

## CHAPTER - II

### RESEARCH DESIGN AND METHODOLOGY

The Ministry of Environment & Forests, Government of India has taken initiative to explore the possibilities of Futures and Spot market of Timber and Other Forest Products in the country. The Secretary, MoE&F, took a meeting of concerned Ministries/Organizations of Government of India, selected State Forest Departments/Corporations, national level commodity exchanges and market regulators for discussing the feasibility of formation of Futures and Spot Market of forest produce in the country. Subsequently, the National Level Committee was constituted which may draw a comprehensive road map for starting exchange based electronic spot trading of the selected timber and non-timber forest products.

The Regional Centre, Agricultural Finance Corporation Ltd. has been assigned the task to explore the possibilities of exchange based trading of selected timbers under work plan 2007-08, Research Studies “ Marketing Study – map and analyze complete marketing chain of selected forest products (five) for establishment of Exchange based Spot Marketing System”.

#### **2.1. Study Area**

The National Level Committee on exchange based marketing evinced interest on Teak and Eucalyptus from Valsad circle in Gujarat and Poplar from Yamunanagar of Haryana. Agro-forestry has emerged as a viable strategy for maintaining social, economic and ecological sustainability. It has been adopted on a large scale in the region, as it supplements returns from agricultural crops. Eucalyptus and Poplar are the main species preferred, due to readily available market, availability of good planting material and evolution of appropriate linkages between producers, contractors, buyers and consumers. The demand for agro-forestry based products is set to increase significantly in view of increasing population and the general rate of economic growth.

This Study is focused to Yamunanagar district of Haryana and Valsad Circle of Gujarat. The timbers selected were Teak, Poplar and Eucalyptus from Valsad (Gujarat) and Yamunanagar (Haryana).

#### **2.2. Objectives of the Study**

Introduction of electronic spot markets would bring transparency of operations and price discovery in physical commodities market and would benefit farmers who can be assured that there has been no manipulation in the sale procedure. Market access to large number of buyers and sellers would enhance liquidity in the market and enable participation by entities located away from the physical markets. These entities can be assured of the quality of produce by standardized grading, storage and handling systems. Assurance of delivery of quality produce will also attract large industrial players who may pass on the benefits from quality assurance to farmers through

reverse auctions. Electronic exchange can maintain flexibility of current market systems besides complementing futures market where farmer, traders and saw mill owners can benefit from arbitrage possibilities in the futures and spot markets.

At present wood or timber has not been included in the list of the commodities dealt by the Commodity Exchanges.

Considering all the factors mentioned above the objectives of the study are as under:

1. To study the present methods of sale and purchase of timbers in identified states.
2. Study the details of the grading and standardization of timber and also its management in the depots/warehouses.
3. Study and analyze the demand and supply for timber species
4. To map and analyze the marketing chain of timbers
5. Explore the possibilities of spot/exchange based trading of timbers
6. To draw a comprehensive road map for starting exchange based electronic spot trading of the timber.

### **2.3. Methodology**

Agro-forestry development has led to the emergence of primary producers, commission agents and agro-forestry produce based industries. Yamunanagar being the hub of timber trade and industry, farmers, manufacturers and commission agents were contacted and indepth discussion held with them to understand current status and future prospects.

Similarly, the timber merchants, farmers, commission agents at Valsad and Nadiad were contacted and indepth discussion held with them to understand current status and prospects of its exchange based trading of Teak and Eucalyptus.

Different perceptions of Exchange based trading of Timbers were obtained through discussions with:

1. Line Departments: Forests, Agriculture, Industry
2. Saw mill traders and commission agents
3. Scientists in FRI
4. BIS and commodity Stock Exchange in Delhi/Mumbai.

### **2.4. Duration of the Study**

The duration of the study was three months.

### **2.5. Review of Literature**

Keeping in view achieving the objectives of the study the following resources have been reviewed:

- Publications from Forest Department, Government of Gujarat and Haryana,
  - Forest Research Institute, Dehradun
  - Publications, company profile of timber companies and lead researcher of the sector
- Publication from Websites etc