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LINKAGES AMONGST INDIAN AGRICULTURAL COMMODITY FUTURES CONTRACTS

Raushan Kumar¹

¹Department of Economics, Delhi School of Economics, University of Delhi, Delhi 110007, India

ABSTRACT

This study examines the interdependence of futures prices of various crops traded on the national commodity exchanges. A finding of significant linkages between the agricultural commodities, would imply the existence of cross speculation and cross hedging opportunities, and would justify the introduction of futures contracts for new crops. Employing daily price data for nine crops for the period 2009-2014, we find that (some) agricultural commodity futures prices have a long term (cointegrating) relationship, but apparently no short term causal relationship. Our results have significant policy implications for stock brokers, traders, mill owners and speculators. The futures prices of agricultural commodities are interdependent. Therefore, the stock brokers, and speculators should rely on the co- movement of agricultural commodity prices.

KEYWORDS: Futures markets, spot markets, agricultural commodities

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