MCX
METAL & ENERGY
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KAPAS

PERFORMANCE REVIEW 2024-2025

FOREWORD TO THE KAPAS PERFORMANCE REVIEW

The Kapas 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 Kapas Performance Report highlights the important aspects of 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 Kapas 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 Kapas contract on the Exchange.

Acknowledgement

We have been ably guided by the MCX Cotton 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 Kapas

Kapas (seed for Cotton) is un-ginned fibrous substance extracted from the cotton boll/plant which covers the seeds. Typically, raw cotton contains 34% Fiber and 64% seed by weight and remaining 2% wastage. Lint obtained from Kapas is mainly used for production of Cotton. The seed extracted from kapas is crushed to extract oil and the product which is left after crushing is Cotton seed oil cake generally used as cattle feed. Kapas is raw material of lint cotton.

Shankar Kapas is majorly grown in Gujarat. Shankar Kapas has an annual production of about 50 lakh MT against India average Kapas production of 162 lakh MT. Cotton is one of the most important textile fibers. Cotton is a heavily traded agricultural commodity with a number of countries involved in exporting or importing cotton.

In India, a central nodal agency, Cotton Corporation of India (CCI) is the procuring agency for cotton and carries out procurement of Kapas (seed cotton) through open auction in competition with other traders and mills, conducted by the APMCs, in the notified market yards. It has been estimated that about 80 per cent of the marketed surplus of Kapas and lint is handled by the private marketing channels and the remaining 20 per cent by the institutional marketing channels including co-operatives and Cotton Corporation of India.

Sample picture



Life cycle

Cotton is grown in India in three zones with different sowing and harvesting periods during the season from October-September.

In India, farmers generally store Kapas for more than a year. This stored Kapas can deteriorate in color and quality. The marketing season of Kapas is throughout the year in India.

North Zone	Central Zone	South Zone
Punjab, Haryana, Rajasthan	Gujarat, Maharashtra, Madhya Pradesh	Telangana, Andhra Pradesh, Tamil Nadu, Karnataka
Sowing		
April, May	June, July	July, August, September
Harvesting		
September, October	October, November, December	December, January, February

Various varieties/grades

Major Varieties: Bengal Desi, Assam Camilla, Jaydhar, V797/G-Cot-13/ G-Cot-21, AK/Y-1(MH-MP),MCU-7,SVPR-2(TN), J-34 (RJ), Hybrid, LRA-5166/KC-2(TN), F-414/H-777, H-6/H-7/MECH/RCH-2, Shanker-6/10, Bunny/Brahma, MCU-5/Surabhi, DCH-31 and Suvin.

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

Kapas fundamentals:

- Weather condition in cotton producing areas especially at sowing, flowering and harvesting stage
- Demand of lint from textile industry
- Demand for Cotton seed from crushing industry
- Demand for Cotton Seed Oil Cake from farmers, dairy and feed industry
- Price movement in Cotton bales & Cotton seed
- Tariff & Non-tariff barriers including taxes, quota, etc.
- Production and inventory of Cotton both international and Indian

Global Balance Sheet

Global Scenario (Lakh MT)	2023-24	2024-25
Opening Stocks	N.A.	N.A.
Production	723.50	774.59
Consumption	735.15	746.32
Closing Stocks	N.A.	N.A.
Source – USDA, Note: Based on Cotton production (conversion factor assumed at 34% lint and 64% seed and 2% wastage)		

Domestic Balance Sheet

Indian Scenario (Lakh MT)	2023-24 (P)*	2024-25 (P)*
Opening Stocks	30.59	23.56
Production	162.62	147.12
Imports	7.59	12.50
Total Supply	200.79	183.18
Exports	14.18	9.00
Domestic Consumption	163.06	159.00
Closing Stocks	23.56	15.18

Source- As estimated by Committee on Cotton Production and Consumption (COCPC), P-Provisional.
Note: Based on Cotton production (conversion factor assumed at 34% lint and 64% seed and 2% wastage).

Top 10 Major Producing Countries (Lakh MT)	2023-24	2024-25
China	175.15	203.32
India	162.65	160.09
Brazil	93.29	108.85
USA	77.26	92.29
Australia	32.03	34.59
Pakistan	44.82	32.03
Turkey	20.50	25.62
Uzbekistan	18.56	19.21
Argentina	10.24	9.62

Source – USDA,
Note: Based on Cotton production (conversion factor assumed at 34% lint and 64% seed and 2% wastage)

Top 10 Major Consuming Countries (Lakh MT)	2023-24	2024-25
China	249.12	240.15
India	163.29	163.29
Pakistan	62.12	65.97
Bangladesh	49.62	53.15
Vietnam	42.26	47.38
Turkey	42.26	44.82
Brazil	20.26	21.12
Uzbekistan	18.56	19.85
Indonesia	11.85	12.18
USA	11.53	10.88
Source – USDA, Note: Based on Cotton production (conversion factor assumed at 34% lint and 64% seed and 2% wastage)		

Top 10 Major exporting countries (‘000 MT)	2023-24	2024-25
Not Available		

Top 10 Major importing countries (‘000 MT)	2023-24	2024-25
Not Available		

Top 10 Major Producing States in India (Lakh MT)	2023-24 (P)*	2024-25 (P)*
Maharashtra	40.24	44.56
Gujarat	45.29	35.68
Telangana	25.41	24.94
Rajasthan	13.12	9.24
Karnataka	10.29	9.59

Madhya Pradesh	9.00	7.68
Haryana	7.56	6.21
Andhra Pradesh	3.68	4.38
Odisha	3.53	2.59
Punjab	3.15	1.35
Others	1.38	0.94
All India	162.62	147.16
Source- As estimated by Committee on Cotton Production and Consumption (COCPC), P-Provisional. Note: Based on Cotton production (conversion factor assumed at 34% lint and 64% seed and 2% wastage)		

Kapas (raw cotton) generally trades in loose form and is delivered in trucks. Physical market of Kapas is unorganised in India. There is no authentic data source of Kapas in India. Based on Cotton production the reverse calculation is as below.

Kapas (Lakh MT)		
2024-25	**Cotton 34%**	**Kapas 100%**
Production	50.19	147.16

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

Government of India has increased the MSP of Kharif Crops for Marketing Season 2025-26, to ensure remunerative prices to the growers for their produce. Cotton MSP has increased to Rs 7710, up by 8.27% per quintal for medium staple (length 24.50 to 25.50 mm and Micronaire value of 4.3 to 5.1) and Rs 8110, up by 7.83% per quintal for long staple cotton (length 29.50 to 30.50 mm and Micronaire value of 3.50 to 4.30) as compared to price for medium staple at Rs 7121 per quintal and Rs 7521 per quintal for long staple during the marketing year 2024-25. Source: PIB press release, dated 28th May 2025.

India's cotton area may see a dip in 2025-26 as farmers seen shifting to pulses, oilseeds

India's cotton acreage for market year (MY) 2025-26 is seen lower at 11.4 million hectares, a three per cent decrease from the previous year due to the unexpected shift of planted area to higher return crops such as pulses and oilseeds, according to the forecast by USDA India Post. Cotton acreage for MY 2024-25 was 11.8 m ha. However, production is seen at 25 million bales of 480 pounds each similar to the current year on higher yields. Based on the expectation of a normal monsoon season, the USDA Post has forecast an average yield of 477 kilograms per hectare for MY 2025/26, a three percent increase from the official MY 2024/25 estimate of 461 kilograms per hectare due to production in regions with adequate irrigation facilities and water availability.

The USDA Post said the planted area in Punjab is forecast to remain steady, with reductions in Haryana by five percent due to a shift to paddy rice planting. Yields in both states are expected to be marginally lower as farmers divert water to other crops. The area planted in Rajasthan is expected to be down two percent from the previous year, as farmers are seen shifting area to crops such as guar, maize and pulses (mung) due to anticipated higher prices. However, better pest management practices will likely support higher yields, it said.

The acreage in Gujarat, the largest producing state, is expected down three percent from last year on shifts to pulses, groundnut, cumin and sesamum. Although current domestic farmgate prices for cotton have seen lower decline than other commodities, its cost of production remains significantly higher, it said. In addition to the shorter growing duration, strong government support, and export demand makes pulses and groundnut a preferred crop this season in Gujarat. In Maharashtra, area planted is expected to remain the same as last year as farmers were dissatisfied with the low soybean prices in the current season so they may consider diversifying to pigeon pea (tur) and maize due to better profitability. Madhya Pradesh is forecasted to go down five percent, as farmers shift to oilseeds and pulses. In the South, the strong government incentive schemes for ethanol production may prompt farmers to shift area from cotton to maize and rice in the southern states of Telangana, Karnataka, Andhra Pradesh, and Tamil Nadu, resulting in an estimated decrease of seven percent as compared to last year. Source: The Hindu Businessline, 31 March 2025. Link: https://www.thehindubusinessline.com/economy/agri-business/indias-cotton-area-may-see-a-dip-in-2025-26-as-farmers-seen-shifting-to-pulses-oilseeds/article69395480.ece

Cotton Procurement at MSP by CCI touches 1 Crore Bales

The progressive procurement of cotton by the State-run Cotton Corporation of India (CCI) at the minimum support price (MSP) has touched 1 crore bales (170 kg each for the 2024-25 marketing season. Telangana tops the list of States where the maximum quantity has been procured, followed by Maharashtra and Gujarat in the progressive procurement. “One crore bales have been purchased and it is still going on” said Lalit Kumar Gupta, chairman-cum-managing director, CCI. This year’s cotton procurement by CCI is the second highest since 2019-20, when the State-run agency had procured over 1.05 crore bales. With the latest procurement figures touching one crore bales of 170 kg each, the CCI has purchased over a third of the cotton produced in the country during 2024-25 crop season. Source: The Hindu Businessline, 31 March 2025. Link: https://www.thehindubusinessline.com/economy/agri-business/cotton-procurement-at-msp-by-cci-touches-1-cr-bales/article69396350.ece

d. Geopolitical issues in the commodity and its impact on Indian scenario.

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

2. Trading related parameters

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

Months	Traded Quantity (MT)
APR'24	0
MAY'24	0
JUN'24	0
JUL'24	0
AUG'24	0
SEP'24	0
OCT'24	12
NOV'24	0
DEC'24	0
JAN'25	0
FEB'25	0
MAR'25	0
2024-25	**12**

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

	Annual traded volume (MT)	Deliverable Supply (MT)
2024-25	12	18267500
Annual traded volume as proportion of deliverable supply	0.00	

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

	Annual traded volume (MT)	Production (MT)
2024-25	12	14716000
Annual traded volume as proportion of production	0.00	

d. Annual average Open interest as proportion of total production

	Annual average OI (MT)	Production (MT)
2024-25	0.12	14716000
Annual average OI as proportion of production	0.00	

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

	Annual average OI (MT)	Deliverable Supply (MT)
2024-25	0.12	18267500
Annual average OI as proportion of deliverable supply	0.00	

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

Months	Volume (Rs.cr)
APR'24	0.00
MAY'24	0.00
JUN'24	0.00
JUL'24	0.00
AUG'24	0.00
SEP'24	0.00
OCT'24	0.10
NOV'24	0.00
DEC'24	0.00
JAN'25	0.00
FEB'25	0.00
MAR'25	0.00
2024-25	**0.10**

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

No deliveries took place in Kapas since the launch of the contract.

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

No deliveries took place in Kapas since the launch of the contract.

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

Months	Average OI (MT)
APR'24	0.00
MAY'24	0.00
JUN'24	0.00
JUL'24	0.00
AUG'24	0.00
SEP'24	0.00
OCT'24	1.45
NOV'24	0.00
DEC'24	0.00
JAN'25	0.00
FEB'25	0.00
MAR'25	0.00
2024-25	**0.12**

j. Annual average volume to open interest ratio

	Average traded volume (MT)	Average OI (MT)
2024-25	0.05	0.12
Annual average volume to open interest ratio	37.5%	

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

Unique Members	Unique Client
2	3

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
0.12	MT	-	-	-	-	-	-

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, 2025 for clients traded during FY 2024-25.

Farmers/FPOs	Value Chain Participants (VCPs)/Hedgers
-	-

n. Algorithmic trading as percentage of total trading

2024-25	Algorithmic trading as % of total trading
Kapas	0

o. Delivery defaults

o Number of instances – Nil

o Quantity involved – Nil

o Value involved – Nil

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).

Kapas futures are only available in India.

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).

Kapas futures are only available in India.

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

Correlation between MCX Kapas futures prices and spot prices in 2024-25	**NA**
Standard deviation of MCX Kapas futures prices in 2024-25	NA
Standard deviation of MCX Kapas spot prices in 2024-25	0.60
Ratio of Standard deviation of MCX Kapas futures prices to spot prices in 2024-25	NA

Note: Negligible trade in kapas futures

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

Kapas futures are only available in India.

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.

Kapas mandi price is not available.

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 (%)
Future price	3.08	0.28
Spot price	0.80	0.48
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

Not applicable due to negligible trade in kapas futures in the year of 2024-25.

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

Hedge Ratio for 2024-25	
Commodity	**Hedge Ratio**
Kapas	0.0104
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.	

Basis Risk for 2024-25		
Commodity	**Unit of Basis**	**Basis Risk**
Kapas	Rs/20 Kg	1.7918

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 centres (information to be provided state-wise and UT-wise).

Name of State	Name of the physical markets	Market Reach of basis delivery center
Gujarat	Keshod, Bardoli, JetpurPavi, Gondal, Balasienor, Rajkot, Babra, Amreli, Sabarkantha, Visnagar, Vijapur, Halvad, Unai, Manavadar, Bevla, Mansa, Mandvi, Kutch.	Rajkot
Maharashtra	Nagpur, Narkhed, Nanded, Yavatmal, Hinganghat, Wardha, Pulgaon, Akola, Amaravati, Murtizapur, Aurangabad, Jalna, Sillod, Dhule, Jalgaon	No delivery centre
Punjab	Bhatinda, Ferojpur, Sangur, Muktsar, Faridkot, Mansa	No delivery centre
Haryana	Hisar, Fatehabad, Sirsa, Bhiwani, Rohtak, Panipat, Jind, Kaithal, Gurgoan	No delivery centre
Telangana	Adilabad, Warangal, Nirmal,	No delivery centre

Andhra Pradesh	Guntur, Khammam	No delivery centre
Karnataka	Bailhogal, Bellary, Bijapur, Gadaj, Haliyal, Hubli, Kottur, Jamkhand, Raichur, Ranebennur, Savadatti, Shimoga, Yellapur	No delivery centre
Madhya Pradesh	Badwani, Betul, Chindwara, Dhar, Dewas, Harda, Jhabua, Khandwa, Khargone, Ratlam, Shajapur, Indore	No delivery centre
Rajasthan	Hanumangarh, Pili Banga, Sriganga– nagar, Palampur, Sangriya, Suratgarh, Sri Vijayanagar, Shadulshakar, Rawatsar, Kherthal, Bijaynagar, Rajsighnagar.	No delivery centre
Tamil Nadu	Cuddallore, Villupuram, Vellore, Thiruvannamalai, Salem, Dharamapuri, Coimbatore, Erode, Tiruchilapalli, Thanjavur, Pudukottai, Dindigul, Madurai, Theni, Virudhanagar, Tirunelveli	No delivery centre
Orissa	Ganjam, Roygoda, Karaput, Kalahandi, Navaranpur, Bolangir, Dhenkenal,	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.

Physical markets of Kapas are already mentioned 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.

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

   No other information to be disclosed.

Disclaimer:

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