MCX
METAL & ENERGY
Trade with Trust

COTTON



Cotton is essentially grown for its fibre, which is used the world-over in textile manufacturing and accounts for around 35 per cent of the total textile fibre used in the world. Its strength, absorbency, and capacity to be washed and dyed, make cotton an adaptable raw material for producing a variety of textile products, such as clothes, space suits, household items and industrial products. Cotton is classified based on staple, grade, and character of each bale—staple refers to the fibre length; grade ranges from coarse to premium and is a function of colour, brightness, and purity; and character refers to the fibre's strength and uniformity.

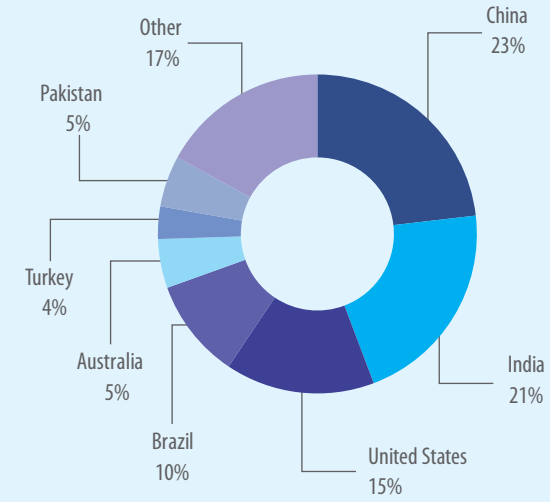
GLOBAL SCENARIO

- Cotton production and trade is widely spread across the world, with more than 80 nations cultivating the crop. However, its production, consumption and trade are dominated by a few nations.
- The world cotton production in 2021-22 is expected to be 26.93 million metric tonnes (MMT) (158.34 million bales of 170 kg each) as compared with 23.22 MMT (136.53 million bales of 170 kg each) in 2020-21.
- The world's four largest cotton producing countries are India, China, the US.,Brazil and Pakistan. They account for nearly 76 per cent of the world's production. The other major producers include Turkey and Uzbekistan.
- The top two consumers of cotton are China and India (more than 53 per cent) of the world's consumption, which is estimated to be around 26.69 MMT. Pakistan, Bangladesh, Turkey, Vietnam and Indoneisa are the other major consumers.
- In the recent years, global trade has been around 8-9 MMT.
- The U.S. is the largest exporter of raw cotton, accounting for over one-third of the global trade; China was the largest importer till 2014-15. From 2015-16, Bangladesh is the largest importer.

INDIAN SCENARIO – DEMAND & SUPPLY

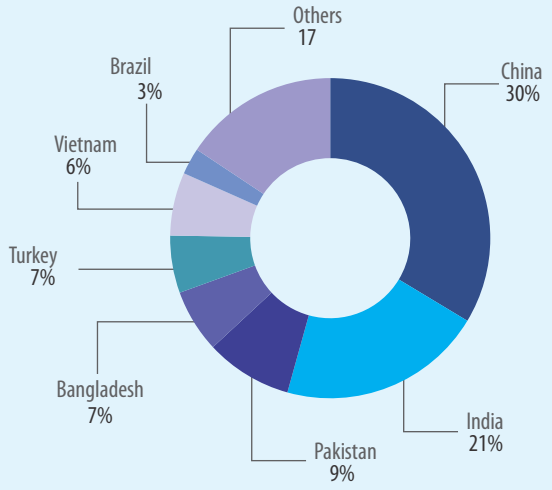
- India's annual production of cotton has been steadily increasing in the recent years supported by a rise in acreage, better genetically modified seeds, and improved practices.

World cotton production, 2021–22



Source: USDA (U.S. Department of Agriculture)

World cotton consumption, 2021–22



Source: USDA (U.S. Department of Agriculture)



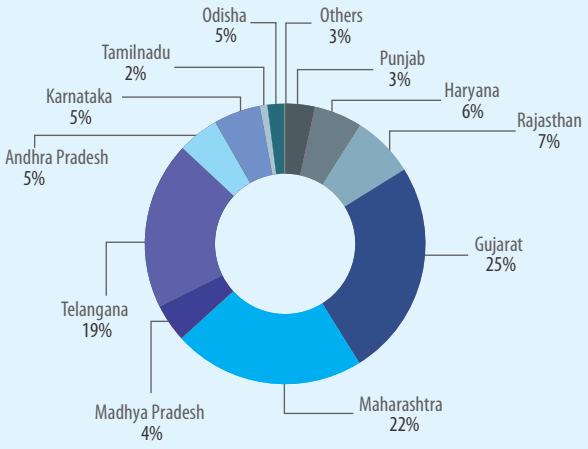


- India's estimated production is 37 milion bales of cotton in 2017-18 crop year. The acreage in 2017-18 was 12.40 million hectares and a yield of 507 kg/ha, as against the world average of 802 kg per hectare.
- In India, cotton is sown during March–September and harvested during September–April. The new marketing season commences from October every year.
- India's cotton consumption increased by 15 per cent from 21.9 million bales in 2005-06 to 25.5 million bales in 2011-12. This is estimatd to have further increased to 31.4 million bales in 2017-18 crop year.
- Gujarat, Maharashtra, and Telangana are the major producers of cotton, accounting for over 66% per cent of the total production.
- India has been a major exporter of cotton since 2005-06, and currently, the world's second largest exporter. It is estimated that India had exported 6.78 million bales of cotton in 2017-18.

FACTORS INFLUENCING THE MARKET

- The domestic demand–supply scenario, inter-crop price parity, cost of production, and international prices are the major factors influencing cotton prices.
- Weather, pests, diseases and other risk factors associated with agricultural crops also have a bearing on production.
- Government policies on import, export, and minimum support price are significant influencers of cotton prices.
- Cotton yarn prices in different markets across the country show a correlation of above 90 per cent with India's raw cotton prices.
- Global trade is particularly important for cotton. In addition to around 30 per cent of the global cotton fibre produced being traded, it is also traded indirectly as yarn, fabric, and clothing.

Major Indian producing states
(2022-23; Provisional)



Source: *As estimated by Committee on Cotton Production and Consumption (COCPC) in its meeting held on 15.11. 2022 | P- Provisional

INDIA - BALANCE SHEET

(Quantity in lakh bales of 170kgs)

ITEM	2020-21	2021-22(P)*	2022-23(P)*
Supply			
Opening Stock	120.79	71.84	45.60
Crop size	352.48	312.03	341.91
Imports	11.03	18.00	10
Total Availability	484.30	401.87	397.51
Demand			
Mill Consumption	297.45	276.90	275.00
SSI Consumption	22.42	20.87	20.00
Non-Textile Consumption	15.00	16.00	16.00
Total Consumption	334.87	313.77	311.00
Exports	77.59	42.50	40.00
Total Disappearance	412.46	356.27	351.00
Closing Stock	71.84	45.60	46.51

*Source: *As estimated by Committee on Cotton Production and Consumption (COCPC) in its meeting held on 15.11. 2022 | P: Provisional*

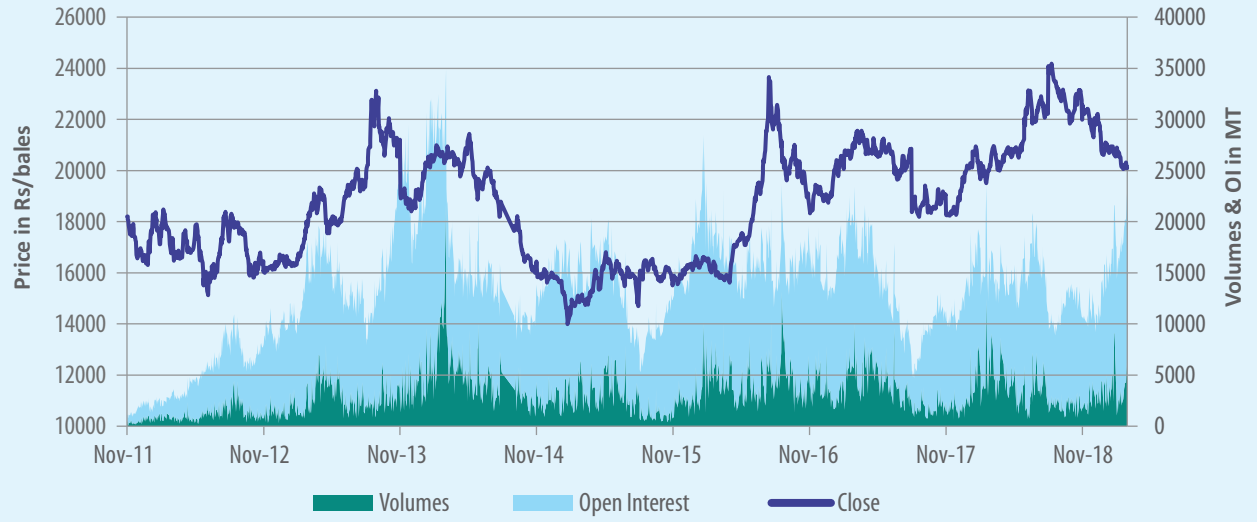
CONVERSIONS

1 Indian bale	170 kg
1 Indian candy	355.56 kg of lint cotton
100 Indian bales	Approx. 48 candy
1 US bale (480 pound)	217.7 kg

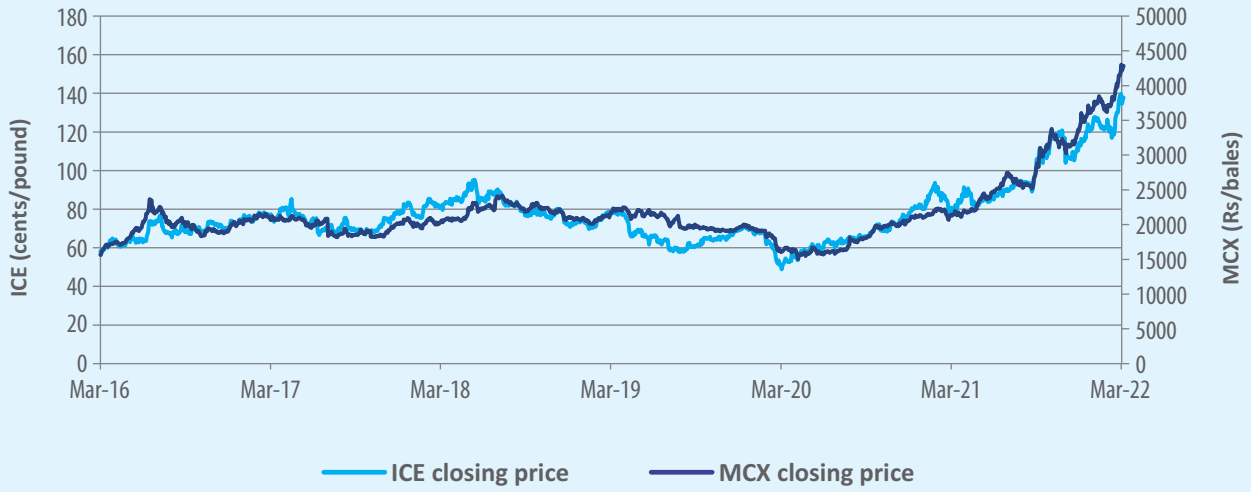
IMPORTANT WEBSITES

www.cotcorp.gov.in | www.caionline.in | www.citiindia.com | www.icac.org | www.fcamin.nic.in | www.agriccop.nic.in | www.futuresource.com | www.dowjones.com | www.fas.usda.gov

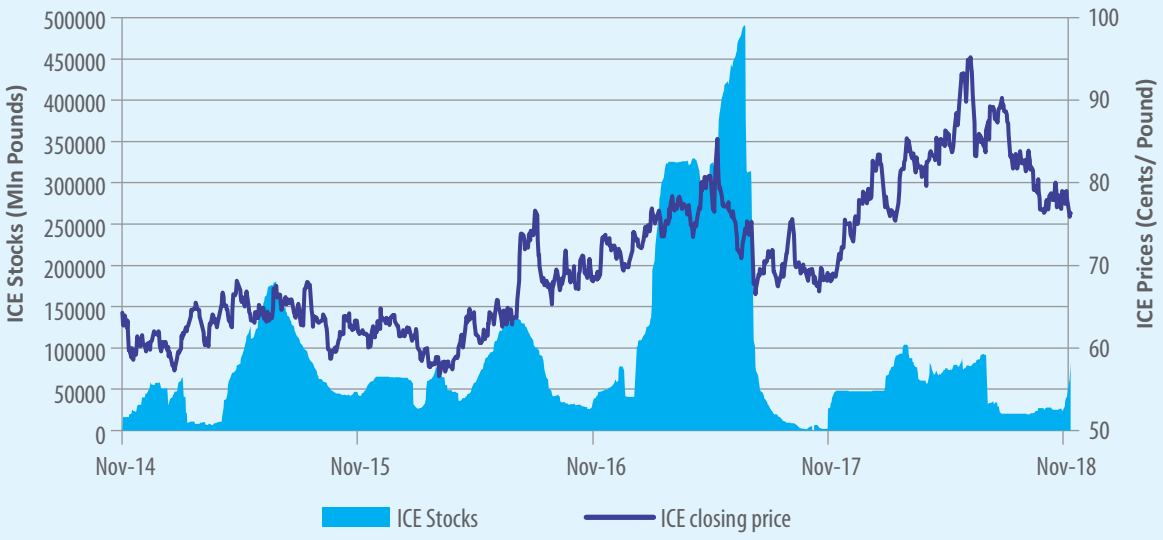
MCX cotton volume & open interest



ICE & MCX cotton Correlation



ICE cotton price vs. ICE stocks



CONTRACT SPECIFICATIONS OF COTTON

Symbol	COTTONCNDY	Description	COTTONCNDYMMMYY
Trading Session	Monday to Friday: 9:00 am to 09:00 pm / 09:30 pm#		
Trading Unit	48 candy		
Quotation/ Base Value	₹ Per candy (of 355.56 Kg)		
Maximum Order Size	576 Candy		
Tick size (minimum price movement)	₹20		
Price Quote	Ex-Warehouse Rajkot (Within 100 km radius) excluding all taxes, duties, levies, charges as applicable.		
Daily Price Limits	DPL shall have two slabs - Initial and Enhanced Slab. Once the initial slab limit of 4% is reached in any contract, then after a period of 15 minutes, this limit shall be increased further by enhanced slab of 2%, only in that contract. The trading shall be permitted during the 15 minutes period within the initial slab limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 6%.		
Initial Margin	Minimum 8% or based on SPAN whichever is higher		
Extreme Loss Margin	1%		
Maximum Allowable Open Position*	For individual clients: 9,600 candy (20,000 bales). For a member collectively for all clients: 96,000 candy (2,00,000 bales). Near Month Delivery: For individual clients: 2,400 candy (5,000 bales). Near month member level position limit shall be equivalent to the one fourth of the overall member level position limit.		
Delivery Unit	48 candy in 100 bales (of 170 kg +/- 7%)		
Basic Delivery Centre	Rajkot (Gujarat)		
Additional Delivery Centre	Yavatmal, Jalna (Maharashtra); Kadi, Mundra (Gujarat); Adilabad (Telangana); Indore (Madhya Pradesh) No location discount on any additional delivery centre.		
Quality Specifications on Physical Inspection and HVI Mode	Goods should lie within the Tenderable Range according to defined quality specifications. Outlaying goods will not be accepted for delivery. Ginning Pattern: Roller Ginned Cotton. Saw Ginned Cotton will be accepted with discount. 1) Basis Grade: Basis Grade RD (Reflectance) value and +b (Yellowness): Basis 75 RD value (-2RD value) with discount. Below 73 RD value reject. +b up to 10.2 accept, +b above 10.2 reject. 2) Staple 2.5% span length: 29 mm (-1 mm) with discount. Below 28 mm rejectand above 29mm no premium. 3) Micronaire (MIC): 3.7 – 4.6 +0.30/-0.20 with discount. Below 3.5 and above 4.9 reject. 4) Tensile Strength: 28 GPT Minimum, No premium or discount 5) Trash: Trash: 3.0% +1/-1% with premium and discount. More than 4% reject. 6) Moisture: Up to 9%. Acceptable up to 10% (average) at discount of 1:1. The premiums/discounts are subject to change with adequate notice/circular to the market before the launch of contract.		
Delivery Period Margin	Delivery period margins shall be higher of: **a.** 3% + 5 day 99% VaR of spot price volatility Or **b.** 25%		
Due Date Rate (Final Settlement Price)	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.,E-0 (expiry day), E-1 and E-2. In the event the spot price for any one or both of E-1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever available, shall be taken as FSP. In case of non-availability of polled spot price on expiry day (E0) due to sudden closure of physical market under any emergency situations noticed at the basis centre, Exchange shall decide further course of action for determining FSP in consultation with SEBI.		
Delivery Logic	Compulsory Delivery		

** The Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable minimum MPOR, refer latest circulars issued by MCXCCL from time to time. | For all the applicable margins, refer the latest circulars issued by the Exchange or Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) from time to time. | ** As per SEBI directive SEBI/HO/CDMRD/DRMP/CIR/P/2016/90 dated Sep 21, 2016.*

 # Genuine hedgers having underlying exposure that exceed the prescribed OI limits given in the contract specifications can be allowed higher limits based on approvals.

Note: Please refer to the exchange circulars for latest contract specifications.

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