

KEDIA ADVISORY

Soyabean Futures in India

An Unbiased Examination of Market Impact and Policy Decisions





IS SUSPENDING EDIBLE OIL COMPLEX FUTURES JUSTIFIED?

A Balanced Perspective on the Decision





About Us

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Mr. Ajay Kedia
Director, Kedia Capital

Mr. Ajay Kedia, Founder and Director of Kedia Capital Services Pvt. Ltd., is a renowned expert in the Indian Commodity Markets, with over 22 years of rich experience. A commerce graduate from Mumbai University, Mr. Kedia has earned recognition for his dynamic leadership and deep insights in both technical and fundamental market analysis. He has built a robust research team that offers personalized, research-based advisory services. A recipient of the Zee Business's Market Excellence Award, presented by Shri Piyush Goyal, Mr. Kedia is also a frequent contributor to leading business channels like Zee Business and CNBC Awaaz. His views are widely quoted in major publications, and he is a respected speaker at various industry events, providing valuable insights on market trends.

National Media



OTT Media



Print Media



This Presentation is for Educational Purposes Only

Spot Vs Futures







Spot vs Futures

Aspects	Spot	Future
Transaction	Immediate delivery	Future delivery as per contract.
Price	Based on current market price	Based on future price expectations.
Leverage	No leverage.	Leverage through margin.
Risk	Higher risk: Immediate price fluctuations	Lower risk: Price hedging and future planning
Market Type	Physical/OTC markets	Regulated futures exchanges
Hedging	No Option	Use for hedging
Liquidity	Lower liquidity.	Higher liquidity.
Contract Size	No Standardization (based on actual sale).	Standardized by exchange



Why did Futures Start in India?

Market	Location	Quantity	Quality	Transferability
	Local, physical markets for immediate trading and delivery	Varies based on individual transactions and agreements	Quality varies; decided during physical delivery	Spot transactions are not easily transferred
	Centralized trading on regulated exchanges	Standardized contract sizes, ensuring consistency	Predefined quality standards for contracts.	Futures contracts can be easily transferred and traded multiple times



Why Future market required?

To Hedge Price Risk: Futures allow participants to hedge against price volatility and protect against unfavourable price movements, especially in commodities.

Case A - Not Hedge				Case B - Hedge			
October	Bought	Spot	4700	October	Bought	Spot	4700
					Sold	Future	-4800
November	Sold	Spot	4600	November	Sold	Spot	-4600
					Covered	Future	4700
			Result Loss of Rs.				Result No impact on P/L
			-100				0
<ul style="list-style-type: none"> • Have to face Price Competition in Market • Either Book Losses or Compromise in Profits 				<ul style="list-style-type: none"> • No Price Competition / Cost Hardly 1% • No impact on Profits & Losses 			

Edible Oil Complex Futures in India

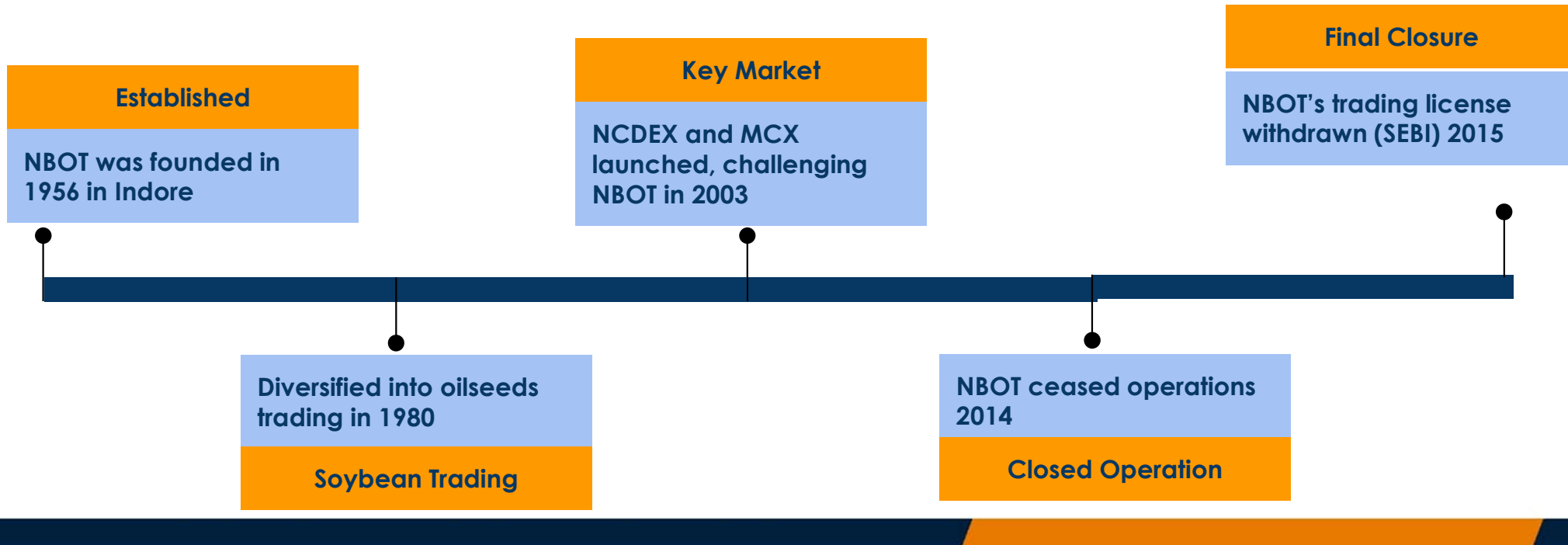
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Before NCDEX, Soybean was traded on NBOT.

Soybean Trading on NCDEX

Start Date: Soybean futures trading on NCDEX commenced in 2003.

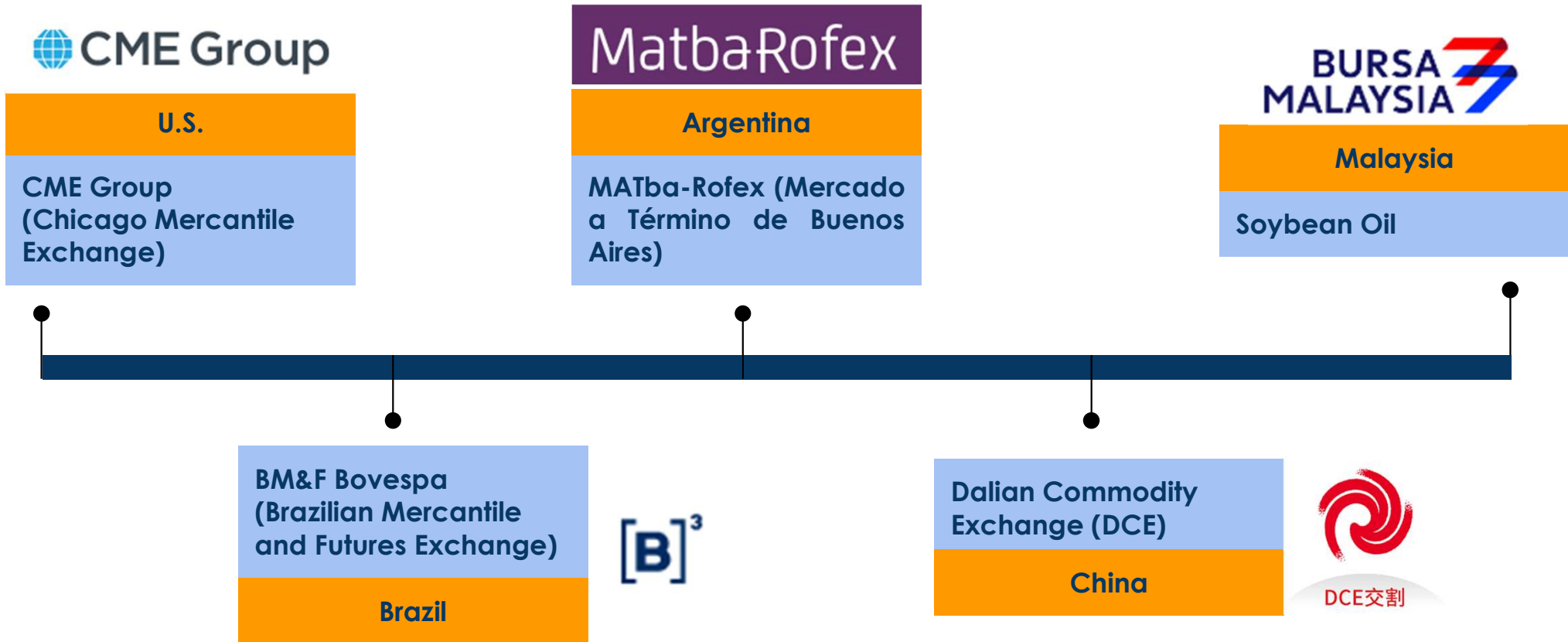
End Date (Temporary Ban): Soybean futures trading was suspended by the Government of India in 2021 to control inflation.





Global Exchanges

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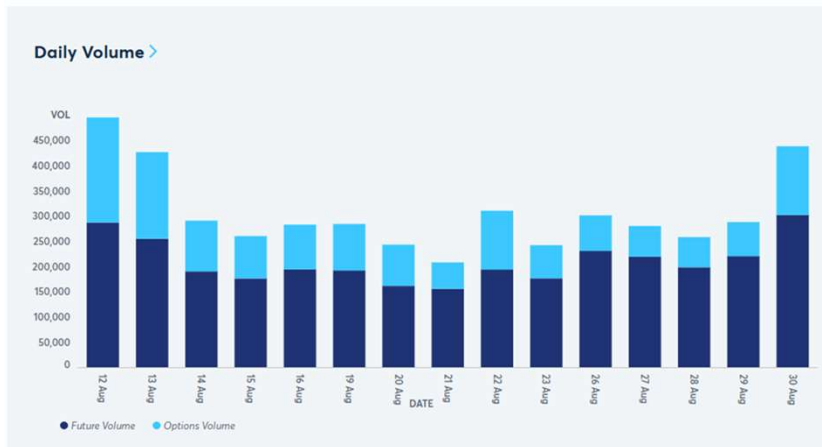




Global Exchanges

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CBOT Volume and OI



BURSA Malaysia Derivatives Exchange (BMD), the world's leading exchange for crude palm oil futures, launches a soyoil futures contract on Mar 18 to facilitate arbitrage between soyoil and palm oil contracts.



Home > Products > No.1 Soybean



MATba-Rofex - Argentina

Brazil - Soybean

MatbaRofex

PRODUCTS ▾ AGENTS ▾ DATA ▾ RULES ▾ TECHNOLOGY ▾ US ▾

Corn, Soybeans and Wheat futures and options:

	Mes de Entrega	Precio de Ajuste al 04/10			Volumen Semanal		IA al Cierre	
		Ajuste	Var.Sem.US\$	Var.Sem.%	Toneladas	Var.Sem.%	Toneladas	Var.Sem.%
FUTUROS DE MAÍZ								
MAÍZ CHICAGO	04/2025	179.5	2.50	1.4%	590	4%	27.815	2%
MAÍZ CHICAGO	06/2025	180.0	2.50	1.4%	1.000		2.810	55%
MAÍZ CHICAGO	11/2024	169.7	4.60	2.8%	3.475	452%	79.975	1%
MAÍZ MINI	04/2025	185.5	4.70	2.6%	230	-58%	1.520	3%
MAÍZ MINI	07/2025	181.1	6.10	3.5%	110	267%	200	43%
MAÍZ MINI	12/2024	190.0	5.00	2.7%	340	-32%	1.530	-2%
MAÍZ ROS	04/2025	185.5	4.70	2.6%	93.000	-45%	621.000	5%
MAÍZ ROS	07/2025	181.1	6.10	3.5%	127.800	-10%	317.400	10%
MAÍZ ROS	12/2024	190.0	5.00	2.7%	244.500	41%	784.500	-5%
OPCIONES MAÍZ					19.300	50%	246.550	2%
TOTAL FUTUROS Y OPCIONES DE MAÍZ					490.345	-3%	2.083.300	1%
FUTUROS DE SOJA								
SOJA CHICAGO	04/2025	400.2	-7.80	-1.9%	11.435	-29%	61.150	9%
SOJA CHICAGO	06/2025	403.0	-8.10	-2.0%	2.385	377%	3.690	-23%
SOJA CHICAGO	10/2024	382.8	-8.50	-2.2%	3.465	-83%	37.165	1%
SOJA MINI	05/2025	298.2	0.70	0.2%	2.460	102%	2.560	-8%
SOJA MINI	07/2025	302.9	1.60	0.5%	40	300%	170	0%
SOJA MINI	11/2024	321.2	3.00	0.9%	2.300	-76%	81.630	-1%
SOJA ROS	01/2025	319.5	2.50	0.8%	65.300	473%	55.900	280%
SOJA ROS	05/2025	298.2	0.70	0.2%	372.900	14%	1.005.200	11%
SOJA ROS	07/2025	302.9	1.60	0.5%	47.600	-13%	94.600	27%
SOJA ROS	11/2024	321.2	3.00	0.9%	338.900	4%	622.000	-3%
OPCIONES SOJA					134.900	5%	823.145	1%
TOTAL FUTUROS Y OPCIONES DE SOJA					981.685	10%	2.787.210	6%

[B] Products and Services Market data and indices Solutions Regulation B3

AREA DO INVEST

Soybean

Future Options Structured Operations

FOB Santos (Platts) Soybean Futures

FOB Santos (Platts) Soybean Futures

The product


Specifications

Underlying	Bulk soybeans, FOB Santos, 60,000 metric tons.
Ticker	SOY
Contract size	34 metric tons (t).
Quotation	United States Dollars per metric ton (USD/mt), two decimal places.
Tick size	USD 0.20 per metric ton (USD 6.80 per contract).
Round-lot	1 contract
Last trading day	The business day prior to the expiration date.
Expiration date	The sixteenth day of the month prior to the contract month. If there is no trading session on that day, the expiration date is the day of the next trading session.
Contract months	All months.
Settlement on expiration	Cash
Contract	Cash-settled FOB Santos (Platts) Soybean Futures

Know more

- Settlement prices
- Monthly bulletin
- Open position limits
- Risk management
- Open interest
- Search by trading session
- Trading calendar
- Authorized series
- Fees
- Regulations
- Market maker

Would you like to trade this product?



Why Banned in India ?





Trade banned in India?

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Reasons Sighted for the Ban

Price Volatility

Futures trading led to excessive price swings, destabilizing markets and harming producers and consumers.

Excess Speculation

Heavy speculation inflated prices beyond real demand, negatively impacting businesses and farmers.

Inflation

Speculative pushed up commodity prices, contributing to inflation and economic instability.



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

प्रेस विज्ञापित
PRESS RELEASE

संयुक्त प्रभाग, सेबी भवन, बांद्रा कुरी कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051
Communications Division, SEBI Bhavan, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051
दूरभाष / Tel: +91 22-25493000 फ़ोन / email: press@sebi.gov.in वेबसाइट / website: www.sebi.gov.in

PR No.36/2021

SEBI issues directions to stock exchanges in Commodity Derivatives segment

1. SEBI has issued directions to Stock Exchanges having Commodity Derivatives Segment (Paras 2 to 4) in respect of trading in derivative contracts in following commodities:

- 1.1. The Paddy (non-basmati)
- 1.2. Wheat
- 1.3. Chana*
- 1.4. Mustard seeds and its derivatives (its complex)*
- 1.5. Soya bean and its derivatives (its complex)
- 1.6. Crude palm oil
- 1.7. Moong

*The derivative contracts in these commodities have already been suspended, vide SEBI press release dated August 16, 2021 and October 08, 2021, respectively.

2. No new contract shall be launched till further orders.
3. In respect of running contracts, no new position will be allowed to be taken. Only squaring up of position will be allowed.
4. These directions will be implemented with immediate effect.
5. The above-mentioned directions are applicable, for a period of one year.

Mumbai
December 20, 2021

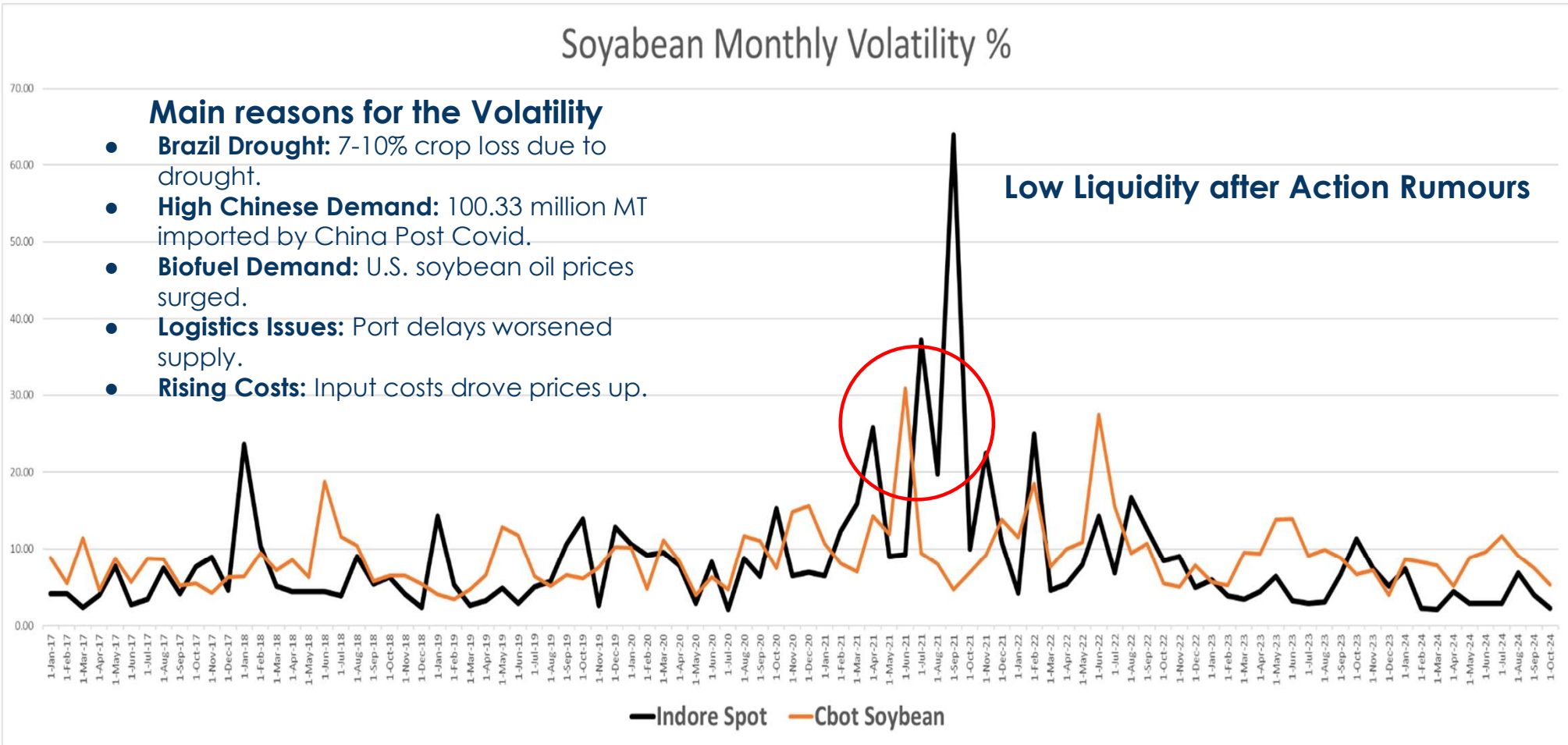
Price Volatility

Soyabean Monthly Volatility %

Main reasons for the Volatility

- **Brazil Drought:** 7-10% crop loss due to drought.
- **High Chinese Demand:** 100.33 million MT imported by China Post Covid.
- **Biofuel Demand:** U.S. soybean oil prices surged.
- **Logistics Issues:** Port delays worsened supply.
- **Rising Costs:** Input costs drove prices up.

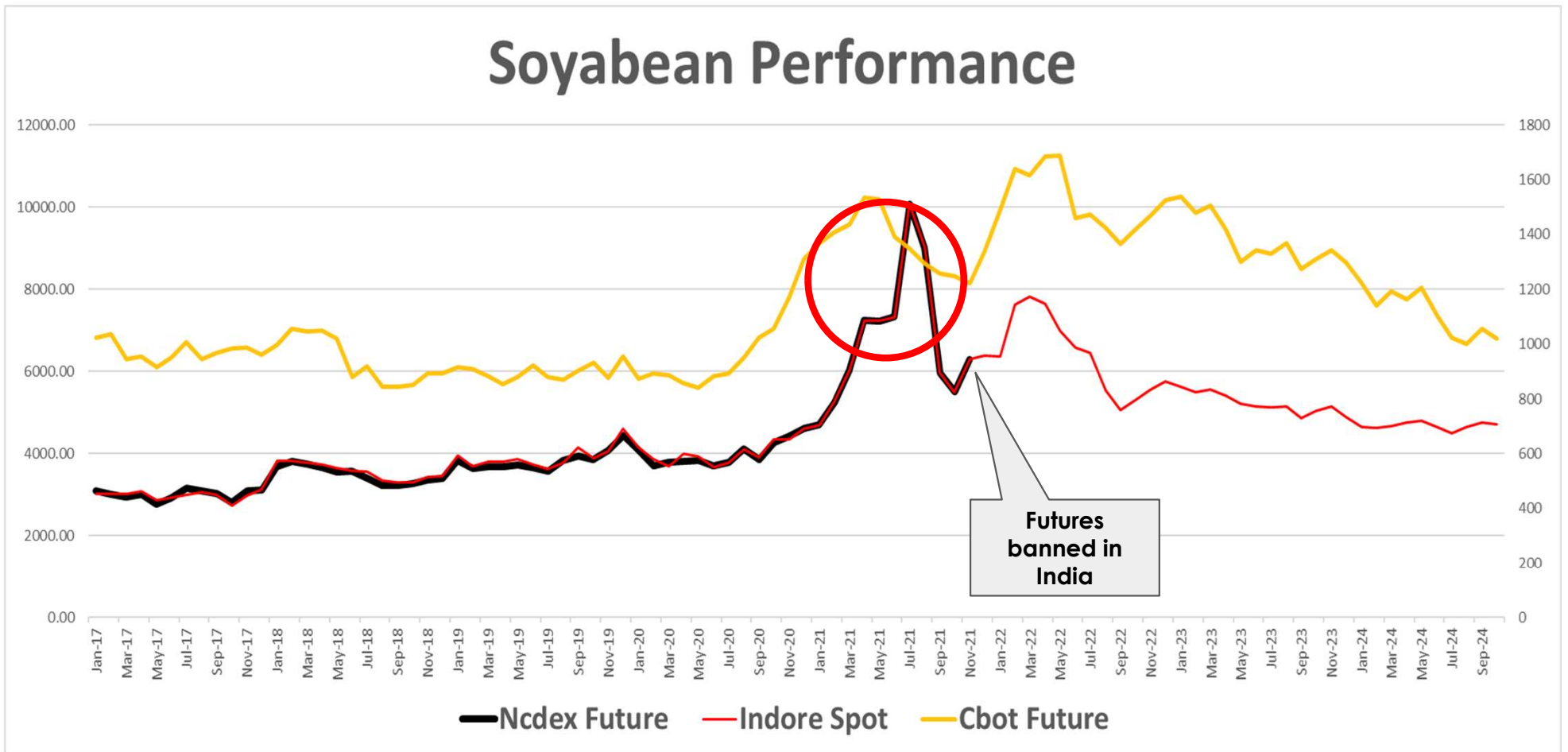
Low Liquidity after Action Rumours





Soyabean Movement

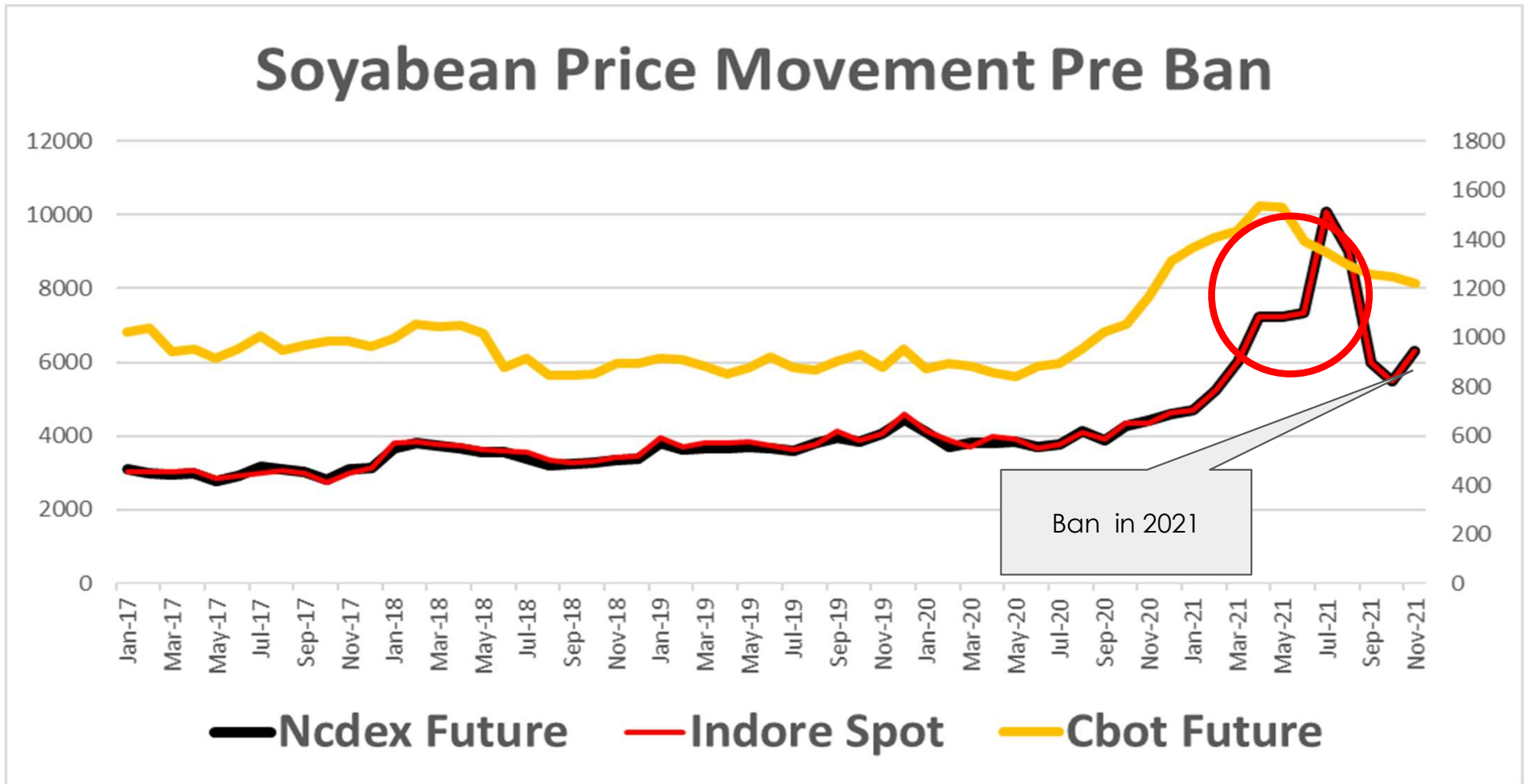
Soyabean Performance





Soyabean Movement Pre Ban

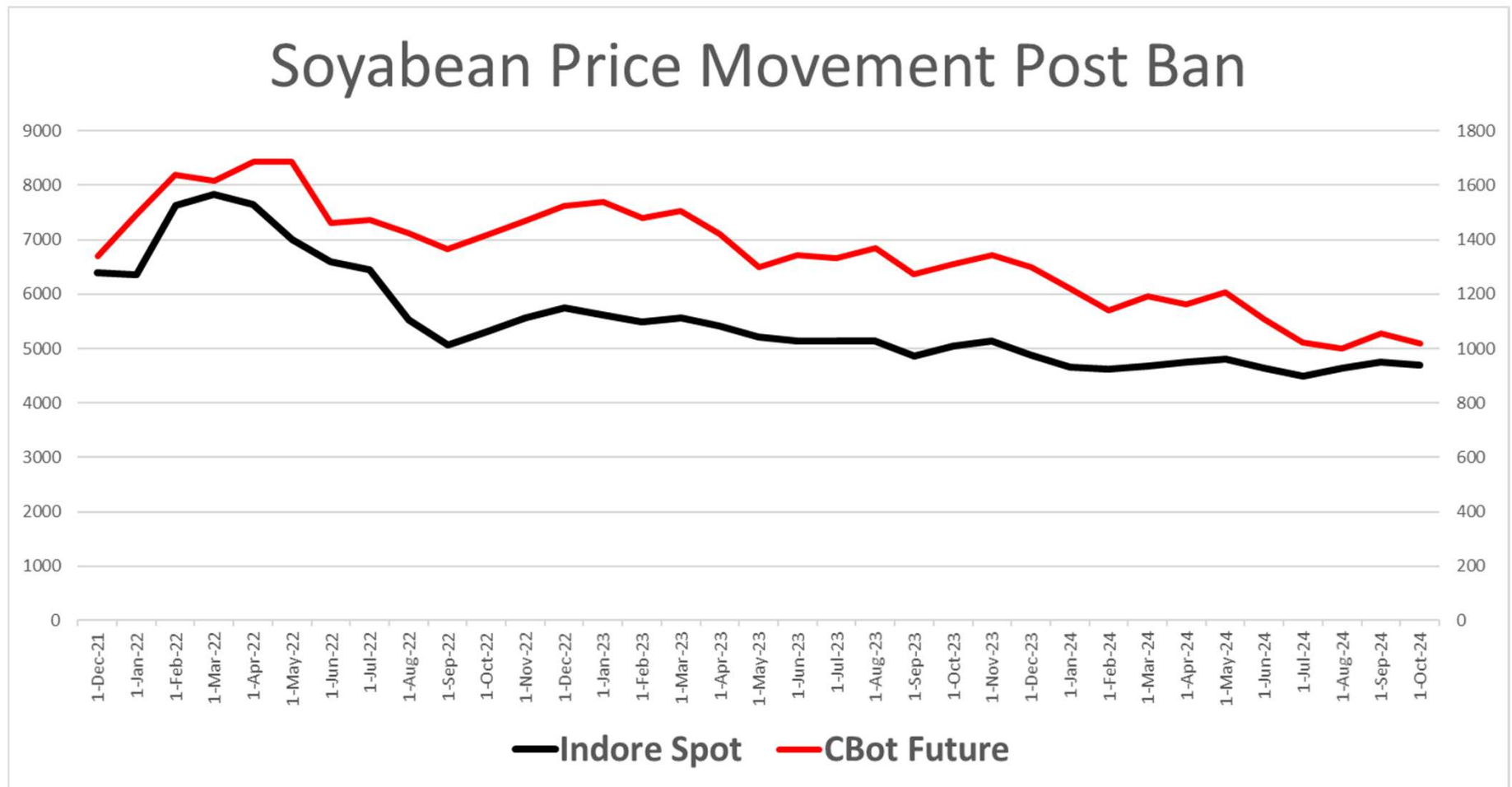
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Soyabean Movement Post Ban

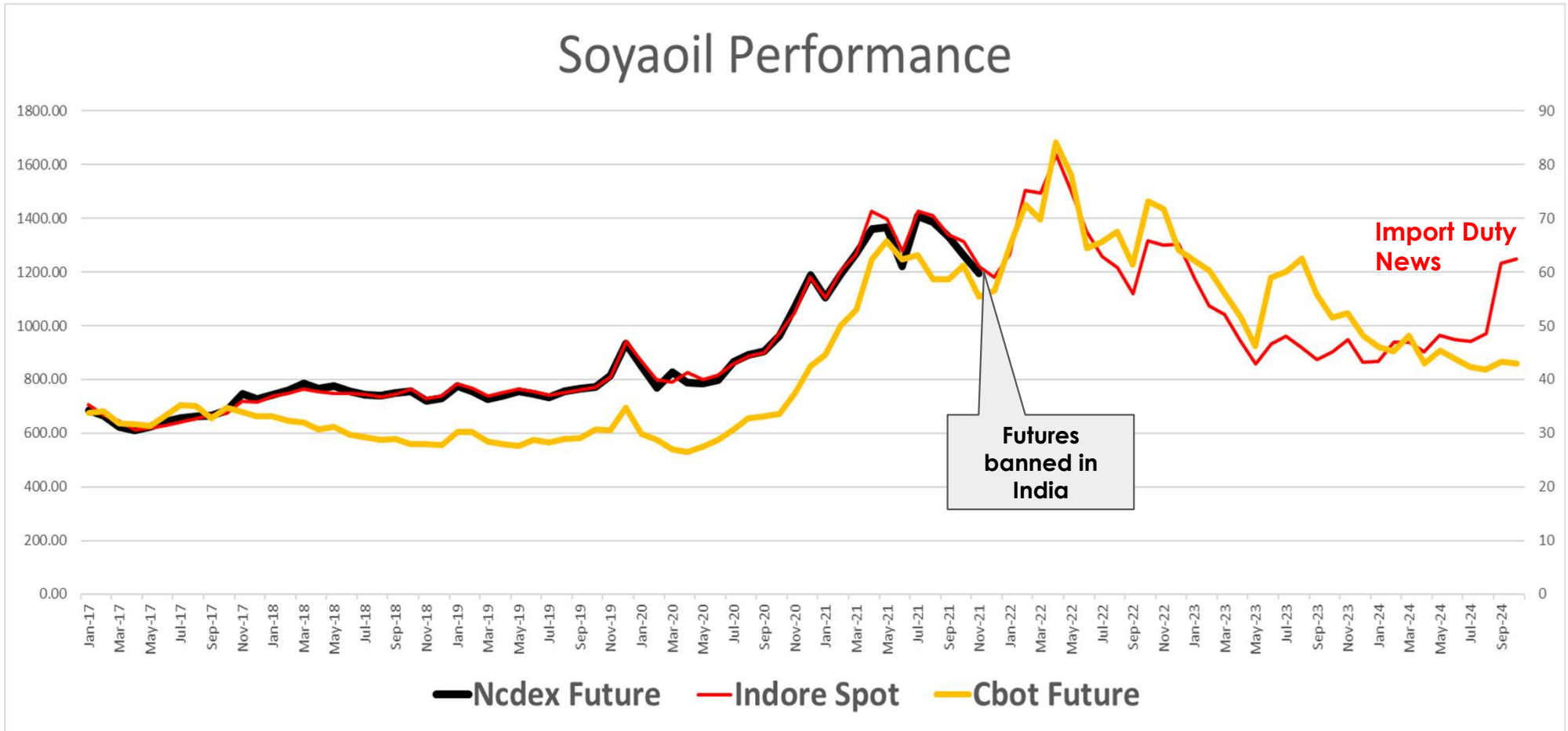
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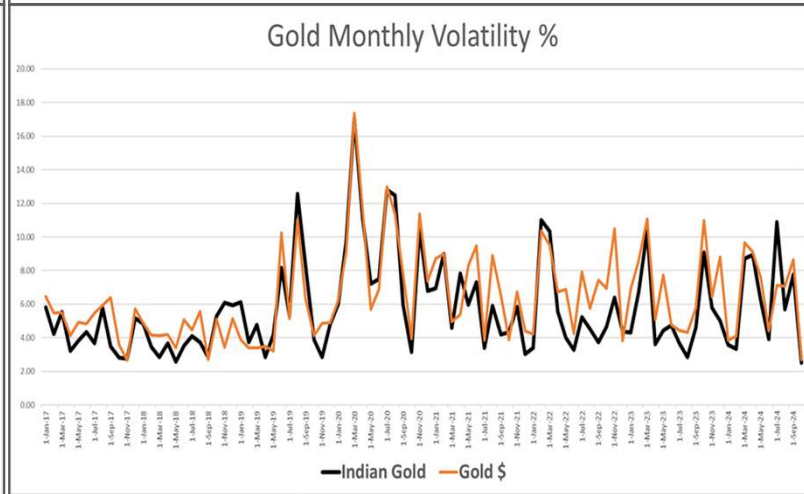
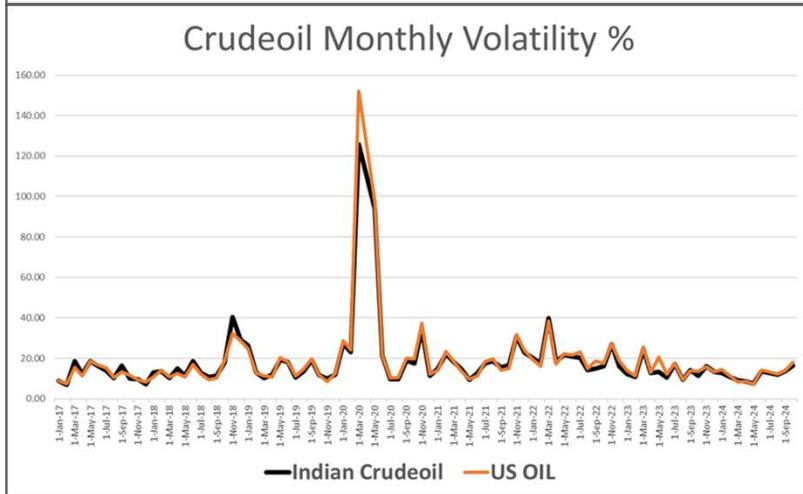
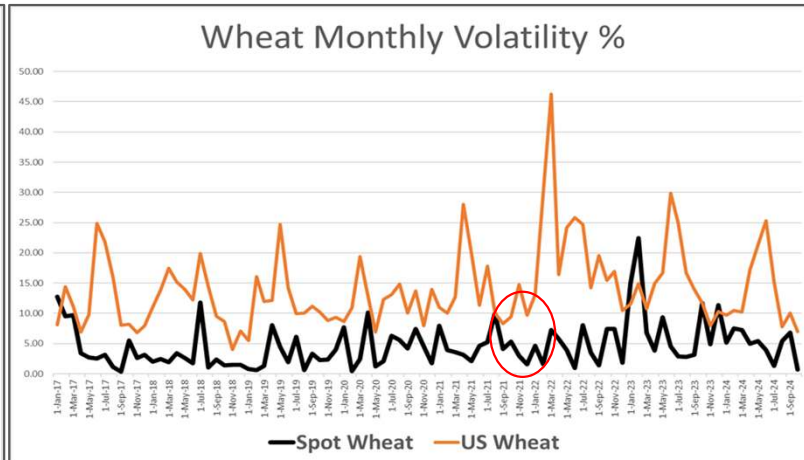
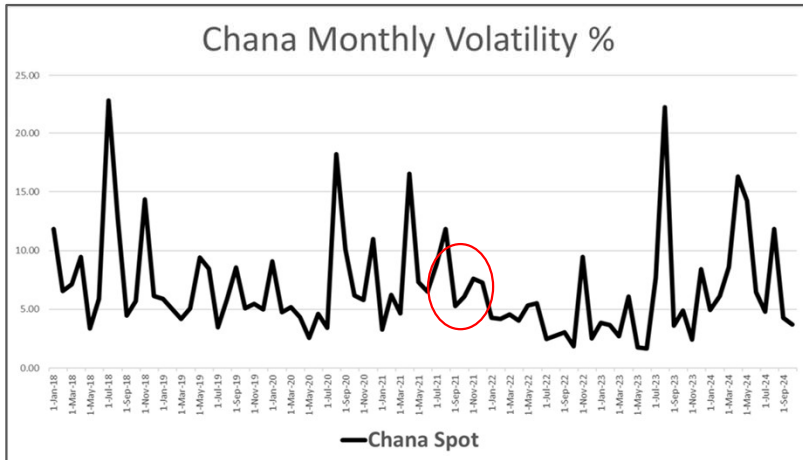
Soyoil Movement

Soyoil Performance





Volatility in Other Commodities





Excessive Speculation

- Speculator is an important VCP that provides liquidity in the market.
- If not, the liquidity would be there in the market.
- International markets are actively engaging with Non-Commercial Participants (speculators).
- The banning of the Futures is not the ideal solution, which can be reflected in the recent example in the equity market.
- In order to curb excessive speculative trade in the equity market, SEBI has introduced the following steps:
 - Triples contract size to 15 lakhs
 - Rise in Margin Limits
 - Minimum Income ITR file
 - Monitoring of Positions

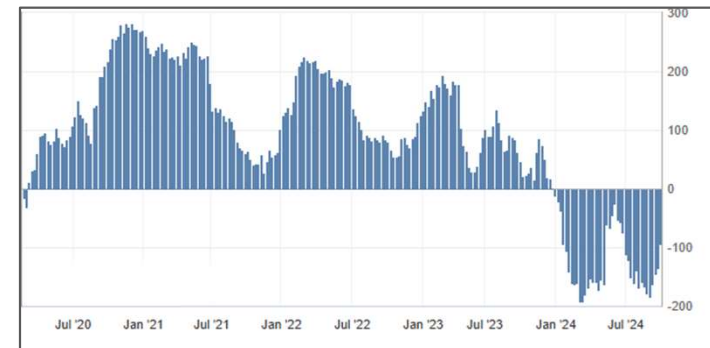
The same measures could have been followed by the Commodity Exchanges instead of banning the trade (Increase of Margin, Reduction of lot size, & others)



SOYBEANS - CHICAGO BOARD OF TRADE
FUTURES ONLY POSITIONS
Code-005602 AS OF: 2024-10-01
[View Historical Data](#)

Non-Commercial			Commercial		Total		Non-Reportable	
Long	Short	Spreads	Long	Short	Long	Short	Long	Short
(CONTRACTS OF 5,000 BUSHEL) Open Interest: 865,375								
129,529	283,226	165,831	523,270	422,422	818,630	791,479	46,745	73,896
Changes (Change in Open Interest: +8,856)								
+10,583	-9,151	-5,518	+660	+15,211	+5,725	+542	+2,331	+7,514
Percent of Open Interest for Each Category of Traders								
15.0%	23.5%	19.2%	60.5%	48.8%	94.6%	91.5%	5.4%	8.5%
Number of Traders in Each Category (Total Traders: 566)								
112	158	156	206	235	422	453		

CFTC Soybeans speculative net positions

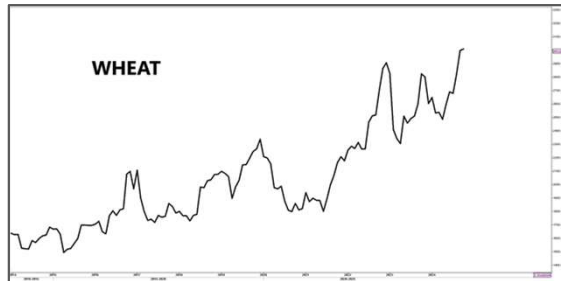
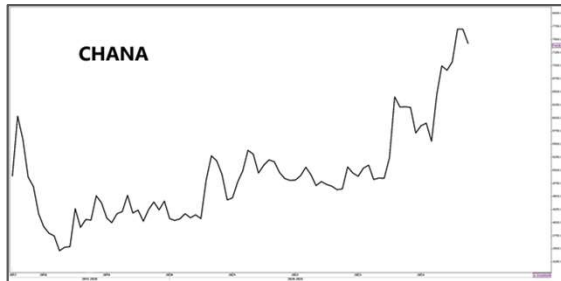


» Inflation

Inflation and Price Rise: Inflation escalates as prices increase, affecting the cost of goods and services.

Supply Disruptions: Price rises are often triggered by disruptions in supply, limiting the availability of commodities.

Demand-Supply Imbalance: When demand exceeds supply, increased demand pushes prices higher, further fueling inflation.



Why prices rose

- **Adverse Weather in Brazil:** Drought reduced Brazil's soybean yield, impacting global supply.
- **U.S. Production Challenges:** Extreme weather led to delays in planting, with yields down by 5-7% in some regions.
- **Strong Chinese Demand:** China imported soybeans in 2021, creating strong demand pressure
- **Global Supply Chain Disruptions:** Shipping delays, especially in South America, increased transportation costs by over 50%.
- **Rising Input Costs:** Fertilizer and fuel prices surged, increasing overall soybean production costs.
- **Low Global Inventories:** Global soybean stocks dropped to 47 million metric tons, their lowest level in five years.
- **Biofuel Demand:** U.S. soybean oil prices surged due to increased demand for biofuels.
- **Currency Fluctuations:** A 5% depreciation in the Brazilian real against the U.S. dollar contributed to price volatility.
- **Trade Policy Uncertainty:** Ongoing U.S.-China trade tensions created uncertainty, affecting global price stability.

What Have We **Achieved** by the Ban on Futures?

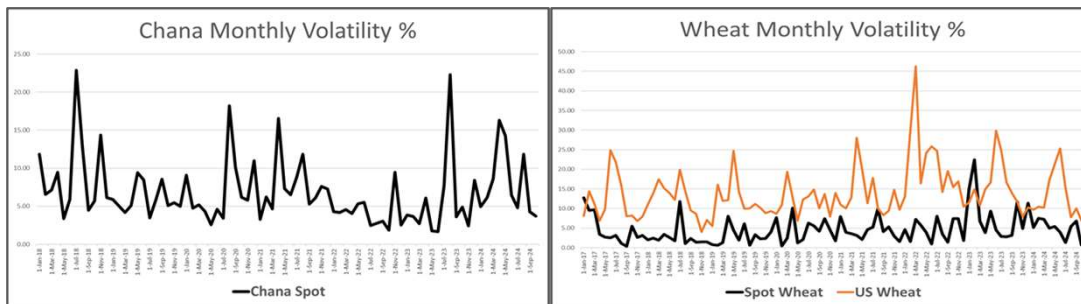


Volatility

- **Ongoing Volatility:** Market volatility persists regardless of price fluctuations, both rising and falling.
- **Fundamental Factors:** Prices are influenced by domestic and international fundamentals that shape the market post-ban.
- **Comparison with Other Commodities:** Volatility can be observed in other commodities like Chana and wheat, highlighting broader market trends.

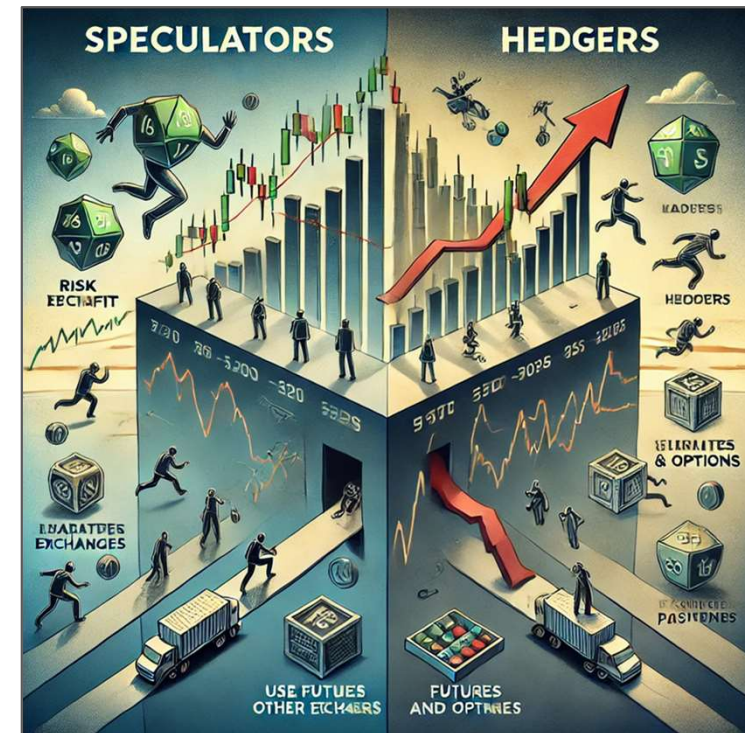


- **Chana prices dipped 8.6% post-ban:** Initial decline in response to policy.
- **Prices rallied over 67% afterward:** Strong upward movement in the market.
- **Lower production reports supported prices:** Supply constraints pushed prices up.
- **Unfavourable weather conditions impacted supply:** Adverse climate reduced output.
- **Strong demand and low global stocks sustained rally:** Fundamental factors drove price growth.



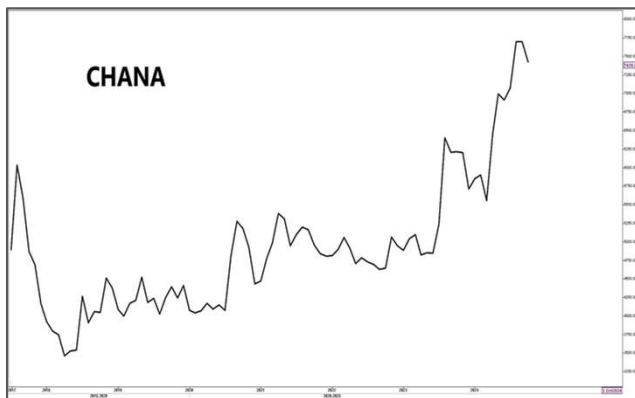
» Speculators

- **Speculator:** Speculators aim to profit by taking risks in the market, facing potential gains or losses.
- **Impact of Ban, on Speculators:** With the ban, speculators moved to equity markets, reducing liquidity in the commodity market.
- **Hedgers' Role:** Hedgers seek to safeguard against price risks, using futures or options to stabilize their positions.
- **Industry Losses:** Without speculators, the market lost liquidity, which compounded the inability of businesses to hedge price risks effectively.
- **Hedging Platform Absence:** The lack of a proper hedging platform left businesses exposed to price volatility, increasing losses and uncertainty in the market.



>> Inflation

- **Inflation Trigger:** Inflation increases as prices rise, directly impacting the commodity.
- **Supply Disruptions:** Price hikes are often caused by supply disruptions,
- **Demand-Supply Imbalance:** When demand exceeds supply, prices surge as increased demand puts upward pressure on costs.





Stakeholders Concerns

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StakeHolder

Impact of Absence of Futures

Farmers

Lack of hedging tools increases uncertainty, exposes them to price risks, and limits their ability to plan and manage production effectively.

Processors (Crushers)

Higher price volatility disrupts cost management, affecting their ability to plan purchases, manage input costs, and ensure stable production operations.

Large Importers

Absence of domestic futures pushed them to hedge internationally, raising costs and negatively impacting the "Make in India" mission by reducing competitive advantage.

Small Importers

Lack of hedging tools increases risk, reduces participation, and impacts liquidity, leaving them vulnerable to price fluctuations.



Key Takeaway





Key Takeaway

Aspects

Domestic

International

Volatility (Soyabean Chana, Wheat)

- # Volatility Persists Pre and Post-Ban
- # Driven by Supply and Demand
- # Post-COVID Disruptions

- # Markets Showed Maturity
- # Managed Volatility with Stability
- # Handled S&D Responsibly

Observation: Volatility persists both pre-ban and post-ban, affecting both banned and non-banned commodities. Primarily driven by supply-demand imbalances and disruptions. International markets managed inflation with proper hedging, proving that banning futures was not a viable solution for controlling inflation.

Speculator (Part of VCP)

- # Speculation Shifted
- # Moved to Equity
- # Commodity Liquidity Loss
- # Sebi action

- # Persisting Growth
- # Continuing as Before
- # Expanding Further

Observation: Speculators, key to market liquidity and growth, shifted to equity after India's ban, causing domestic losses. International markets, however, continued benefiting from speculator participation.



Key Takeaway

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Aspects

Domestic

International

Inflation
(Soyabean Chana, Wheat)

- # Driven by Supply & Demand
- # Importers' Non-Participation
- # Big Players Moved Internationally
- # Small Players Left at Risk

- # Managed Inflation with Stability
- # Adjusted to Global S&D Shifts
- # Active Participation of Importers/Exporters
- # Big Players Maintained Market Presence
- # Hedging Mechanisms in Place

Observation: The ban was ineffective in India. International markets managed volatility with hedging, while domestic markets faced risks and limited participation. Hedging would have been a better solution.

Hedging is like Medicine

Just as we take medicine with a doctor's prescription,
Hedging should be done carefully and with proper guidance.

Without the right strategy and direction,
it can lead to adverse outcomes,
so it's essential to approach it with proper expertise.

» Connect with US

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Q&A



Thank You

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