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MCX to play crucial role in taming prices: CEO

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CONTRARY to the popular notion about futures market, Multi Commodity Exchange (MCX) believes that it can play a greater role in curbing inflation once the Forward Contracts (Regulation) Act (FCRA) amendment bill, which allows trading in agri-commodity options, is passed by the Parliament.

"Agri-commodity prices depend partly upon production, but almost 40 per cent of the produce is wasted as it moves from farm to fork. The supply-chain can be shortened utilising the warehousing facilities around the futures market. On the back of the transparency provided by the exchange, the private sector will increasingly come forward to invest in warehousing facilities," said Lamon Rutten, MD and CEO of MCX.

Reduction of intermediaries and better dissemination of price information also would help the farmers achieve better price realisation, resulting in improved production. "United Nations Conference on Trade and Development (UNCTAD) in its report, had found that the commodity exchanges have helped in improving the quality as well as production of mentha oil and cardamom in India," he said.

As per the report, production of mentha oil increased from 12,000 tons in 2004 to 32,000 tons in 2006, and the area under mint cultivation from 100,000 ha to 250,000 ha.