

Multi Commodity Exchange of India Ltd (MCX) is a demutualised exchange with permanent recognition from the government of India. MCX offers futures trading in 55 commodities including bullion, energy, grains, plastics, metals, oil and oilseeds, fibres, spices, pulses, sugar, plantations, and carbon credits. With over 75% share of the value of contracts traded on commodity exchanges in India during the nine months to December 31, 2007, MCX has an average daily turnover of Rs. 8,989 crore.

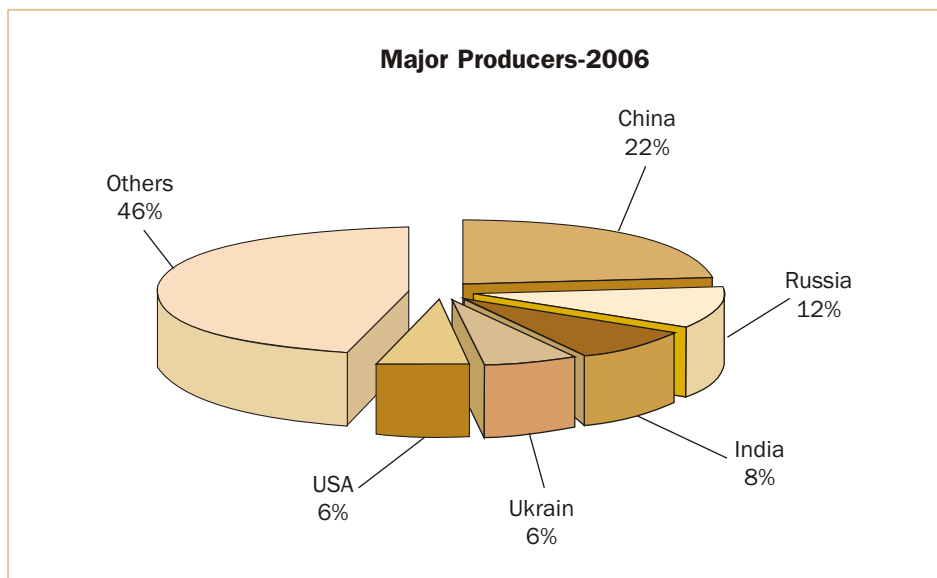
INTRODUCTION

- ▶ Potato is the world's fourth important food crop after wheat, rice, and maize owing to its great yield potential and high nutritive value.
- ▶ Potato production accounts for nearly half of the world's annual output of all root and tuber crops.
- ▶ With an annual global production of about 300 million tonnes (MT), potato is an economically important staple crop in both developed and developing countries.

GLOBAL SCENARIO

- ▶ Around 315.1 MT of potato is produced in approximately 18.83 million hectares land with an average productivity of about 16.73 tonnes per hectare across the world during 2006. (Source: FAO)
- ▶ China, the Russian Federation, India, the USA, Ukraine, Poland, Germany, Belarus, the Netherlands, France, the UK, Canada, Turkey, and Romania are the major potato growing countries.
- ▶ However, the top five countries contribute for more than 50% of world's total production. China stands first with an average annual production of 70 MT followed by the Russian Federation (36 MT), India (25 MT), the USA (20 MT), and Ukraine (19.5 MT).
- ▶ Only 2-3% of about 300 MT of the world potato is traded internationally. The Netherlands, Germany, Belgium, Luxembourg, France, Italy, Canada, the USA, Egypt, Turkey, and Cyprus account for about 80% of the potato export trade. The Netherlands, the USA, and Canada are leading in the production and export of processed potato products.
- ▶ India's contribution to the world potato trade is hardly about 0.3%. India exports around 3 lakh tonnes of potato to various countries in different forms. Potato is mainly exported in fresh form, seed potato, and processed potato. Nepal, Sri Lanka, the United Arab Emirates, and Mauritius are the major destinations for fresh potato. The major destinations for Indian seed potatoes are Nepal, Sri Lanka, and the United Arab Emirates.

The following pie chart shows shares of major produces of potato in the world.



Source: FAO



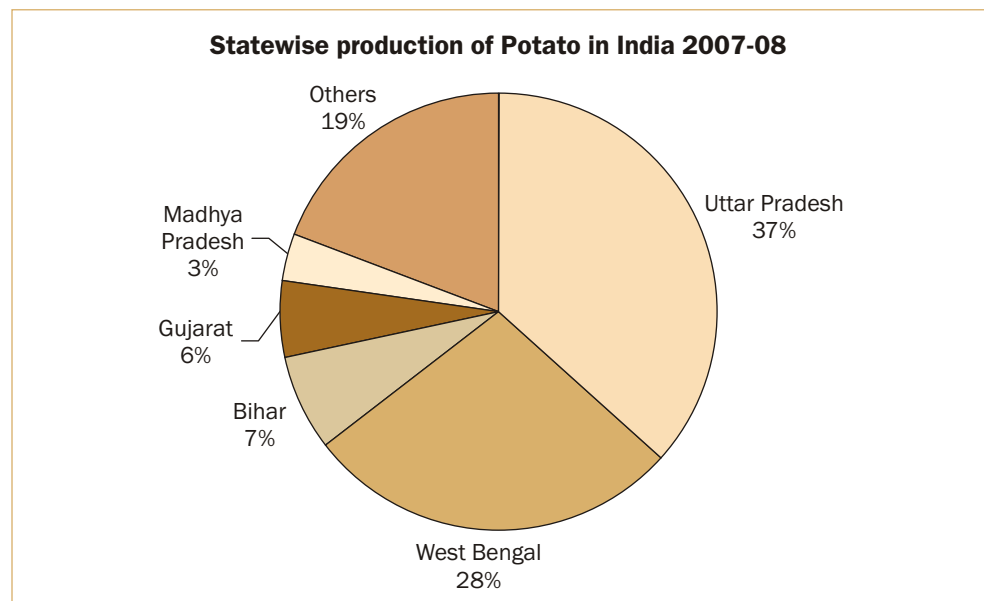
*as of the nine months to
December 31, 2007



INDIAN SCENARIO

- ▶ India is ranked third in potato production after China and the Russian Federation. However, potato productivity in India is merely 16–19 tonnes/ha vis-à-vis that of European countries and the USA (that is 30–40 tonnes/ha).
- ▶ Potato is cultivated in India under highly diversified agroclimatic conditions ranging from sea level to snowline. The following three types of crops are raised every year:
 - (a) Kharif crop: From July–August to October–November (12%)
 - (b) Winter crop: From October–November to February–March (80%)
 - (c) Summer crop: From March–April to July–August (8%)
- ▶ Potato is mainly a Rabi crop and is grown in UP, Punjab, Haryana, West Bengal, Madhya Pradesh, Bihar, Andhra Pradesh, Tamil Nadu, and Gujarat.
- ▶ During 2007-08, 29.35 MT of potato was produced in the country, while the production in 2006-07 was 27.02 MT.
- ▶ Average acreage under potato varies between 12 and 15 lakh/ha depending on the weather condition during sowing period.

The following pie chart represents the state-wise potato production in India during 2004-05.



Source: National Horticulture Board

MAJOR TRADING CENTERS

The major potato markets in UP are Agra, Aligarh, Hathras, Kanpur, Meerut, Badauin, Firozabad, and Farukhabad. In West Bengal, the centers are Hoogly, Burdwan, Midnapore (West), and Howrah. In other parts of the country, important places are Indore in MP, Jalandhar in Punjab, Deesa in Gujarat, and Hassan, Kolar in Karnataka, etc.

Globally, MCX ranks no. 1 in silver, no. 2 in natural gas, and no. 3 in crude oil, gold, and copper in futures trading.*



*based on trading volume data of such exchanges for 2007 as published in their respective websites.



FACTORS INFLUENCING THE MARKET

- ▶ Variations in the domestic average production of potato based on yields and price realization
- ▶ Crop development based on weather (particularly cold wave and heavy rains) in key growing regions during tuber formation
- ▶ Comparative price with other vegetables in the domestic market
- ▶ Upcountry demand of potato from major cities and food processing industries
- ▶ The potato price tends to firm up during the planting period and eases down during the harvesting period
- ▶ Transportation charges have also profound impact on prices
- ▶ Potato growers and traders hoard the commodity before selling in expectation of better prices. Potato can be kept in cold storages without spoilage for 6-8 months

IMPORTANT WEB SITES

www.hortibizindia.com
www.agmark.net.in
www.apeda.com

CONTRACT SPECIFICATIONS OF POTATO (AGRA)

SYMBOL	POTATO
Description	POTATO MMY
CONTRACT AVAILABLE FOR TRADING	
March	From 16th August of last year to 15th March of contract year
April	From 16th September of year to 15th April of contract year
May	From 16th October of last year to 15th May of contract year
June	From 16th March to 15th June of contract year
July	From 16th April to 15th July of contract year
August	From 16th May to 14th August of contract year
September	From 16th June to 15th September of contract year
October	From 16th July to 15th October of contract year
TRADING	
Trading period	Monday through Saturday
Trading session	Monday to Friday: 10:00 a.m. to 5:00 p.m. Saturday: 10:00 a.m. to 2:00 p.m.
Trading unit	30 MT
Quotation/base value	Rs. per quintal, ex-cold storage, Agra district excluding mandi tax and other levies
Basis variety	3797
Tick size (minimum price movement)	10 paise
Daily price limit	4%
Initial margin	6%
Special margin	In case of additional volatility, a special margin of such percentage (as deemed fit) will be imposed immediately on both the buy-side and the sell-side in respect of all outstanding position, which will remain in force for the next two days. After which, the special margin will be relaxed.
Delivery period margin	25% of the open position during the delivery period

MCX now reaches out to over 403 cities and towns in India through 7,270 trading terminals.*



*as of December 31, 2007



MCX has strategic alliances with some of the leading commodity exchanges of the world.



Maximum allowable open position	<p>Client level: 15,000 MT</p> <p>Member level: 45,000 MT or 15% of the market-wide open position, whichever is higher</p> <p>For near month contracts, the following limits will apply one month prior to the expiry date:</p> <p>Client level: 1,500 MT</p> <p>Member level: 4,500 MT</p>
DELIVERY	
Delivery unit	30 MT with a tolerance limit of 5%
Delivery center(s)	Ex-cold storage, Agra. Delivery can be effected from the MCX approved cold storage only.
Delivery logic	Compulsory delivery
Tender period	From 11th to 16th of the contract expiry month
Delivery period	From 11th to 18th of the contract expiry month
Tender notice (intention by seller)	Seller may give the intention to deliver on any tender day during the tender period. Such intentions should be accompanied with the cold storage receipt and the weighment slip. Any outstanding positions will be marked for delivery at the expiry of the contract.
Incremental margin	5% incremental margin for last 5 days on all outstanding positions
Delivery period margin	25% on marked quantity
Delivery allocation	<p>(a) On each tender day, during the tender period, based on the seller's intention, at daily settlement price (closing price)</p> <p>(b) All open positions after closing hours on the expiry date at the due date rate (DDR)</p>
Delivery pay-in	<p>On the tender day by 6:00 p.m., except Saturday, Sunday, and public holidays</p> <p>For delivery marked by the exchange on the expiry of contract, before 12:00 noon on E+1 day (E = expiry day)</p>
Delivery pay-out	By 5:00 p.m. on the tender day + 3 basis
Pay-in of funds	By 11:00 a.m. on the tender day + 2 basis
Pay-out of funds	By 11:00 a.m. on the tender day + 3 basis
Penal provision	<p>(a) If the seller, having open position at the expiry of the contract, fails to deliver, a penalty of 5% of the DDR will be imposed on him plus the difference between the DDR and the spot price (if the spot price is higher than the DDR).</p> <p>(b) If the buyer refuses to take delivery or fail to honor his fund obligation, a penalty of 5% will be imposed for the delivery allocated to him plus difference between the DDR and the spot price (provided the spot price is lower than the DDR).</p> <p>Out of the penalty collected, 90% will be passed on to the other party while retaining 10% by the exchange.</p>
Quality specification/deliverable grades	Potato of 3797 variety, with matured and thick skin, stored in cold storage (farm-fresh potatoes not allowed for delivery), free of common scab and blight, confirming to the following standards:
Size	
<ul style="list-style-type: none"> Acceptable size (measured from at least one side by way of passing through sieve) 	4-8 cm
<ul style="list-style-type: none"> Rejected 	If below 4 cm and above 8 cm exceeds 5%



MCX Comdex is
India's first
composite
commodity
futures price
index.



<p>Cut potato (cuts measuring: > 1 cm long, > 2 mm deep, > 2 mm wide)</p> <ul style="list-style-type: none"> • Acceptable • Rejected 	<p>up to 3% maximum Above 3%</p>	
<p>Green potato</p> <ul style="list-style-type: none"> • Basis • Acceptable • Rejected 	<p>2% Between 2-3% Above 3%</p>	<p>With rebate 1:1</p>
<p>Black scurf (chitri/makhi) on the surface area</p> <ul style="list-style-type: none"> • Acceptable • Rejected 	<p>Up to 4% maximum Above 4%</p>	
<p>Rotten and dry potato</p> <ul style="list-style-type: none"> • Acceptable • Rejected 	<p>Up to 2% maximum Above 2%</p>	<p>With rebate 1:1</p>
<p>Damaged skin/bruised potato</p> <ul style="list-style-type: none"> • Acceptable • Rejected 	<p>Up to 1% maximum Above 1%</p>	<p>With rebate 1:1</p>
<p>Shriveled potato</p> <ul style="list-style-type: none"> • Acceptable • Rejected 	<p>Up to 4% maximum Above 4%</p>	
<p>Potato sprouts more than 5 mm:</p> <p>From March to June:</p> <ul style="list-style-type: none"> • Acceptable • Rejected <p>For July onwards:</p> <ul style="list-style-type: none"> • Acceptable • Rejected 	<p>Up to 3% maximum Above 3%</p> <p>Up to 6% maximum Above 6%</p>	
<p>Physical impurity in the form of soil and stone:</p> <ul style="list-style-type: none"> • Basis • Acceptable • Rejected 	<p>0.5% Between 0.5-2% Above 2%</p>	<p>With rebate 1:1</p>
<p>Frost bitten potato (hyper-cooled potato from cold storages):</p> <ul style="list-style-type: none"> • Acceptable • Rejected 	<p>0.25% Above 0.25%</p>	<p>With rebate 1:1</p>
<p>Packaging</p>	<p>Packed in jute gunny bags (old) containing approximately 50 kg per bag</p>	

Note: Please refer to the exchange circulars for the latest contract specifications and delivery and settlement procedures.



CONTRACT SPECIFICATIONS OF POTATO (TARKESHWAR)

SYMBOL	POTATOTRWR
Description	POTATOMMY
CONTRACT AVAILABLE FOR TRADING	
March	From 16th September of last year to 15th March of contract year
April	From 16th September of last year to 15th April of contract year
May	From 16th October of last year to 15th May of contract year
June	From 16th March to 15th June of contract year
July	From 16th April to 15th July of contract year
August	From 16th May to 14th August of contract year
September	From 16th June to 15th September of contract year
October	From 16th July to 15th October of contract year
November	From 16th August to 15th November of contract year
TRADING	
Trading period	Monday through Saturday
Trading session	Monday to Friday: 10:00 a.m. to 5:00 p.m. Saturday: 10:00 a.m. to 2:00 p.m.
Trading unit	30 MT
quotation/base value	Rs. per quintal, ex-Tarkeshwar, Hoogly, West Bengal, ex-cold storage including cold storage rent but excluding drying charges, other levies, and expenses
Basis variety	Kufri Jyoti
Tick size (minimum price movement)	10 paise
Daily price limits	4%
Initial margin	5%
Special margin	In case of additional volatility, a special margin of such percentage (as deemed fit) will be imposed immediately on both the buy-side and the sell-side in respect of all outstanding position, which will remain in force for the next two days. After which, the special margin will be relaxed.
Delivery period margin	25% of the open position during the delivery period
Maximum allowable open position	Client level: 15,000 MT Member level: 45,000 MT or 15% of the market-wide open position, whichever is higher. For near month contracts, the following limits will be applicable: Client: 1,500 MT Member: 4,500 MT
DELIVERY	
Delivery unit	30 MT with tolerance limit of 12%
Delivery center(s)	Ex-cold storage at Hoogly in West Bengal. Delivery can be effected from the MCX approved cold storage only.
Delivery logic	Compulsory delivery
Tender period	From 11th to 16th of the contract expiry month
Delivery period	From 11th to 18th of the contract expiry month
Tender notice (intention by seller)	The seller may give the intention to deliver on any tender day

MCX is india's first commodity exchange to launch trade in carbon credit futures.





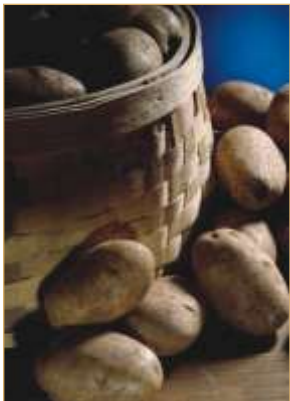
MCX has dual ISO certification: for operational quality, and information security.



	during the tender period. Such intentions should be accompanied with the cold storage receipt and the weighment slip. Any outstanding positions will be marked for delivery at the expiry of the contract.	
Incremental margin	5% incremental margin for last 5 days on all outstanding positions	
Delivery period margin	25% on marked quantity	
Delivery allocation	On each tender day, during the tender period, based on the seller's intention, at daily settlement price All open positions after closing hours on expiry date at the due date rate (DDR)	
Delivery pay-in	On the tender days by 6:00 p.m., except Saturday, Sunday, and public holidays For delivery marked by the exchange on expiry of the contract, before 12:00 noon on E+1 day (E = expiry day)	
Delivery pay-out	By 5:00 p.m. on the tender day + 3 basis	
Pay-in of funds	By 11:00 a.m. on the tender day + 2 basis	
Pay-out of funds	By 11:00 a.m. on the tender day + 3 basis	
Penal provision	If the seller, having open position at the expiry of the contract, fails to deliver, a penalty of 5% of the DDR will be imposed on him plus the difference between the DDR and the spot price, if the spot price is higher than the DDR. If the buyer refuses to take delivery or fail to honor his fund obligation, a penalty of 5% will be imposed for the delivery allocated to him plus difference between the DDR and the spot price, provided the spot price is lower than the DDR. Out of the penalty collected, 90% will be passed on to the other party while retaining 10% by the exchange.	
Due date rate (DDR)	DDR is calculated on the last day of the contract expiry by way of taking the simple average of last 3 days spot price of Tarkeshwar, Memari, and C.K. Road region. The C.K. Road price is arrived at by adding Rs. 10 per 50 kg to the price polled at the C.K. Road region.	
Quality specifications/ deliverable grades	Potato of Kufri Jyoti variety, with matured and thick skin, stored deliverable grades in cold storage (farm-fresh potatoes not allowed for delivery), free of common scab and blight, confirming to the following standards:	
Size:	<ul style="list-style-type: none"> • Acceptable size (measured from at least one side by way of passing through sieve) • Rejected 	2-4 cm: 10% 4-7 cm: 65% 7-11 cm: 25% Below 2 cm and above 11 cm
Cut potato	<ul style="list-style-type: none"> • Acceptable • Rejected 	Up to 5 % maximum Above 5 %
Green potato	<ul style="list-style-type: none"> • Acceptable • Rejected 	Between 1.0% and 3.5% maximum Above 3.5 %
		Rebate 1:1



MCX offers
a diversified
portfolio of 55
commodities.*



*as of December 31, 2007

www.mcxindia.com

Black scurf (Chitri/Makhi) on the surface area • Acceptable • Rejected	Up to 0.5 % maximum Above 0.5 %	
Rotten and dry potato • Acceptable • Rejected	Up to 2 % maximum: Above 2 %	with rebate 1:1
Damaged skin/bruised potato • Acceptable • Rejected	Up to 5 % maximum Above 5 %	with rebate 1:1
Shriveled potato • Acceptable • Rejected	Up to 2 % maximum Above 2%	
Potato sprouts not more than 5 mm: From March to August: • Acceptable • Rejected	Up to 1 % Above 1 %	
From September to November: • Acceptable • Rejected	Up to 2 % Above 2 %	
Physical impurity in the form of soil and stone: • Basis • Acceptable • Rejected	0.5 % Between 0.5–1 % Above 1 %	with rebate 1:1
Frost bitten potato (hyper-cooled potato from cold storages) • Acceptable • Rejected	Up to 0.25 % maximum Above 0.25 %	with rebate 1:1
Nail head depression due to ammonia gas contamination • Acceptable • Rejected	0.1%: Above 0.1%	with rebate 1:1
Packaging	Packed in Hessian jute bags (new) containing net weight of approximately 50 kg per bag, with a tear weight of 6.5 ounces minimum or once used good condition wheat FCI jute bag with a tear weight of approximately 650 gm.	

Note: Please refer to the exchange circulars for the latest contract specifications and delivery and settlement procedures.

For Customer Support : +91-22-66494040

To get the latest futures price of a commodity, sms "MCX <Commodity Name>" to 55454

102 A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai 400093
+91-22-66494000 • info@mcxindia.com • www.mcxindia.com

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