

Exproduce: Decentralized Options Market for Agricultural Produce

Executive Summary

Exproduce is a next-generation, decentralized options trading platform for agricultural produce. By leveraging transparent, market-driven price discovery and integrating the government’s Minimum Support Price (MSP) as a safety net, Exproduce empowers Indian farmers, enhances export competitiveness, and aligns agricultural incentives with global best practices. The system mandates that foreign importers purchase options contracts, ensuring that the benefits of international trade flow directly to producers, while banks and financial institutions provide liquidity and risk management.

Problem Statement

- **Centralized MSP:** The current MSP system is opaque, often excludes smallholders, and distorts market signals.
- **Limited Farmer Benefit:** Only a fraction of farmers benefit from MSP procurement, and many are exposed to price volatility.
- **Fiscal Burden:** Government procurement and storage costs are high and inefficient.
- **Global Trade Disconnection:** Farmers are not directly benefitting from export price premiums and foreign exchange inflows.

Exproduce Solution Overview

Component	Description
Options Contracts	Farmers create options expiring at harvest, specifying quantity & quality.
Bank Intermediation	Banks purchase options from farmers, providing upfront liquidity.
Market Trading	Options are traded on a transparent exchange (e.g., NCDEX).
Mandatory Import Options	Foreign importers must purchase options to import Indian produce.
MSP Integration	MSP acts as a price floor; government intervenes if market price < MSP.
Quality Tiers	Premium options for higher-quality or processed produce.

How Exproduce Works

1. **Pre-Sowing**
 - Farmers register crop and quality details on Exproduce via mobile/FPO interface.
 - Banks assess and purchase options, providing upfront funds (50-70% of estimated value).
2. **Trading & Liquidity**
 - Banks package and list options on the Exproduce exchange.
 - Investors, exporters, and retailers trade these options, creating price transparency.