COMMODITY TRADING WITH REFERENCE TO COTTON

KALVA. ANUSHA ( : MBA, IV SEM )

Dr. U.PADHAMAVATHI (Professor&HOD)

Sri Devi Women’s Engineering College, Hyderabad.

Email: kalvaanush444@gmail.com

ABSTRACT:

India, being associate degree agro-based economy, has markets for many of the agro-based commodities. India is the largest consumer of gold in the world, which implies a huge market for the yellow metal. India has vast spot markets for of these commodities. For instance, Telangana has a huge market for cotton, Warangal for castor seeds and Bhupalapally for cotton, etc. Commodity futures trading in India is almost as old as that in the United States with India’s first organized futures market, Bombay Cotton Trade Association, being set up in 1875. Futures market in bullion was inevitable and began to emerge in Mumbai in 1920. And there are 3 major electronic trade goods exchanges for the trade goods commerce in India, they are: National Multi-Commodity Exchange restricted (NMCE), Multi commodities market of India restricted (MCX) and The National Commodity and Derivatives Exchange Limited (NCTDEX).

The main purpose of this study current situation of trade goods commodity exchange in Republic of India. The trade goods market provides commerce to trade commodities of various varieties. This study evaluates the extent to that trade goods policies and restrictive framework. With this pace of growth, Republic of India would emerge as a significant player within the international market in terms of trade goods consumption, production and trade. once gaining the extended quality, the key trade goods exchanges in Republic of India has started the derivative in numerous commodities year back, which may serve ideally to manage the danger that may arises thanks to adversity of expected costs of commodities besides the value discovery tool. the longer term contracts dealing in major trade goods exchanges area unit standardize in nature. during this paper examine the trade goods commodity exchange in Republic of India, taking into thought the history of trade goods commodity exchange. And then I even have mentioned the mechanism of commerce, segments and restrictive framework of trade goods market in Republic of India. Secondary information collected from books, journals, magazines websites of commodity exchange Commission (FMC) and national level trade goods exchanges in Republic of India. I even have at the top given the analysis conclusion.

Keywords: Commodities, trade goods Markets, Commodities futures, trade goods Exchanges, trade goods Future Markets, FMC-Forward Market Commission
INTRODUCTION

India, an item based economy where two-third of the one billion populace relies upon horticultural products, shockingly has an immature ware advertise. In contrast to the physical market, fates markets exchanges product are to a great extent utilized as hazard the board (supporting) component on either physical item itself or open positions in ware stock. For example, a diamond setter can support his stock against apparent momentary downturn in gold costs by going short later on business sectors.

The article goes for expertise of the items market and how the products exchanged on the trade. The thought is to comprehend the significance of item subordinates and find out about the market from Indian perspective. Truth be told it was a standout amongst the most lively markets till mid 70s. Its advancement and development was shunted because of various limitations prior. Presently, with the majority of these confinements being expelled, there is colossal potential for development of this market in the nation. An item might be characterized as an article, an item or material that is purchased and sold. It tends to be delegated each sort of versatile property, with the exception of Actionable Claims, Money and Securities. Products really offer tremendous potential to wind up a different resource class for market-smart financial specialists, arbitrageurs and theorists. Retail financial specialists, who guarantee to comprehend the value markets, may discover items an incomprehensible market.

Be that as it may, products are straightforward to the extent basics of interest and supply are concerned. Retail speculators ought to comprehend the dangers and preferences of exchanging items fates before taking a jump. Truly, estimating in products fates has been less unpredictable contrasted and value and bonds, accordingly giving an effective portfolio broadening choice. Truth be told, the span of the wares showcases in India is additionally very critical. Of the nation's GDP of Rs 13,20,730 crore (Rs 13,207.3 billion), products related (and subordinate) ventures comprise around 58 percent.

As of now, the different items the nation over clock a yearly turnover of Rs 1,40,000 crore (Rs 1,400 billion). With the presentation of prospects exchanging, the extent of the products showcase develops numerous folds here on. Ware advertise is an imperative constituent of the money related markets of any nation. It is where a wide scope of items, viz., valuable metals, base metals, raw petroleum, vitality and delicate products like palm oil, cotton and so forth are exchanged. It is vital to build up a lively, dynamic and fluid product showcase. This would enable financial specialists to fence their product chance, take theoretical positions in wares and endeavor exchange openings in the market.

OBJECTIVES OF THE STUDY

✓ To analyze online trading mechanism of the commodity market
✓ To find the major factors that influence cotton items trading in the commodity market
✓ To identify the cotton industries performance related to commodity market
✓ To evaluate the risks involved in cotton trading in the commodity market
✓ To give suggestion to overcome the risk involved in cotton trading in the commodity market
REVIEW OF LITERATURE

Balaji (2017) 90 in his article "Materials: A Roadmap for Competitiveness in the Post-Quota Regime" displays the noticeable quality of the material and attire area to the Indian economy in perspective on its work seriousness, aside from its commitment to mechanical yield, and fares, features the difficulties, and presents procedures for the post-amount routine. The eliminating of the material amounts by created nations have made free access to Indian materials to enter the US $150 billion US advertise, and the US $120 billion EU showcase. In fact, be that as it may, India has not had the capacity to use the brilliant chance to the degree the potential favored. China's offer in worldwide material exchange which was just 4% in 1980 has more than trebled to over 13% now; yet India which had an offer of 2% in 1980 is as yet tottering in the scope of 2.5% to 3.0%. Combination to procure scale economies, interest in present day innovation, progressive and non-steady improvement in profitability levels, persistent advancements, center around marking, developing showcasing muscle, community approach incorporating vertical joining in the whole esteem chain, are a sine-qua-non for the achievement of the material exchange. Government needs to assume a key job in giving quality foundation, facilitating the stream of institutional fund, and making an empowering situation for stream of outside direct speculation. Industry relationship, alongside the administration need to continually screen nature, and proficiently battle the protectionist inclinations of the created world. These will go an along route in building the intensity of the area.

Studies on Impact of FDI on Cotton Industry Romer and Rivera (2010) 92 express that Foreign Direct Investment (FDI) streams have more noteworthy effect on development than unimportant exchange streams since exchange streams just increment the dimension of development. Venture streams, then again, increment the development rate. This is on the grounds that venture streams are joined by trade of thoughts. Expanding stream of thoughts, they state, has the impact of expanding profitability of research, which in the long run builds development rate on the planet. Romer and Rivera propose that data streams would make a positive motivation for analysts to duplicate structures from the other, and there are not many balancing impetuses to authorize property rights.

DATA ANALYSIS & INTERPRETATION

1) The table showing respondents’ opinion about awareness of cotton items traded in commodity market

<table>
<thead>
<tr>
<th>S.NO</th>
<th>TYPE</th>
<th>NO OF RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aware</td>
<td>36</td>
<td>72</td>
</tr>
<tr>
<td>2</td>
<td>Unaware</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>
Interpretation:
From the above table 72% of cotton industries aware about the cotton item traded in the commodity market and 28% are not aware about the commodity market.

2) Trading Years of The Person Trade In Cotton Items In The Commodity Market
To know the No of years of cotton traders make a trade in cotton items in the commodity market.

The table showing respondents’ opinion about trading years of the person trade in cotton items in the commodity market

<table>
<thead>
<tr>
<th>S.NO</th>
<th>TYPE</th>
<th>NO OF RESPONDENS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than one Year</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>1 to 5 years</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>More than 5 Years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Others</td>
<td>37</td>
<td>74</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>
INFERENCE

It is inferred from the above table there are 16% of cotton traders are trade below one year and 10% of cotton traders are trade between 1 to 5 years and no person trade more than 5 years.

FINDINGS

- India is the third biggest maker of cotton on the planet after China and USA representing about 14% of the world cotton creation.
- India delivers around 35 million tons of cotton seed in a year. India is the biggest exporter of cotton yarn on the planet bookkeeping up to 450 million kg for example 17% piece of the pie.
- All rural wares in India exchange discount showcase or mandis where the cost of a product is controlled by free market powers of interest and supply.
- The Indian item advertise has neglected to concentrate on the cotton businesses and the greater part of the cotton enterprises are not exchanged the product showcase.
- Hedging instrument is accessible for all wares
- The ware advertise offers the great institutionalization and accreditation of cotton materials instead of the spot showcase

CONCLUSION

- The different association and affiliation are engaged to build up the cotton exchange the ware showcase just as in the spot advertise. Especially in Coimbatore city have south India cotton
affiliation (SICA) assumes a noteworthy job for the improvement of the cotton things exchange the ware advertise and furthermore spot showcase in the Coimbatore.

✓ The product trades in India assume essential job in the exchange of cotton things in the ware market and all controls of the item trades goes under the Forward Market Commission (FMC).

✓ Commodities really offer colossal potential to end up a different resource class for market-canny financial specialists, arbitrageurs and examiners. Retail financial specialists, who guarantee to comprehend the value markets, may discover items a negative market. Yet, wares are straightforward to the extent basics of interest and supply is concerned. Retail speculators ought to comprehend the dangers and points of interest of exchanging products fates before taking a jump. Generally, estimating in items fates has been less unstable contrasted and value and bonds, subsequently giving an effective portfolio broadening alternative.

REFERENCES:


