MCX
METAL & ENERGY
Trade with Trust



COTTON SEED WASH OIL

PERFORMANCE REVIEW

2024-2025

FOREWORD TO THE COTTONSEED WASH OIL PERFORMANCE REVIEW

The Cottonseed Wash Oil Performance Report (PR) is the outcome of the SEBI circular SEBI/HO/CDMRD/DNPMP/CIR/P/2020/21 dated February 04, 2020 directing all recognized Stock Exchanges offering commodity derivatives segment to create a 'Performance review of the commodity derivatives contracts'. The PR, based on SEBI directive, has to be uploaded on the Exchange website by June 30, 2025 after consultation with the respective Product Advisory Committee (PAC).

Following the above directive, the Agri - Product Management Team (PMT) at the Exchange has created PRs for all the listed Agri products. These have since been prepared in consultation with the respective Commodity/Commodity Complex PACs.

The Cottonseed Wash Oil Performance Report highlights the important aspects of the trade like the domestic and international supply, import and export statistics, etc. There is also extensive information on the volume, turnover, open interest, deliveries of Cottonseed Wash Oil on the Exchange, along with the price correlations with spot markets, international market and hedging efficiency to help the market participants get an empirical understanding of the performance of the Cottonseed Wash Oil contract on the Exchange.

Acknowledgement

We have been ably guided by the MCX Oil & Oilseeds Complex PAC members in improving the content of the report and we are extremely thankful to them. We hope to keep improvising the report going forward.

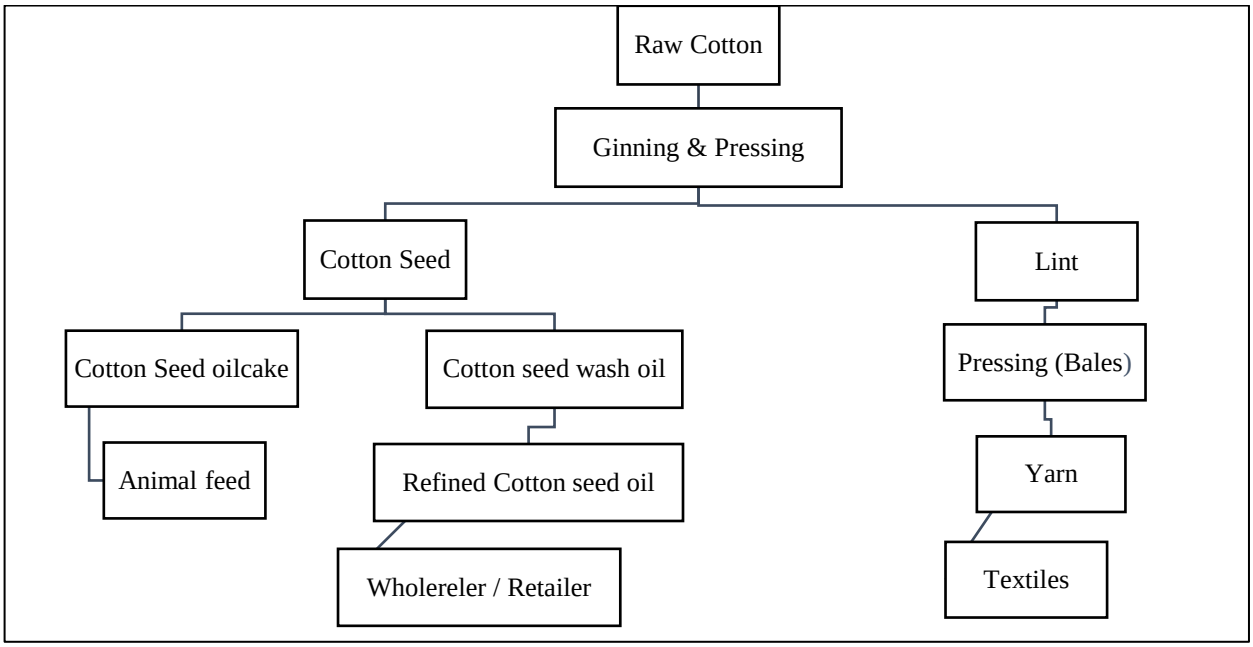
1. Background

a. Brief about the commodity such as sample picture, lifecycle and various varieties/grade of the commodity found in India.

Brief about Cottonseed Wash Oil

Cotton seed oil comes under vegetable oil category and considers one of the most popular cooking oil in kitchen. Cotton (Gossypium sp.) is a commercially important annual fiber crop; cottonseed oil (CSO) is an important product extracted from one of the byproducts of cottonseeds. Oil yield varies with cotton species, places, and season when cotton is grown, and extraction methods used for oil extraction.

Cottonseed oil is extracted from cottonseeds which are by-products of cotton fibre production. Cottonseeds are rich in oil and proteins and are therefore used for cottonseed oil production and as a feed supplement for cattle and sheep. China is the world's largest cottonseed oil producer, followed by India, Pakistan, the USA and Uzbekistan. Cottonseed oil can be used to make salad oil (mayonnaise, salad dressings, sauces and marinades), cooking oil for frying in both commercial and home cooking, margarine or shortening for baked goods and cake icings. Besides, limited quantities may be used for producing industrial products such as soaps and cosmetics.



Cottonseed oil is extracted from the seeds of cotton plants of various species, mainly Gossypium hirsutum and Gossypium herbaceum. They are grown primarily to produce cotton fiber and animal feed. Processing includes the use of hydraulic pressing, screw pressing, and solvent extraction.

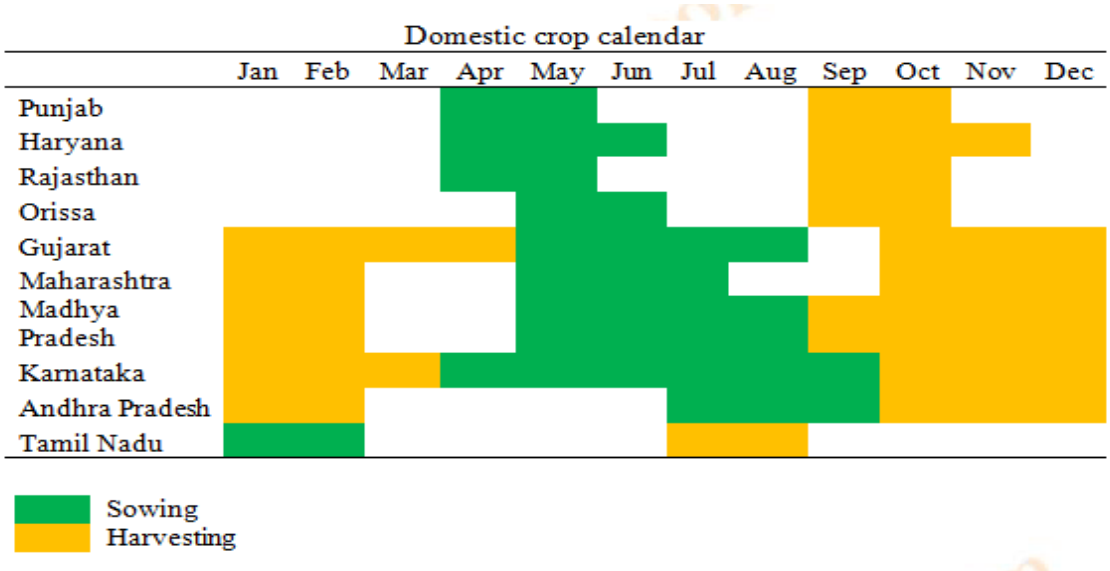
Sample picture



Life cycle

Cotton is a crop from Kharif that takes 6 to 8 months to mature. Depending on the weather conditions, the time of sowing and harvesting varies in different parts of the country. It is sown in April-May in Punjab and Haryana and is harvested in September to January period. In the rest of the country where it is sown in June-August months the harvesting of cotton commences from October and continues till late March. Cottonseed is a byproduct of cotton ginning and most of the ginning industry is located close to the production centers. The Cottonseed crushing is also done in the same proximity due to logistics reasons. The ginning activity is dependent of the arrivals of raw cotton in physical markets which makes available the Cotton seed for crushing.

As cotton seed obtained from ginning is stored for a period of 3-5 months the crushing is generally seen across the year. The production of Cotton seed oil is normally at its peak during the November to June period. The raw cotton seed oil is also stored by the crushers for about 2-4 months and hence the availability of cotton oil is throughout the year.



Various varieties/grades

Commercially three different kinds of cottonseed oil hybrids are available in the market: short duration (140-150 days), medium duration (160-170 days) and long duration (above 180 days). Cotton is a Kharif crop in the major parts of the country viz. Punjab, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh, Gujarat, Maharashtra and parts of Andhra Pradesh & Karnataka.

b. Commodity fundamentals and balance sheet as per the following format (to be prepared based on publicly available information on best effort basis):

Cottonseed Wash Oil Fundamentals

- Domestic oilseed production
- Ending stocks
- Government policies
- Economy-well-being of final consumer
- Adverse weather consition of cotton output in India and China influence the prices
- Global production, consumption and ending stocks of soybean and other oilseeds have direct bearing on prices of edible oils including cottonseed was oil
- Crude oil movement also affects prices, as siginicant rise in energy prices lead to demand for alternate fuels like biofuel. Vegetable oils are also used in the production of biofuel.

Global Cottonseed Wash Oil Balance Sheet

Global Scenario	2023-24	2024-25
	Thousand MT	Thousand MT
Opening Stocks	155	191
Production	4753	4741
Imports	76	82
Consumption	4742	4742
Exports	51	82
Closing Stocks	191	190

Source – USDA

Domestic Cottonseed Wash Oil Balance Sheet

Domestic Scenario	2023-24	2024-25
	Thousand MT	Thousand MT
Opening Stocks	37	46
Production	1355	1297
Imports	0	5
Consumption	1345	1320
Exports	1	0
Closing Stocks	46	28

Source – USDA

Top 10 Major Producing Countries	2023-24 (Thousand MT)	2024-25 (Thousand MT)
China	1164	1644
India	1355	1297
Turkey	193	235
United States	163	145
European Union	24	29
Others	1854	1391
World	4753	4741

Source – USDA

Top 10 Major Consuming Countries	2023-24 (Thousand MT)	2024-25 (Thousand MT)
China	1157	1084
India	1320	1340
Turkey	225	210
United States	131	156
European Union	33	33
Others	1876	1919
World	4742	4742

Source – USDA

Top 10 Major Exporting Countries	2023-24 (Thousand MT)	2024-25 (Thousand MT)
China	6	7
India	1	0
Turkey	8	7
United States	10	16
European Union	1	1
Others	25	51
World	51	82

Source – USDA

Top 10 Major Importing Countries	2023-24 (Thousand MT)	2024-25 (Thousand MT)
China	0	0
India	0	5
Turkey	2	2
United States	1	2
European Union	9	5
Others	64	68
World	76	82

Source – USDA

Top 10 Major Producing States in India Countries	2023-24	2024-25
	NA	NA

c. Major changes in the policies governing trade in the spot markets of the commodity.

Not available

d. Geo-political issues in the commodity and its impact on Indian scenario.

There is no major geo-political issues and its impact on Indian scenario of Cottonseed Wash Oil.

2. Trading related parameters

a. Monthly and Annual traded volume (quantity in appropriate units)

Month	Traded Quantity (MT)
APR'24	NA
MAY'24	NA
JUN'24	NA
JUL'24	NA
AUG'24	NA
SEP'24	NA
OCT'24	2110
NOV'24	245
DEC'24	35
JAN'25	0
FEB'25	0
MAR'25	0
2024-25	**2390**

NA – Not applicable

Note: Cottonseed Wash Oil futures contract was launched on 15th October 2024.

b. Annual traded volume as proportion of total deliverable supply (quantity in appropriate units)

2024-25	Unit	Annual Traded Volume	Deliverable Supply
	MT	2390	13,02,000
Annual traded volume as proportion of deliverable supply	0.1835%		

c. Annual trade volume as proportion of total annual production (quantity in appropriate units)

2024-25	Unit	Annual Traded Volume	Production
	MT	2390	12,97,000
Annual traded volume as proportion of production	0.1842%		

d. Annual average Open interest as proportion of total production

2024-25	Unit	Annual Average OI	Production
	MT	33	12,97,000
Annual daily average OI as proportion of production	0.00254%		

e. Annual average Open interest as proportion of total deliverable supply

2024-25	Unit	Annual Average OI	Deliverable Supply
	MT	33	13,02,000
Annual average OI as proportion of deliverable supply	0.00253%		

f. Monthly and Annual value of trade (in Rs. Crores)

Month	Volume (Rs. Cr)
APR'24	NA
MAY'24	NA
JUN'24	NA
JUL'24	NA
AUG'24	NA
SEP'24	NA
OCT'24	24.80
NOV'24	3.05
DEC'24	0.43
JAN'25	0
FEB'25	0
MAR'25	0
2024-25	**28.28**

NA – Not applicable

Note: Cottonseed Wash Oil futures contract was launched on 15th October 2024

g. Monthly and Annual quantity of delivery (in appropriate units)

Month	Delivery (MT)
2024-25	Not Appliable

h. Monthly and Annual value of delivery (Rs. Crore)

Month	Delivery Settled Amount
2024-25	Not Appliable

i. Monthly and Annual Average Open Interest (OI) (in appropriate units)

Month	Average OI (MT)
APR'24	NA
MAY'24	NA
JUN'24	NA
JUL'24	NA
AUG'24	NA
SEP'24	NA
OCT'24	96
NOV'24	115
DEC'24	15
JAN'25	0
FEB'25	0
MAR'25	0
2024-25	**33**

NA – Not applicable

Note: Cottonseed Wash Oil futures contract was launched on 15th October 2024

j. Annual Average volume to open interest ratio

2024-25	Unit	Average Traded Volume	Average OI
	MT	19.92	33
Annual average volume to open interest ratio	60.36%		

k. Total number of unique members and clients who have traded during the financial year

Commodity	Unique Members	Unique Client
COTTONSEED WASH OIL	55	77

Note: Client count (including 17 proprietary) traded during the period April 2024 to March 2025.

l. Ratio of open interest by FPOs/farmers/Hedge/VCP positions to total open interest (Annual average as well as maximum daily value)

Average						Maximum Open Interest	
Daily Average Open Interest	Unit	FPOs/ Farmers/ VCPs/ Hedgers		% FPOs/ Farmers/ VCPs/ Hedgers		FPOs/ Farmers/ VCPs/ Hedgers	
		Long	Short	Long	Short	Long	Short
33	MT	0	0	0	0	0	0

Note: Details are provided based on daily disclosure on the Exchange website for the period April 2024 to March 2025 in line with SEBI circular no SEBI/HO/CDMRD/DNPMP/CIR/P/2019/08 Dated January 04, 2019 Based on the data provided by the members from time to time pertaining to Farmers/ FPOs, VCPs/ Hedgers.

m. Number of unique FPOs/farmers and VCPs/hedgers who traded in the financial year. Based on the classification provided by the members as on March 31, 2024 for clients traded during FY 2024-25.

Commodity	Farmers/FPOs	Value Chain Participants (VCPs)/Hedgers
COTTONSEED WASH OIL	-	-

n. Algorithmic trading as percentage of total trading

2024-25	Algorithmic trading as % of total trading
COTTONSEED WASH OIL	6.80

o. Delivery defaults

Number of instances	Quantity involved (MT)	Value involved (Rs. Crs)
NA	NA	NA

Cottonseed Wash Oil futures contract is cash settled contract. NA – Not applicable

3. Price movements

a. Comparison, correlation and ratio of standard deviation of Exchange futures price vis-à-vis international futures price (wherever relevant comparable are available).

Not applicable as Cottonseed Wash Oil futures contract is not available on international commodity dertivative exchange.

b. **Comparison, correlation and ratio of standard deviation of Exchange futures price vis-à-vis international spot price (wherever relevant comparable are available) and domestic spot price (exchange polled price).**

The international spot prices data for cottonseed wash oil could not be obtained.

c. Correlation between exchange futures & domestic spot prices along with ratio of standard deviation.

Correlation between MCX Cottonseed Wash Oil futures prices and spot prices in 2024-25	**0.67**
Standard deviation of MCX Cottonseed Wash Oil futures prices in 2024-25	**1.86**
Standard deviation of MCX Cottonseed Wash Oil spot prices in 2024-25	**1.23**
Ratio of Standard deviation of MCX Cottonseed Wash Oil futures prices to spot prices in 2024-25	**1.51**

Note: Cottonseed Wash Oil futures contract was launched on 15th October 2024. The correlation and ratio calculated based on liquid contract period from 15-10-2024 to 31-12-2024.

d. Correlation between international futures & international spot prices along with ratio of standard deviation (wherever relevant comparable are available).

The international spot prices data for cottonseed wash oil could not be obtained.

e. Comparison of Exchange polled price and mandi price (in case of agricultural commodities) / other relevant price (in case non-agricultural commodities) at basis centre.

The local mandi prices for cottonseed wash oil could not be obtained.

f. Maximum & Minimum value of daily futures price volatility and spot price volatility along with disclosure of methodology adopted for computing the volatility.

	Maximum Daily Volatility (%)	**Minimum Daily Volatility (%)**
MCX Futures price	2.84	0.37
MCX Spot price	1.77	0.68

Note: Above details are based on near month contract volatility and for the period 1-Apr-24 to 31-Mar-25. Methodology adopted for computing the volatility is Exponential Weighted Moving Average (EWMA).

g. Number of times the futures contract was in backwardation/contango by more than 4% for the near month contract in the period under review.

Ten (10) times the futures contract was in backwardation/contango by more than 4% for the near month contract in 2024-25.

Note: If the near month contract is in tender period, the next expiry contract price is considered for near month contract. If contract is not traded for the day, previous day's close/ settlement price is considered.

4. **Other parameters**

a. Qualitative and quantitative measure for Hedge effectiveness ratio and basis Risk (Volatility of Basis) along with disclosure of methodology adopted for such calculations

Hedging Efficiency for 2024-25	
Commodity	**Hedge Ratio**
Cottonseed Wash Oil	0.2303
Note: Hedging efficiency is the value of Coefficient of Determination (R2) obtained from regressing changes in five-day moving average of daily MCX Spot Prices on changes in five-day moving average of daily MCX Futures Prices during the period.	

Commodity	Unit of Basis	Basis Risk
Cottonseed Wash Oil	Rs/10 kg	14.0491
Note: Basis Risk is computed as the Standard Deviation of normal returns in Basis, which is excess of Spot over Futures price. In case Basis is zero for any day, next day's Basis return has been ignored for computing the Standard Deviation.		

b. Details about major physical markets of the commodity vis-à-vis market reach in terms of availability of delivery centers (information to be provided state-wise and UT-wise)

Name of State	Name of the physical markets	Market Reach of Exchange delivery centers
Gujarat	Kadi, Vijapur, Visnagar, Bavla, Ahmedabad, Gondal, Morbi, Wankaner, Botad, Tankara, Rajkot	No delivery centre
Maharashtra	Akola, Akot, Amravati, Arvi, Beed, Hinganghat, Jalgaon, Jalna, Khamgaon, Murtizapur, Nagpur, Narkhed, Pandhurna, Wani, Wardha, Yavatmal	No delivery centre
Madhya Pradesh	Khargone, Indore	No delivery centre
Telangana	Adilabad, Hyderabad	No delivery centre
Andhra Pradesh	Guntur	No delivery centre

Source: Trade Estimate.

c. Details about major physical markets of the commodity and Average Open Interest for each month generated from those regions.

Details about physical markets are given above. Region-wise open interest is not available.

d. Details, such as number and target audience, of stakeholders' awareness programs carried out by the exchange.

Overall, the PMT – Agri team conducted 207 programs in the Agri segment, and the target participants were primarily the physical participants, especially, the Farmers and Farmer Producing Organisations (FPOs) associated with the commodities listed on the MCX platform.

e. Steps taken / to be undertaken to improve hedging effectiveness of the contracts as well as to improve the performance of illiquid contracts.

The exchange strives to ensure that the contract remains a healthy replica of the physical market. We do one-on-one meetings and Product Advisory Committee (PAC) meetings with the physical market participants to make modifications in the contract to make it more lucrative for physical participants to participate in the contract.

4. Any other information to be disclosed as deemed important by the exchange or as suggested by the PAC.

No other information to be disclosed.

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