Commodity Futures Trading of Agricultural Products Soars

Solo, 6 October 2015 – The Secretary of the Ministry of Trade’s Commodity Futures Trading Regulatory Agency (CoFTRA), Marthin Kalit, emphasized that Commodity Futures Trading of primary agricultural products have increased dramatically. This was caused by Indonesia’s trade potential, which is dominated by agricultural commodities, and the rapid volume growth of agricultural commodities that are traded in futures exchanges throughout the world. Marthin Kalit said this in his opening remarks during the dissemination of Commodity Futures Trading at the Hall of the Business and Economics Faculty of Universitas Sebelas Maret (UNS) in Solo, Central Java, Today, Tuesday (6/10).

CoFTRA continues to disseminate information regarding Commodity Futures Trading. “Demands for hedging of world agricultural commodities is increasing significantly. People, particularly academics, need to know more about Commodity Futures Trading, especially about futures contracts of primary agricultural products,” said Marthin.

The development of the volume of futures and options trading being traded in the world rose 1.5% in 2014. The total volume also rose to 21.87 billion contracts from 21.55 billion in 2013. The most significant growth occurred in North America (the United States and Canada), which reached 8.21 billion contracts in 2014 from the 7.83 billion contracts in 2013. Meanwhile, exchanges in the Asia Pacific, which only traded more or less one thirds of its total, experienced a drop. Based on the type of commodity, the most rapid growth was for futures and options agriculture, whose volume grew by 15.7% in 2014 (https://fimag.fia.org).

One of the strategies implemented by CoFTRA, as one of the stakeholders of the Commodity Futures Exchange, to face the current challenge of lack of exchange liquidity is by holding education based dissemination events for academics. The goal is to increase students awareness and share insight on the world of commodity futures trading. “CoFTRA continues to promote the development of the futures trading industry,” said Marthin. In order to do that, CoFTRA must increase cooperation with commodity entrepreneurs and higher education institutions.

Martthin explained that, Commodity Futures Trading is a form of activity that can be a very effective means of hedging used to support company management strategies from the effects of risks/loss caused by price fluctuations. Commodity Futures Trading can also be used as an alternative form of investment in futures exchanges.

“The Commodity Futures Trading industry in Indonesia has huge potential to become the world’s price reference especially considering Indonesia has a lot of natural resource, both renewable (agricultural products such as cocoa, coffee, and crude palm oil) and non-renewable (mining products and minerals such as gold, tin, coal, nickel, and bauxite),” explained Marthin.
Besides that, Commodity Futures Trading is also another form of insurance based on the mechanism occurring in markets, namely by establishing a derivatives market of the physical commodities market or spot market. Another economic benefit that can be gained is the formation of transparent market prices, which can be used as a reliable price reference source for price discovery.

Nevertheless, CoFTRA is aware that Indonesia’s potential has yet to be optimally developed. “There are still many leading export commodities that have yet to be the subject of futures trade contracts in the futures exchange,” added Marthin.

Marthin then went on to say that CoFTRA continues to promote efforts to make Indonesian commodities the world’s price reference by approving top commodity products (such as coffee, cocoa, rubber, and other agricultural commodities) to enter as subjects of futures contracts.

Marthin really appreciates the support that UNS has given to this dissemination event on Commodity Futures Trading for university students. The event was attended by 100 UNS students and featured speakers from CoFTRA, Jakarta Futures Exchange (BBJ), and the Indonesian Derivatives Clearing House. Aside from having a public lecture, students were also invited to do a simulation of a multilateral transaction. It is hoped that this dissemination event could help boost the development of Indonesia’s economy that is based on agriculture.

**Futures Learning Center**

Meanwhile, as a form of cooperation between Commodity Futures Trading practitioners, particularly PT. BBJ, and higher education institutions, 16 Futures Learning Center have been established in several institutions in Bandung, Semarang, Jakarta, Yogyakarta, Surabaya, Bogor, Malang, and Pekanbaru.

“The Futures Learning Center can be used to facilitate university students to conduct transactions and at the same time function as a place for learning, a source of information, and education. Students can study and write a final paper about Commodity Futures Trading and have their study results be used for the development of the industry,” explained Marthin.

With proper and correct understanding, academics, particularly university students, are hoped to be the driving engine to progress commodity futures trading. University students can play the role of investors, commodity analyst, reliable exchange and clearing house managers, and many other roles in the futures trading industry.

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