



A CRITICAL STUDY OF FUTURES TRADE IN MUSTARD SEED COMMODITY IN NCDEX

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Abstract- Trade is the pivot of economy. It includes two important types i.e. Physical and futures. Trade operates in goods and services. Goods are divided into agriculture and non-agricultural section. Mustard seed is an agriculture commodity. It is a well known source of oil. NCDEX is a notable institution dealing in futures trade. The traded quantity of mustard seed indicates trend of agri-commodities in futures. It shows performance of NCDEX. This analysis also indicates factors influencing commodity futures trading of mustard seed.

Keywords- Trade, Physical trade, Futures trade, Commodity, Mustard Seed, Ncdex

Objective-

To study the trade trend of mustard seed in futures market.

To study the trade performance of NCDEX in mustard seed.

Introduction- Trade is the voluntary exchange of goods or services between different economic actors. Since the parties are under no obligation to trade, a transaction will only occur if both parties consider it beneficial to their interests. *1

Trade can have more specific meanings in different contexts. In financial markets, trade refers to purchasing and selling securities, commodities, or derivatives.

Mainly trade is divided into two types-

Physical trade

Futures trade

Physical trade- A Physical Trader (firm or individual) buys and sells commodities delivering physically from producers, to consumer or processors.

Futures trade- Futures are a type of derivative contract agreement to buy or sell a specific commodity asset or security at a set future date for a set price. Futures contracts, or simply "futures," are traded on futures exchanges like the CME Group and require a brokerage account that's approved to trade futures.

Commodity- A commodity is a basic good used in commerce that is interchangeable with other goods of the same type.

Commodity is divided into two categories-

Agriculture commodity

Non agriculture commodity

Agriculture commodity - Agricultural commodities include plant and animal products and their by-products, such as crops, forestry products, hydroponics, nursery stock, aquaculture, meat, on-farm generated manure, and fish and seafood products.

Non agriculture commodity- Non-agricultural products include industrial goods, manufactured goods, textiles, fuels and mining products, footwear, jewellery, forestry products, fish and fisheries, and chemicals.

Mustard seed:

Mustard seeds are the small round seeds of various mustard plants. The seeds are usually about 1 to 2 millimetres (0.039 to 0.079 in) in diameter and may be colored from yellowish white to black.



They are an important spice in many regional foods and may come from one of three different plants: black mustard (*Brassica nigra*), brown mustard (*B. juncea*), or white mustard (*Sinapis alba*).

Mustard Seed - Regional Use

Mustard seeds are used as a spice in the South Asia. The seeds are usually fried until they pop. The leaves are also stir-fried and eaten as a vegetable. Mustard oil is used for body massage during extreme winters, as it is thought to keep the body warm. In South Asian cuisine mustard oil or shorsher tel is the predominant cooking medium. Mustard seeds are also essential ingredients in spicy fish dishes like jhaal and paturi. A variety of pickles consisting mainly of mangoes, red chili powder, and powdered mustard seed preserved in mustard oil are popular.

In North America, mustard seeds are used in spices and condiments. Yellow mustard is popular in the United States and is often used as a condiment in sandwiches and other dishes. Mustard seeds are first ground into a powder and then mixed with other ingredients to create this condiment. *2

Mustard Seed - Cultural Reference

The mustard seed is frequently referenced in world literature, including in religious texts, as a metaphor for something small or insignificant.

In the Bible, Jesus tells the Parable of the Mustard Seed referring to faith and the Kingdom of God. There, Jesus says, "The kingdom of heaven is like to a grain of mustard seed, which is the smallest of all seeds on earth. Yet when planted, it grows and becomes the largest of all garden plants, with such big branches that the birds can perch in its shade." *3

There are references to mustard seeds in India from a story of Gautama Buddha in the fifth century BC. Gautama Buddha told the story of the grieving mother (Kisa Gotami) and the mustard seed. When a mother loses her only son, she takes his body to Buddha to find a cure. Buddha asks her to bring a handful of mustard seeds from a family that has never lost a child, husband, parent, or friend. When the mother is unable to find such a house in her village, she realizes death is common to all, and she cannot be selfish in her grief.*4

Jewish texts compare the knowable universe to the size of a mustard seed to demonstrate the world's insignificance and to teach humility. *5

The mustard seed is mentioned in the Quran: "And We place the scales of justice for the Day of Resurrection, so no soul will be treated unjustly at all. And if there is [even] the weight of a mustard seed, We will bring it forth. And sufficient are We as accountant (21:47)" *6, and according to the Hadith, Muhammad said that he who has in his heart the weight of a mustard seed of pride would not enter Paradise. *7

Mustard Seed - Types

Yellow Mustard- This brightly colored mustard, most common in North America, is mild in flavor, and gets its color from the addition of turmeric. George T. French invented this version of mustard in 1904.



Brown Mustard- Also termed “dell-style” this mustard is more brown in color and spicier than yellow mustard. The mustard seeds may be finely ground or left slightly coarse and apparent in the final product.



Dijon Mustard- This mustard is distinguished by the wine as the acidic liquid in the making of the mustard. From the Dijon region of France, this mustard may be spicy and appears with a yellowish-brown color.



Whole-grain Mustard – In this variation and its close cousin, stone-ground mustard, the mustard seeds retain their shape and are mixed with the liquids and spices to form a spreadable suspension.



Mustard Seed - Names in India

Hindi- Rai, Banarasi Rai, Kali sarason

Gujarati- Rai

Kannad- save

Kashmiri - Sarisa, Issue

Telugu- Avalu

Tamil - Kadugo

Malyalam - Kaduku

Punjabi - Rai, Banarasi Rai, Kali sarason

Mustard Seed - Benifits

1. Mustard seeds are loaded with vitamins and minerals-

Loaded with vitamins and minerals, mustard seeds are a popular ingredient of Indian and American cuisine. The tiny round seeds were first used in temperate areas of Europe and slowly became popular in the regions of North Africa, Asia, and now the entire world is aware of its benefits. Available in different colours, mustard seeds have a plethora of health benefits and have been used for medicinal purposes for decades.

2. Prevent cancer

Mustard seeds are packed with compounds like glucosinolates and myrosinase, which prevent the growth of cancer-causing cells in the body. As per a study published in the Journal Human & Experimental Toxicology, the tiny seeds may have chemopreventive potential and may protect against the effect of carcinogens.

3. Provide relief from headache

Mustard seeds are also effective in headaches and migraines. The seeds are packed with magnesium that soothes nerve system and relieves the pain and strain in any different parts of the body.

4. Good for digestive health

Mustard seeds are also excellent for digestive system. If someone is suffering from the problem of indigestion then mustard seeds can help to get rid of it. The seeds are packed with fiber, which helps in easy bowel movement and enhances the digestive power of the body.

5. Good for cardiovascular health

Mustard oil is commonly used in every Indian household and is quite beneficial for people suffering from cardiovascular problems. It helps to manage cholesterol level and reduces bad cholesterol levels in the blood, which is necessary for heart health.

6. Strengthen bones, teeth and gums

Mustard seeds are also good for bones as they are packed with a mineral called selenium, which make bones stronger. They also help to strengthen nails, hair, and teeth. Mustard seeds contain antioxidant and anti-inflammatory properties that help in relieving pain in the gum, bones, and teeth.

7. Good for skin

It is important to keep skin hydrated in every season and mustard seeds can help in this regard. The seeds hydrate skin, remove all the impurities and protect skin from acne. The seeds are packed with anti-inflammatory properties that can reduce inflammation in the body.

8. Prevent ageing

Ageing is inevitable. Anyone cannot stop it from coming. But it can be delayed by including mustard seeds in diet. The seeds are packed with vitamins A, K, and C, which can help to reduce the signs of ageing in a person.

Mustard Seed - Production in India *11

Year	Production value in million metric tons
2023	12.82
2022	11.92
2021	10.21
2020	9.12
2019	9.26
2018	8.43
2017	7.92
2016	6.8
2015	6.28
2014	7.88
2013	8.03

NCDEX- RM Seed

Mustard seeds (Brassica Napus) known as rape, oil seed rape, Rapeseeds and Canola are very widely cultivated throughout the world. Mustard seed is one of the leading sources of vegetable oil in the world apart from soyabean oil and palm oil. It is an important sources of protein meal after soybean meal. Mustard seed oil content varies from 33% to 46% oil recovery is around 32% to 38%. After oil extraction, the remaining part of the seed is used to produce rapeseed/mustard meal, an important source of cattle and poultry feed. It is a basically a winter crop and it requires a temperature climate to prosper. The planting season or the sowing period in India is during the Rabi season i.e. October to November. The crop starts flowering in the month of November, December, January, February. Resting period is from late February to March. Major producing states are Rajasthan, Uttar Pradesh, Haryana, Madhya Pradesh and Gujarat.* 16



Mustard Seed – Crop Cycle in India

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sowing				Harvesting							

Mustard Seeds – Major varieties

Rai, Ryada, Raya, Laha, Lahta, Sasve, Herbo, Toria, Tori, Lahi, Brown-Sarson, Bhoori- Sarson, Yellow Sarson, Pilli Sarson, Gobhi Sarson, Karan Rai, Duan, Tera, Tara, Saundh, Taramira

NCDEX - Total Trade of RM Seed

Year	Traded value (In Cr.)	Trade value in %(Total Trade of NCDEX)
2011-12 *18	1,65,405.05	9.14
2012-13*19	1,80,196.87	11.27
2013-14*20	84,217.51	7.35
2014-15*21	52,860.06	5.85
2015-16*22	1,06,037.15	10.4
2016-17*23	83,559.28	14
2017-18*24	85,898.93	14.5
2018-19*25	80,401.41	15
2019-20*26	41,986.865	9.5
2020-21*27	41,441.66	13
2021-22 ** *28	50,237.33	11

** SEBI in its press release (PR No 36/2021) directed suspension of futures and options trading for one year in a host of agricultural commodities including chana, mustard seed, crude palm oil, moong, paddy (Basmati), wheat and soybean and its derivatives. The suspension of trading in these commodities came into effect on Monday (20-Dec) following a communication from the Department of Economic Affairs, Government of India. No fresh positions (including intra-day) will be allowed in respect of Futures and Options contracts of these commodities. No new Futures and Options contracts will be launched till further notice in any of the commodities.

Conclusion -

1. Mustard seed is basically a winter crop and it requires its temperature climate to prosper. The planting season or the sowing period in India is during the Rabi season i.e., October to November. The crop starts flowering in the month of November, December, January, February. Resting period is from late February to March. Major producing states are Rajasthan, Uttar Pradesh, Haryana, Madhya Pradesh, and Gujarat. In Indian context, research is a necessity regarding lesser crop-cycle days with increased oil content level and productivity per/ha.
2. Mustard seed production level is maximum in 2022. Data shows increasing production trend. It shows diligence of Indian farmers and vision of Government of India.
3. The total trade of RM-Seed of NCDEX is maximum in 2015-16 and third minimum in 2021-22. The Minimum level is in 2020-21. It is important increase in 2021-22. The Factors behind this situation were Indo-China border conflict, corona pandemic, Recession and Governmental restrictions on some sectors of commodity futures trade. Unawareness of common people regarding commodity futures trading is also a reason. Government of India plays an effective role to block the progress of commodity futures trading. For example- When futures trading in RM-Seed was gaining rapid increase, Government of India suspended trading in some agriculture commodities including RM-Seed.
4. NCDEX is directly related to Mustard seed. Mustard seed spot and futures trade is based upon production of mustard seed. Limited areas of Rajasthan, Uttar Pradesh, Haryana, Madhya Pradesh, and Gujarat are sowing mustard seed.
5. Despite Limited sowing area of Mustard seed, the production of mustard seed is increasing. Indo-China border conflict, Demonetisation, Corona pandemic, Recession and Governmental restrictions had influenced significantly the performance of NCDEX.
6. Unawareness of common people regarding commodity futures trading is a speed-breaker regarding the performance of NCDEX.

Suggestions -

1. Mustard seed is important commodity for NCDEX and spot market. But its sowing area is limited to Rajasthan, Uttar Pradesh, Haryana, Madhya Pradesh, and Gujarat. To improve the spot and futures market business, research is necessary regarding lesser crop-cycle days with increased oil content level and productivity per/ha.
2. Keeping in view 2015-16, the total trade of RM Seed in 2021-22 in NCDEX is almost half. It is the result of blur vision of NCDEX management and governmental restriction. NCDEX must improve its vision. Commodity futures trading must be free from un-necessary frequent interference of government.
3. The factors which affected NCDEX business were Indo-China border conflict, corona pandemic, Recession. NCDEX top management must prepare curative workplan to face these types of incidents.