



The Impact of Economic activity of Agricultural Commodity Exchange in Iran Rural development

Sara Shirzad, Babak Maghsoudi Damavandi

Department of Agronomy, Khoramshahr-khalij fars international Branch, Islamic Azad University-
Khoramshahr-Iran.

ABSTRACT

Since a few centuries ago accelerated development of industry and technology all around the world has revealed much more the rural areas' lagging behind on the course of development. Villagers generally make less money than city dwellers do and they enjoy an insignificant amount of social services therefore they are regarded poorer and more vulnerable. One consequence is they are forced to move from rural areas to cities. This lagging-behind situation results from the geographic dispersion of villages, the lack of cost-effectiveness in terms of social services provision, the unprofessionalism (and consequently low productivity) in the agricultural sector, the limitedness of land resources (compared to population growth) and the inappropriate management of authorities. Therefore an economic rural development scheme is required to eradicate or at least mitigate severe poverty of rural areas, to improve quality level of villagers' life, to create more employment opportunities for them and to help them boost their productivity. Agricultural Commodity Exchange as a competition market is an institution that complements and enhances the traditional market in rural areas. Problems and obstacles villagers as agricultural producers are faced to include lack of transparency in market information, uncertainty of future prices of products, inefficiency of distribution of agricultural products, sharp fluctuations of price. Commodity Exchanges have been established in order to solve these problems. main advantages of agricultural commodity Exchanges are reduction of the starting stock prices risk, growth of exports, reducing government intervention in the agricultural sector, purposefulness support policies, producer financing, helping rural traditional market reform, the development of the agricultural sector by the private sectors' assistances, reduce transaction costs and improve the market for agricultural products, changing cropping pattern, preventing sharp price fluctuations and focus on producers and consumers.

Keyword: Agricultural Commodity Exchange, Rural, Iran.

Received 11.12.2015

Revised 16.03.2016

Accepted 05.04.2016

INTRODUCTION

Financial sector of each country's economy supply financial resources for productive manufacturing and service activities. This sector is divided into two parts, money and capital markets. Capital market as one of financial market division, through its instruments and financial entities, make savings and stagnant resources of society accessible for capital applicants [1]. One official institution of capital market in each country is exchange market. The Exchange market is where both purchaser and seller are situated and exchange. The Exchange market is an organized place for trading raw commodities such as wheat, sugar, cotton, coffee, tea and wool [3]. Physical delivery of commodities had not took place in the location, unlike exchange of goods in the cash market, future contracts for delivery of goods signed for a specified price and time. So, the commodity Exchange is a regulated and official market which is established in order to buy and sell some of commodity, and many producers offering their products to price in competitive environment and directly by considering buyers and sellers demands and by agreement of both parties [4]. Due to the expanded role of government in agricultural sector including granted buy of products, pricing, and give subsidies, the rural commodity markets lose their competitive situations, and lose their efficiency. On the other hand, scattered and small-scale farms in villages cause persistence of traditional systems in Iran [5]. The existing structure of the agricultural commodity market in Iran create a situation under traditional relations, limitations, failures, and several fundamental shortcomings, and despite the efforts and costs in connection with market reform, unfortunately, the results were not very impressive. Social objectives of government in economic justice require that government support low-income population groups (rural). The current structure of the market for agricultural products Where the

traditional relations Shortcomings, limitations and defects are created. Despite the efforts and Costs of associated with market reform, unfortunately the results were not very impressive. The main reason for this situation can searched in the short term nature of these programs, Policies and the nature of the market for agricultural products. Traditional market, because the system is not properly direct system and coherent learning and improvement so the ability to coordinate with the new requirements and needs of the community is not, imposes the inefficiency of the market [4]. The sum total of an important agricultural market failures and shortcomings of the current can be expressed in the following form:

1. High risk: Risk is an integral part of agricultural products. Due to the essence of agricultural activities, enterprises active in the field of production and marketing inevitably experience unpredictable fluctuations [2].

2. The difference in the price of production and consumption: A great difference between the crop price at the point of production and that at the point of ultimate consumers serves as one important defect present in the agricultural products market and the middlemen active in the market appropriate a large portion of the hard-earned profit of agricultural products to themselves and in most of the times agricultural producers receive less than half the price paid by the ultimate consumers.

3. Fluctuations in agricultural prices: Besides seasonal and periodical changes, prices of agricultural products face drastic fluctuations compared to other products because of meager information and non-transparency of the market.

MATERIALS AND METHODS

This study is an applied research and methods used in this study are descriptive and correlation. The population are 188 experts in agricultural commodity Exchange and economic development, including 52 experts in Economic planning deputy of Ministry of agriculture, 53 experts from Deputy of Economic Planning of Ministry of agriculture, 53 people from department of experts & farming system, department of rural development 31 experts, researches and economic planning institute 20 experts, rural development institute 15 people, Central Organization of Rural Cooperatives 10 people, and 7 managers of agricultural commodity market. Data gathering was conducted in two parts. First part included gathering data about theoretical concepts and literature review, by applying library and internet researches. The second part was data gathering from experts related to agricultural commodity Exchange, and agriculture economy, and rural development by using questionnaires and interviews. Statistical analysis methods in this study using descriptive statistics, measures of central tendency (mean and median); dispersion parameters (variance and standard deviation) and the frequency and frequency percentage of all variables were calculated and evaluated. In the discussion of inferential statistics to determine the correlations and relationships between variables Spearman correlation test, regression and analysis of variance were used. In order to analysis of collective effect of independent variables

RESULTS AND DISCUSSION

In this study independent variable is economic development of rural, and dependent variables are: Decreasing the role played by middlemen in purchase and sale of agricultural products, increasing investments in the agricultural sector, attracting and preserving small wandering capitals of exploiters, developing marketing networks in rural areas, and establishing more commercial institutions and formations in these areas.

Table 1- regression results

Variables	B	Standard error of B	Beta	t	sig
role played by middlemen X_1	0.25	0.01	0.36	13.98	0.000
increasing investments in the agricultural sector X_2	0.20	0.05	0.27	3.83	0.000
attracting small wandering capitals of exploiters X_3	0.26	0.08	0.17	3.25	0.001
developing marketing networks in rural X_4	0.17	0.07	0.13	2.25	0.001
establishing more commercial institutions in rural X_5	-0.17	0.04	-0.30	-3.81	0.000
Constant value	1.35	0.27	-	4.83	0.000

F sig = 0.000

F = 14.07

R = 0.834

R² = 0.697

The linear equation of relationship between independent variables and dependent variable, "economic development of rural", is as follow:

$$Y = 0.36X_1 + 0.27X_2 + 0.17X_3 + 0.13X_4 - 0.30X_5$$

In discussing the descriptive results: As results suggested 24.5% (much) and 23.4% (so much) believed that an agricultural commodity exchange helps attract small capitals of the villagers who are involved in the production of agricultural products and this leads to the economic developments of the villages. 41.5% rated the role the agricultural commodity exchange plays in improvement of marketing services for agricultural products as 'much.' If rural producers and consumers have rapid access to the market information they can, with their proper reasonable reactions, grant more validity and efficiency to the market and ultimately draw more confidence in the market information. There is a great difference between the crop price at the point of production and that at the point of ultimate consumers, a large portion of which is possessed by the middlemen active in this market. Rural producers often times receive less than half the price paid by the ultimate consumers. According to economic theories, a perfectly competitive market is ideal due to transparency, use of the entire production capacity, excess welfare of producers and consumers and zero rent. However, the existence of several layers and unequal powers of the distribution network and the meager information available allow creation of more space for rent and let some distribution layers have opportunities for gaining greater profit in the agricultural products market. Agricultural commodity exchange can play an important role in the economic development and improvement of rural areas. As findings of this study suggest 32.4% and 42% of the participants rated the effect of establishing more productive formations on the activities of the agricultural commodity exchange as 'so much' and 'much', respectively.

This study also found 31.4% of the participants believe that the role the exchange plays as a modern market in increasing investments in the agricultural sector is 'so much', however 42%, 25% and 1.6% rated this effect as 'much', 'moderate' and 'low', respectively. Augmentation of investments particularly by the private sector (which is created in a competitive market far from any monopoly and based on clear information) helps us reach a condition in which activities are solely mobilized to produce products of relative advantage and this ultimately encourages farmers to change their cultivation patterns. Agricultural commodity exchange allows farmers to supply their products in a coherent global market. This also encourages the private sector to have a bolder role particularly in the field of agriculture in Iran and helps Iranian villages to make great changes in their production methods.

This study found a positive statistically significant correlation between the development of investments in the agricultural sector as a result of the formation of an agricultural commodity exchange and the economic development of villages [7-11]. After calculating The Spearman correlation coefficient in study of the correlation between variables it was determined that, there is a significant positive relationship between all variables.

The results of interview with agricultural commodity Exchange activists indicated that rural commodity markets in Iran have different form of supply structures. The activists believe that, supply agricultural commodities include all activities from the harvest until reach the consumer. The simplest form is self-consumption which is seen in peasant exploitation system, and the most complicated one is conversion of one product into another product and sell it in global markets which are seen in some plant and industry. In an overall classification, the supply of agricultural commodities from the perspective of interviews with agricultural commodity Exchange activists can be analyzed from the following aspects:

Table2- agricultural commodity supply from the perspective of rural economy

critierion for Classification	Groups
Self-consumption and sell	Self-consumption, immediate sell, sell with delay (stock)
time of supply	Before harvest (self), in time of harvest, after harvest
Place of supply	Farm, local markets, regional markets, national markets, global market
type of transaction	Cash, pre-sales, business brokerage, rental
Form of supply	No packing, packed, processed
Type of buyer	Final consumer, retailer, wholesaler

Resource: Findings from interviews with activists, officials and experts of the agricultural commodity Exchange market.

REFERENCES

1. Chizari. A., et al .(2003). Justify commissioning of agricultural commodity exchanges. Studies and commissioning of agricultural commodity exchanges, the Stock Exchange.
2. Chizari. A., et al .(2004). Justify commissioning of agricultural commodity exchanges. Studies and commissioning of agricultural commodity exchanges, the Stock Exchange.
3. FAO,(2003).WWW.Fao.org/DOCREP/003/X6092E/X6092008Fan Federal Research Division (FRD) of the Library of Congress: Country
4. Kabiri. A. (2003). Capital market development, product stock Agricultural Newsletter, No. 42, 43,44.

5. Marisa C.G & Meyer N.(2002),Government intervention effecting Agricultural Trade,Pacific North West Agriculture in a world Economy,Adapted from the Southern
6. He, D.& Holt,M.(2004).Efficiency of Forest Commodity Future Markets Selected paper Prepared for Presentation at the American Agricultural Economics Association Annual Meeting, Denver, Colorado, August2004,1-4.
7. Miller T.(2001),LDP rate and Local Cash Price,Economic And Policy Update Department of Agricultural Economics,University of Kentuck,Uk.100-109
8. Shirzad, H (2005), the study of Agricultural Commodity exchange.pp90
9. UNCTAP(1998),Promoting Commodity exchange, press Realese22,October 1998,PFD/II.
10. UNCTAP(1998),Promoting Commodity exchange, press Realese22,October 1998,PFD/II.
11. Wang,H&Ke,B. (2001)Efficiency tests of Agricultural Commodity Future Markets in China." Department of Agricultural & Resource Economics, Washington State University,USA.89-94

CITATION OF THIS ARTICLE

S Shirzad, B M Damavandi . The Impact of Economic activity of Agricultural Commodity Exchange in Iran Rural development. Bull. Env. Pharmacol. Life Sci., Vol 5 [6] May 2016: 69-72