

Problems and Countermeasures of Apple Agricultural Products Futures Market in China

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Abstract. In recent years, the improvement of quality and efficiency of national economy and agricultural modernization have directly promoted the innovative development of apple industry in China. At the end of 2017, the first Apple futures in China was born, and then the scale of Apple trading market continued to expand, and the standardization of Apple futures trading market increased year by year, which directly promoted the adjustment and upgrading of Apple industry. However, the development of Apple futures market lags behind the current situation of spot market development, and the imperfect risk management system, low internationalization level of Apple futures, imperfect laws and regulations of Apple futures market and chaos of market speculators still need to be solved urgently. In order to promote the rapid development of China's apple futures market, it is important to improve the trading system of bulk agricultural products; Strengthen the risk management mechanism; Strengthen international market cooperation and exchanges; Revise and improve the relevant laws and regulations of the Apple Futures Market and improve the level of market standardization; Take measures to limit speculation.

Keywords: Apple, agricultural products futures, development status, problems, countermeasures.

1. Introduction

Apple is one of the fruits with the highest output value in China, and its industrial modernization plays an important role in the process of agricultural and rural modernization in China. On December 22, 2017, Apple Futures was officially listed and traded in Zhengshang Institute. There were 5 Apple Futures contracts listed and traded in the first batch, and the benchmark price of each contract was 7,800 yuan/ton. On the first day of listing, the main AP1805 contract opened at 7,920 yuan/ton. After the opening, it quickly increased its position and rose to 8,228 yuan/ton. Then it fluctuated slightly and closed at 8,117 yuan/ton, up 317 yuan, or 4.06%. The fluctuation range was 313 points, the main turnover was 735,694 lots, and the open position was 21,646 lots, with a turnover rate of 34; Apple Futures has a total turnover of 771,194 lots and a total position of 28,462 lots, with a turnover rate of 27, far higher than other agricultural futures markets. Apple Futures Market has experienced seven years since its listing in 2017, with its market scale expanding and relatively stable operation (See Fig. 1). The sales cycle of each production season spans a complete year, and market participants are looking for investment opportunities in the ever-changing environment [1]. The successful listing of Apple Futures has pushed the innovation of fruit circulation mode in China to a new height. Futures market has the functions of price discovery, pricing benchmark and risk management and control [2]. Farmers can predict and understand the future price trend of apple spot market through the trend of apple futures market, which is helpful to improve the information asymmetry between farmers and fruit merchants, so as to effectively use modern financial instruments to serve traditional agriculture [3]. This paper will start from the development status and existing problems of apple futures market and put forward corresponding countermeasures on how to improve the stability, effectiveness and fairness of apple futures market, which will provide important reference significance for the adjustment of apple industry and the risk avoidance of fruit farmers. Therefore, this paper has strong practical functions.

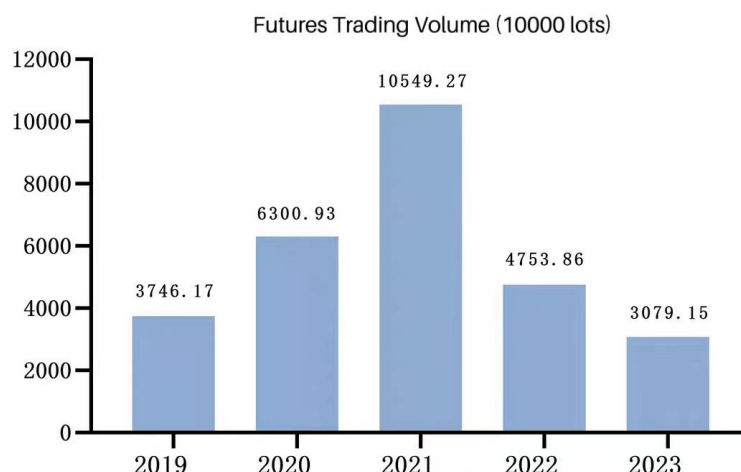


Fig. 1 Trading volume of fresh apple futures from 2019 to 2023

2. Problem Analysis

2.1. Futures Market Lags behind the Spot Market

In essence, the price of agricultural products futures market reflects the spot price and price change trend of agricultural products at a certain time in the future [4]. Compared with the steady acceleration of apple spot market, from 2011 to 2014, the turnover and trading volume of agricultural products futures in China showed a seasonal fluctuation trend, and the fluctuation range of trading volume was more significant [5-6].

Compared with the spot market, the trading scale of Apple Futures Market is smaller and the trading activity is relatively low. This may be due to the fact that the spot market has more real economy trading demand, while the futures market is affected by speculative factors, resulting in insufficient trading scale. The price discovery mechanism in futures market should usually be more efficient. However, due to the low trading activity in Apple futures market, the price fluctuation may be limited, and the price discovery efficiency is relatively low. This may affect the trading decision-making and risk management ability of market participants. The market depth of Apple futures market is insufficient, that is, the number of pending orders in the market is small and the bid-ask spread is large. This may lead to higher costs when transactions are executed, which limits the liquidity and participation of the market.

2.2. Risk Management

From the perspective of price function, although there are market participants and trading activities, the price fluctuation of Apple futures may be greatly influenced by external factors, such as weather, seasonal changes in supply and demand, etc., which leads to inefficient price discovery. This may lead to a long-term price bubble or abnormal fluctuation in the market, which reduces the stability and effectiveness of the market.

From the perspective of hedging function, Apple futures market may face the problem of poor hedging effect, which may be caused by market participants' lack of risk awareness of agricultural products market, lack of effective hedging tools or insufficient market liquidity.

In the Apple futures market, there is a lack of comprehensive and scientific risk assessment mechanism, which makes it difficult for investors to accurately assess market risks. Lack of accuracy and reliability of risk assessment may lead investors to make wrong decisions and increase transaction risks. Secondly, the supervision of Apple futures market by regulators is not enough, and the supervision system is not perfect, which easily leads to market chaos. Lack of effective supervision may lead to market manipulation, insider trading and other irregularities, which will aggravate market risks.

In addition, the lack of investor education is also a hidden danger. Lack of targeted investor education and training makes investors lack in-depth understanding of the market and risk awareness. Investors have insufficient understanding of market mechanism, trading rules and risk management, and are easily affected by market fluctuations and cause losses.

2.3. Internationalization Level

China's agricultural futures market has a short development time, so it is a long way to go to strive for international pricing power and international discourse power. The trading varieties of Apple futures market are limited, and there is a lack of standardized varieties that are in line with the international market, which makes international investors pay little attention to this market and limits the internationalization of the market; The cooperation and exchange between apple futures market and international market is limited, and there is a lack of international information sharing and resource integration, which easily leads to the impact of price fluctuations in international futures market on domestic apple prices; Due to the low degree of internationalization of the market and the lack of advantages and mechanisms to attract international investors, the participation of international investors is not high. This limits the liquidity and activity of the market; The international influence of Apple futures market is relatively weak, and it cannot become a price discovery center or an important reference index in the international market [7].

2.4. Laws and Regulations

The relevant laws and regulations system of Apple futures market is relatively incomplete, and there is a lack of targeted and perfect laws and regulations to regulate the behavior of market participants, which easily leads to market chaos and legal risks; The regulatory system of the regulatory agency on the Apple futures market is not perfect, the regulatory responsibilities are unclear, and the regulatory measures are not in place, which easily leads to market disorder and aggravates market risks [8]; In the Apple futures market, the law enforcement is relatively insufficient, and the investigation and punishment of acts that do not comply with the law are not severe enough, which easily leads to market chaos and affects the normal operation of the market; The scope of law application in Apple Futures Market is unclear, and the specific conditions and standards of law application lack uniform provisions, which easily leads to the increase of legal risks of market participants and reduces the stability and credibility of the market.

2.5. Speculators

A large number of speculators participate in the trading of Apple futures market, and their short-term speculation leads to drastic fluctuations in market prices, which increases the uncertainty and risk of the market; The influx and exit of speculators have a significant impact on market liquidity, which makes market liquidity fluctuate greatly and transaction costs are high, which affects the stability and efficiency of the market; Speculators' behavior is often greatly influenced by emotions and market heat, and their short-term speculative behavior can easily lead to increased volatility in the apple futures market and increase market instability; The development of apple futures market has limited improvement on the living standards of fruit farmers, and speculators in futures trading have compressed the interest space of fruit farmers. The problems of high yield and poor harvest, high quality and poor price are very prominent [9].

3. Countermeasures and suggestions

3.1. Improve the Trading System

Expand the market scale of Apple futures market, attract more investors and trading participants, and improve the activity and liquidity of the market; Enrich trading varieties, introduce more varieties related to bulk agricultural products, meet diversified trading needs of the market, and improve the

attractiveness of the market; Optimize the trading mechanism, improve the trading efficiency and convenience of the market, reduce transaction costs, and attract more investors to participate in transactions; Strengthen market publicity and promotion, enhance the popularity and influence of the market, and attract more investors to pay attention to and participate in the trading of bulk agricultural products.

3.2. Strengthen the Risk Management Mechanism

Establish a comprehensive risk assessment mechanism, scientifically assess market risks, and discover and respond to potential risks in time; Strengthen the efficient control of the market by regulatory agencies, conduct in-depth monitoring and investigation of market transactions, and discover abnormal market fluctuations and violations in time; Strengthen investors' education on risk management, improve investors' risk awareness and coping ability, and guide investors to invest rationally; Strengthen market information disclosure and transparency, announce market information to investors in a timely manner, and reduce the risk of information asymmetry.

3.3. Strengthen International Market Cooperation

In order to promote the development of China's futures market, there are the following key aspects that need to be focused on. First of all, the futures exchange should implement reform as soon as possible, and lift its dual status in supervision and operation, so as to enhance its own innovation and management ability. At the same time, strengthen cooperation and exchanges with the international futures market, promote information sharing and resource integration, and enhance the internationalization level of the market; Introduce trading varieties that meet international standards, attract the attention and participation of international investors, and promote market internationalization; Enhance the international influence of Apple's futures market by actively participating in international futures market activities and holding international futures trading conferences; Increase market publicity, enhance the international popularity and image of the market, and attract more international investors' attention and participation; Optimize market rules and systems, make them conform to international practices and standards, and enhance the international competitiveness and attractiveness of the market.

3.4. Improve the Level of Market Standardization

Strengthen legislative work, revise and improve relevant laws and regulations of Apple Futures Market to ensure that they adapt to market development and regulatory needs; Clarify the responsibilities and authorities of regulatory agencies and strengthen the management of all participants in the Apple futures market; Increase the investigation and punishment of market violations, and maintain market order and fair competition environment; Strengthen the legal publicity and education of market players, and improve the sensitivity of market participants to the law and the ability to identify legal risks; Establish a sound complaint reporting mechanism to facilitate market participants to reflect market violations in a timely manner, maintain market order and fair competition, improve the standardization level of the market, and ensure the healthy development of the market. In recent years, rules and regulations such as "Measures for the Supervision and Administration of Futures Companies" and "Regulations on Classified Supervision of Futures Companies" have standardized the Apple futures trading market to a certain extent, made China's agricultural insurance and futures market continuously develop and improve, and promoted the agricultural risk management system based on policy-based agricultural insurance, in which the "insurance + futures" model is a major innovation [10].

3.5. Limit Speculation

Set trading frequency limits, reduce a large number of short-term transactions, and reduce the frequency of speculative trading behavior; Set trading limits to limit the trading scale of individual speculators and avoid excessive impact of individual speculators on the Apple futures market;

Increase transaction costs, including handling fees, margin, etc., so that the cost of speculators participating in the market increases and their speculative motives decrease; Promote the long-term investment concept, guide investors to invest rationally, and reduce the risks brought by short-term market fluctuations; Introduce stability mechanisms, such as market suspension mechanism or price restriction mechanism, to prevent excessive market fluctuations and reduce speculative transactions.

4. Conclusion

To sum up, China's apple futures market, as a member of the emerging industry, is facing multiple challenges and problems, but it has great potential in market influence and orientation. As an economic power and developing country, it is imperative for China to get rid of the dependence on futures pricing of other economic powers, which requires the establishment of a sound mechanism, substantial personnel and sufficient capital. At the same time, the prosperity and development of Apple futures market also directly reflects the prosperity of the national economy, so it is very important to increase investment in the national economy. Today, with the vigorous development of China's apple futures market, it is expected that this new industry to develop rapidly and effectively. However, development must follow certain laws and require the joint efforts of the whole industry, which is the responsibility and mission of every Apple futures practitioner.

Finally, although this paper does not analyze the feasibility of the proposed solution in depth, it still tries to provide a meaningful point of view, which can be used as a valuable reference. By acknowledging this limitation, this paper aims to contribute to solving the challenges faced by China's apple futures market, and emphasizes the importance of further research and analysis to ensure that effective and practical solutions are found.

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