

KAPAS

Introduction

Kapas refers to the unginned fibrous substance extracted from the cotton plant (Cotton boll), which covers the underlying seed. Shankar Kapas is majorly grown in Gujarat. Shankar Kapas has annual production of about 45 lakh MT against total Kapas production of 180 lakh MT.

The seed extracted from such variety is crushed to extract oil and the by product which is left after crushing is Cotton seed oil cake generally used as cattle feed. Typically raw cotton contains 34% Fiber and 63.5% seed by weight and remaining 2.5% wastage.

Crop pattern

It is a Kharif crop, sowing season begins in June-July, picking/harvesting starts from October onwards, marketing year starts October to September.

INDIAN HARVEST CALENDAR FOR KAPAS

SOWING | GROWTH | HARVEST

STATES	J	F	M	A	M	J	J	A	S	O	N	D
Gujarat												
Maharashtra												
Telangana, AP												
Punjab												
Haryana												

Applications

Lint obtained from Kapas is manly used for production of Cotton. Cotton is considered a very important crop, as it is the major source of clothing to the world. Besides this use of Cotton, it is also used in various industrial applications. Hence, it is ranked among the most cultivated and traded commodities on the planet. Cotton and its various by-products are traded in the market and are looked upon as an important means of investment.

Kapas is also used for production of Cotton Oil & Cotton seed Oil Cake.

Year	Area (In Lakh Ha)
2018-19	126.14
2019-20	134.77
2020-21	132.85
2021-22 (p)	119.10
2022-23 (p)	125.02

Source – Meeting of committee on Cotton Production and Consumption (COCPC) held on 15.11.2022; P-Provisional.

State wise production of Kapas

Maharashtra accounts for approx. 34 % of India's total sowing acreage of Kapas, Gujarat 18.26%, Telangana 18.7%, Andhra Pradesh 4.34, Karnataka 5.6%, Madhya Pradesh 4.78%, Haryana 5.25%, Rajasthan 6.12%, Punjab 2.46%, Tamil Nadu 1%, Odissa 1.56%.

Gujarat accounts for approx. 25 % of India's cotton production, Maharashtra about 22.10%, Telangana 19.34%, Andhra Pradesh 4.77%, Karnataka 5.38%, Madhya Pradesh 4.38%, Rajasthan 7.15%, Haryana 5.56%, Punjab 3.42%, Tamil Nadu 0.87%, Odisha 1.93% and others 0.09%.

INDIAN PRODUCTION VS THE WORLD

Year	India Production ('000' MT)	World production ('000' MT)	India's share (%)
2018-19	16650	75876	21.94
2019-20	18250	76950	23.72
2020-21	17674	71397	24.75
2021-22	15626	74221	21.05
2022-23 (p)	15688	73700	21.29

Source: US Department of Agriculture, Note: Converted from Cotton bales to Kapas by assuming that 500 kg of Kapas required for making one bale of cotton (bale= 170 kg).

Price influencing factors

- 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
- International production of Cotton

Major trading centers

- Rajkot, Kadi, Ahmedabad & Surendranagar (Gujarat)
- Jalna, Jalgaon, Akola & Yavatmal (Maharashtra)
- Khargone & Sendhwa (Madhya Pradesh)
- Warangal & Adilabad (Telangana); Guntur (Andhra Pradesh)
- Coimbatore & Madurai (Tamil Nadu)
- Raichur, Dharwad, Bellari, Haveri, Devangeri (Karnataka)
- Bhatinda & Ludhiana (Punjab)
- Sirsa & Hisar (Haryana); Shri Ganganagar (Rajasthan)

CONTRACT SPECIFICATIONS OF KAPAS

Symbol	**KAPAS**
Description	KAPASMMMYY
Contract Months	Februry, April and November
Trading	
Trading session	Monday to Friday: 9.00 a.m. to 9.00 p.m.
Trading & Delivery unit	4MT (200 maunds of 20 kg)
Price Quote/Base Value	Ex-Warehouse Rajkot (exclusive of Sales Tax/GST) / Rs per 20 kg
Maximum Order Size	50 Lots i.e. 200 MT
Tick Size	50 Paise
Initial Margin*	Minimum 8% or based on SPAN, whichever is higher
Extreme Loss Margin	Minimum 1 %
Additional and/ or Special Margin	In case of additional volatility, an additional margin (on both buy & sell side) and/ or special margin (on either buy or sell side) at such percentage, as deemed fit; will be imposed in respect of all outstanding positions.
Maximum Allowable Open Position	For individual clients: 1,70,000 MT For a member collectively for all clients: 17,00,000 MT or 15% of the market wide open position, whichever is higher. Near Month Limits For individual clients: 42,500 MT Near month member level position limit shall be equivalent to the one fourth of the overall member level position limit.
Delivery	
Delivery period margin**	Delivery period margins shall be higher of: **a.** 3% + 5 day 99% VaR of spot price volatility or **b.** 25%
Delivery center(s)	Ex-Warehouse, Rajkot (Gujarat); MCXCCL designated warehouses upto radius of 100 kms from Rajkot municipal limits.
Quality specifications Raw Cotton	**1. Staple Length:** Basis : 29 mm | Tenderable range: 29 mm and above and not deliverable below 29 mm **2. Outturn:** Minimum 34% with no premium above 34% and not Tenderable below 34%. **3. Trash Content:** Maximum 3% | Tenderable Range: Maximum up to 3% with no premium below 3% **4. Micronaire:** Basis: 3.8-4.0 Micronaire Tenderable range of 3.8–4.0 Micronaire with no premium/discount. **5. Strength:** Basis: Minimum 29 Gtex | Tenderable above 29 GTex with no premium or discount. Strength less than 29 GTex is not deliverable on Exchange platform. **6. Reflectance (Rd value):** Deliverable Range: 75-81 **7. Yellowness (+b value):** Deliverable Range: 7.5-9.5 **8. Moisture:** Max. 8% with no premium below 8%
Due Date Rate	For contracts where Final Settlement Price (FSP) is determined by polling, unless specifically approved otherwise, the FSP shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz.,E0 (expiry day), E-1 and E-2.
Delivery Logic	Both option

*Currently, the Margin Period of Risk (MPOR) is 2 days (the initial margin shall be scaled up by root 2) and the same is also being revised to 3 days and shall be scaled up by root 3 w.e.f. April 21, 2020 in accordance with Circular No MCX/MCXCCL/103/2020 dated February 18, 2020. | ** As per SEBI directive SEBI/HO/CDMRD/DRMP/CIR/P/2016/77 dated Sep 01, 2016

Important websites: www.cotcorp.gov.in | www.caionline.in | www.citiindia.com | www.icai.org | www.agricoop.nic.in

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