MCX
METAL & ENERGY
Trade with Trust



KAPAS

PERFORMANCE REVIEW 2025-2026

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, 2026, 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 more than 35 lakh MT against India average Kapas production of 150 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.

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 and Rajasthan	Gujarat, Maharashtra, and Madhya Pradesh	Telangana, Andhra Pradesh, Karnataka and Tamil Nadu
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)	2024-25	2025-26
Opening Stocks	470.35	477.18
Production	764.24	785.35
Consumption	762.74	769.29
Closing Stocks	477.18	494.79
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)	2024-25	2025-26 (P)*
Opening Stocks	23.74	22.76
Production	148.62	146.09
Imports	20.71	20.00
Total Supply	193.06	188.82
Domestic Consumption	161.26	161.00
Exports	9.03	7.50
Total Demand	170.29	168.50
Closing Stocks	22.76	20.32

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)	2024-25	2025-26
China	204.91	229.26
India	153.68	152.41
Brazil	108.85	124.88
USA	92.26	89.00
Pakistan	32.03	33.94
Australia	35.85	26.71
Uzbekistan	19.21	22.06
Others	117.38	105.00
Total	764.24	785.35

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)	2024-25	2025-26
China	249.74	259.35
India	163.29	163.29
Pakistan	67.88	65.97
Bangladesh	52.50	49.94
Vietnam	51.24	49.29
Turkey	45.47	43.56
Uzbekistan	19.21	25.62
Others	113.38	112.26
Total	762.74	769.29
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)	2024-25	2025-26
Not Available		

Top 10 Major importing countries (‘000 MT)	2024-25	2025-26
Not Available		

Top 10 Major Producing States in India (Lakh MT)	2024-25 (P)*	2025-26 (P)*
Maharashtra	36.85	36.32
Gujarat	35.79	35.50
Telangana	28.94	27.21
Karnataka	11.35	12.76
Rajasthan	8.94	9.85

Madhya Pradesh	7.68	8.56
Haryana	5.88	4.88
Andhra Pradesh	5.65	4.71
Odisha	4.12	4.21
Punjab	2.06	1.44
Tamil Nadu	1.06	0.38
Others	0.26	0.26
All India	148.62	146.09
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)		
2025-26	**Cotton 34%**	**Kapas 100%**
Production	49.67	146.09

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 2026-27, to ensure remunerative prices to the growers for their produce. Cotton MSP has increased to Rs 8267, up by 7.22% per quintal for medium staple (length 24.50 to 25.50 mm and Micronaire value of 4.3 to 5.1) and Rs 8667, up by 6.87% 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 7710 per quintal and Rs 8110 per quintal for long staple during the marketing year 2025-26. Source: PIB press release, dated 13th May 2026.

DECLINE IN COTTON PRODUCTION

A combination of factors, including a reduction in the area under cotton cultivation, adverse climatic conditions such as uneven rainfall and extreme temperatures in predominantly rainfed regions, the negative impact of monocropping on soil health, a shift by farmers to more remunerative crops, and the resurgence of major pests like pink bollworm and whitefly, along with increased incidence of diseases such as cotton leaf curl virus, boll rot, Tobacco Streak Virus, and other emerging secondary pests have affected cotton production and yield in recent years.

To enhance cotton productivity and quality, promote innovation and strengthen the entire textile value chain, a five-year 'Mission for Cotton Productivity' has been announced in the Union Budget 2025–26. The Mission aims to boost cotton production through strategic interventions, including research and extension activities across all cotton- growing states. The Mission also proposes to focus on developing climate- smart, pest-resistant, and high-yielding cotton varieties, including Extra Long Staple (ELS) cotton, using advanced breeding and biotechnology tools.

Further, a Special Project on Cotton titled 'Targeting technologies to agro-ecological zones-large scale demonstration of best practices to enhance cotton productivity' has been implemented by ICAR- Central Institute for Cotton Research (CICR), Nagpur in 8 major cotton growing states under National Food Security and Nutrition Mission (NFSNM) during FY 2023-24 and FY 2045-25 to enhance productivity of cotton and production of ELS cotton. The Special Project was further extended during FY 2025-26.

Under the '*Mission for Cotton Productivity'*, districts have been identified for productivity enhancement based on their low cotton productivity and area coverage. The Mission targets these districts for upscaling of region-specific technologies and best practices. Source: PIB, This information was provided by THE MINISTER OF STATE FOR TEXTILES SHRI PABITRA MARGHERITA in a written reply to a question in Lok Sabha dated December 09, 2025.

COTTON PROCUREMENT AT MSP

Procurement of cotton at minimum support price (MSP) by the State-run Cotton Corporation of India (CCI) for the ongoing marketing season 2025-26 has crossed 104 lakh bales of 170 kg each. This is about 4%higher than last year's 100.16 lakh bales. Telangana tops the list of States where the maximum quantity has been procured, followed by Maharashtra and Gujarat. CCI had purchased 31.70 lakh bales in Telangana and 27.23 lakh bales in Maharashtra. In Gujarat, the cotton procured till date is 19.96 lakh bales. Karnataka is the fourth largest state where cotton procurement stood at 7.01 lakh bales. In Madhya Pradesh, the procurement has exceeded 5.55 lakh bales, while in Andhra Pradesh it stood at 3.90 lakh bales. In Rajasthan, the procured quantity of cotton stood at 3.46 lakh bales. CCI has procured 2.70 lakh bales in Odisha, 2.04 lakh bales in Haryana and 0.47 lakh bales in Punjab. Cotton procurement during 2025-26 is likely to be the second highest in volumes since 2019-20, when the state agency had procured over 105 lakh bales. Last year, CCI had procured 100.16 lakh bales.

As per the second advance estimates released early this week by the Agriculture Ministry, the cotton production during 2025-26 season is estimated at 290.91 lakh bales of 170 kg each, lower than last year's 297.24 lakh bales on reduced acreages, excess rains hurting the output. Recently, trade body Cotton Association of India (CAI) had revised upwards the crop estimate for 2025-26 by around 2.5 per cent or 7.5 lakh bales of 170 kg each to 317 lakh bales on higher than estimated production in Maharashtra and Telangana. CAI, has projected a year-end surplus 122.59 lakh bales for the 2025-26 season, up 56% year-on-year on record imports of 50 lakh bales during the year. Source: The Hindu Businessline, 12 March 2026.

EXTENSION OF COTTON PROCUREMENT BY CCI

All cotton offered by farmers at the MSP rates is procured as per prescribed guidelines and district-wise yield declared by the state. On the request of the state, the last date of procurement in the State of Maharashtra was extended from 28.02.2026 to 15.03.2026 to enable remaining farmers to take advantage of MSP scheme. With regard to the quantity of cotton remaining unsold with farmers, it is stated that, as per the meeting of the Committee on Cotton Production and Consumption (COCPC) held on 08.12.2025, cotton production in Maharashtra was estimated at 72.66 lakh bales based on the First Advance Estimates of the Ministry of Agriculture. Further, as per market information, almost the entire amount of cotton has already arrived in the markets in the State.

To ensure that the benefits of MSP reach a larger section of cotton farmers, CCI has been appointed as the Central Nodal Agency under the Ministry of Textiles for undertaking MSP operations across the country, including Maharashtra. In coordination with the Ministry, CCI expanded the State's procurement network to 168 centres across 21 districts, under its Akola and Aurangabad branches, up from 128 in 2024–25, ensuring wider coverage of cotton-growing areas. In the 2025–26 cotton season, CCI has introduced several farmer-centric initiatives, including the "KapasKisan App" for self-registration and slot booking, SMS alerts for real-time updates, extensive awareness campaigns, and Local Monitoring Committees and helplines to ensure smooth procurement operations and safeguard farmers' interests. Source: This information was provided by THE MINISTER FOR TEXTILES SHRI GIRIRAJ SINGH in a written reply to a question in Rajya Sabha on 20th March 2026.

AREA AND PRODUCTION

US Department of Agriculture, Foreign Agricultural Services (FAS) forecasts marketing year (MY) 2026/27 India cotton area at 11.5 million hectares, a three percent increase from the previous year as farmers anticipate higher fiber demand following recent trade agreements. Production is forecast at 32.3 million bales of 170 Kgs each (5.5 million metric tons), a seven percent increase from the previous year. Yields are anticipated to increase three percent to 477 kilograms per hectare, due to recovery from last year's untimely heavy rains and expectations of a normal monsoon. Over the past month, seed cotton prices for the Shankar-6 variety (long-staple cotton) increased by four percent as the harvest season concluded and market arrivals declined. Shankar-6, a Gujarat-based variety and the most widely traded cotton in India, saw prices firm due to tightening supplies in the market. Stagnant yields across major growing states and the government's reinstatement of import duties have further tightened supply and supported the price hike.

Another factor influencing cotton prices is the rise in input costs such as fertilizers, pesticides, and agrochemicals driven by higher oil prices. Elevated oil prices tend to increase the cost of polyester fiber, which can make cotton relatively more attractive and support cotton prices. At the same time, higher oil prices also raise agricultural input costs such as fuel, fertilizers, and transportation as well as operational costs for textile production. India's crude oil import price increased significantly over the past month,

rising from around $69 per barrel in late February 2026 to about $80 per barrel in early March 2026, reflecting an increase of roughly 16 percent. The rise mirrors global crude oil trends driven primarily by geopolitical tensions in the Middle East and concerns over potential supply disruptions. Source: USDA, FAS, dated April 03, 2026.

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'25	28
MAY'25	0
JUN'25	0
JUL'25	4
AUG'25	4
SEP'25	0
OCT'25	0
NOV'25	0
DEC'25	12
JAN'26	0
FEB'26	0
MAR'26	0
2025-26	**48**

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

	Annual traded volume (MT)	Deliverable Supply (MT)
2025-26	48	18882000
Annual traded volume as proportion of deliverable supply	0.00025%	

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

	Annual traded volume (MT)	Production (MT)
2025-26	48	14609000
Annual traded volume as proportion of production	0.00033%	

d. Annual average Open interest as proportion of total production

	Annual average OI (MT)	Production (MT)
2025-26	0.48	14609000
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)
2025-26	0.48	18882000
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'25	0.21
MAY'25	0.00
JUN'25	0.00
JUL'25	0.03
AUG'25	0.03
SEP'25	0.00
OCT'25	0.00
NOV'25	0.00
DEC'25	0.09
JAN'26	0.00

FEB'26	0.00
MAR'26	0.00
2025-26	**0.36**

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'25	4.00
MAY'25	0.00
JUN'25	0.00
JUL'25	0.52
AUG'25	0.40
SEP'25	0.00
OCT'25	0.00
NOV'25	0.00
DEC'25	0.36
JAN'26	0.00
FEB'26	0.00
MAR'26	0.00
2025-26	**0.48**

j. Annual average volume to open interest ratio

	Average traded volume (MT)	Average OI (MT)
2025-26	0.19	0.48
Annual average volume to open interest ratio	39.58%	

k. Total number of unique members and clients who have traded during the financial year 2025-26.

Unique Members	Unique Client
5	7

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
0.48	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, 2026 for clients traded during FY 2025-26.

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

n. Algorithmic trading as percentage of total trading

2025-26	Algorithmic trading as % of total trading
Kapas	16.34

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 2025-26	NA
Standard deviation of MCX Kapas futures prices in 2025-26	NA
Standard deviation of MCX Kapas spot prices in 2025-26	0.53
Ratio of Standard deviation of MCX Kapas futures prices to spot prices in 2025-26	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	1.20	0.28
Spot price	0.86	0.37
Note: Above details are based on Near Month contract volatility and for the period 1-Apr-25 to 31-Mar-26. 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 2025-26.

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 2025-26	
Commodity	**Hedge Ratio**
Kapas	NA
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 2025-26		
Commodity	**Unit of Basis**	**Basis Risk**
Kapas	Rs/20 Kg	NA

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 75 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.

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