

## Price discovery of Indian turmeric in futures market

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### ABSTRACT

This paper examined the relationship between turmeric futures price traded in National Commodity and Derivatives Exchange (NCDEX), Mumbai and spot price prevailed in Erode market over a period of eight years (2004 -2012). It was found in the study that futures price of turmeric led the spot market in price discovery. The result showed the presence of unidirectional causality from futures price to spot price. In turmeric this implied that futures market discovered prices for turmeric and spot market prices were influenced by the futures market price. The results of Vector Error Correction model indicated that when the co-integration series was in disequilibrium in the short run, it was the spot price that makes greater adjustment in order to reestablish the equilibrium. This study also proved the occurrence of price transmission from futures market to spot prices of turmeric. The result of the study showed commodity futures market with respect to turmeric are efficient, since they played a fair role in price discovery.

**KEY WORDS :** Turmeric, Co-integration, price discovery

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