MCX launches cotton futures contract

fe Bureau
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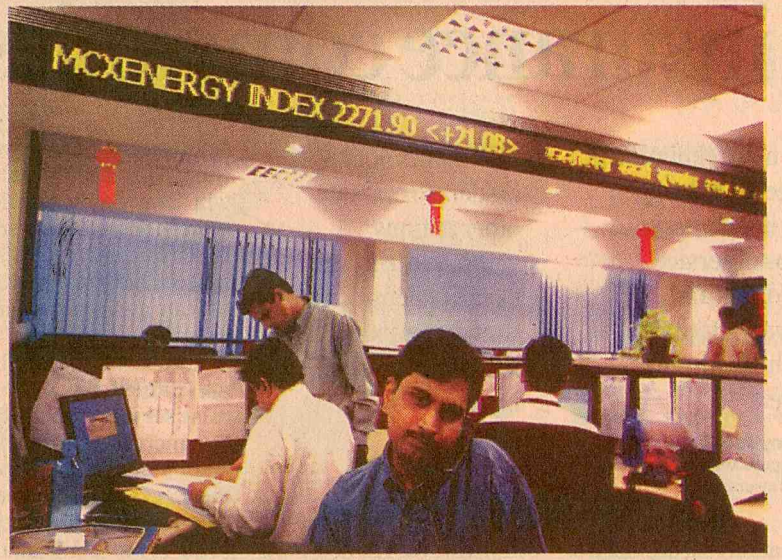
FOR bringing more value to the trade, leading commodity bourse Multi Commodity Exchange of India (MCX) on Monday launched futures trading in cotton.

Currently, the contracts for October, December 2011 and January 2012 have been offered for trading.

The trading unit of the cotton futures contract is 25 bales (170 kg a bale) and price quote for the contract is ex-warehouse Rajkot (within 100 km radius) excluding all taxes, duties, levies, and charges, as applicable, a MCX statement said.

"India is a major producer and exporter of cotton. The cotton futures contract will meet the needs of the whole cotton value chain including farmers, ginners, traders, spinners and textile manufacturers. It will bring about a large gamut of benefits to all stakeholders of the cotton industry," Ramesh Abhishek, Chairman, Forward Markets Commission observed after launching the contract.

The cotton futures contract is a compulsory delivery contract. The physical delivery would be available in multiples of 100 bales. The basis delivery center is Rajkot. The additional delivery centers include Jalgaon (Maharashtra), Aurangabad (Maharashtra), Kadi (Gujarat), Abohar (Punjab), Bhatinda (Punjab), Sirsa (Haryana), Burhanpur (Madhya Pradesh), Adilabad and Guntur (Andhra Pradesh).



THE TRADING UNIT OF THE COTTON FUTURES CONTRACT IS 25 BALES (170 KG A BALE) AND PRICE QUOTE FOR THE CONTRACT IS EX-WAREHOUSE RAJKOT (WITHIN 100 KM RADIUS) EXCLUDING ALL TAXES, DUTIES, LEVIES, AND CHARGES, AS APPLICABLE

An individual broker can trade on behalf of his clients up to 1,50,000 bale and the individual trader can trade up to 50,000 bale on the exchange platform.

"The cotton futures can effectively provide a benchmark price for cotton in India, and also help the diverse cotton trade and industry functionaries in managing price risks on their spot and forward transactions in the domestic as well as export markets. Futures trading in cotton will also go a long way in stabilising cotton prices by reducing the short-term and seasonal variations in them, to the benefit of millions of cotton growers in the country," Venkat Chary, Chairman, MCX noted.

India, the world's second biggest producer of cotton, is estimated to have produced a record 33.42 million bale in 2010-11 season that ended last month compared with 24.02 million bale in the previous fiscal.

Other commodity exchanges such as NCDEX and NMCE are already offering cotton futures contract. MCX is a demutualised nationwide electronic futures exchange offers the benefit of fair price discovery and price risk management to the commodity market ecosystem.

Various commodities across segments are traded on MCX. These include bullion, energy, metals and agri commodities. MCX has already offers mentha, guar seeds, cardamom contracts on its platform.