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A Study on Performance of Indian Commodity Futures Market – in the Commodity Exchanges Perspective

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Abstract:

This article is a new endeavor to find out the performance of the commodity derivative exchanges in India with the help of the total contribution or volume or trade done in each and every major commodity exchanges in India and the data compiled for the year 2012 and 2013 from the period of April 2012 to March 2013 and number of commodities traded in each and every renowned commodity exchanges in India. In recent years the growth of commodity derivatives market registered a phenomenal growth despite being suspension of some of the agricultural commodities with regard to futures market. During the year 113 commodities were regulated under the auspices of the recognized Exchanges. During the year 2012-13, 19 recognized exchanges were functioning. Out of the 113 commodities, regulated by the FMC, in terms of value of trade, Gold, Silver, Copper, Nickel, Zinc, Lead, Guarseed, Soy Oil, Chana, Jeera and Guar gum were the prominently traded commodities in Indian commodity exchanges. This study claims that the overall performance of commodity derivative market is moving towards the right direction and embarks remarkable achievement in the years to come.

Keywords: Commodity futures market, agricultural commodities, FMC

1. Introduction

In recent years Indian commodity trading exchanges are doing well and their contribution is really phenomenal. The following tables and diagrammes explain us the overall performance of the Indian commodity exchanges and major commodities which are traded in the respective commodity exchanges during the year 2012 to 2013.

Among the 19 recognized commodity exchanges in India , Multi Commodity Exchange (MCX) (87%), Mumbai , National Commodity and Derivatives Exchange (NCDEX) (10%), Mumbai, National Multi Commodities Exchange, (NMCE)(1%) , Ahmadabad, ACE (1%) Derivatives and Commodity Exchange, Mumbai, Indian Commodity Exchange, Ltd.,(ICEX) (0.99%) Mumbai, contributed 99.99% of the total value o traded during the year.

Sl. No	Commodity Exchanges	Value in Lakh Crore (Rupees)	Percentage
01.	MCX, Mumbai	14881057.12	87
02.	NCDEX, Mumbai	1598425.87	10
03.	NMCE, Ahamedabad	176570.86	1
04.	ACE, Mumbai	172010.18	1
05.	ICEX, Mumbai	169897.14	0.99
06.	Others	48878.92	0.01
	Total	17046840.09	100

*Table 1: Share of major Commodity Exchanges to the total value of the Commodities traded during the year 2012-13
Courtesy: FMC Annual report 2013*

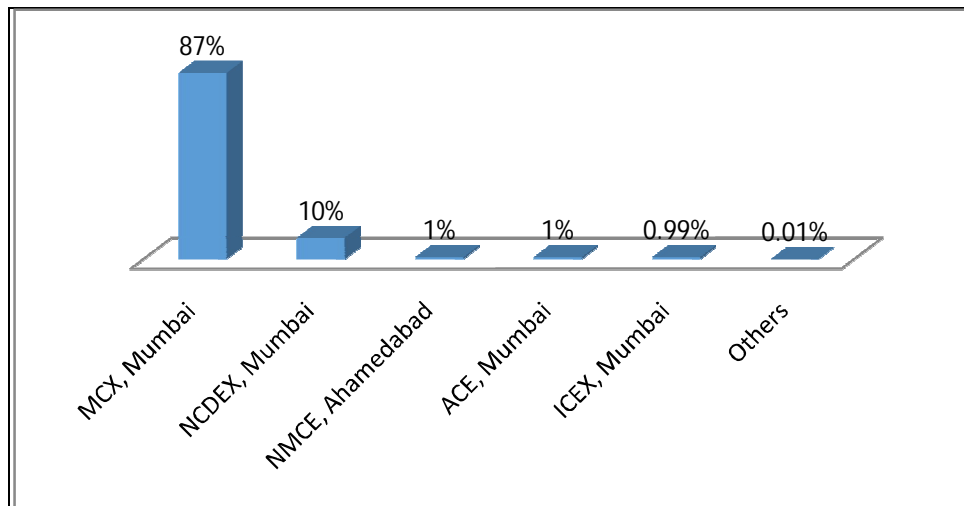


Figure 1: Share of major Commodity Exchanges to the total value of the Commodities traded during the year 2012-13

The total value of trade of the Indian Commodity Futures Market during the year 2013 stood at Rs. 170.47 lakh crore. The Market registered a growth of 67% during the year, as compared to the value of trade of Rs. 119.49 lakh crore during 2011-12. The value of agriculture commodities traded in the commodity Exchanges stood at Rs. 21.56 lakh crore growing at a rate of 24% over the previous year. The top three commodities traded in the Futures Market during 2013 were Energy Products 37.68 Lakh crore (22%), Base Metals (32.60 Lakh crore (19%), Bullion (78.63 lakh crore (46%))

Sl.No	Type of commodities	Value in Lakh crore	Percentage
01.	Energy products	37.68	22
02.	Bullion	78.63	46
03.	Agricultural commodities	21.56	13
04.	Base metals	32.60	19
	Total	170.47	100

Table 2: Major group of commodities traded during the year: 2012-13
 Courtesy: FMC Annual report 2013

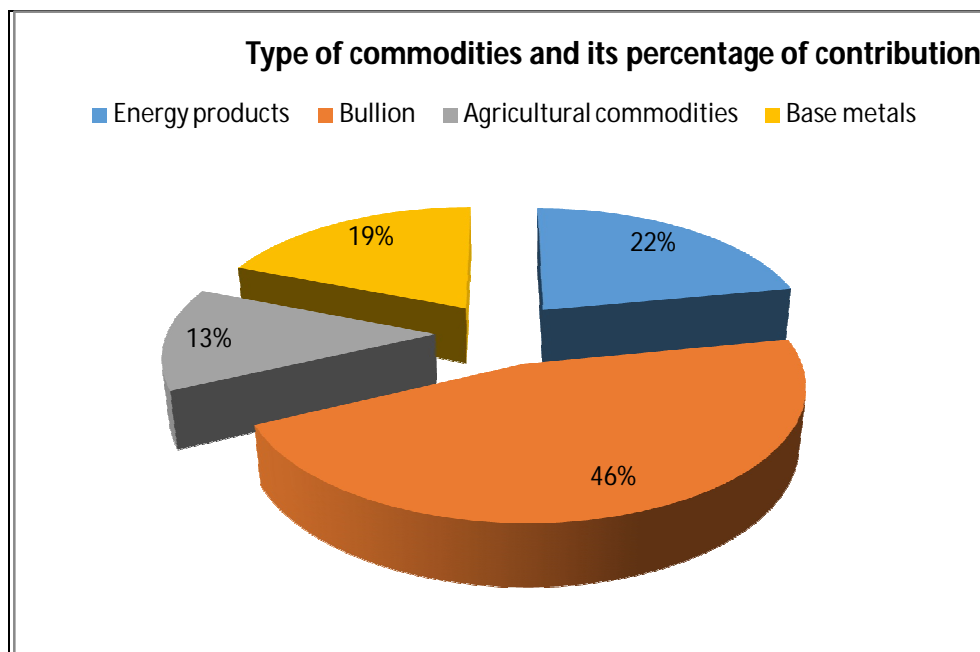


Figure 2: Major group of commodities traded during the year: 2012-13

Sl. No	commodity	Vol. Lak . tonnes	Value in crores	Share of value to total
01.	Silver	7.11	4086933.38	27.46
02.	Gold	0.12	3720129.35	25.00
03.	Crude Oil	8143.81	2981891.98	20.04
04.	Copper	336.15	1443348.37	9.70
05.	Natural Gas	39190500000	672892.89	4.52
06.	Lead	523.42	616192.21	4.14
07.	Nickel	46.66	432047.18	2.90
08.	Zinc	389.25	416834.42	2.80
09.	Aluminum	211.71	229582.03	1.54
10.	CPO	213.31	106409.66	0.72
11.	Other	142.70	174795.64	1.17
	Total	10014.23	14881057.12	100.00

Table 3: The Trading performance of MCX during the year April 2012-March 2013
Courtesy: FMC Annual report 2013

From the following table we will come to know that the respective commodity exchange's performance and the commodities it mainly dealt with. In Multi Commodity Exchange, Mumbai, the major contribution is from the Silver (27.46%) followed by Gold and crude oil Viz., 25% and 20.04%. Rest of the contribution is from the seven commodities namely copper, natural gas, lead, nickel, zinc and aluminum.

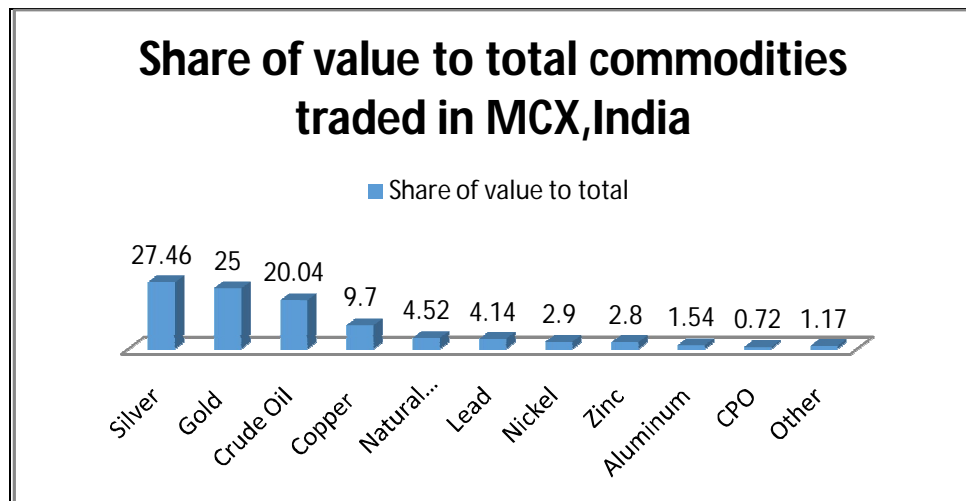


Figure 3: The Trading performance of MCX during the year April 2012-March 2013

Sl. No	commodity	Vol. Lak . tonnes	Value in crores	Share of value to total
01.	SOYA_OIL	765.84	557601.60	34.88
02.	SOYABEAN	620.06	217991.11	13.64
03.	RAPE_MUSTARD_SEED	447.08	180196.82	11.27
04.	CHANA	375.04	159492.63	9.98
05.	CASTOR_SEED	243.53	93828.42	5.87
06.	JEERA	45.45	65955.89	4.13
07.	COTTONSEED_OILCAKE	463.50	65460.34	4.10
08.	DHANIYA	98.92	52828.99	3.31
09.	KAPAS	74.45	36775.61	2.30
10.	TURMERIC	62.06	33083.60	2.07
11.	OTHER COMMODITIES	370.25	135210.84	8.46
	Total	3566.17	1598425.87	100.00

Table 4: The Trading performance of NCDEX during the year April 2012-March 2013
Courtesy: FMC Annual report 2013

With regard to the contribution from National Commodity Derivative Exchange, Mumbai, nearly 60% of the Trading is done away with only three commodities, majority of value lies with soya Oil (34.88%) followed by soya bean and Rape mustard

seed,viz.,(13.64%) and (11.27%).Other Eight commodities traded (40%) are chana, castor seed, jeera, cottonseed oilcake, dhaniya, kapas,Turmeric and sundry other commodities.

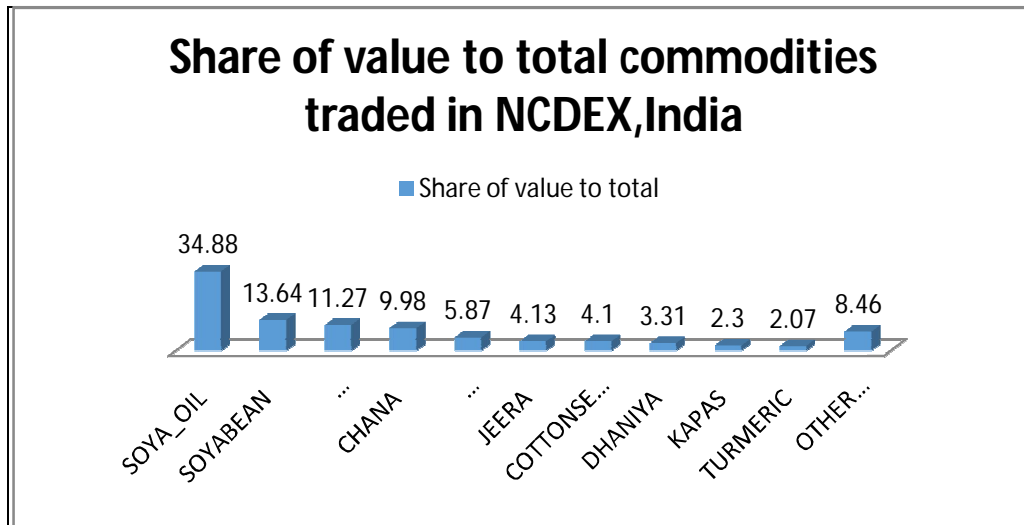


Figure 4: The Trading performance of NCDEX during the year April 2012-March 2013:

Sl. No	commodity	Vol. Lak . tonnes	Value in crores	Share of value to total
01.	COFFEE REP BULK	14.39	19425.91	11.00
02.	RAW JUTE	68.18	18375.45	10.41
03.	ALUMINIUM	13.62	14850.14	8.41
04.	NICKEL	1.48	13792.38	7.81
05.	SACKING	24.91	13677.73	7.75
06.	OTHERS	125.89	96449.26	54.62
	Total	248.47	176570.86	100

Table 5: The Trading performance of NMCE during the year April 2012-March 2013:
 Courtesy: FMC Annual report 2013

With regard to the contribution from National Multi Commodity Exchange, Ahamedabad, 22% of the Trading is done away with only two commodities, majority of value lies with coffee rep bulk (11%) followed by Raw jute(10.41%).Other Four commodities traded (90%) are Aluminium, nickel, sacking and others (89.59%).

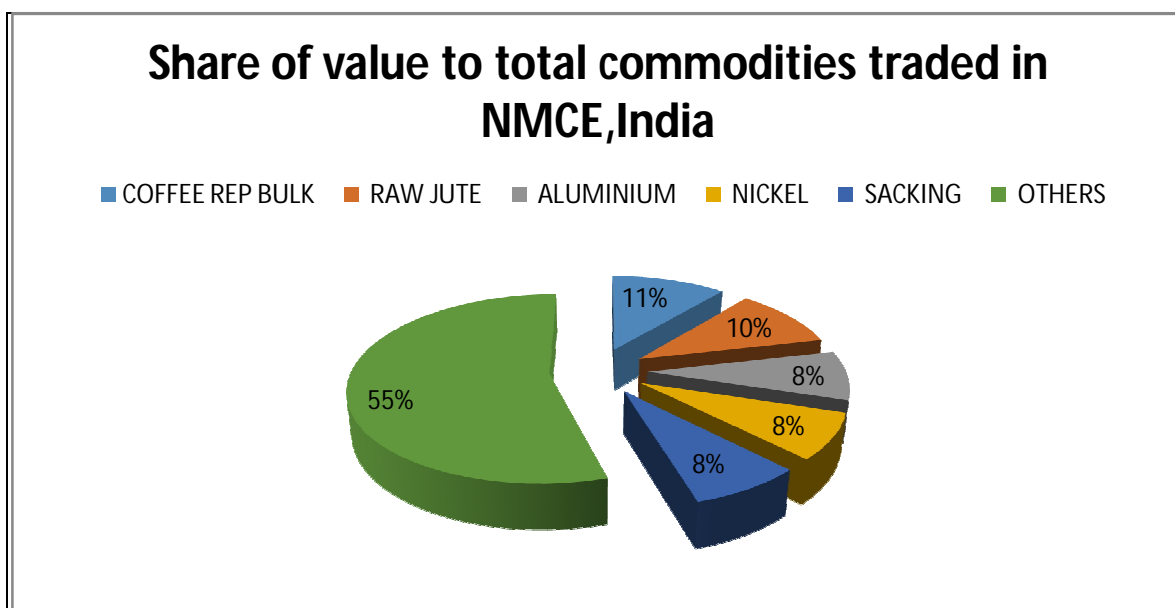


Figure 5: The Trading performance of NMCE during the year April 2012-March 2013:

Sl. No	commodity	Vol. Lak . tonnes	Value in crores	Share of value to total
01.	Crude Oil	112.22	41705.67	24.55
02.	Natural Gas	*1555308750	31155.14	18.34
03.	Silver	0.05	28518.63	16.79
04.	Copper	6.33	27210.31	16.02
05.	Gold	0.00067	19929.17	11.73
06.	Iron Ore	168.44	12281.65	7.23
07.	Other Commodities	8.38	9096.59	5.35
	Total	295.42	169897.14	100.00

Table 6: The Trading performance of ICEX during the year April 2012-March 2013:

Courtesy: FMC Annual report 2013

With regard to the contribution from Indian Commodity Exchange, Mumbai, 86% of the Trading is done away with only Five commodities, majority of value lies with crude oil (24%), Natural Gas (18.34%), Silver (16.79%), Copper (16.02%) and Gold (11.73%) followed by Iron ore (7.23%). Other commodities traded (5.35%).

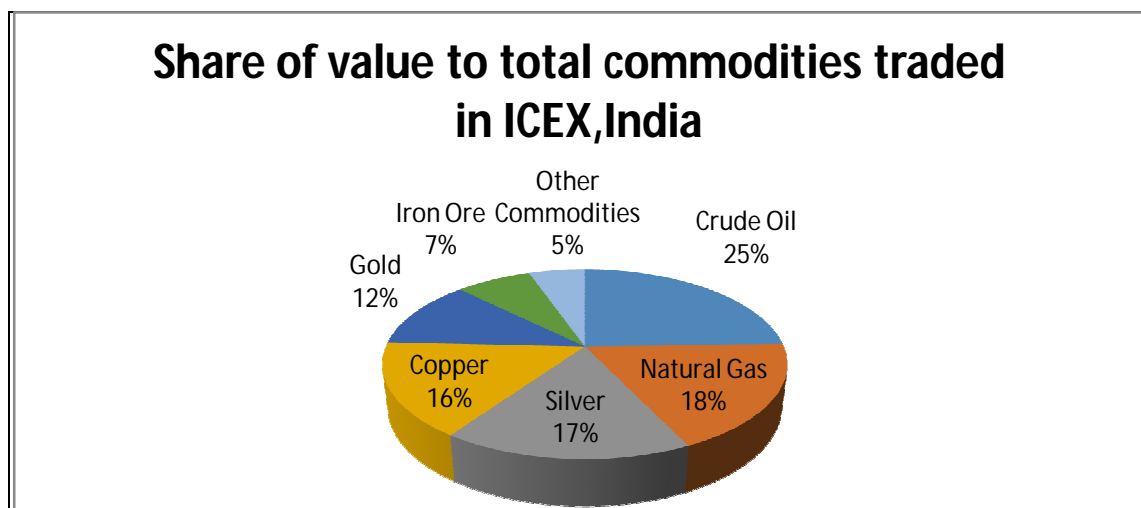


Figure 6: The Trading performance of ICEX during the year April 2012-March 2013

Sl. No	commodity	Vol. Lak . tonnes	Value in crores	Share of value to total
01.	REFSOYOIL	181.82	133889.20	77.84
02.	SOYBEAN	63.63	22867.91	13.29
03.	SOYMEAL	28.67	8363.67	4.86
04.	COTTON118	3.67	3709.62	2.16
05.	RBD	5.84	3024.54	1.76
06.	OTHER COMMODITIES	0.41	155.25	0.09
	Total	284.05	172010.18	100.00

Table 7: The Trading performance of ACE during the year April 2012-March 2013:

Courtesy: FMC Annual report 2013

The total value of trading in ACE is 172010.18 lac crores during the year which starts from April 2012 to March 2013 and the major contribution has come from the Refsoyoil (77.84%) followed by soybean (13.29%). These two commodities have contributed nearly 91percent in total value of transaction in this commodity exchange and the other commodities traded are soymeal, cotton118, RBD, which has contributed to the tune of 9 per cent in total volume of trade with regard to ACE.

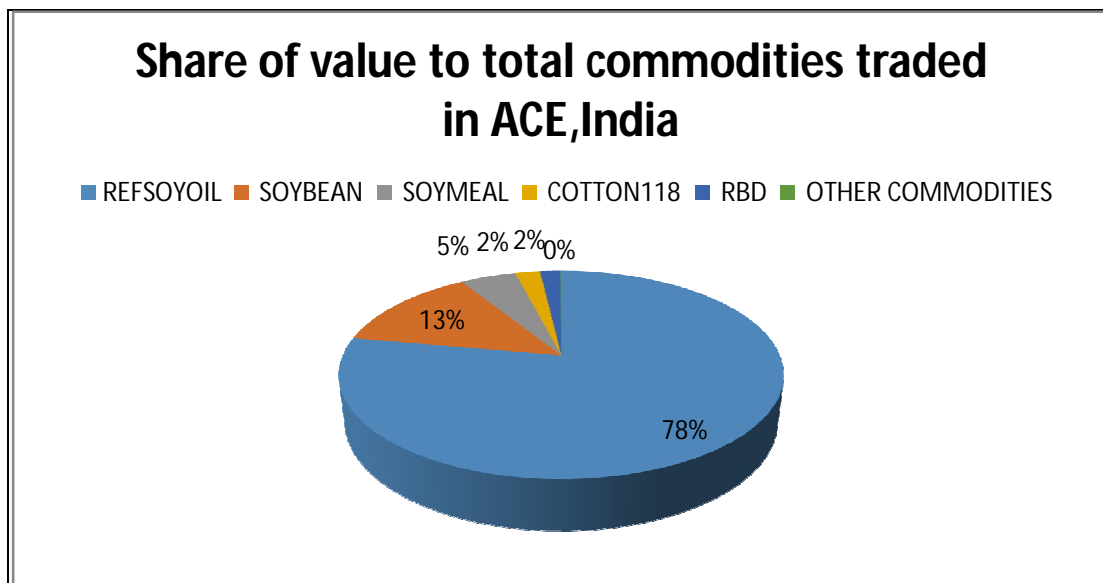


Figure 7: The Trading performance of ACE during the year April 2012-March 2013:

2. Conclusion

It is understood from the above statement of analysis that how the Indian commodity exchanges have performed and still lot of hope for improvement in the years to come, but that connotation will lead to list somany factors in the Indian commodity derivative market, Though the article has clearly explained what are the major contributions done by the respective exchanges which commodities have contributed more in the total traded volume during the year which starts from April 2012 to March 2013. Earlier there were only regional exchanges in the country. Now there are Five National level Exchanges in India, namely, MCX, NCDEX and NMCE, ACE, ICEX which dominate the market. Almost 113 commodities (agricultural and non- agricultural) are traded in nineteen exchanges. The volume of trade has increased from Rs. 34, 84,485 crore in 2006 to Rs. 170 lakh crore in 2013. It all indicates that the market has good growth potential. Derivatives provide hedging opportunities and helps for price discovery. The negative effect of the market comes from improper regulation and the commodity exchanges need not be blamed.. The prospect of the commodity market therefore in the hands of the regulator and its reforming activities in the years to come.

3. References

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