MCX's Initiatives of Getting Farmers on the Exchange Platform Catches Momentum

Mumbai, January 18, 2019: The incessant efforts and initiatives of getting farmers on the regulated market platform seems to be slowly catching momentum. And the year 2019 has thrown up a pleasant surprise as far as FPO participation on the exchange is concerned. Earlier this month an FPO representing over 1600 farmers from Somnath-Gir district, Gujarat has made a cotton deposit for the first time on Multi Commodity Exchange of India Ltd (MCX), thus reaffirming their faith and confidence in the hedging tools made available by the Exchange, which is indeed a very encouraging development for the market and agricultural commodity ecosystem.

MCX is actively engaged in training farmers, handholding the Farmer Producer Organisations (FPOs) and connecting them with the Exchange platform in several states across the country. It is already closely working with several FPOs or progressive farmers group in the producing region through institutions like Ambuja Cement Foundation, Reliance Foundation, CIMAP, NGOs and state agricultural and horticultural department officials. The small and marginal farmers associated with FPOs and farmers' forum are made aware about efficient price discovery and benefits of commodity futures market. They are made aware about the best practices of trading on the futures exchange. MCX has successfully on-boarded 78 FPOs so far.

Benefiting from the collective procurement of cotton crop in the year 2012, farmers of Better Cotton Initiative (BCI) formed an FPO named Somnath Farmers Producer Company Ltd (SFPCL) in 2013, in Dolasa village, Somnath-Gir Distt. (Gujarat), with Ambuja Cement Foundation's support. It now focusses on creating post-harvest marketing infrastructure with internal resources. For the benefit of the farmers, in 2018 the FPO aggregated the kapas produce and ginned it at Haji Musa Ginning Factory at Kodinar. Thereafter they deposited and later delivered the product i.e. cotton bales using exchange approved warehouses and delivery mechanism, immediately after taking a sell position on the exchange platform to hedge the price risk. Apart from helping FPOs manage their price risks, the mechanism has incentivised them to process kapas they produce into ginned cotton and enabled them to add higher value addition and higher incomes.

Mr. Mrugank Paranjape, MD & CEO, MCX said, "This is an affirmation and recognition of our continuous and committed efforts to bring FPOs and farmers to the Exchange platform. This also exemplifies our sustained initiatives to bring them to organised marketplace for de-risking themselves from price fluctuations. By creating the right mechanisms and platform, more such FPOs can be persuaded to lock in prices and cover their risks on regulated exchanges. MCX has been taking initiatives in educating FPOs to explain them the merits in linking farmers, farmer associations to national level transparent marketplaces and actively take part in price discovery process. Such results coupled with supply-side activities such as capacity building and input supply, can have a major positive effect on raising farmers' income. "

Mr. Jitesh Joshi, Managing Director, Somnath Farmer Producer Organisation said, "In 2018, we organized a shareholders' meeting for exploring alternatives to realize higher value addition in Kapas. The highly reliable marketing channel as well as risk management platform available on MCX led us to agree to convert Kapas into ginned cotton bales and sell on the exchange platform. Simultaneously, we sold the seeds in the local physical market. The deposit process in MCX-accredited warehouse was very smooth and the overall experience very profitable as we got a fair and remunerative price. I can say with confidence that sale of cotton bales and its risk management on MCX is indeed very beneficial for FPOs and farmers, which they can use for ensuring higher value realization of their crops."

About MCX:

Having commenced operations on November 10, 2003, Multi Commodity Exchange of India Limited (MCX) is India's first listed, national-level, electronic exchange. It is also the first exchange to introduce commodity options in India. In the financial year 2017–18, the market share of MCX was 89.58%. MCX offers the benefits of fair price discovery and price risk management to the Indian commodity market ecosystem. Various commodities across segments are traded on the Exchange platform. These include bullion, energy, metals and agri commodities. The exchange has forged strategic alliances with various international exchanges, as well as Indian and international trade associations. For more information about MCX and its products visit www.mcxindia.com.

For further details, Contact:
Shivani Sharma
Manager – Media Relations, MCX
Mobile: +91 9833376243
shivani.sharma@mcxindia.com