



FIERAGRICOLA
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Comments by an agricultural economist during the Fieragricola Best Seller Award 2012

CASATI: "AGREX WHEAT FUTURES ON THE STOCK EXCHANGE BY ALL MEANS: THEY ARE OPPORTUNITIES - BUT CONTRACTS MUST NOT DOMINATE GOODS"

"The launch of the wheat futures market on the Milan Stock Exchange is an interesting case," said the Professor of Agricultural Economics and Appraisal, University of Milan. The limitation in Italy in the past lay in the small dimensions of Italian market on a world scale. "Attention must be paid to the relationship between actual quantities and contracts. "If there are too many contracts, as was the case for crisis in 2007-08, they trigger speculation."

Verona, 13 February 2013. Agrex passes its first examination. The segment on the Idem market of the Italian Stock Exchange dedicated to agricultural commodity derivatives was inaugurated last 21 January with wheat futures.

"The launch of the wheat futures market on the Milan Stock Exchange is an interesting case," said Dario Casati, Professor of Agricultural Economics and Appraisal, University of Milan, during the first Fieragricola Best Seller Award in Verona. The limitation in Italy in the past lay in the small dimensions of Italian market on a world scale."

Wheat, however, may well be an exception. "Italy is an important producer as well as a major importer on the world market in quantitative and qualitative terms in order to procure supplies and export one-third of its pasta output," the agrarian economist remarked. There are all the premises, including scope for such an important stock exchange at Milan; the undertaking is important and should be followed up closely given the potential it may develop."

Futures, on batches of 50 tonnes, will have five deadlines and physical delivery will be made to the silos in Foggia in March, May, September and December.

During the crisis years, hallmarked by up-and-down agricultural prices, the topic of futures markets returned to the fore: on the one hand, there are those who think they are a valid way for encouraging market stability, while others accuse them of being one of the causes of volatile prices and speculation. "Attempts were made in Italy in the past with little success to activate meaningful futures markets in order to protect our market against the ups and downs on the world scene," Casati summed up. Now that there is no longer CAP protection, buyers and agriculturists have discovered that prices have become significantly more unstable."

Futures are a way for stabilising prices, provided there are not too many contracts. Futures markets help encourage stable prices because, as Casati explained, "they not only announce prices in advance but also allow operators to "cover themselves" with contracts in relation to final prices. The mechanism, in the case of agricultural products, is based on the fact in the end the physical product to be used in various ways has to be available. The condition whereby everything functions properly is given by the incidence of the market on the total, precise regulations and especially the permitted ratio between physical quantities and contracts. If there are too many contracts, as was the case for crisis in 2007-08, they trigger speculation."

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