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Courses » Commodity Derivatives and Risk Management

Announcements Course Ask a Question Progress Mentor

Unit 5 - Week 4

Course outline

How to access the portal?

Week 1

Week-2

Week 3

Week 4

- Lecture 16: Agri-Commodity Price Risk Management (Part-I)
- Lecture 17: Agri-Commodity Price Risk Management (Part-II)
- Lecture 18: Seasonality in Agri-Commodity, Contango and Backwardation (Part-I)
- Lecture 19: Seasonality in Agri-Commodity, Contango and Backwardation (Part-II)
- Lecture 20: Commodity Prices Determination (Part - I)
- Quiz : Assignment 4
- Contract Farming in India - Lecture 16 Supplementary material

Assignment 4

The due date for submitting this assignment has passed. **Due on 2016-08-17, 23:00 IST.**

Submitted assignment

1) Choose the CORRECT statement : With respect to the “MSP programme” of GoI, **2 points**

- Price is recommended by “Commission of Agricultural Cost and Prices (CACP)”.
- GoI is ready to stand to purchase any quantity as long as these satisfy the declared quality.
- GoI offers MSP for only Kharif crops as most farmers are dependent on Kharif crops.
- MSP mechanism is offered by bodies such as FCI (Food Corporation of India), CCI (Cotton Corporation of India), JCI (Jute corporation of India) and SOPA (Soybean Processors Association of India) etc.

No, the answer is incorrect.

Score: 0

Accepted Answers:

Price is recommended by “Commission of Agricultural Cost and Prices (CACP)”.

2) MSP stands for **2 points**

- Marginal Selling Price
- Minimum Selling price
- Minimum Support Price
- Maximum Support Price

No, the answer is incorrect.

Score: 0

Accepted Answers:

Minimum Support Price

3) Choose the INCORRECT statement **2 points**

- Kharif period starts during June/July and ends during October/November
- Rabi period starts during September/October and ends during March/April
- Every year crop year starts at 1st March and ends at February
- Contract farming is an example of forward contract

No, the answer is incorrect.

Score: 0

Accepted Answers:

Every year crop year starts at 1st March and ends at February

4) A trader of coriander who buys coriander from farmers and exports to different countries **3 points**

- Will always be long in Coriander

- Pradhan-Mantri-Fasal Bima - Lecture 16 Supplementary material
- Ram Rahim producer Company - Lecture 16 Supplementary material
- CACP prices - Lecture 16 Supplementary material
- CorianderCaseStudy - Lecture 17 Supplementary material
- Essential Commodities Act - Lecture 17 Supplementary material
- traded volume at NCDEX - Lecture 17 Supplementary material
- Gold-DAP-SPOT Price in USD - Lecture 18 Supplementary material
- Soybean Contang-Backwardation - Lecture 18 Supplementary material
- Soybean-Soymeal-export-import - Lecture 20 Supplementary material
- USDA-Stock-to-Use Ratio for Soybean - Lecture 20 Supplementary material
- USDA Agricultural Projections to 2025 - Lecture 20 Supplementary material
- Assignment 4- Solution

Week 5

Week 6

- Will always be short in Coriander
- Can be short or long in Coriander
- As a trader, it does not have any exposure to Coriander price change

No, the answer is incorrect.

Score: 0

Accepted Answers:

Can be short or long in Coriander

5) Which commodity is not an "Essential Commodity" **2 points**

- Jute
- Textiles
- Steel
- Pulses

No, the answer is incorrect.

Score: 0

Accepted Answers:

Steel

6) Which of the following is NOT considered by Commission of Agricultural Cost and Prices (CACAP) for formulating MSP **3 points**

- cost of production
- changes in input-output prices
- market price in previous years
- acreage of plantation

No, the answer is incorrect.

Score: 0

Accepted Answers:

acreage of plantation

7) Choose the INCORRECT statement: Seasonal index **3 points**

- can be negative
- measures the price of any given month relative to the monthly average price.
- normally has high values during the pre-harvest period and lower values after post-harvest.
- value of 1.12 for a given month indicates that month's price is 12% higher than average monthly sales.

No, the answer is incorrect.

Score: 0

Accepted Answers:

can be negative

8) Soybean crush margin is calculated as **3 points**

- Price of soyoil + Price of soymeal - {Price of soybean + crushing cost of soybean + refining cost of crude soyoil}
- Price of soyoil - Price of soymeal +{Price of soybean + crushing cost of soybean - refining cost of crude soyoil}
- Price of soyoil - Price of soymeal - {Price of soybean + crushing cost of soybean - refining cost of crude soyoil}
- Price of soyoil + Price of soymeal + {Price of soybean - crushing cost of soybean + refining cost of crude soyoil}

No, the answer is incorrect.

Score: 0

Accepted Answers:

Price of soyoil + Price of soymeal - {Price of soybean + crushing cost of soybean + refining cost of crude soyoil}

9) Choose the CORRECT one. With respect to "Stock-to-Use ratio" **3 points**

Week 7:

Week 8

- Higher stock-to-use ratio indicates future spot price may decline
- Without export and import, stock-to-use ratio will be 1 for a given year
- Closing inventory for a year is the beginning inventory of the previous year
- Total demand consists of export and import demand.

No, the answer is incorrect.

Score: 0

Accepted Answers:

Higher stock-to-use ratio indicates future spot price may decline

10) High positive crush margin is good for

2 points

- Soybean farmers who sells soybeans
- Crushers who earn fixed lease rental
- Parties who buy soybean and sell soyoil and soymeal.
- Soyoil consumers

No, the answer is incorrect.

Score: 0

Accepted Answers:

Parties who buy soybean and sell soyoil and soymeal.

11) A "contango" market in case of futures

2 points

- Happens due to very high price volatility in underlying spot market
- Results from increasing costs over time associated with the carrying charges of an underlying commodity
- Results from decreasing prices associated with low demand for the underlying commodity
- Happens due to seasonality in commodity spot as well as futures price

No, the answer is incorrect.

Score: 0

Accepted Answers:

Results from increasing costs over time associated with the carrying charges of an underlying commodity

12) In a given year, a country produced 4375mn tonnes of soybean. It imported 40mn tonnes and exported 90m tonnes. Beginning inventory for that year is 290mn tonnes. Total domestic use for that year stands at 4400mn tonnes. The stock-to-use ratio is (Choose the nearest correct one) **3 points**

- 4.88%
- 6.02%
- 4.97%
- 8.25%

No, the answer is incorrect.

Score: 0

Accepted Answers:

4.88%

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