

FARMERS' AWARENESS AND ATTITUDE TOWARDS COMMODITY FUTURES TRADE IN KERALA- A CASE OF PEPPER AND CARDAMOM

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Abstract

Farmers' awareness and attitude towards commodity futures markets of Pepper and Cardamom are explored as the importance of farmers' participation and barriers to participation in the commodity futures markets are much discussed and debated in the context of Kerala. Agriculture sector in Kerala has gone through several stages of progress, decline, innovation and sustainability. Unfortunately, the farmers are the last section to get the benefits of innovations. The article unfolds that among the members of value chain, the farmers possess least sense of awareness and attitude towards futures trade. Factors like education, income, experiences in farming, age, the size of land holdings and the size of yield influence farmers' awareness and participation in futures trade. The farmers cultivating cardamom have more awareness and the positive attitude towards futures trade than the farmers cultivating pepper. The farmers having 'large' size of land holdings have higher level of awareness and better positive attitude towards futures trade than farmers having 'medium' and 'small' size of land holdings under the cultivation of pepper and cardamom.

Keywords : Futures Trade, Awareness and attitude towards Futures Trade, Size of Landholdings, Size of Yield and Participation in Futures Trade.

Introduction

The concept of organized trading in commodities evolved in the middle of the 19th century (Bansal *et al.*, 2014). A forward contract is a simple derivative. It is an agreement to buy or sell an asset at a certain future period of time for a fixed price. The spot contract is an agreement to buy and sell an asset almost immediately. A forward contract is traded in the 'over-the-counter' market. Usually the trade is done between two financial institutions or between a financial institution and one of its clients. One of the parties in the forward contracts assumes a long position and agrees to buy the underlying asset on a certain specified future date for a certain specified price. The other party assumes a short position and agrees to sell the asset on the same date for the same price (Hull and Basu, 2016). Futures contracts are the derived form of the forward contracts. Spices are traded in spot markets as well as in futures markets in India. In the spot market, the commodities are traded for ready cash and made instant delivery whereas in futures market, the futures contracts are traded. The contracts are normally traded on an exchange. The futures market is a centralized market for buyers and sellers from around the world to meet and enter into commodity futures contracts. The pricing is based on an open cry system or bids and offers which can be matched electronically. The commodity futures contract will state the date of delivery and the price to be paid. The futures contract is a type of derivatives, as the name