

Integration between the spot and future market prices of mustard seed, mustard oil and its oilcake in India

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ABSTRACT

The correlation analysis was carried out for spot prices of mustard and its products with future market prices in the various markets. The results indicated a positive and highly significant relationship with futures prices of NCDEX mustard seed in Alwar market (0.924), in Jaipur market (0.934) and in Sriganaganagar market (0.938). Direction of movement of spot prices of mustard oil with future prices of mustard oil indicated highly significant association between spot prices of mustard oil and NCDEX mustard oil (0.942). The results of the analysis indicated a positive and highly significant relationship with futures prices of NCDEX mustard oilcake (0.978). It was observed that mustard has become a highly priced sensitive crop due to high fluctuation in demand and supply. The study reveals strong integration between spot and futures markets. The futures prices in the NCDEX usually are influenced by the prices in the international prices and also the prices in the domestic market, as it trades nearly 90 per cent of the total produce in the Indian mustard segment and naturally influences price in the mustard trade. Hence, there is closed association of mustard oil spot prices and NCDEX mustard oil.

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Key words : Intergration, Mustard, Market price

Edible oils are next to food grains in Indian diet. The most important source of supply of edible oils is the seeds known as edible oilseeds. In all, there are mainly nine oilseeds namely groundnut, mustard, sesamum, linseed, castor seed, niger seed, safflower, soybean and sunflower. Edible oils are rich in carbohydrates, minerals, calcium, phosphorus, magnesium and iron which are essential nutrients for our body. Apart from these oilseed cakes being rich in protein are extensively used as cattle feed. Beside, a substantial workforce is employed in various other intermediate sectors like processing, marketing, transport etc.

Although the area under oilseeds increased considerably, the progress is still far below the desired level. This is mainly because of oilseeds (particularly mustard) are cultivated mostly in unirrigated, semi-arid areas and hence remain vulnerable to vagaries of nature. Secondly, they are cultivated mainly by small and marginal

farmers who are still not well adapted to new farm technologies. And thirdly, the progress in respect of oilseeds has not been substantial mainly because food grains are given first priority in research and development. In the second phase of the agricultural development programme, top priority is being given to produce high-yielding varieties of oilseeds which could grow well under rainfed conditions (Kumawat and Kumar, 2006).

In the present era, which is witnessing increased dealings in knowledge of the agricultural produce on commodity exchanges, the role of national commodity exchanges assumes importance (Nasurudeen and Subramanian, 1995). Further, a study of relative importance of a range of agricultural commodities in futures trading and the volume of their trade will throw light on a likely pattern of futures trading in the country in the days to come. In addition, it would also be informative to investigate the type of relationship between spot and futures trading in facing competition. This study also helps the policy makers to ascertain the future requirements.

METHODOLOGY

Nature and sources of data:

Three major markets of mustard seed and one market of mustard oil in Rajasthan state were selected.

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