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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 138 of 2018 July 04, 2018

USD 68.54| EUR 79.96 | GBP 90.52 | JPY 0.62

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
22182	46400	**86.02**

Domestic Futures Price (Ex. Gin), June

Rs./Bale	Rs./Candy	USD Cent/lb
22380	46605	**86.40**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	82.81
ZCE Cotton: Yuan/MT (Jan 2019)	15,800
ZCE Cotton: USD Cents/lb	**91.36**
Cotlook A Index – Physical	**93.95**

Cotton guide: The US markets are closed today on account of Independence Day. Let us shift focus to Asian market today for trading decisions. The ZCE active January 2019 contract is seen trading marginally lower at 16590 Yuan/MT taking negative cues from ICE futures contract overnight that the December future settled at 82.81 cents per pound. The ZCE cotton is holding support at 16400 at 100-day moving average. The bias looks weak upon break of 16400 the fall could be expanded.

Coming to domestic market in India the spot price traded at Rs. 46,650 per candy ex-gin approximately 86.60 cents per pound at the prevailing exchange rate. Likewise, Punjab J-34 also moved down marginally to Rs. 4790 per maund (84.70 cents per pound). For detailed report please get in touch with Kotak Commodities Research Desk.

Currency Guide: Indian rupee has appreciated by 0.15% to trade near 68.46 levels against the US dollar. Rupee has benefitted from general correction in US dollar. People's Bank of China said the central bank was closely watching fluctuations in the foreign exchange market and would seek to keep the Yuan at a stable and reasonable level.

This led to some stability in Yuan against the US dollar and benefitted other currencies as well. However, weighing on rupee is higher crude oil price and weakness in equity market. Brent crude continues to trade above $78 per barrel as supply worries offset OPEC's plan to raise output.

Risk sentiment remains weak as market players position for July 6 when US and Chinese import tariffs on $34 billion worth of goods will become applicable. Rupee may witness choppy trade amid mixed cues but weakness may continue unless we see significant correction in crude oil or recovery in equity market.

USDINR may trade in a range of 68.3-68.8 and bias may be on the upside.

Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

NEWS CLIPPINGS

INTERNATIONAL NEWS

Amid Trade Angst, NAFTA Freight Flows Soften

Amid the political confrontation over the North American Free Trade Agreement (NAFTA) and U.S. attempts to renegotiate it with partners Canada and Mexico, freight crossing the borders showed some erosion.

The value of monthly freight flows between the U.S. and its NAFTA partners totaled $102.7 billion in April, down 3 percent from March, but up 12.8% from a year earlier, according to Department of Transportation (DOT) statistics.

The value of U.S. trade with Canada fell 3.2% from March to $52.2 billion, but was up 10.9% from a year earlier. U.S. trade with Mexico was valued at $50.5 billion in April, down 2.7% from the previous month, but still 14.8% ahead of a year earlier.

Freight moved by truck, the most-used mode of transportation, increased 15.3% to $65.7 million worth of goods in the recently released DOT report for April. U.S.-Mexico truck freight was up 20.1% to $35.9 billion, while U.S.-Canada shipments rose 10 percent to $29.8 billion.

The top three truck commodities, accounting for more than half of the freight, were computers and parts, motor vehicles and parts, and electrical machinery.

Motor vehicles are a sticking point in U.S. talks with Mexico and Canada, with President Trump decrying that Mexico has taken away too many auto-manufacturing jobs from the U.S. as a result of the trade pact.

New tariffs have been circulating among the trade trio, with the U.S. levying tariffs against metal imports from both Mexico and Canada, and each responding with their own tariffs on U.S. goods.

The tariffs started as part of Trump's actions to remedy what he claims are unfair treatment in trade from most of the U.S.'s top commercial markets.

Rail freight, the second-most used mode of transportation, was down 1.5% in April year over year, with $14.7 billion in freight moved, according to DOT. U.S.-Canada rail freight increased 6.1% to $8.8 billion, as U.S.-Mexico rail shipment declined 11 percent to $5.9 billion.

The top three rail commodities, accounting for 58.2% total North American rail freight, were motor vehicles and parts, plastics and computers and parts.

The freight increases are generally in line with U.S. imports of apparel and textiles from the North American trading partners. NAFTA imports of apparel and textiles were up 5.6% year to date through April to $1.94 billion worth of goods, according to the Commerce Department's Office of Textiles & Apparel. Canada's shipments in the first four months of the year grew 15.6% to $393.1 million, while imports from Mexico rose 3.49% to $1.5 billion.

Imports from Mexico rose 8 percent in April to $375.73 million worth of goods, compared to March. Industry imports from Canada increased 25 percent to $118.37 million in value compared over the same period.

U.S. exports of apparel and textiles to Mexico increased 11.1% to $1.93 million for the year through April. Industry exports to Canada rose 2.03% to $1.69 million for the period.

Source: sourcingjournal.com- July 03, 2018

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USTR Lighthizer Says African Free Trade Agreement a Trump Goal

Trade in goods between the U.S. and sub-Saharan Africa increased 5.8% percent to $39 billion between 2015 and 2017, and apparel and textiles played a key role, according to a report delivered to Congress last week by the Office of the U.S. Trade Representative (USTR).

USTR Robert Lighthizer said with the report and next week's Africa Growth & Opportunity Act (AGOA) Forum, "The Trump Administration is continuing to build on AGOA's success by strengthening bilateral trade relationships in Sub-Saharan Africa, with the goal of establishing a free trade agreement that could serve as a model for developing countries. By reducing barriers to trade, we create more opportunity, jobs and wealth for workers in both the United States and Africa."

Total U.S. goods imports from Sub-Saharan African countries under AGOA, including the Generalized System of Preference program, totaled $13.8 billion in 2017 compared to $9.3 billion in 2015.

The report, which examines developments in AGOA over the past two years, showed that Sub-Saharan African non-oil exports to the U.S. under AGOA equaled $4.3 billion in 2017, up from $4.1 billion in 2015, mainly due to increases in exports under AGOA in apparel, footwear, iron and steel, fruits and nuts, cocoa paste and cocoa powder.

Forty countries are currently eligible for AGOA, including The Gambia and The Kingdom of eSwatini (formerly Swaziland), countries that regained their AGOA beneficiary status as of Jan. 1.

In order to participate in AGOA, countries must establish or make continual progress toward establishing a market-based economy, the rule of law, political pluralism and the right to due process. In addition, countries must eliminate barriers to U.S. trade and investment, enact policies to reduce poverty, combat corruption, and protect human rights.

"By providing new market opportunities for African exports, AGOA has helped bolster African economic growth and alleviate poverty on the continent," the USTR report states. "Additionally, AGOA has helped create a more conducive environment for American investment and business interests as African markets continue to expand."

In the section of the report dubbed "AGOA Success Stories," the apparel sector was cited as being targeted by many AGOA beneficiary countries that have taken advantage of the pact's tariff preferences and liberal rules of origin for apparel.

Kenya, Lesotho, Madagascar and Mauritius have been the leading exporters of apparel under AGOA, accounting for almost 90 percent of AGOA apparel exports in 2017.

"Increased apparel exports under AGOA have also led to improved productivity and employment opportunities," the report said. "For instance, in Kenya, UAL Apparel Factory is a leading exporter that supplies many large retail chains, including Levi Strauss and H&M. Since the extension of AGOA in 2015, UAL has added thousands of jobs and currently employs nearly 10,000 Kenyans. Overall, 40,000 Kenyans are employed in the apparel export industry."

Since 2016, the U.S. Agency for International Development's (USAID) Trade and Investment Hubs in Africa have facilitated more than $140 million in U.S. investment across a range of key sectors, including agribusiness production and distribution, apparel and light manufacturing, as well as financial and technology services, supporting nearly 50,000 jobs in Sub-Saharan Africa, the report noted.

Mauritius has one of the most successful and competitive economies in Africa, with a gross domestic product (GDP) of $12.6 billion and per capita GDP over $9,700, USTR said. The economy grew by 3.8 percent in 2017. Its exports to the United States, under AGOA, amounted to $193 million in 2016, about 99 percent of which were in textiles and apparel.

The cotton growing and cultivating sector has also grown under AGOA. The C-4 Cotton Partnership (C4CP) was created by USAID to increase food security and incomes for cotton farmers in targeted areas of Benin, Burkina Faso, Chad and Mali, known as the four cotton-producing countries, or "C-4."

USTR noted that C4CP was implemented in 2014 and runs through this year. The program is aimed at raising incomes of cotton producers and processors by introducing competitive and sustainable strategies to boost farm productivity and improve post-harvest processes. The project is meant to forge partnerships with an array of regional and national companies and stakeholders in the value chains for cotton and its rotational crops.

U.S. investment in Sub-Saharan Africa stood at $29 billion in 2016, the latest year for which data was available, down 23 percent compared to $37.5 billion in 2014. The three largest destinations for U.S. investment were Mauritius ($6.7 billion), South Africa ($5.1 billion) and Nigeria ($3.8 billion). Sub-Saharan Africa foreign direct investment in the U.S. stood at $4.2 billion in 2016, up 164 percent compared to $1.6 billion in 2014.

Expanding the U.S.-Africa trade relationship beyond AGOA is the focus of an AGOA Forum to be held in Washington, D.C. on July 11 and 12. The Forum's 2018 theme is "Forging New Strategies for U.S.-Africa Trade and Investment."

Source: sourcingjournal.com- July 03, 2018

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USA: Bed Bath & Beyond sales rise 0.4% in Q1 to $2.8 bn

The net sales of Bed Bath & Beyond for the first quarter of fiscal 2018 were around $2.8 billion, an increase of about 0.4 per cent from the prior year. For the reported quarter, the comparable sales lowered by nearly 0.6 per cent, and included strong sales growth from the company's customer-facing digital channels, and sales from stores that declined.

For first quarter, the company reported net earnings of $.32 per diluted share ($43.6 million), which included an unfavourable impact of approximately $0.06 from severance costs incurred in the first quarter, which was not included in the company's fiscal 2018 modeling assumptions; and a favourable impact of approximately $0.05. Net earnings for the first quarter in 2017 were $.53 per diluted share ($75.3 million).

The company repurchased approximately $22 million of its common stock, representing approximately 1.2 million shares, under its existing $2.5 billion share repurchase program. As of June 2, 2018, the programme had a remaining balance of approximately $1.5 billion. It ended the first quarter with $847 million in cash and investment balances, an increase of approximately $281 million, compared with approximately $565 million at the end of the fiscal 2017 first quarter.

The company remains on track with its three-year financial goals that comprise its vision for 2020 like achieving comparable sales growth beginning in fiscal 2018, moderating declines in operating profit and net earnings per diluted share in fiscal 2018 and fiscal 2019 and to achieve growth in net earnings per diluted share by fiscal 2020.

Source: fibre2fashion.com- July 04, 2018

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USA: Denim Mills Give Greater Attention to Fiber and Fabric to Advance Product Development

Denim mills have taken innovation to the next level this year, giving greater attention to recycled materials, collaborative efforts that bring out new qualities and fresh fiber development.

Candiani, for one, has introduced the next stage of Re-Gen denim, the closest the mill has come to a biodegradable denim fabric. Dyed with water-saving Kitotex and Indigo Juice technologies, the fabric is made up of 50 percent Refibra, Lenzing's closed loop fiber that's made using recycled cotton scraps and wood pulp, and 50 percent recycled cotton.

At Kilim, recycling has also been a focus. The Turkish denim factory's Re-Create collection features recycled denim derived from fibers created from second hand jeans. Kilim then dyes and weaves the denim fabrics with recycled fibers in the weft and organic cotton in the warp.

Diving further into fiber technologies, Artistic Milliners tapped Cordura denim, Invista nylon and Lenzing Tencel and modal fiber technologies, to produce its Supercharged Noir collection. A black performance denim portfolio, Supercharged Noir is inspired with "5S" performance attributes– softness, strength, stay black, stretchability and sustainability.

Lenzing Modal Black, which is used in Supercharged Noir, is also estimated to have a 50 percent to 60 percent lower environmental impact than conventional dyed fabric.

The process also comes with 64 percent water savings, 90 percent less chemical usage and 64 percent wastewater. The durability of Cordura denim also allows for less laundering and a longer-lasting pair of jeans, Cindy McNaull, global Cordura brand and marketing director, noted.

With that collection already in the brand adoption stage, the firms are working on the next chapter of their collaboration.

According to McNaull, the styling and performance attributes of the collection wouldn't be successful if they didn't come with costs savings and environmental benefits.

Also answering the call for sustainability to become more commercially available, Jean Hegedus, Apparel & Advanced Textiles' global segment leader for denim at Invista, said the new Lycra T400 EcoMade has been launched with several mills, including Advance Denim, Artistic Milliners, Soorty and Prosperity Textile. The bi-component fiber uses 50 percent recycled polyester and 18 percent fiber made from plant-based materials, making 68 percent of it sustainable.

“Many companies have 2020 sustainable goals they want to achieve, so this helps them along that road, since it's replacing virgin polyester with recycled polyester,” Hegedus said.

More niche fibers have also seen strong take-up in denim.

Sir Peter Middleton, chairman of Directa Plus, a producer and supplier of graphene-based products for use in consumer and industrial markets, said a key development in this market is the recent signing of an exclusive collaboration agreement with Arvind Limited, a major conglomerate in India, to infuse the high-performance benefits of G+ into their denim fabrics. Significant activity is already under way, according to Middleton, who added, “we expect that the relationship will be broadened to include Arvind's other textile segments” such as workwear.

“Technology plays a vital yet invisible hand in determining the performance, fashion quotient and functionality of the denims we develop,” Aamir Akhtar, CEO of Denims at Arvind, said. “The use of graphene in denims is absolutely new and will yield some of the smartest, most widely used fabrics in the years ahead…We want our key customers to be among the first to experience and enjoy the advanced, new-age clothing we will create with Directa Plus.”

In a recent update on progress made during the year within the textiles sector for graphene-based products, Middleton said commercial progress was “significant” in 2017 and that the momentum has continued into this year.

“We have a strong pipeline of opportunities for near term commercial progress and continue to broaden our portfolio of patents with two patents granted in 2018 covering our non-toxic flame retardancy composition for the textiles market,” he said.

"The benefits of our chemical-free G+ are widely understood and we are increasingly engaging with global brand owners and textile companies who want to enhance the performance of their end products through leveraging its bacteriostatic, thermal management and fire retardant properties."

Source: sourcingjournal.com - July 03, 2018

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Eswatini, Ethiopia approve Bt cotton for cultivation

Two more member states of the Common Market for Eastern and Southern Africa — Kingdom of Eswatini, formerly called Swaziland, and Ethiopia — have received green signal from their governments to start cultivation of insect-resistant transgenic Bt cotton. They will join Sudan, a COMESA member state, that initiated commercialization of Bt cotton in 2012.

Four African countries — Burkina Faso, Egypt, Sudan and South Africa — had to date commercialized Bt cotton, according to information on COMESA secretariat website.

The Swaziland Environment Authority (SEA) and the Ethiopian ministry of environment, forest and climate change granted the approvals in May and June respectively.

Ethiopia has also granted a five-year special permit for confined field trials of drought-tolerant and insect-resistant maize varieties.

COMESA, through its specialized agency, the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) supported both Eswatini and Ethiopia in biotechnology and biosafety policy formulations.

Research trials on transgenic maize, banana, cassava, cowpea, enset and potato are under way in other COMESA member states like Malawi, Kenya, Egypt and Uganda.

Source: fibre2fashion.com- July 04, 2018

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27% of apparel sales are now online

Online apparel sales accounted for 27.4% of overall U.S. apparel sales last year, up from 23.5% in 2016 and 20.7% in 2015, according to the most recent Internet Retailer Online Apparel Report published last week.

Apparel retailers dominated Internet Retailer's 2018 Top 1000 list with 266 (more than any other category) making the list. That doesn't include mass-merchant giants like Amazon (number one on that list) and Walmart (number three).

Many consumers say they like buying apparel online: 43.2% of respondents to a February survey of 2,535 U.S. consumers by PYMNTS.com said they prefer to shop for clothing in stores, while 26.9% prefer to shop only online and 29.9% said they prefer to shop both. But other research has found that more shoppers want to "try before they buy" clothing online.

Dive Insight:

Amazon is contributing to the rise of apparel e-commerce thanks to its expanding private label lines and services like its now widely available Prime Wardrobe try-before-you-buy service. But it's also getting a major boost from specialty retailers that traditionally sell through stores.

Internet Retailer notes that Children's Place, which stands at number 113 on its Top 1000 list, is in the midst of a $50 million "digital transformation" that involves 100 initiatives including in-store Wi-Fi, click-and-collect services, no-minimum free shipping and in-store mobile checkout.

Gap, American Eagle, Abercrombie & Fitch and other apparel brands are investing in digital sales too. Gap and Target have introduced apparel subscriptions for kids, and online styling service Stitch Fix is challenging those legacy players with its own new initiatives, including lingerie sales and extended sizes and sales to kids.

Macy's — number six on Internet Retailer's list and the biggest online apparel retailer — also has plans to redesign its online and mobile experience this year, according to Internet Retailer's report.

But delivery expenses of online goods are hitting margins. Many shoppers buy multiple items with the intent to return some of them (especially when it comes to apparel and home goods), according to research from post-purchase solutions firm Narvar. On average, 40% of shoppers do so at least occasionally, with 45% of those under 30 and 48% of those with incomes over $100,000 indulging in the practice. Apparel is returned most often (43%), according to the survey of nearly 700 shoppers.

Meanwhile, the value of retail returns last year rose 53% from 2015 to $400 billion, and the growth of e-commerce is stoking that, according to returns and overstock supply company B Stock. Returns of brick-and-mortar purchases tend to hover at 8%, while e-commerce returns can reach as high as 15% to 30%, according to CBRE, which says that likely value of online holiday returns is $32 billion, up from 2016's estimated $28 billion.

Source: retaildive.com- July 02, 2018

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Myanmar: CMP garment's export earnings up $ 382 m

Garment sector earned US$ 759.172 million from exports of CMP garment, up US$ 382 million from the same period last year, according to the Commerce Ministry.

Khin Maung Lwin, assistant permanent secretary of the Commerce Ministry said: "Last year, export earnings from the CMP garment sector reached US$ 377.031 million."

The Commerce Ministry has prioritized the textile sector (garment) in a bid to promote the export sector.

The CMP garment industry, the third largest export plays a significant role in supporting the country's economic development.

Myanmar textile sector sees a rapid growth. The use of garments manufactured from Myanmar by European countries and Asian countries become high, said Deputy Minister for Commerce Aung Htoo.

Exports earnings from CMP garment sector increased from US$ 337 million in 2010 to nearly US$ one billion in 2014, according to the Commerce Ministry.

In 2015, exports earnings hit US$ 1.46 billion, accounting for 10 per cent of the total export volume. In 2015, exports of CMP garment sector increased to up to 80 per cent.

Companies from Japan, China, South Korea and Taiwan have made joint-ventured investments in the garment sector mostly.

Now the number of garment factories has increased from more than 350 to more than 400.

Source: elevenmyanmar.com- July 04, 2018

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Clothing Sellers Defy Retail's Death Rattle

Don't look now, but the apparel and accessory business is on the upswing.

Specialty apparel and department store stocks have been battered in recent years as a steady stream of store closings and unenticing merchandise put their future in doubt.

But the apparel and accessories business is suddenly looking more fashionable.

Last week, Goldman Sachs analyst Alexandra Walvis initiated coverage of Tapestry Inc., Tiffany & Co. and VF Corp. with a buy rating. Several days before that, UBS initiated coverage on a basket of nearly two dozen apparel and accessories stocks, including buy ratings on the likes of Nordstrom Inc. and American Eagle Outfitters Inc. The accompanying research note said "the market has exaggerated the 'stores are dead' idea."

And earlier in June, Omar Saad of Evercore ISI went so far as to write that "the retailpocalypse is over" as he closed short positions in Kohl's Corp. and Dick's Sporting Goods Inc. and offered a rosy view on the prospects of Macy's Inc.

The retail apocalypse is hardly behind us. More carnage can be expected at the mall as retailers struggle with hefty debt loads and changing consumer habits. But many big names in the clothing business have better days ahead because they've made some underappreciated progress in solving some important problems.

The biggest challenge for apparel retailers in recent years hasn't been a failure to adapt to Amazon.com Inc. but rather a different kind of online challenge. Social media and live-streamed runway shows have meant that shoppers see new styles faster than ever before — and that trends tend to burn very hot for short periods.

Hennes & Mauritz AB and Inditex SA's Zara were trailblazers in nimbly responding to those dynamics. But the other guys are starting to get the hang of it.

At Urban Outfitters, more than half of the women's apparel it buys is on a "chase" model, meaning the retailer makes decisions about what to buy closer to when those garments appear on store shelves.

Kohl's says its "speed brands" — the ones on which it has drastically shortened the production cycle — were 40 percent of its private-label assortment last year. It expects that will rise to 50 percent by the end of the year.

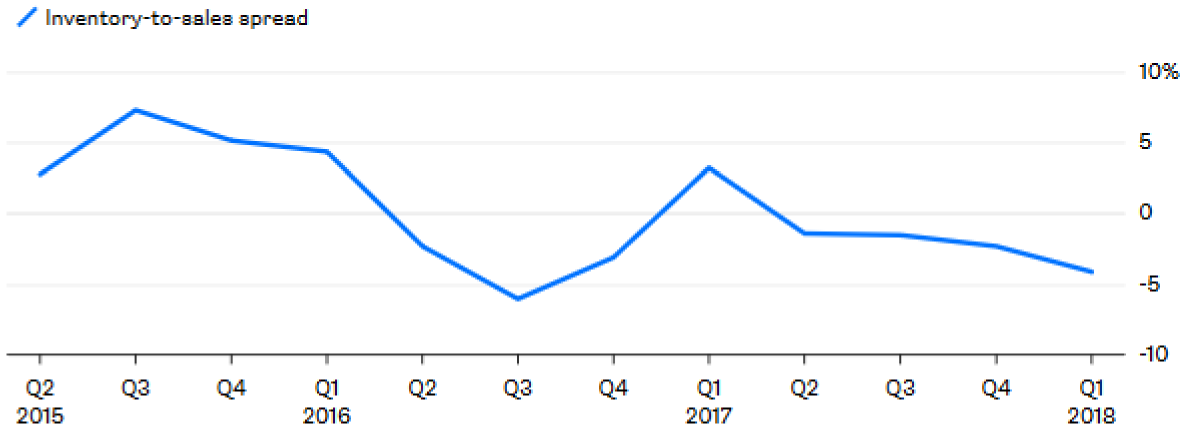
These production revamps go hand-in-hand with changes to inventory management — a key to retail profitability. And apparel sellers appear to be doing better at this, too.

Saad notes that some are finding efficiency by shifting to a centralized view of inventory rather than one that is compartmentalized for online and for stores. Jay Sole, a UBS analyst, points out that technology solutions such as RFID tagging allow apparel chains to keep better track of their inventory.

The progress is especially clear at department stores:

Better Positioned

A declining inventory-to-sales spread in the department-store sector shows these chains are doing a better job of managing inventory



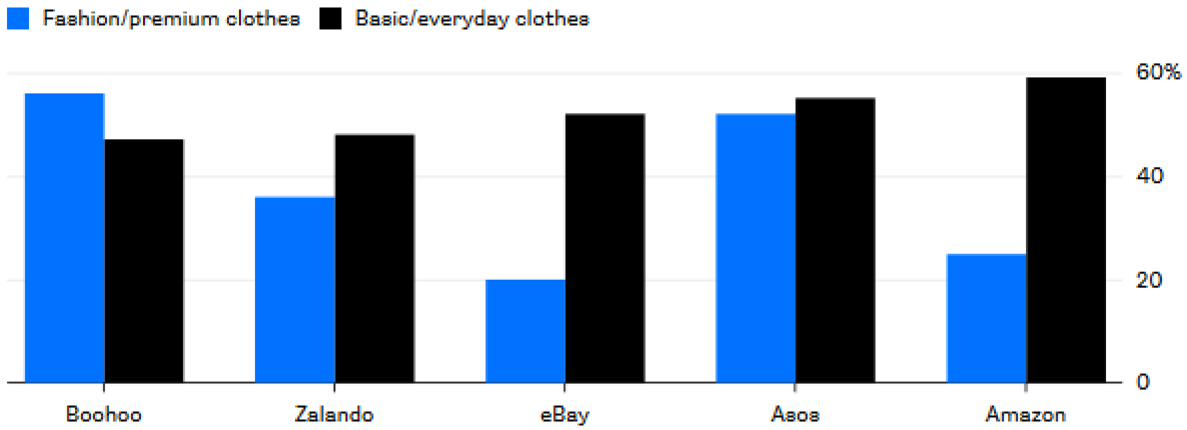
Source: Bloomberg Intelligence

Plus, as Poonam Goyal, an analyst with Bloomberg Intelligence, notes, retailers have made these improvements against a backdrop of strong consumer sentiment and a shift in fashion silhouettes — factors that present significant opportunity to stoke sales growth.

It also seems the fresh optimism about the apparel business is an acknowledgment of a dynamic I've called out before: Amazon, at least so far, is not that great at selling fashion. Plenty of shoppers use Amazon for replenishment-type purchases such as socks or underwear, but fewer are going there for more considered purchases.

The Emperor Has Basic Clothes

According to a UBS study, shoppers turn to Amazon for basics more than they do for fashion



Source: UBS Evidence Lab

There are many reasons for that, including that some upscale brands have chosen to keep their goods off Amazon's site. But, also, Amazon hasn't quite mastered how to make shopping for clothes easy.

Its search filters are often unhelpful. It can be daunting to sift through its vast selection, especially compared with the tightly edited collections at specialty stores.

This leaves old-school clothing retailers plenty of room to build robust online businesses — and to prove that they are not doomed.

Source: bloomberg.com - July 03, 2018

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Vietnam: Tiền Giang sees significant growth in export turnover

Total export turnover of the Cửu Long (Mekong) River Delta Province of Tiền Giang reached US$1.27 billion in the first six months, a year-on-year increase of 6.8 percent, according to Ngô Văn Tuấn, chairman of the provincial Department of Industry and Trade.

The province's main export products, copper pipes (US$244 million), footwear products (US$230.8), textile fibres (US$210.5 million), and rice (US$93.2 million), recorded significant growth.

In the last six months, the province's exports to the US, EU and Asia rose by 6.7 per cent, 10.8 per cent and 3.8 per cent, respectively.

To raise prices in the market, rice exporters are reorganising their exports by reducing the export of low- and medium-quality rice and increasing high-quality rice exports

According to the province's enterprises, the price of rice exports this year has risen 17 to 20 per cent compared to last year.

Local enterprises are also expanding their exports to new markets, especially those that have free trade agreements (FTA) with Việt Nam. This will increase production and prevent dependency on one market, Tuấn said.

The province aims to reach export value of US$1.37 billion in the next six months, and an estimated US$2.65 billion for the whole year, an increase of 6.3 per cent compared to last year.

Source: vietnamnews.vn- July 02, 2018

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Pakistan: Cotton prices rise

Amid slow phutti (seed cotton) arrival, cotton prices moved higher for the second consecutive session on Tuesday. However, some spinners managed to get hold of small lot deals to meet their immediate needs.

The water crisis is worsening with each passing day. Water in Mangla Dam touched an all time low level. However the spell of rains in central Punjab and some parts of Sindh somewhat eased the situation.

Growers in some parts of Sanghar and Mirpurkhas district have started to cotton sowing again which could help recover the expected short fall of around 400,000 to 500,000 bales.

However, this crop would not mature before September or October and could create shortage of cotton.

According to reports, cotton crop in Punjab is quite encouraging and if no pest attack occurs the expected shortfall in Sindh could be covered up.

However, cotton experts stressed that the agriculture departments need to monitor the cotton crop closely to ensure higher production.

The government's decision to increase import duty on 13 items mainly of raw material category mostly used by value-added textile sector is expected to increase the cost of end products.

Meanwhile, India is currently holding 2.2 million bales due to higher exports and increased local consumption as against 4.4 million bales.

On the global front, New York cotton closed easy by US1.25 cents due to stronger dollar and China was steady but Indian cotton came under profit selling and closed lower between Rs200 to Rs300 per candy (356 kg).

The Karachi Cotton Association (KCA) spot rates for second consecutive session raised by Rs100 to Rs7,800 per maund.

The following new crop deals were finalised on ready counter: 400 bales, station Tando Adam, at Rs8,150 to Rs8,175; 400 bales, Shahdadpur, at Rs8,100 to Rs8,150; 200 bales, Sanghar, at Rs8,100; 200 bales, Burewala, at Rs8,200; and 200 bales, Vehari, at Rs8,200.

Source: dawn.com - July 04, 2018

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NATIONAL NEWS

What India must do to be a free trade champion

It has spoken up in favour of a liberal trade regime, but its exports sector needs a structural transformation to take advantage of one

The tariffs and counter-tariffs levied by the US and its allies and rivals alike are mounting. Global trade growth surged last year and continues to do so. From a post-crisis average of 3%, it hit 4.7% last year and is expected to achieve 4.4% in 2019. But that, the World Trade Organization has warned, is contingent on escalating trade tensions not acting as a spoiler.

New Delhi is ostensibly playing on the side of the angels. It has spoken repeatedly about the benefits of a liberal trade regime at international forums in the recent past. But as its Regional Comprehensive Economic Partnership (RCEP) dilemma shows, rhetoric and reality don't always match up. The question is: Is India positioned well enough to benefit from lowered trade barriers and tariffs?

As of 2016-17, India's share of world merchandise exports stood at 1.65% while its share of world service exports was twice that at 3.35%. But the political sensitivity of the factors affecting services trade—cross-border movement of professionals and the behind-the-border nature of regulation among them—makes it difficult to make headway.

This has been the case at the RCEP where India's efforts to fold services trade liberalization into the pact have come a cropper. Goods trade, on the other hand, is an area of relative consensus. However, recent warnings from several quarters about the possible negative consequences for India of the RCEP—and in some instances, bilateral free trade agreements (FTAs)—are not without merit.

Indian goods exports are currently dominated by petroleum products, chemical products, textiles and garments, and engineering goods. This is a problem. In a seminal 2007 paper (What You Export Matters, Journal Of Economic Growth) Ricardo Hausmann, Jason Hwang and Dani Rodrik argued that quality matters more than quantity.

Exports with higher productivity and sophistication will contribute more to economic growth. This connects with another phenomenon. As countries change and diversify their export baskets, they naturally tend to go in for goods that are relatively closely related to goods they are already producing. But all such goods clusters are not equal. Countries that focus on denser clusters have an easier time developing a comparative advantage in those products when it comes to international trade. Unsurprisingly, denser clusters occur more frequently around more sophisticated goods.

In the nearly three decades since liberalization, India's goods exports have moved up the value chain. That said, the basket continues to be dominated by goods of relatively low sophistication. In a 2015 International Monetary Fund working paper (Make In India: Which Exports Can Drive The Next Wave Of Growth?), Rahul Anand, Kalpana Kochhar and Saurabh Mishra have calculated that India's goods export basket skews substantially more towards low-tech manufacturing than the median of peer emerging economies. This hamstrings India on two fronts. It limits the domestic productivity and income-boosting effects of exports and it makes it harder for India to gain the comparative advantage needed to take full advantage of bilateral and regional free trade pacts.

Little wonder India's trade deficit with the Association of Southeast Asian Nations, Japan and Korea—it signed FTAs with them in 2010 and 2011—grew from $15 billion in FY11 to $24 billion in FY17. The current poor performance of Indian exports undoubtedly has something to do with the demonetization shock, the goods and services tax (GST) snafu when it comes to refund payments for exporters and the twin balance sheet problem. But the long-run problems go deeper. A depreciating rupee may help to an extent, but it is no panacea. Indian exports are more sensitive to demand than price. That leaves the third factor that drives India's exports—domestic supply-side constraints.

These are not new. The Economic Survey 2017-18 had pointed out that "Improved logistics have huge implications on increasing exports, as a 10% decrease in indirect logistics cost can contribute to around 5-8% of extra exports." India has logistics costs around double of those in developed economies. Power shortages and poor reliability also affect export growth significantly.

India's continuing discom woes—not to mention the need for a workable long-term balance between renewable energy and thermal power—are crucial here. Then there are the multiple factors, ranging from onerous labour laws to regulatory costs, that keep companies small.

Such companies have neither the capital and scale to move to more sophisticated goods, nor the worker skills to be part of such value chains. Poor innovation capital—there is a buffet of reasons, from the lack of quality higher education to low public and private expenditure on research and development and a lacking legislative framework—doesn't help.

Free trade, for all the distributional issues that have rightly come into sharp focus over the past few years, is a net good. New Delhi is right to champion it. But its RCEP dilemma shows the gap between theory and practice. That gap won't be bridged without a structural transformation in Indian exports.

Source: livemint.com- July 03, 2018

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Fibre optics: Cabinet to come out with kharif 2018 MSPs today

A 28% hike in the minimum support price (MSP) of cotton — to be announced on Wednesday — to ensure farmers get at least a 50% profit over the so-called A2+FL cost will drive up state-run Cotton Corporation of India's (CCI) procurement to at least a four-year high, according to industry executives.

In the past, higher MSPs nearly invariably pushed up procurement by the state-run agency. For instance, the Centre raised cotton MSP (medium staple) by a record 39% in 2008-09, driving up CCI's procurement to an all-time-high of 8.9 million bales, as high raw material prices kept many mills away.

Wide-scale protests by the textile industry and losses on procurement operations forced the government to keep the MSP unchanged for the next two years — up to 2010-11.

However, in 2012-13, when it raised the MSP again substantially by 28.6%, CCI had to intervene by buying 2.3 million bales, the third-highest procurement year so far. This was despite the fact that cotton export volume touched a record 12.9 million bales that year and domestic production had fallen 5.4% from a year before.

Industry executives say the hike in MSP and production levels have been the major drivers of cotton purchases by CCI in recent years. While the record procurement in 2008-09 was driven entirely by the sharp MSP hike, CCI had to procure as much as 8.7 million bales in 2014-15 as well, when a record harvest and subdued exports dragged down local prices.

The losses to CCI on MSP procurement operation that year were pegged at as much as Rs 2,500 crore. Under the MSP operations, CCI procures cotton at the benchmark prices to avoid distress sales by farmers and later sells the fibre to textile mills and others. Any losses on account of this operation are reimbursed by the government.

FE has reported that on average, cotton prices (medium staple) will have to raised from Rs 4,020 per quintal to Rs 5,160 per quintal if the government wants to keep its promise to farmers. Given the conversion ratio of around 33%, this means the prices of finished cotton will rise to Rs 1,56,364 per tonne compared to the current global price of around Rs 1,25,553 per tonne (based on a Rs 67 per dollar exchange rate).

Apart from making cotton exports unviable and eroding the competitiveness of the entire value chain (yarn, fabrics, garments, etc), it could also prompt textile mills to explore fibre imports from places like Africa.

This means there will be fewer takers for domestic cotton, which, in turn, could keep market prices subdued if the country witnesses a bumper harvest in 2018-19.

Source: financialexpress.com- July 04, 2018

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Changes to working capital credit disbursement norms to hit vulnerable cos

The proposed changes to disbursement norms for working capital credit would hit the liquidity profile of vulnerable companies, ratings agency ICRA has said.

For borrowers having aggregate fund-based working capital limits of Rs 150 crore and above from the banking system, a minimum level of 'loan component' of 40% should be made effective from October 1, 2018, which will increase to 60% with effect from April 1, 2019, according to Reserve Bank of India's (RBI's) recently issued draft guidelines.

This means that a borrower who is currently able to fully utilise the sanctioned revolving bank facilities such as cash credit and overdraft, without having to bear the burden of principal repayment — given the absence of a pre-defined repayment schedule for such facilities — would now have to adjust to the new paradigm whereby at least 40%/60% of the working capital borrowings would have a defined repayment schedule.

Banks will have the discretion to stipulate repayment of the 'loan component' in instalments or by way of a bullet repayment, subject to the tenor not being less than seven days and likely within one year.

"The repayments, as opposed to a rollover, would exert pressure on the liquidity profile of borrowers, specifically those that have a high dependence on cash credit or overdraft facilities while lacking alternative sources of liquidity," ICRA said.

As per ICRA's analysis, the adverse impact might be more pronounced on entities in sectors including cut and polished diamonds, gems and jewellery (retail), media broadcasting, metals, thermal power, sugar, and textiles (cotton spinning).

Source: timesofindia.com- July 04, 2018

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Delayed rain hits cotton sowing in Gujarat

Though the Met Department pronounced the official onset of monsoon in Gujarat a week ago, kharif sowing is yet to kick off as the State is yet to receive sufficient rains.

Delayed rains have shrunk the sowing window for cotton by about a fortnight for the largest producer of the fibre crop. However, the trade and growers are optimistic that the targetted acreage will be achieved during the remaining sowing period till July 15, if it rains adequately.

Kharif sowing for cotton normally commences in the first week of June and goes on till July-end. However, this year, due to the delayed monsoon, the pace of cotton sowing has been sluggish at 241,578 hectares as of June 25, down 64 per cent from last year's 675,600 hectares from same time.

The rainfall deficit till June 30 has been pegged at 91 per cent with 68 mm as against 831 mm State average. Even the forecast for the week till July 6 shows bleak chances of widespread rains in the State.

Favourable scenario

"Farmers are upbeat about cotton crop as it is fetching good prices. Secondly, this year, due to government directive they have delayed sowing. This is proving to be a favourable scenario for farmers because in a shorter crop cycle, there are less chances of pest attack, especially the pink bollworm.

Longer the plantation cycle, higher are the chances of pest attack. Hence, we see not much impact on sowing due to delay in monsoon," said Nayan Mirani, a cotton expert and former president of Cotton Association of India (CAI).

Pan India, cotton has been planted in about 32.2 lakh hectares as on June 29, as against 46.10 lakh hectares in the corresponding period last year.

Sowing in Haryana has increased a bit, while that in Punjab and Rajasthan has fallen. Maharashtra, however, is likely to witness some rise in the cotton acreage as farmers prefer cotton.

"This year the possibility of pest attack is less because of the climate. Also, there is positive sentiment about cotton prices. We will continue with cotton this year," said a cotton grower from Junagadh district in Gujarat.

Notably, prices have moved up on concerns of a possible decline in acreage and bullish sentiment due to US-China trade war, where India has an opportunity to sell its cotton to China.

As per a latest report by ICRA, international cotton prices reached four-year highs during the six-month period ended May 2018 due to the global scenario and speculative buying in the backdrop of anticipated tightening of demand-supply situation. While the prices stabilised in the last week of June after surging 5-6 per cent in the first few weeks, prices are still up 10 per cent year-on-year.

In India, cotton prices touched ₹47,000 per candy (of 356 kg) for 29 mm variety.

Source: thehindubusinessline.com- July 03, 2018

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One year of GST: Fix refunds to protect exporters

The government has been addressing problems with interim measures. It needs to make solutions part of the GST legislation.

In India, you are eligible to apply for GST refund if you are an exporter of goods or services, or a person making supplies of goods or services to a special economic zone (SEZ) developer and units—these supplies are called 'zero-rated supply' for GST purposes.

Zero rating of a particular supply effectively makes the entire supply chain tax-free, i.e. no burden of GST either on the input side or output side.

The whole spirit of zero rating is to popularise Indian goods and services in the international market by ensuring that taxes do not get added to the cost of exports. This article aims to discuss various aspects of these refunds under GST and the plight of exporters.

GST was not launched with the intent to unintentionally offer too many procedural glitches and complex formulae to arrive at tax benefits, rather it was to support tax-free exports. Simplification has undoubtedly happened, but whether or not for the whole exporter community is the question. One needs to understand the plight of small-scale exporters, who do not want to avail of paid professionals to get tax refunds.

Many a times, an exporter is bound to work on wafer-thin margins, and meeting of working capital commitments is the priority for him to continue exports. There are more such who were impacted by the delayed processing of GST refunds in the initial few months of GST implementation.

Several trade bodies and chambers had approached the government and highlighted the risk of declining exports, due to working capital related issues. The in-time response and correction measures from the government prevented further fall, and we witnessed a rebound of exports in November 2017, with a rally of refunds being expedited for disposal.

Refund of taxes is not something new that GST has made known, but with the merger of multiple taxes in GST, it has made it uniform from the timing and authority interface standpoint. The broad and obvious distinction amongst refund aspirants is one being a supplier of goods (tangibles) and another being a supplier of services (intangibles). You now get a uniform period of two years to file a refund claim in GST. The law also requires that 90% of the refunds claimed should be provisionally granted within seven days of submission of application, and 100% should be granted within two months.

What has really changed, or is expected (more) is, that the accepted norm of hard copy documentation should be discontinued. One of the most touted features of GST is electronic filings, and thus taxpayers should not be asked to visit tax offices for submission of GST refund claims. Preliminary queries regarding documents and eligibility can also be sought over an electronic response system.

However, contrary to this runs a recent press release issued by the Central Board of Indirect Taxes and Customs (CBIC), which states that mere online submission is not sufficient and CBIC has requested all the claimants to furnish a copy of the application, along with all supporting documents, to the jurisdictional tax office.

This has made the refund process partly electronic and partly manual. We hope this is an interim measure only to expedite the processing of claims for the exporter community, and once the systems are up and running, digital filing will become the new norm, and there will not be any or less requirements of interface between taxman and taxpayer. The income tax refunds are a proven example in this space, where one need not to pay a visit to the tax office for submission of refund claims.

The government has organised two ‘refund fortnight’ drives and claims to have disposed of over `41,000 crore refund claims from GST-payers. This could largely involve taxes paid by exporters in the initial months of GST implementation, when filing of the letter of undertaking (LUT, a document required to be executed before export, to claim tax-free exports) was at its odds.

The government almost came up with a rescue package to the exporters, and prevented them from being debt-ridden of interest cost to borrow working capital. Such a great support was extended to the exporters that the commonly observed mistakes in refund claims were publicly informed by the taxman to avoid piling of claims for the same problems.

The exporting community was requested to take benefit of the refund fortnight and wholeheartedly come forward to get their errors rectified to enable sanction of refunds.

Sizeable changes are happening across territories, and information technology has changed the way businesses collect, record and transmit data, the way they pay their taxes, and the way tax administrators communicate with the taxpayers.

Tax reporting requirements in India are no more offline. Applying a tax refund is not a mandatory tax compliance, but a ‘right’, which is equally or even more important than the compliance itself. The exercise of this right involves a great deal of time and efforts, and that is why we consider the processes for claiming a VAT refund, in a post-filing index, in our annual joint study (called Paying Taxes) which we, at PwC, do with the World Bank every year.

Tax collection and refund payments are based on the principle of reciprocity, i.e. the administrator expects the taxpayers to pay the right taxes, and also in return the same taxpayer expects the administrator to refund the taxes, as applicable, in accordance with the law. Furthermore, if the law provides for provisional grant of 90% refund, with coexistence of provisions to recover refund incorrectly granted, then there should not be a case for not following it.

CBIC has done a great deal of work to observe special refund drives and fortnights on an all-India basis, which even required mobilisation of additional staff and infrastructure.

The government is clearly indicating its assurance to the exporting community, and its keenness to sanction all eligible refunds at the earliest. Yet a shift is required from interim solutions to final measures that we see through the lens of legislation, followed by and implemented with a less indulgence in processes galore.

Source: financialexpress.com- July 04, 2018

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Centre lauds Haryana for developing clusters to promote MSMEs

The Centre has lauded the Haryana government for developing clusters to promote micro, small and medium enterprises (MSMEs) and directed other states to study the model.

This is the second scheme of the Industries Department which would be implemented in other states, a Haryana government spokesman said here today.

Additional Development Commissioner, Union Ministry of MSMEs, Piyush Srivastava has issued a letter giving directions to all other states and UTs to follow and implement the policies of Haryana in this regard, the spokesman said.

During the last eight months, clusters have been set up at 25 places in the state. Earlier, the Central government had appreciated the Apprenticeship Policy of Haryana.

Rajasthan and other state governments have written to Haryana for providing guidance in this direction, the spokesman said.

Industries and Commerce Minister Vipul Goel said efforts are being made to provide better environment and facilities to MSMEs and in this direction, the cluster scheme has proven to be effective.

The clusters set up for automobile, food, textile and engineering are proving to be a boon for MSMEs, he said today.

The state government has increased its share from 10 per cent to 20 per cent for setting up clusters up to Rs 15 crore.

The Centre bears 70 per cent expenditure of total cost, 20 per cent is contributed by the state government and 10 per cent by the industry concerned.

Not only this, the state government bears expenditure up to 50 per cent in clusters up to Rs 20 crore, Goel said.

In order to encourage MSMEs, the state government has also reduced the power tariff.

Source: business-standard.com- July 03, 2018

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Banks may seek NPA deadline extension

Banks may seek an extension of the 180-day deadline to resolve stressed assets as the proposed structure to set up asset management companies (AMCs) and stressed asset funds may not be in place by the time rules stipulated in RBI's February 12 circular kick in.

The regulator's circular had mandated the deadline for moving the National Company Law Tribunal (NCLT) if a stressed asset was not resolved. While the deadline expires on August 27, the proposed AMCs and the funds may not be in place in the next 45 days, resulting in many of the 200 companies with bank loans of over Rs 500 crore facing proceedings under the Insolvency and Bankruptcy Code (IBC), admitted a government official.

"The only way to overcome that problem is to seek a threeto-four month extension. During this time not only the AMCs have to be set up but the funds would also need to raise capital as the amount involved will be large," said a banker.

The RBI has so far been unrelenting in its position and refused to dilute any of the norms it had laid down in the controversial February 12 circular.

The new restructuring proposal, unveiled by the government and lenders late Monday evening, is expected to provide a lifeline to stressed power generation companies, where the RBI and the government have refused to provide a special dispensation.

"There will be few takers for textiles or other sectors. Issues related to NHAI are unlikely to result in large interest in the road sector, leaving the window open largely for power companies to avoid facing insolvency action," a former banker said.

With the total exposure estimated at Rs 30,000-40,000 crore, the power companies are seen to be the next major risk for state-run lenders. Conservative estimates suggest that the proposed stressed asset funds would need Rs 20,000 crore, if not more, to take over some of these loans.

Bankers said if the move goes through, they would be able to recover some of the dues over the next 12-18 months as the economy improves and demand for electricity picks up.

For banks, any sale through the proposed mechanism, which is expected to generate cash instead of security receipts that mature in five-seven years, will help them clear impaired balance sheets. And, any fund realisation above the written down value, will help generate fee income that will be added directly to bottom lines.

While the panel headed by PNB chairman Sunil Mehta has also recommended a trading platform for performing and non-performing loans, exchanges said that the move will require regulatory changes and market development will take time. For instance, if a loan is sold banks will have to mark the loan to the market value, just as they do with banks. Similarly, there will be other changes that will be required.

Source: timesofindia.com- July 04, 2018

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