RESEARCH METHODOLOGY:
The geographic location for the study is India

Region of Research:

- Since major commodity exchanges are located in Mumbai, our research study will cover Mumbai and other regions of Maharashtra (for survey of users and producers). Data from third commodity exchange i.e. NMCE, Ahmedabad will be collected from their website and through electronic mail.

Techniques of analysis:
- Linear Regression analysis of data to be collected on selected commodities:
  - Futures prices
  - Spot prices
  - Volume of futures trade
  - Open Interest positions
Trends in above prices of selected commodities would be studied for a period 2003 to 2012.

- Granger Causality Test will be used to find out which one of the two (viz. futures prices and spot prices) causes or leads a change in the other.
- GARCH model or any other suitable statistical tool will be used if necessary for further analysis

RESEARCH DESIGN:

- The research will involve empirical study of past data on spot and futures prices of selected commodities in India.

- The research design and steps adopted in the research methodology would be in keeping with the objectives of the study.
POPULATION AND SAMPLING:

• The population of the study includes all commodity exchanges.

• The study would cover only three major exchanges in the country viz. MCX, NCDEX and NMCE (out of a total 25).

• The study would also include contacts with very limited number of farmers (50) / community leaders just to check the awareness among them about futures trading and its use for hedging risks.

• The sampling technique used is convenient sampling technique.
DATA COLLECTION METHOD:
Data collection would be from primary sources and secondary sources.

SECONDARY SOURCES:
This would include study of published literature and books (see “LITERATURE REVIEW” AND “REFERENCES” at the end of this synopsis). Being exploratory in nature, this research will be restricted to study of available published literature, research studies conducted in the past, similar studies conducted abroad, statistical data available with Commodity Exchanges and the regulator i.e. FMC, Agriculture departments, Ministry of Agriculture, etc. This data will mainly pertain to types of futures traded, futures prices, spot prices, volumes of trade, open interest positions, supply and demand patterns, methods of distribution for commodities, etc.

PRIMARY SOURCES:
Study the current practices followed by commodity exchanges to ensure efficiency of futures trading to facilitate hedging on their platforms: For this purpose, leading three national level exchanges will be contacted. An attempt will be made to collect data on the composition of participants in the market for speculation / hedging.

Selected sample of farmers, farmers’ cooperatives / community leaders will be contacted to understand their hedging requirements and practices currently followed to minimize risks arising from crash in prices or loss resulting from crop failures.

Discussions will be held with knowledgeable persons in the field of commodity markets.