MCX launches cotton futures

Our Bureau
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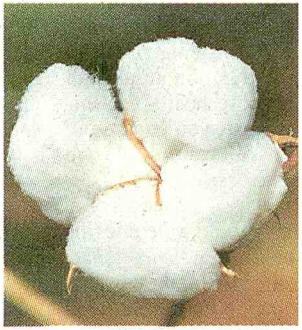
The Multi Commodity Exchange on Monday launched futures trading in cotton. The contract recorded a trading volume of 9,600 bales valued at Rs 17.73 crore. The open interest was 1,575 bales.

The new cotton contract for October, December and January was launched by Mr Ramesh Abhishek, Chairman of the Forward Markets Commission.

The trading unit of the cotton futures contract is 25 bales and price quote for the contract is ex-warehouse Rajkot excluding all taxes, duties, levies and charge.

The contract will be compulsory delivery with physical delivery available in multiples of 100 bales.



On the monitor: Cotton futures are seen to provide a benchmark price for cotton trade in India.

Besides the basis delivery centre at Rajkot, the additional delivery centres include Jalgaon and Aurangabad in Maharashtra, Kadi (Gujarat), Abohar and Bhatinda in Punjab, Sirsa (Haryana), Burhanpur (Madhya Pradesh), Adilabad and Guntur (Andhra Pradesh).

Tick size of the contract will be Rs 10 a bale and the maximum order size is 1,200 bales. The initial margin required to trade will be five per cent or based on SPAN, whichever is higher.

The open position limit for a member collectively for all clients has been fixed at 150,000 bales or 15 per cent of the market wide open position, whichever is higher, and for individual clients it is 50,000 bales.

Mr Ramesh Abhishek, Chairman, FMC said: "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."

Assuring that the cotton futures can effectively provide a benchmark price for cotton trade in India, Mr Venkat Chary, Chairman, MCX, said it will also help the diverse cotton trade and industry functionaries in managing price risks on their spot and forward transactions in the domestic and export markets.

"Cotton futures will also go a long way to stabilise prices by reducing variations in seasonal and short-term price trends, thus benefiting millions of cotton growers in the country," he said.