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A Study On Farmers Awareness About Commodity Market

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Abstract: Commodity Market plays a vital role in an agrarian-economy more so in a country like India wherein 75% of population depends on agriculture. In a today's dynamic financial market, the economic well-being of farmers depends on trading in commodity market and using commodity market as base for trading in spot market. This is possible only when the farmers are having knowledge about commodity market but also about trading strategies. Lot of research has been in the area but no research inputs are available regarding farmers' awareness and knowledge about commodity market and about trading strategies in Belagavi District. This has motivated the Researcher to take up the present study. The present study aims to **assess the level of awareness among farmers regarding Commodity Market and to examine the role of government and non-government agencies in creating awareness about commodity market.** The study revealed that farmers lack of awareness and understanding of Commodity Markets, Commodity Future Contracts, and the risks and benefits associated with them. To bridge the knowledge gap, educational and promotional efforts are crucial. These initiatives would empower farmers to take informed investment decisions, ultimately contributing to the growth and participation in the commodity markets.

KEYWORDS: Commodity Market, Commodity Future Contract, Contract Size, Risk

I. Introduction

Commodity Market is market wherein primary products are bought and sold such agriculture produces, metals, energy products, etc. Like any other investment avenues commodities can also be a good investment avenue. However, like any other investment avenue investment in commodities also exposed to risk. Therefore, it is necessary to know basic knowledge of commodity market. In India, agriculture plays a crucial role in the economic development of the country and large chunk of population depends on agriculture. The commodity market, particularly the Commodities Futures Market, offers a platform for agriculturist to hedge against price risks and lock better prices for their produce. Despite this, large chunk of farmers are unaware about the investment opportunities available in the commodity market and trading mechanisms and strategies. This gap in knowledge not only limits the farmers' income potential but also exposes them to significant market risks. In the backdrop of this the present study has been undertaken.

II. OBJECTIVES OF THE STUDY

1) To investigate awareness about Commodity Market among Farmers.
2) To examine the interest level of farmers towards investment in Commodity Future Contract.
3) To draw Conclusions and offer Suggestions.

III. LITERATURE REVIEW

Amare Tesfaw (2014) has conducted a study entitled “Determinants of Agricultural Commodity Market Supply”. The objective of study is to examine factors influencing pepper supply in agricultural commodities markets and domestic market participation. They recommended for policy measure for managing price volatility in pepper trade, and implementation of national commodities standards. Daniele Giovannucci, Panos Varangis, and Don Larson (1970-1977) have conducted a study on "Warehouse Receipts to Improve Market Efficiency and Credit Provision." According to them the warehouse receipt system enhances the market liquidity, ownership transfers, and farmers' access to finance, leading to stable commodity prices. They made an observation that limited infrastructure, lack of understanding, and regulatory concerns are hindering the growth of Warehouse system. The key recommendations made by researchers include implementation of uniform protocols, legal reorganization of receipt system, and conduct of training programmes and launching of awareness campaigns. Dennis B. Sharpe (1970-1977) has conducted a study entitled “Measuring the Effectiveness of Commodity Market Development”. The main objective of study is to understand price discovery and market efficiency in commodities markets. According to them commodity market has improved market stability and efficiency, benefiting both producers and consumers. H.K. Chawla, A. Padmanabhan, and H Dhanuka's (2019) have made an attempt to study on “Indian Agricultural Commodity Market”, The key objective of the study is to assess India's agricultural commodity market performance. Jayati Ghosh (2010) has conducted a study entitled “Commodity Market Speculation and The Food Crisis”. The objective of the study is to examine impact of Commodity Market Speculation on Food Crisis. K. J. Raghavendra has made an attempt to study “Awareness and Determinants of Farmers Participation in e-Marketing of Agricultural Commodities in India”, The key objective of the study is to examine farmers’ knowledge and engagement with e-marketing platforms like E-NAM and REMS in Karnataka and Andhra Pradesh. Findings reveal that there was varying levels of awareness across states, with participation influenced by farm size and access to extension services. The study also identifies regional disparities in satisfaction levels and payment methods in e-marketing activities. Lamberti William (2022) has conducted a study entitled "Smallholder Maize Farmers' Involvement in the Ghana Commodity Exchange (GCX)." The key objective of the study is to identify factors influencing farmers' participation in Ghana Commodity Exchange. The study revealed that 44% of farmers trade 72% of their produce on Ghana Commodity Exchange. Michael Andrle and Patrick Blagrave (2014) they have conducted study on "Integrated Futures and Spot Market: Need of the Hour for Indian Agriculture. The major objective of research is to ascertain the effect of futures contract on spot markets. They found that the awareness about commodity trading is increasing among farmers. Nalin Rai's (2023) has conducted study on "Role of National Commodity and Derivatives Exchange Limited in Creating New Marketing Avenues for Small and Marginal Farmers (SMFs) and Farmer Producer Organizations (FPOs)". According to him the awareness about National Commodity and Derivatives Exchange Limited is raising among farmers. Nilanjana Kumari (2014) has conducted a study entitled "Recent Trends in Commodity Markets of India," The main objective of study is to understand current patterns and developments in Commodity Markets. Rajesh Panda (2014) focused on application of “Econometric Modelling to estimate soybean prices in the Indian commodity market”. They concluded that Econometric Modelling can be used as soybean price predictors. S. Birthal and P. K. Joshi (2007) have conducted a study on "Smallholder Farmers' Access to Markets for High-Value Agricultural Commodities in India." The main objective of the study is to examine the challenges and opportunities available for farmers. V. Venkatragavan and P. Sivasakkaravarthi (2022) have conducted study on "Farmers' Perception on Agricultural Commodity Derivatives in India." They found that there was a moderate awareness about Agricultural Commodity Derivatives but complexity hinders widespread use.

IV. RESEARCH METHODOLOGY

The study used a quantitative approach for assessing the level of awareness among farmers. The sample size was determined using a method that ensures different groups of farmers, like small, medium, and large-scale farmers, are fairly represented. A total of 100 farmers were surveyed from various regions that reflect the larger farming community. The primary data for this study is collected through a structured questionnaire, which is designed to gather information on different aspects of farmers' awareness of the commodity market. The questionnaire includes both close-ended and open-ended questions to capture quantitative data and any qualitative insights. The face-to-face interviews were conducted in order to ensure that respondents fully understand the questions and provide them an opportunity to clarify any doubts they might have. This method is particularly effective in rural areas where literacy levels may vary, and personal interaction can enhance the quality of the responses.

V. DATA ANALYSIS

TABLE- 1
AWARENESS ABOUT EXISTENCE OF COMMODITY MARKET

Response	No. of Response	Percentage (%)
Yes	23	23
No	77	77
Total	100	100

Source: Field Work

It is evident from the table -1 that out of 100 respondents; only 3% are aware of the existence commodity markets, while 97% do not aware of existence commodity market.

Table-2
Awareness about Commodity Exchange

Response	No. of Response	Percentage (%)
Yes	23	23
No	77	77
Total	100	100

Source: Field Work

It can enumerated from table-4.3 that majority of famers were unaware about the existence of Commodity Exchanges in India (Table-2). This clearly indicates that the government failed to achieve the objective with which the Commodity Exchange was setup in India.

Table-3
Awareness about Commodity Future Contract

Response	No. of Response	Percentage (%)
Yes	0	0
No	100	100
Total	100	100

Source: Field Work

None of the farmers were aware of the Commodity Future Contract traded in Commodity Exchange in India (Table-3). This clearly indicates that the government failed to achieve the objective with which the Commodity Exchanges were setup in India.

Table-4
Awareness of Contract Size of Commodity Future Contract

Response	No. of Response	Percentage (%)
Yes	0	0
No	100	100
Total	100	100

Source: Field Work

None of the farmers were aware of the Contract Size of Commodity Future Contract traded in Commodity Exchange in India (Table-4).

Table-.5
Awareness about Benefits of Commodity Future Contract

Response	No. of Response	Percentage (%)
Yes	0	0
No	100	100
Total	100	100

Source: Field Work

It is evident from the table-5 that none of the farmers were aware benefits of Commodity Future Contract. So, the government failed to achieve the objective with which the Commodity Exchange was setup in India.

Table-6
Awareness about Risk Involved in Trading Commodity Future Market

Response	No. of Response	Percentage (%)
Yes	0	0
No	100	100
Total	100	100

Source: Field Work

The table-4.6 depicts that the farmers were unaware about Risk Involved in Trading Commodity Future Market.

Table-7
Interest among Respondent about Invest in Commodity Future Contract

Response	No. of Response	Percentage (%)
Yes	26	26
No	100	100
Total	100	100

Source: Field Work

When the awareness about commodity Market and Commodity Future Contract was created among the farmers, they expressed their willingness to invest in Commodity Future Contract (Table-7).

Table-8
Training Requirement for Trading in Commodity Future Contract

Response	No. of Response	Percentage (%)
Yes	40	40
No	60	60
Total	100	100

Source: Field Work

Farmers have understood the benefits of Commodity Future Contract hence they have suggested for organising training programme about Commodity Future Contract (Table-8).

None of the farmers were aware of the existence of Broking Firm which are helping investor to trade in Commodity Future Contract (Table-.9).

Table-4.9
Awareness about Brokers Involved in Commodity Future Contract

Response	No. of Response	Percentage (%)
Yes	00	00
No	60	60
Total	100	100

Source: Field Work

VI. FINDINGS

1) There was a significant lack of awareness about existence of commodity markets in India among the Farmers.

2) Majority of farmers were unaware about the existence of Commodity Exchanges in India.

3) None of the farmers know about the Commodity Future Contract traded in Commodity Exchange in India.

4) All respondents are unaware of the contract sizes for commodity future contracts.

5) None of the farmers know about the benefits of Commodity Future Contract.

6) All respondents are unaware of the risk Involved in Trading Commodity Future Market.

7) Small portion of farmers have expressed their willingness to invest in Commodity Future Contract

8) 40 percent of Farmers have suggested for 386rganizing training programme about Commodity Future Contract (Table-4.8).

9) None of the farmers know about the existence of Broker Firm which are helping investor to trade in commodity future contract (Table-4.9).

VII. SUGGESTIONS AND CONCLUSION

SUGGESION

1) The need of the hour is to organise awareness programme to educate and create awareness about Commodity Future Market, Commodity Future Contracts, etc. APMC (Agriculture Produce Marketing Cooperative) shall organise such Programmes in collaboration with Business Management Educational Institutions and Brokers.
2) The customized training programme shall be organised to train famers about trading mechanism and strategies of commodity future contracts.
3) To increase interest in commodity futures, promotional campaigns could be taken up highlighting the potential benefits and provide examples of successful investment in commodity future contract
4) Broker awareness campaigns shall also be organised as knowledge of brokers is minimal, it would be beneficial to conduct awareness campaigns about the role of brokers in Commodity Futures Trading.

CONCLUSION

The study on the Farmers Awareness about Commodity Market reveals a significant lack of awareness and understanding of commodity markets, future contracts, and the risks and benefits associated with them. Despite this, there is a notable interest in investing, particularly among those who acknowledge the need for further training. To bridge the knowledge gap, educational and promotional efforts are crucial. These initiatives would empower potential investors and farmers to make informed decisions, ultimately contributing to the growth and participation in the commodity markets.

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