commodity, i.e., the prices at which willing buyers and willing sellers are prepared to trade. The prices discovered on the Exchange are driven by commercial decisions on supply and demand and on the willingness to buy and sell price risk. It takes into account all public and non public ‘price impacting information’ for determining the equilibrium price in the market. Commodity futures prices, thus, serve as a mechanism for price discovery either for the present price or for determining expected future prices and therefore acts as a good “predictor” of what prices will be in future. Here, it may be clarified that the Exchange platform does not control prices in any way and that they only provide a platform for discovery of prices by traders using the exchange platform. The Price Dissemination Project endeavours to capture the prices discovered on the exchange platform on a
real time basis and make it available to all stakeholders in the agriculture supply chain, especially farmers to enable them to take rational and informed decisions about cropping pattern and marketing strategies and thereby increase their Farm Income.

**Benefits to the Agricultural Sector**

Agriculture producers and agribusinesses face a diverse array of marketing and production alternatives. Each time a marketing or production decision is made, farmers or agribusinesses must estimate what impact this decision will have on their income or risk management plan. None of these are more difficult to answer than, “What price can I expect?”. A producer may ask “which crop will I plant given my known input costs and expected harvest time prices?” or “should I sell now or sell forward or store my crop?”. A trader may ask, “at what forward price shall I buy from the producer and sell forward to agribusinesses?”. Similarly, agribusinesses must determine price expectations to know what forward price to offer.

The Price Dissemination Project endeavours to provide an answer to all these questions by bringing to the mandis both physical market prices reported by the AGMARKNET and the futures prices of all agricultural commodities discovered on the three Exchange platforms – MCX, NCDEX and NMCE on a real time basis. It is expected that other two Exchanges ICEX and ACE will be participating in the project and supports its cause.

Benefits – both direct and indirect – that would accrue to the agriculture sector from the implementation of the price dissemination project are as follows:

- Access to the physical market prices of agricultural commodities prevailing in the designated and surrounding mandis.
- Access to futures prices of agricultural commodities discovered through a transparent price discovery process in the Commodity Exchanges.
- Integration of rural, urban and global agricultural markets.
• Increased awareness about quality standards of various agricultural crops and the value it fetches.

• Rising investment in market-related infrastructure (e.g., standardization/quality testing/warehousing)

• Expected futures prices of commodities known in advance (A farmer can plan his crop and sales by looking at prices prevailing in the futures market)

• Risk management (farmers can sell in the contract expiring close to the harvest date, to lock-in the current price.)

• Access to a National Reference Price of agricultural commodities.

• Futures market – a new addition to the concept of marketing through electronic trading platform

• A well organized and well functioned futures sensitizes the whole value chain of the commodity to compete on global level.

The Price Dissemination Project in brief

• The Price Dissemination Project envisages placement of electronic price ticker boards in mandis / APMCs which are networked under the AGMARKNET project for the display of physical and futures prices of agricultural commodities. The project would be implemented during the 11th Plan, with the objective of covering all the APMCs networked under the AGMARKNET project, which at present is around 2500.

• The project would be implemented by the FMC and the five National Exchanges – MCX, NCDEX, NMCE, ICEX and ACE – in coordination with the project team of AGMARKNET and NIC under the overall guidance of FMC.

• The National Exchanges would upload physical market prices (polled price) and futures prices of agricultural commodities discovered by the Commodity Exchanges and AGMARKNET prices into a central server at the Exchange from where it would be transmitted to the APMCs via the internet / leased line. These prices would be available on PCs placed in the APMC’s premises. The futures and spot prices of the three Exchanges and the spot prices of AGMARKNET would be run on price tickers placed in the APMC premises connected to the APMC PC in the local language.
## States allotted to each Exchange

### A) States and Union Territories

<table>
<thead>
<tr>
<th>Exchange</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MCX</strong></td>
<td>Punjab, Uttar Pradesh, Madhya Pradesh, Jharkhand, Himachal Pradesh, Haryana</td>
</tr>
<tr>
<td><strong>NCDEX</strong></td>
<td>Rajasthan, Chattisgarh, Maharashtra, Orissa, Jammu and Kashmir, West Bengal</td>
</tr>
<tr>
<td><strong>NMCE</strong></td>
<td>Gujarat, Karnataka, Tamil Nadu, Kerala</td>
</tr>
<tr>
<td><strong>ICEX</strong></td>
<td>Andhra Pradesh, Bihar</td>
</tr>
<tr>
<td><strong>ACE</strong></td>
<td>Goa, Delhi (NCR), Uttarakhand</td>
</tr>
</tbody>
</table>
B) North Eastern States

<table>
<thead>
<tr>
<th>Exchange</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCX</td>
<td>Tripura</td>
</tr>
<tr>
<td></td>
<td>Manipur</td>
</tr>
<tr>
<td>NCDEX</td>
<td>Assam</td>
</tr>
<tr>
<td></td>
<td>Meghalaya</td>
</tr>
<tr>
<td>NMCE</td>
<td>Sikkim</td>
</tr>
<tr>
<td></td>
<td>Mizoram</td>
</tr>
<tr>
<td>IC鑫</td>
<td>Arunachal Pradesh</td>
</tr>
<tr>
<td></td>
<td>Nagaland</td>
</tr>
</tbody>
</table>

Network Diagram & Data Flow

The operation of the ticker board at the Mandi level would be handled by the Mandi authority.
Details of Display Board:

The details of display board are as follows:

- Two line Display Board for displaying Spot & Futures prices of Commodity Exchanges & Spot prices of AGMARKNET in the following format:

<table>
<thead>
<tr>
<th>Commodity Name</th>
<th>Exchange /AGMARKNET Spot Prices (Scrolling)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange Name</td>
<td>Future price of three Exchanges (Scrolling)</td>
</tr>
</tbody>
</table>

- The specifications of the Board are as follows:

<table>
<thead>
<tr>
<th>Board Size</th>
<th>Approx 1.5 feet height x 7 feet width</th>
</tr>
</thead>
<tbody>
<tr>
<td>View Distance</td>
<td>About 50 meters</td>
</tr>
<tr>
<td>Display Color</td>
<td>Red and Amber color</td>
</tr>
</tbody>
</table>

- Information in Regional Language for easy understanding to common man
- Display the price information of Agricultural commodities relevant to state.
Enabling Agencies of Price Dissemination Project

A. Forward Market Commission (FMC)

Forward Markets Commission (FMC), a statutory body set up in 1953 under the Forward Contracts (Regulation ) Act, 1952 for regulating the Commodity Futures market, forms part of the Ministry of Consumer Affairs, Food and Public Distribution, Govt. of India. The Commission is committed to the development of institutional capability of the commodity markets and the Price Dissemination Scheme is a step in this direction. The FMC is contributing 65% share of the total project cost & remaining 35% equally shared by three National Commodity Exchanges.

B. National Commodity Exchanges:

There are Five national online commodity exchanges recognized by Government of India – Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange (NCDEX), National Multi Commodity Exchange (NMCE), Indian Commodity Excahnge Limited (ICEX) and ACE Derivatives and Commodity Exchange Limited (ACE). They work as per Bye-laws and Business rules, with the main functions of Exchange traded futures contract being:

- Trade Guarantee
- Risk Management
- Price Discovery
- Transactional Efficiency
- Liquidity

There are around 100 different agricultural and non-agricultural commodities traded on the futures exchange platform, which is an Electronic, transparent trading platform.

C. Department of Marketing and Inspection, Ministry of Agriculture, Government of India.

Department of Marketing and Inspection, Ministry of Agriculture has launched a central sector scheme of Agricultural Marketing Information Network (AGMARKNET) to link important Agri Markets of India & State Agri Marketing Board. More than 1700 Mandis are regularly reporting price related data. AGMARKNET provides online data of Traded Spot Prices of Mandis networked with them.
D. APMCs

The APMCs / Mandis covered under the AGMARKNET project will enable the implementation of the project. The price ticker boards will be placed on the premises of the APMCs. The envisaged role of the APMCs in the project is as follows:

- To regularly upload market related information on the website.
- To ensure that all price related information made available under the project is made available to the market participants / target audience.
- To ensure that the price feeds are being regularly received on the computer terminal and the information thus received is being relayed on the price ticker board.
- To ensure that the price ticker board is working at least during the market hours and, in case of any problem, the same is reported to the designated authority.
- To provide daily online reports to the Exchanges / AGMARKNET on the status of the price ticker boards.
- To be responsible for the safety of the price ticker board and any related appliances.
- To be responsible for the upkeep of the board after the expiry of the one year warranty period and the two/three year built-in maintenance agreement with the vendors.
- To be of assistance to the market participants in understanding the contents of the price ticker board.
- To serve as an interface between FMC, the National Exchange and the market participants – farmers and traders.
### First Line: Spot Price Information

<table>
<thead>
<tr>
<th>Commodity Name</th>
<th>Exchange Name</th>
<th>Type</th>
<th>Spot Price / Price Quot Qty</th>
<th>Agmarknet</th>
<th>Mandi Name / Variety</th>
<th>Date</th>
<th>Modal Price / Price Quot Qty</th>
<th>MSP Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAIZE</td>
<td>MCX</td>
<td>Spot</td>
<td>952.50 / 100 Kg</td>
<td>AGMARKNET</td>
<td>HAPUR / BIG</td>
<td>01-12-09</td>
<td>910.50 / 100 Kg</td>
<td>905.25</td>
</tr>
</tbody>
</table>

### Second Line: Future Price Information for the Commodity Displayed on the first line

<table>
<thead>
<tr>
<th>Exchange Name</th>
<th>Expiry Date</th>
<th>Last Traded Price / Price Quot Qty</th>
<th>Expiry Date</th>
<th>Last Traded Price / Price Quot Qty</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCX</td>
<td>20, December, 2009</td>
<td>910.00 / 100 Kg</td>
<td>20, January, 2010</td>
<td>920.00 / 100 Kg</td>
</tr>
</tbody>
</table>

#### Explanation: First line- Spot price details
- **Commodity Name**: Name of the commodity, the price details of which are being displayed.
- **Exchange Name**: Name of the National Commodity Exchange, the polled spot price of which is being displayed.
- **Spot price/price quote**: Price per unit polled by the Exchange from the Spot market (SOURCE: EXCHANGE).
- **Agmarknet**: AGMARKNET is the source of average mandi spot price displayed.
- **Mandi Name/Variety**: Name of Mandi and crop variety for which AGMARKNET spot price is given.
- **Date**: The date on which the given spot price prevailed.
- **Modal Price/Price Quote Unit**: Average Mandi traded spot price/quantity (SOURCE: AGMARKNET).
- **MSP Price**: Minimum support price (SOURCE: AGMARKNET).

#### Explanation: Second line- Futures price details
- **Exchange Name**: Name of the National Commodity Exchange (MCX, NCDEX, NMCE), the futures price of which is being displayed.
- **Expiry Date**: Date on which the Futures Contract of the Commodity expires.
- **Last Traded Price/Price Quote Quantity**: The price/quantity at which the last trade had happened on the Exchange Trading Terminal.

#### NOTE:
- Source of Future price is Commodity Exchanges. Future prices fluctuate at time when there is a change in demand & supply.
- We are displaying only commodities relevant to this region. For more information please contact Mandi officer.
- For Complaint/Suggestions please contact MCX at 022-67318888 ext no. 9207/9206/9394.