

## CONTRACT SPECIFICATIONS

Commodity	Ticker Symbol	Basis	Additional Delivery Centers	GST	Expiry date
29 mm Cotton	COTTON	Ex-Warehouse Rajkot	Kadi (Gujarat) and Akola (Maharashtra)	Exclusive	20 <sup>th</sup> day of the delivery month.

Delivery Logic	Quotation	Trading and Delivery Unit	Tick Size	Aggregate	Position Limits Near Month
Compulsory Delivery	Rs. Per Bale	25 Bales (170 kg each)	Rs. 10	Member 2,00,000 Client 20,000	Member 50,000 Client 5,000

Quality Specifications	Staple Length	Staple 2.5% span length: 29 mm (-1mm) with discount. Below 28 mm = reject, 28.0 to 28.4 = Disc. Of 2 % 28.5 to 29.0 mm = Disc. of 1%, Above 29mm = no premium
	Micronaire	3.6 – 4.8 Tenderable Range: Below 3.5 = Rejected Below 3.6 and upto 3.5 = Discount of 0.3%, 3.6 to 4.8 = Basis (No Premium/ Discount) Above 4.8 and upto 4.9 = Discount of 0.3%, Above 4.9 = Rejected
	Moisture	Basis 8.5% Acceptable up to 9.5% maximum with moisture adjusted weight
	Strength	With HVI mode of assaying Basis: Min. 28 G/Tex with no premium above 28 G/Tex
	Color Grade	Basis Grade RD (Reflectance) value and +b (Yellowness): Basis 75 RD value (-2RD value) with discount Below 75- upto 74 RD – Discount 1% PRO RATA  Below 74 upto 73- Additional Discount of 1.5% Below 73 RD value reject. +b upto 10.2 accept, +b above 10.2 reject.
	Trash	Basis 3.5% Tenderable Range: Above 3.5% and upto 5% = Discount of 1:1 Below 3.5% and upto 2% = Premium of 1:0.5, Above 5%, goods will be rejected
		Short Fiber Index (SFI) = Maximum 8.5

For detailed contract specifications visit website [www.ncdex.com](http://www.ncdex.com)



**National Commodity & Derivatives Exchange Limited**

CIN: U51909MH2003PLC140116

Ackruti Corporate Park, 1st Floor, Near G.E.Garden, L.B.S. Marg, Kanjurmarg (West), Mumbai - 400 078

T : (+91-22) - 66406789 | F : (+91-22) - 66406899 | Toll Free : 1800 26 62339 | E-mail: [askus@ncdex.com](mailto:askus@ncdex.com) | [www.ncdex.com](http://www.ncdex.com)



Disclaimer: Trading in commodities contracts is subject to inherent market risks and the traders/investors should understand and consult their brokers/financial advisers before trading/investing. The content in this notice are for guidance only and should not be treated as re-commendatory or definitive. NCDEX or their affiliates, associates, representatives, directors, employees or agents shall not be responsible in any manner to any person or entity for any decisions or actions taken on the basis of this notice. No part of this notice may be redistributed or reproduced without written permission from NCDEX.

## Commodity at a Glance

# NCDEX Cotton Futures



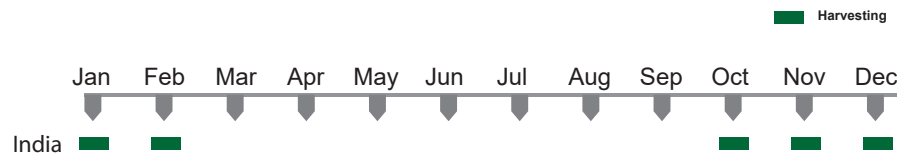
- Benchmark Futures contract for COTTON
- Efficient and transparent price discovery
- Connects the entire value chain
- Best hedging tool for a Ginner
- Hedging and price risk management tool for Cotton value chain

## GENERAL INTRODUCTION – COTTON

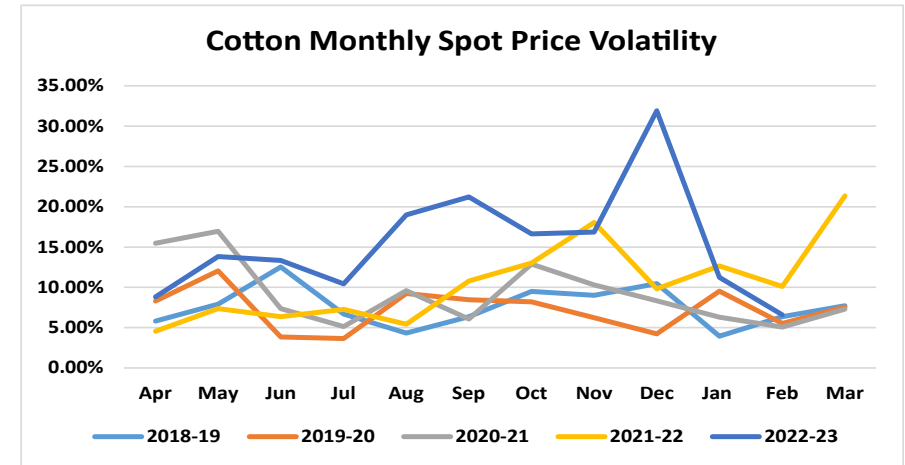
- Cotton is one of the most important commercial crops cultivated in India and accounts for around 25% of the total global cotton production. It plays a major role in sustaining the livelihood of an estimated 6 million cotton farmers and 40-50 million people engaged in related activity such as cotton processing & trade.

## SEASONALITY

Cotton bales is processed commodity its fresh production starts after the Raw cotton is harvested in different regions of India. Raw cotton harvesting starts from October onwards. The harvesting of cotton is illustrated below:



## COTTON FUTURES MONTHLY ANNUALISED PRICE VOLATILITY

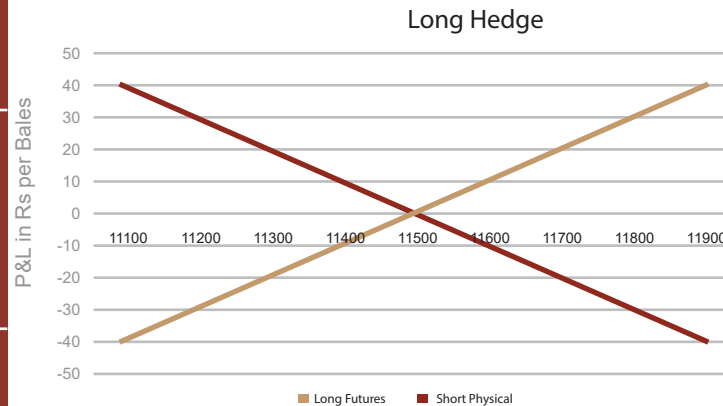


## PRICE RISK HEDGING

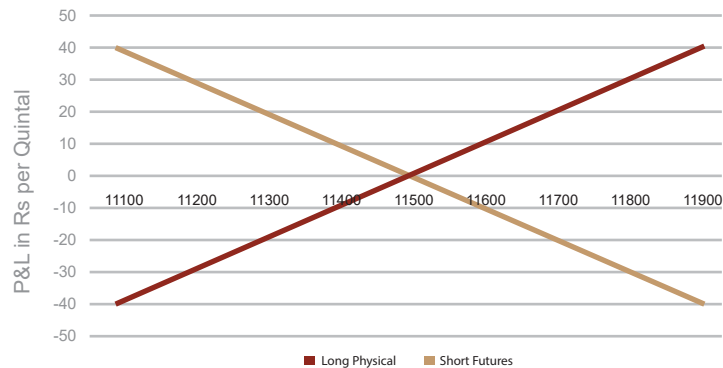
Processor/Hedger locks in the Cotton Futures price at Rs 11500 bales for a long position

If the price of Cotton decreases in the physical market, the gain in the physical market is offset by the loss in the Futures market

If the price of Cotton increases in the physical market, the loss in the physical market is offset by the gain in the Futures market



### Short Hedge



Processor/Hedger locks in the Cotton Futures price at Rs 11500 bales for a short position

If the price of Cotton decreases in the physical market, the loss in the physical market is offset by the gain in the Futures market

If the price of Cotton increases in the physical market, the gain in the physical market is offset by the loss in the Futures market

Graphs : For illustrative purposes only

## USES OF COTTON

- The fiber is most often spun into yarn or thread and used to make a soft, breathable, and durable textile. The use of cotton for fabric is known to date to prehistoric times; fragments of cotton fabric dated to the fifth millennium BC have been found in the Indus Valley civilization, as well as fabric remnants dated back to 4200 BC in Peru. Although cultivated since antiquity, it was the invention of the cotton gin that lowered the cost of production that led to its widespread use, and it is the most widely used natural fiber cloth in clothing today.
- Current estimates for world production are about 25 million tonnes or 110 million bales annually, accounting for 2.5% of the world's arable land. India is the world's largest producer of cotton. The United States has been the largest exporter for many years

## FACTORS INFLUENCING THE PRICE

- The domestic demand supply scenario, inter-crop price parity, cost of production
- International price situation are the major factors that influencing prices in the market