

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS**

**LOK SABHA  
UN-STARRED QUESTION NO.: 3656**

**TO BE ANSWERED ON MONDAY, AUGUST 8, 2022/SRAVANA 17, 1944 (SAKA)**

**Removal of Cotton from MCX**

**3656. MS. S. JOTHIMANI:**

Will the Minister of **FINANCE** be pleased to state:

- (a) whether the Government plans to remove cotton from the Multi-Commodity Exchange of India (MCX) Limited to prevent the excessive speculation in cotton prices and if not, the reasons therefor;
- (b) the details of steps which the Government has taken or intends to take to counter the recent hikes in yarn and raw material prices;
- (c) whether it is a fact that the recent increase in cotton and yarn prices can be attributed to huge hoardings by private entities;
- (d) if so, the measures which the Government intends to take to ensure that the interests of textile sector are not neglected; and
- (e) the steps which the Government has taken or intends to take to counter the recent hikes in yarn and raw material prices?

**ANSWER**

**SHRI PANKAJ CHAUDHARY  
MINISTER OF STATE FOR FINANCE**

**(a) to (e) :** There is no such proposal at present to remove cotton from the Multi-Commodity Exchange of India (MCX) Limited. Cotton and cotton yarn prices are dependent on market forces of demand and supply and are also dependent on their international prices. Recently, an overall upward trend has been observed in cotton and cotton yarn prices with some fluctuations. Among, many steps taken by the Government to counter the recent hike in cotton prices, Ministry of Finance has exempted the customs duty on raw cotton imports upto 31<sup>st</sup> October 2022. Further, Ministry of Textile has constituted a Textile Advisory Group (TAG) - an informal body - to deliberate and recommend suitable measures on the issues pertaining to the entire value chain. TAG is constantly engaged with various stakeholders across the entire cotton value chain which includes MCX on the issue of cotton and cotton yarn prices. Some of the recent initiatives undertaken by MCX are:-

- Vide circular dated 01.06.2022 MCX has notified reduction in position limit to 20,000 bales against 95,000 bales per client w.e.f 09.06.2022 up to end of August 2022 futures contracts traded on their exchange.
- Vide circular dated 04.08.2022, effective from 08.08.2022, MCX has notified that Daily Price Limits for Cotton August 2022 Expiry Futures contract will be narrowed to 2%.

Further additional margin will be increased from existing 6% to 11% on long (buy) and short (sell) side on Cotton August 2022 expiry futures contract, effective from 08.08.2022.

As a result of various steps undertaken, the domestic cotton prices have reduced from its peak level of Rs.1,03,000 in the month of May 2022 to Rs. 86,400 per candy. The yarn prices which were in the range of Rs. 400 to Rs. 440 per kg for 40s Cone combed in the month of April & May 2022, have reduced by Rs. 35 to 40 per kg in the month of July 2022.

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