



Standing Committee Report Summary

The Forward Contracts (Regulation) Amendment Bill, 2006

- The Standing Committee on Food, Consumer Affairs and Public Distribution (2006-07) submitted its Report on ‘The Forward Contracts (Regulation) Amendment Bill, 2006’ on December 19th, 2006. The Chairperson of the Committee was Shri. Devendra Prasad Yadav.
- The Committee believes that the introduction of new contracts such as options and derivatives will not help small and marginal farmers, which make up 80% of the workforce. The Committee would like the central government to balance the interests of both the producer and the end consumer.
- The Committee recommends that agricultural commodities, especially foodgrains not be permitted to trade in the commodity markets (including forward/future contract derivatives and options). Non-agricultural commodities should be traded on such markets.
- The Committee urges a massive awareness campaign regarding benefits which can be gained from commodity markets. It also encourages the undertaking of quality, control and grading of agricultural produce.
- The Committee recommends placing both spot and futures markets under one regulatory framework. It also recommends that spot trading and future markets be placed on the Union or Concurrent List so as to have better coordination between the two.
- The Committee recommends an abolishment of a minimum limit of a size of a transaction so as not to limit direct participation by small producers.
- The Committee recommends that the new Bill keeps the provision of the principal Act that outlines the terms of office of members of the Commission. It also recommends that the Chairman be a technical and financial expert, and that a Selection Committee be constituted to recommend names.
- The Committee also adds grounds for removal from office, and time limits on replacement.
- To avoid confusion with the Warehousing (Development and Regulation) Bill, the committee recommends removing all references to warehouses in this Bill.
- The Committee also suggests that the Forward Markets Commission prepare annual reports every year to be laid before each House of Parliament.
- The Committee recommends that foreign participants and intermediaries be banned from participating in commodity markets.
- The Committee believes that, given the amount of transactions on the commodity markets, there is no need to grant any tax concessions to the commission
- The Committee also thinks that the commission should not have to seek previous approval from the central government to finalise regulations.

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