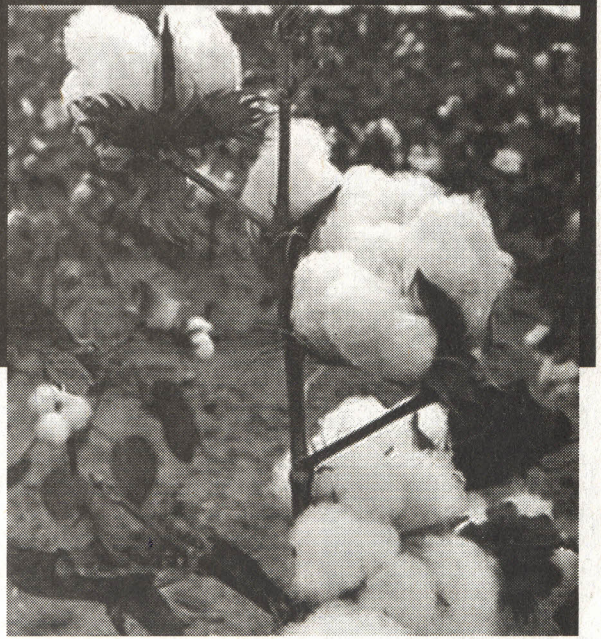
COTTON IN CANDY?

New MCX facility from today



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TRADERS on the MCX platform can check out cotton prices in 'candy' – a measurement unit other than bale – from Monday as the bourse is launching this facility only for reference.

The running cotton futures contract on the MCX platform quotes prices in rupee per bale while there has been demand to display prices in candy as well. One bale is equal to 170 kg while one candy comprises 2.09 bales, or 356 kg.

According to sources, the 'reference only cotton contract' will be available for traders from Monday on MCX to check prices in candy, but not for trading purpose. So, all other features like 'open interest' will remain blank.

This additional feature will help the trading community who deal in candy to better connect with cotton prices at MCX, they said.

As far as the existing cotton futures contract is concerned, there will not be any modification in parameters.

It may be noted that cotton futures contract on the MCX is one of the most liquid agri-contracts with 100 per cent market share. Its prices have become a benchmark for the cotton industry in India.

Companies such as Louis Dreyfus, Manjeet Cotton, Arvind, Gill & Company, and SportKing, among others, hedge on MCX.

As per the exchange data, the average daily volume in the contract is more than 100,000 bales and the contract is actively used by the cotton value chain participants to effectively manage their price risk. In 2016-17, cotton volume increased by 50 per cent to 28.56 million bales from 19 million bales in the previous year.

MCX cotton contract with 25 bales as the trading unit has a basis staple length of 29 mm, with facility to deliver 28 mm–31 mm, which caters to over 75 per cent requirements of the cotton stakeholders in India.

It is a compulsory delivery contract with provisions to deliver at designated warehouses across several locations in the country.

– PTI