

MBPC3026 AGRICULTURAL COMMODITY TRADING (3-0-0)

Course Objectives:

1. Gain insights into commodity derivatives and price risk management in agricultural markets, including the organizational setup of exchanges and specifications of futures contracts.
2. Learn the mechanics of forward transactions, futures trading, hedging price risk using futures contracts, and the concept and mechanism of option transactions.
3. Understand the clearinghouse and margin system, clearing, settlement, and delivery processes of contracts, and market surveillance and risk control mechanisms.
4. Explore the regulation of futures trading practices in leading national and regional exchanges in India, including trading in warehouse receipts and collateralized commodity financing.

Module –I

Introduction to commodity derivatives and price risk management in agricultural markets; organizational setup of exchanges and specifications of futures contracts in world's leading commodity exchanges.

Module-II

Mechanics of forward transaction and futures trading; hedging price risk using futures contracts; option transaction concept and mechanism, price discovery mechanism and market efficiency
Clearinghouse and margin system; clearing, settlement and delivery of contracts.

Module – III

Market surveillance and risk control; trading in warehouse receipts (WRs): WRs and collateralized commodity financing Regulation of futures and trading practices in leading national and regional exchanges in India.

Course Outcomes:

- CO-1: Develop expertise in commodity derivatives and price risk management strategies, enabling effective participation and decision-making in agricultural markets.
- CO-2: Acquire proficiency in trading mechanics, including forward transactions, futures trading, and options transactions, facilitating efficient hedging and price discovery mechanisms.
- CO-3: Enhance operational efficiency in clearing, settlement, and delivery processes of contracts, ensuring smooth functioning of commodity trading operations.
- CO-4: Understand and comply with regulatory frameworks governing futures trading practices, ensuring adherence to best practices and ethical standards in commodity trading activities.

Books:

1. Hull, John C. 2017. Fundamentals of futures and options markets, Boston, Pearson publication.
2. Derivatives and Risk Management, Srivastav, Oxford
3. Ram, P. V. and Bala, S. D., 2016, Strategic Financial Management. Snow White Publ.