Publication: Agriculture Today

Date: November 2026

Headline: From Mandi to Market

How Exchange based Price Discovery is transforming the Agri value-chain

Brief: Agri commodity exchanges are not the replacement for regulated mandis. The two operate in different segments of the market and serve distinct purposes. Building a trusted national price benchmark is a significant milestone, but true transformation will come when farmers move beyond tracking prices to actively managing risk through direct market participation. Bridging the last-mile digital gap remains critical, with FPOs playing a vital role in converting market data into actionable insights for farming communities.

MARKET MECHANICS

From Mandi to Market

How Exchange-Based Price Discovery is Transforming the Agri Value Chain



India's agricultural economy has long depended on regulated mandis as the primary marketplace for physical trade. These markets play a vital role in connecting farmers with buyers and ensuring the movement of commodities across regions. Yet, while mandis facilitate transactions, the challenge of transparent and efficient price discovery has remained a persistent concern.

For years, farmers growing the same crop in different parts of the country often received significantly different prices due to regional supply-demand imbalances, information asymmetry, and fragmented market access. Market participants frequently relied on local signals rather than broader demand trends, making agricultural decision-making more reactive than informed.

As other regulated markets in securities, non agri commodities become increasingly integrated and data-driven, access to transparent price signals in agri markets has emerged as a critical requirement for all stakeholders across the value chain.

Agri commodity exchanges are not a replacement for regulated mandis

It is important to recognise that agri commodity exchanges are not a replacement for regulated mandis. The two operate in different segments of the market and serve distinct purposes. While mandis function as over-the-counter spot markets where physical trade occurs, exchanges operate warehouse-backed futures markets that provide transparent price discovery and risk-management tools for the future. Rather than competing with each other, these mechanisms complement one another and contribute to a more efficient agricultural ecosystem.

The significance of exchange-discovered prices lies in the transparency and standardisation they bring to agricultural markets. Unlike bilateral negotiations that may vary across locations, exchange-traded contracts operate within a regulated framework supported by technology-driven trading systems, clearly defined quality parameters, standardised delivery conditions, transparent settlement mechanisms.

Over time, such platforms have



About the **AUTHOR**

Mr Kedar Deshpande is Chief Business Officer at National Commodity & Derivatives Exchange Limited (NCDEX), with nearly 30 years of experience across banking, agriculture, commodities, business development and market innovation

evolved into widely accepted reference points for several agricultural commodities, including spices, oilseeds and industrial crops. In commodities such as guar complex, turmeric, castor seed, coriander and cumin, exchange-derived prices are often viewed as important benchmarks by farmers, traders, processors, exporters and financial institutions. India has become the "price setters" for guar gum, castor and spices as the exchange discovered price is global benchmark for international trade between India and the world.

Significance of the forward-looking perspective

One of the most valuable contributions of futures markets is the forward-looking perspective they provide. Agricultural decisions are made months before harvest, often amid uncertainty over future demand and prices. Access to futures prices helps participants make informed production, procurement and inventory decisions.

These benefits extend beyond farmers. Processors assessing raw material costs, exporters evaluating international competitiveness and Farmer Producer Organisations planning market linkages can all access the same information. This reduces information asymmetry and creates a more level playing field across geographies

Standardisation further strengthens market efficiency. Exchange contracts specify quality, moisture levels, delivery locations and settlement conditions, ensuring prices reflect clearly defined commodity specifications. This improves market comparability and builds participant confidence.

Transparent price discovery also benefits the wider agricultural economy. Financial institutions use exchange-referenced prices to assess commodity-backed financing, while accredited warehouses and electronic warehouse receipts have improved access to formal credit. Policymakers and market observers also use real-time price signals to understand emerging supply-demand trends, complementing other sources of market intelligence

Needed: Deeper integration between physical markets, warehousing, financing and risk-management mechanisms

The next phase of agricultural market development will depend on deeper integration between physical markets, warehousing, financing and risk-management mechanisms. Transparent price discovery serves as the connecting thread between these elements, helping markets function more efficiently and predictably.

India's agricultural transformation does not require replacing existing institutions. Rather, it requires strengthening them through complementary mechanisms that enhance transparency, trust and market efficiency. As access to reliable price information expands, stakeholders across the value chain will be better equipped to manage risk, make informed decisions and participate more effectively in the growth of the agricultural economy.

A more transparent price ecosystem ultimately benefits everyone from farmers and producer organisations to traders, processors, lenders and policymakers. In that sense, the journey from mandi to market is not about replacing one system with another; it is about creating a more connected, informed and resilient agricultural marketplace.

The Road Ahead

Building a trusted national price benchmark is a significant milestone, but true transformation will come when farmers move beyond tracking prices to actively managing risk through direct market participation. Bridging the last-mile digital gap remains critical, with FPOs playing a vital role in converting market data into actionable insights for farming communities.

Looking ahead, the real opportunity lies in linking price discovery with broader financial services. When farmers can use exchange benchmarks for planning, access financing against stored produce, and invest surplus income through regulated platforms, they become active participants in a more transparent, inclusive, and financially empowered agricultural economy.

" Building a trusted national price benchmark is a significant milestone, but true transformation will come when farmers move beyond tracking prices to actively managing risk through direct market participation. Bridging the last-mile digital gap remains critical, with FPOs playing a vital role in converting market data into actionable insights for farming communities. "

