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IBTEX No. 101 of 2018 May 17, 2018

USD 67.68| EUR 79.97 | GBP 91.72 | JPY 0.61

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19672	41150	**77.97**
Domestic Futures Price (Ex. Gin), May		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20720	43341	**82.12**

International Futures Price

NY ICE USD Cents/lb (July 2018)	84.35
ZCE Cotton: Yuan/MT (May 2018)	16,390
ZCE Cotton: USD Cents/lb	**99.53**
Cotlook A Index – Physical	**94.35**

Cotton guide: Wednesday was an interesting day for cotton in the world market. To reiterate the moves during Asian hours' Chinese weather worry played a massive move on cotton. The local ZCE cotton future made a limit up 4% and its spillover over was felt on the ICE futures contract. The July future ICE contract made an intraday high of 85.39 cents during electronic session. Remember Chinese markets are around 12 hours ahead of US session.

However, during US session the gains were held at the initial hours but later it erased and ended at 84.35 cents per pound. The pattern of trading was expressed like a bell-shaped curve. So from the previous day's move cotton ended higher by 59 point on Wednesday. This technically means market is positive so far this week. Adding technical study here, market is respecting to 83.50/83.40 cents as critical support level unless that is hold it could move gradually higher towards 85.50+ cents.

In the physical market there has been marginal improvement in the cash sales, some mills covering their unfixed positions keeping the underlying future positive. In the meanwhile, the weekly export sales figure would be released today and that should significantly have a positive impact on the market given the recent trend of US cotton export.

From the trading front, the aggregate volumes held near the daily average level of 34K contract while the open interests since last week has decelerated marginally and hovering around 282K contracts. We are seeing profit booking, long liquidation in the one side while mills fixing their unfixed positions aren't letting huge drop in cotton price. So basically market is trapped in the range of 83.50 on the lower side to 86 on the higher side, however, if either side is cleared we might see market moving to 88/90 or 80. Nonetheless, given the market situation especially weather concern in the Texas region having no signs of adequate rain and China already facing crop damage concerns and likely drop in the acreage with cut in overall supply might keep the global cotton price onto higher side. For which we think cotton price may remain elevated towards 90+ cents in the near term.

On the domestic front, no major change in the spot price. The S-6 is hovering around Rs. 41,600 per candy ex-gin approximately 78.25 cents per pound. The arrivals are shrinking on a daily basis. As per latest report the total arrivals were 67,000 lint equivalent bales. We think market to remain sideways with marginal positive trend. On the futures front the May future advanced to make an intraday high of Rs. 20840 per bale but closed at Rs. 20720 up by Rs. 100 from previous close. For the day we expect MCX cotton to trade in the range of Rs. 20640 to Rs. 20850 per bale.

Currency Guide:

Indian rupee appreciated by 0.13% to trade near 67.7 levels against the US dollar. Rupee is seeing some stability after recent slide to the lowest level since Jan.2017. The currency has also gained some support from signs that BJP may form a government in Karnataka after emerging as the single largest party. However, weighing on rupee are concerns about impact of higher crude oil price and worries about investor outflows amid rising US interest rates. Crude oil price is hovering near the highest level since November 2017 on back of expectations of tighter global market. The US 10-year bond yields has risen to the highest level since 2011.

Rupee has plunged sharply in last few weeks and some recovery cannot be ruled out however the gains may be limited unless we see a sizeable correction in crude oil price. USDINR may trade in a range of 67.5-68.05 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

USA: Retail Sales Inch Up in April, Apparel Gets a Boost

Clothing closed out a positive month on the change of seasons.

Retail sales, including food services but excluding cars and car parts, ticked up 0.3% in April over the previous month to $396 billion, according to the U.S. Census Bureau. The results represented a 4.8% increase over April 2017.

Retail sales increased 0.4% from March and 4.8% over the previous April. The increase was led by clothing and accessory store sales, which were up 1.4%; furniture stores, up 0.8%; and gas stations, up 0.8%.

"Retail sales growth remains solid and on track as households benefit from tax cuts even though they have faced unseasonable weather and bumpy financial markets," NRF chief economist Jack Kleinhenz said.

"The tax cuts and higher savings levels should help consumers afford the recent surge in gasoline prices. And a solid job market, recent wage gains and elevated confidence translate into ongoing spending support."

Non-store sales, which primarily indicates e-commerce business, were $55.9 billion, up 9.6% over the $51 billion earned during the same period last year. Sales for this category totaled $211 billion for the first four months of the year.

Clothing and accessories stores brought in $22.5 billion in sales in the month, up from $22.2 billion in March. Year to date, sales for this sector reached $78.3 billion, an 3.6% increase over the prior-year period.

IHS Markit attributed the boost in apparel sales to spring-like weather, calling it the sector's "best month of sales since March 2017."

Department stores, excluding leased departments, reached $12.5 billion in April. Sales for the month were effectively flat when compared to March. The total fell short of the $12.7 billion it achieved in April 2017.

Gas stations had the biggest year-on-year gains, with an 11.7% increase.

Source: sourcingjournal.com- May 16, 2018

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New Volatile Era for Cotton Indicates Prices to Stay Inflated

For textile mills and manufacturers that rely on cotton as a key raw material, upcoming conditions may not be so favorable as the market appears to be entering a new period of uncertainty and inflated prices.

Cotton Incorporated's state-of-the-market report for May paints a dramatic picture of what's to come. The report said the current 2018-19 crop year could prove to be a time of "transition into a new multi-year period defined by a new set of defining market fundamental conditions" that "suggests eventual upward pressure on cotton prices."

This could send shivers through the supply chain. Vertical brands like Gildan Activewear and HanesBrands said in their latest earnings reports that increases in cotton prices have hit their bottom lines.

One fundamental shift could come from production. After a couple years of strong growth, global production is expected to be flat to lower in 2018-19. This is primarily caused by challenges facing the world's largest cotton-producing countries, such as repeated pest attacks in India, rising production costs in China, and recurring weather-related issues in the U.S. and Australia.

"Given these challenges, the curve in the upward trajectory in production [originally] expected in 2018-19 could signal the onset of a sideways trend in world cotton production," Cotton Inc.'s Monthly Economic Letter said.

Another major shift in market fundamentals is expected to come from an increase in Chinese imports. The report noted that many forecasts are calling for slight growth this crop year, but China's persistent production-consumption deficit of 12 million to 15 million bales, along with the continued drawdown of China's reserve stocks, indicates that China will need to increase its imports more dramatically in the near future. That will likely result in pulling stocks held outside of China lower.

“Those increases will serve as a buffer against rising Chinese import demand, but with on-going production-related questions facing several exporters (India, U.S. and Australia), an eventual reduction in world-less-China stocks could be expected,” the report noted.

The monthly letter examined world supply and demand figures in recent decades to demonstrate how it’s possible to define multi-year periods by their dominant fundamental factors. For example, it noted that the period leading up to the price spike that ran from 2006 to 2010 and was epitomized by prices reaching historic highs of more than $2 a pound. That period can be characterized by falling global acreage and production, paired with the effects the global financial crisis of the time had on mill-use.

During a smaller spike cycle from 2011 to 2015, the global cotton market at the time was marked by Chinese policies, with strong Chinese import demand supporting world cotton prices, acreage and production, while also inhibiting global consumption growth. The current multi-year period that began in 2015, on the other hand, can be defined by low Chinese imports, rising global acreage and production supported by lower prices for competing crops like corn and soybeans, as well as accelerating growth in global mill-use, according to the report.

“The extent to which any of this happens will depend on the details concerning the timing and volume of changes in Chinese imports, how global production responds and what the weather may bring,” Cotton Inc. added.

It could also be negatively impacted by potential retaliatory import tariffs threatened by China on U.S. cotton, which could either be alleviated or exacerbated when Chinese and U.S. diplomats hold a second round of talks on the matter this week.

Meanwhile, Cotton Inc. noted in its report released Monday that New York futures moved higher in early May, but retreated in the latest trading. July futures, reflective of 2017-18 supplies, briefly broke above 85 cents a pound, but have since returned to levels near 84 cents.

The A Index, an average of global prices, also moved higher this month to 94 cents a pound from 92 cents a earlier. Chinese cotton prices were stable at about $1.11 a pound in the same period.

Indian spot prices were relatively unchanged at 80 cents a pound over the past month, while Pakistani spot prices were also steady at around 80 cents a pound, too. U.S. cotton prices averaged 81.53 cents per pound for the week ended May 10, up from 80.22 last week and 74.33 cents reported the year-ago period.

Source: sourcingjournal.com- May 16, 2018

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Over 1 mn cotton bales produced by US farms under BCI

More than one million bales of cotton (236,000 metric tonnes) were produced by farms in the Better Cotton licensing programme under the Better Cotton Initiative (BCI) in 2017. This marked the end of BCI's fourth season in the US. Key to BCI's rapid growth has been an innovative 'group assurance' approach to managing the requirements for participating farms.

BCI, a global not-for-profit organisation, is the largest cotton sustainability programme in the world.

"We launched in the United States in 2014, in response to our retailer and brand members, who wanted to source US grown cotton that meets the Better Cotton Standard for social and environmental performance," said Scott Exo, BCI USA country manager. "Since then, along with our industry partners, we've now grown to include 366 farmers in 14 states, who now grow five per cent of US cotton."

Key to BCI's rapid growth in the US has been an innovative 'group assurance' approach to managing the requirements for participating farms. Growers participate as a part of a grower group, joining together with other growers in their area.

A BCI Group Assurance Implementing Partner — typically from a coop, merchant, gin or grower association — provides farm-level support, helps growers understand licensing requirements, gathers data, conducts farm monitoring and coordinates third-party verification. BCI provides training and support to the partners.

Among the partners now managing BCI assurance groups are US offices of all the major global cotton trading companies, as well as several regional merchants, marketing coops and one Texas gin. And several local gin managers are helping with data-gathering and verification visits.

Exo said, “The group approach has enabled merchants and others to respond to this demand by helping farmers participate, but it also holds great potential to advance a fundamental goal of the BCI programme - continuous improvement.

“Nearly all US farms meet the core requirements for licensing. But unlike many other certification programmes, which merely emphasise compliance, the Better Cotton Standard System also measures and encourages ongoing improvements, in things like water stewardship, soil health, and worker well-being. BCI participation creates a framework to assess and accelerate improvement, with the active encouragement of our partners.”

Cheryl Luther, manager at Black Oak Gin in NE Arkansas, has been working with the BCI programme since its first year in the US. She said, “I’ve encouraged our farmers to participate as a way to benchmark themselves against globally recognised standards, set goals for ongoing improvements, and meet growing expectations from brands, retailers and their customers—not just about where their cotton comes from, but how it’s grown. And it adds the increasingly important layer of independent verification.”

Rapid growth in the number of US BCI partners, farms and bales is in direct response to parallel growth in BCI retailers and brand members, many of whom are setting aggressive targets for their use of Better Cotton. In the last three years, North American brands like Target, Gap, Tommy Hilfiger, Calvin Klein, Guess, Williams-Sonoma and others have joined earlier BCI members like Nike, American Eagle Outfitters, ANN, VF Group and Levi Strauss.

Source: fibre2fashion.com- May 16, 2018

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Vietnam: Spinning sector greatly contributes to textile export

Vietnam's fibre and yarn production and export is witnessing a strong growth, boosting the country's textile and garment export turnover.

In 2017, Vietnam earned 31 billion USD from exporting textiles and garment products, fibre, cotton and materials, of which exports of fibre contributed 3.59 billion USD, up 22.7 percent year-on-year.

Nguyen Thi Tuyet Mai, vice general secretary and chief representative of the Vietnam Textile and Garment Association (VITAS) in HCM City said in addition to traditional textiles products, high value-added items such as fabrics, fibre and yarn and textiles and garments accessories have grown well in the first months of 2018.

Notably, Vietnam's fibre and yarn export alone reached 906 million USD in the first quarter of 2018, up 16.5 percent year-on-year.

Nguyen Binh An, General Secretary of the Vietnam Cotton and Spinning Association, said prior to 2000, the spinning sector's production scale reached only 1 million spindles but its capacity was raised to 3.7 million spindles in 2007 and 7 million spindles at present.

Two thirds of yarn produced in Vietnam is for export now, with the main importers being China, Turkey and European and American countries.

Mai said the production scale of Vietnam's spinning industry would become bigger in the future thanks to advantages brought by free trade agreements the country has joined.

Vietnam is seen as an ideal destination for foreign-invested spinning projects.

The Republic of Korea, China and Hong Kong (China) are leading investors of spinning factories in Vietnam. Japan also outsources yarn products to Vietnam.

In 2017, Vietnam exported 700,000 tonnes of fibre and yarn to China.

Experts said many foreign enterprises have invested in Vietnam's garment and textile industry to exploit opportunities after the Comprehensive and Progressive Agreement for Trans-Pacific Partnership agreement was signed.

Source: en.vietnamplus.vn- May 16, 2018

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Textech Bangladesh to begin from September 12

The 19th edition of Textech will kick-start from September 12, 2018 in Bangladesh. The four-day event will provide an international platform for the exhibitors to interact directly with the buyers/ importers for a perfect buyer - seller meet and a strong under-one-roof market place for the ever-growing textile and garment industry of Bangladesh.

"Textech will once again be a great B2B platform with a unique networking opportunity for textile, garment and machinery manufacturers to interact face to face with the textile and apparel manufacturers in the exhibition," said CEMS-Global, exhibition organiser.

With the industry now seeing firm competition, Textech brings a perfect one-stop opportunity for the investments occurring in Bangladesh.

The growing textile industry is the backbone of Bangladesh's economy.

The textile industry in Bangladesh has been an important contributor to the economy for centuries, and today is one of the country's most crucial economic sectors.

Source: fibre2fashion.com- May 16, 2018

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Cambodia: Union group fears for future of EU trade deal

The Cambodian Confederation of Unions (CCU) on Wednesday issued a statement expressing its concern that the upcoming election will impact garment workers, and that if the political climate isn't improved they could face dire consequences in the form of sanctions or boycotts.

CCU noted international concern has been growing beyond the Kingdom's borders since the detention of the CNRP's ex-President Kem Sokha last year, and the party's dissolution. It was also noted by the confederation that much of the outcry has come from nations that import heavily from the country's garment and textile industry.

Earlier this year, representatives from VF – the parent firm of brands such as The North Face, Jansport and Timberland – visited Cambodia and delivered a petition to Prime Minister Hun Sen as well as to the Ministry of Labour, expressing their concern for "recent actions that seem to undermine progress toward improving worker rights".

The petition said VF expects its suppliers to treat workers fairly and operate in a safe and free environment. "Actions by any government or entity that jeopardise our sourcing partners' ability to meet our standards are unacceptable."

VF sources from over 20 factories in Cambodia and spends between $350 and $400 million here every year, according to the Labour Ministry. A report from the Ministry of Industry and Handicrafts showed that factories in the country generated $10.79 billion last year, $7 billion of which came from export-focused garment manufacturers.

Responding to questions about the EU's "Everything But Arms" (EBA) scheme, which Cambodia benefits from, George Edgar, the EU's ambassador to the Kingdom, said, "respect for fundamental human and labour rights is fundamental to the conduct of the EU's trade policy and underpins the legal basis of our trade preferences, including preferences granted under the EBA trade scheme".

Barbara Lochbihler, a member of the European Parliament, said earlier this month, "there will be a fact-finding mission about the [Cambodian] trade preferences in June, but those details have not been announced yet".

According to a World Bank report from 2016, 45 percent of Cambodia's garment exports end up in the EU, while 25 percent go to the United States.

Rong Chhun president of the CCU, said, "we are concerned that after the vote, workers will lose their jobs. Many countries had meetings with the government and raised their concern about the political climate in Cambodia. Those countries – the US, the EU and Japan – said they want to see free and fair elections in Cambodia."

Responding to the concerns of the CCU, Soum Aun, president of National Alliance Chamber of Cambodia, said:"When the election process is free and fair, foreign countries shouldn't be upset," he said, adding that "the EBA is not linked to who's in prison, it's about the working conditions of workers".

Source: phnompenhpost.com- May 17, 2018

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Pakistan: Another package for exports

Federal Finance Minister Miftah Ismail in his budget wind-up speech announced that a 24 billion rupee export package will be announced in the remaining two weeks of the tenure of the Abbasi-led administration.

According to him, "we have decided on a new export package to further boost exports which had been on the downside during the last few years and are now showing some growth subsequent to measures taken by the incumbent government as well as depreciation of the exchange rate."

A few clarifications are in order. First, the export package announced during the first week of October 2017, two months after Shahid Khaqan Abbasi took oath as the country's prime minister and had appointed Miftah Ismail as his advisor on Finance to replace Ishaq Dar as the key decision-maker after the latter's departure from the country, was an extension of the 180 billion rupee export promotion package announced by Nawaz Sharif in January 2017 which envisaged reduced customs duty/sales tax on cotton, man-made fibres and textile machinery as well as revised duty drawbacks on a range of textile-related exports, including garments, processed fabrics, yarn and grey fabric, as well as sports and leather goods and footwear.

The Abbasi-led administration tweaked the earlier package by agreeing to extend 50 percent of the package to the eligible exporters without the condition that only those exporters who increase their exports by 10 percent may benefit while the remaining 50 percent to be provided if exporters achieve the 10 percent increment. The 40 billion rupee package was to be partially funded through higher duties on imports.

The two export promotion packages also envisaged clearing of exporters refunds which, according to exporters, are in excess of 200 billion rupees today.

Second, the claim that export growth has picked up in recent months is accurate though what is not highlighted is the fact that the trade balance has continued to deteriorate with a consequent widening of the current account balance that, in turn, is placing an inordinate pressure on the country's foreign exchange reserves - reserves that have reached a critical level as they are insufficient to meet three months of imports.

Trade balance during 2012-13 was a negative 15 billion dollars which escalated to negative 16.5 billion dollars in 2013-14, negative 17.2 billion dollars in 2014-15, negative 19.2 billion dollars in 2015-16 and negative 26.5 billion dollars last year.

This year's data reveals that the trend has further worsened and data released by the Pakistan Bureau of Statistics reveals that while in July-April 2016-17, the trade deficit was a negative 26.4 billion dollars the comparable figure for the current year is a negative 30 billion dollars.

The one area of continuing difference between the Sharif administration and the Abbasi-led administration is in the treatment of the exchange rate - the former intervened in the market to keep the rupee stable thereby meeting one of the directives of the seriously misinformed Nawaz Sharif that a strong currency is good for the economy (though in reality it undermines exports and makes imports more attractive) and which also led former Finance Minister Ishaq Dar to understate the interest and repayment of external loans as and when due.

However, by December 2017 when the International Monetary Fund (IMF) mission was in the country to prepare the first post-programme report the Abbasi administration was prevailed upon to allow the rupee to depreciate (by 10 percent) in an effort to promote exports.

This measure was too little too late and the government was then prevailed upon to further depreciate the rupee though that too was too little, accounting for a widening of the trade deficit.

From January 2017 till to-date, exporters have consistently urged the government to implement the package in letter and spirit but to no avail. The question is if the January and October 2017 package could not be implemented then how can the much smaller 24 billion rupee promised package be implemented (after Abbasi and Ismail lose their jobs on the 31 of May this year) given that money has not been earmarked for this package in the budget which is reliant on even more unrealistic sources of revenue than envisaged during Dar's tenure (including reliance to the tune of 230 billion rupees on self-financing by corporations/authorities that are reliant on the budget in excess of 1 trillion rupees).

To conclude, the budget and the export package are not likely to be implemented given the sheer massive scale of benefits extended to all major groups in the country while setting the expenditure priorities - benefits that cannot possibly be funded given the accompanying massive tax relief measures.

And with the growing perception in PML-N ranks that the party is unlikely to win the next elections this aspect of the budget leads one to the extremely disturbing deduction that the budget presented by the Abbasi-led administration is a deliberate attempt to make it extremely difficult for the next government to manage the economy without a wholesale revision of the budgetary measures.

Source: fp.brecorder.com- May 17, 2018

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NATIONAL NEWS

The Chinese conundrum: India's road ahead

Indian Prime Minister Narendra Modi's 'Informal Summit' with the Chinese President Xi Jinping in Wuhan stoked a lot of attention among the commentators in both the countries. While some have hailed this as a major icebreaker post the Doklam standoff, others have urged a more guarded approach to Chinese overtures.

Also, the latest round of the Regional Comprehensive Economic Partnership (RCEP) negotiations was held in Singapore in the first week of May. The RCEP is a proposed free trade agreement (FTA) between the 10 ASEAN countries and their six FTA partners—Australia, China, India, Japan, South Korea and New Zealand. It accounts for 25% of global GDP, 30% of global trade, 26% of FDI flows and 45% of the world's population.

India's trade with China (FY17)

Major imports from China	% share
Electrical machinery, telecom equipment, audio & video recorders	36
Nuclear reactors, boilers, machinery & mechanical appliances	18
Organic chemicals	9
Plastics and articles	3
Ships, boats and floating structures	2.4
Iron and steel	2.2
Fertilisers	2

Major exports to China	% share
Ores, slag and ash	16.2
Cotton	13.2
Organic chemicals	8.7
Mineral fuels, oils, waxes & bituminous substances	7.8
Copper and articles	6.9
Salt, sulphur, earths and stones	5.5
Nuclear reactors, boilers, machinery & mechanical appliances	5.2

Source: MoCI, export import databank FY17

From India's point of view, the RCEP is critical, more so because China is part of the trade bloc. The RCEP countries account for almost 27% of India's total trade. Exports to the RCEP account for about 15% of India's total exports and imports from the RCEP comprise 35% of India's total imports. India runs a trade deficit with the ASEAN as well as the partner countries of the RCEP.

India's trade deficit with the bloc has risen from $9 billion in FY05 to $83 billion in FY17, of which China alone accounts for over 60% of the deficit. India already has bilateral FTAs with the ASEAN, South Korea and Japan, and negotiations are under way with Australia and New Zealand.

Most RCEP countries see India has a huge potential market for their exports. In the past RCEP rounds, India has faced a lot of pressure to give market access to partner countries for trade in goods.

Indian industry, on the other hand, feels that RCEP negotiations, especially with China, need a careful evaluation as it may have more to lose than gain if it agrees to a liberal tariff elimination schedule, with respect to China. A three-tier approach of a separate tariff schedule for different partner countries has been rejected by member countries.

It's worth noting that India's trade deficit with the ASEAN, South Korea and Japan has increased to $24 billion in FY17 from $15 billion in FY11 (with the signing of the respective FTAs) and $5 billion in FY06. This includes value-added sectors like chemicals and allied, plastics and rubber, minerals, leather, textiles, gems and jewellery, metals, vehicles, medical instruments, and miscellaneous manufactured items. These sectors account for 75% of India's exports to ASEAN.

Moreover, given India's inability to negotiate a good services deal in the past, Indian authorities may be treading a cautious path this time on trade in goods. Meanwhile, the growing wave of protectionism by the US has forced trade blocs like the EU to devise a strategy to check diversion of imports into the EU—the EU is already contemplating "safeguard" measures on imports of steel and aluminium. India, too, has a lot to worry in the current context given the nature of bilateral trade between India and China.

China is India's biggest trading partner, accounting for almost 10% of India's overall trade. The Sino-Indian bilateral trade increased from a mere $1.8 billion in FY2000 to $72 billion in FY17, making China India's biggest trading partner. The trade especially picked up after China's accession to the World Trade Organisation (WTO) in 2001. China's trade surplus with India rose from $0.6 billion in FY01 to touch $52 billion in FY17.

China accounts for almost half of India's total trade deficit. India's exports to China have grown at an average of 13% since FY04, while Chinese imports into India have increased at 26% year-on-year (almost double that of export growth). This has led to a widening trade gap between the two countries.

India’s overall trade deficit with China has risen 13-fold in the past decade. In fact, China now accounts for about 50% of India’s trade deficit. This trade asymmetry is compounded by the nature of goods flow.

India tends to export primary materials such as ores, minerals and cotton, whereas Chinese exports to India are mostly a wide variety of sophisticated products higher up in the value chain (with higher profit margins and which create more jobs at home) like capital and manufactured goods.

China’s export basket is better diversified than that of India’s. Export of non-ferrous metals, iron ore and cotton constituted almost 50% of Indian exports to China, whereas about half of the total share of the imports from China comprised of electrical machinery and telecom equipment, nuclear reactors and boilers. To sum it up, India’s exports to China are significantly different from its exports to the rest of the world. In fact, for India, China is yet to emerge as an important destination for its most significant exports.

American economist and MIT professor David Autor, who is the co-author of ‘The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade’, reasons out some worrying implications of increased trade integration of the US economy with China. While there are consumer benefits of increased trade, addressing the substantial distributional consequences is always a challenge.

Local labour markets in the US have adjusted slowly to Chinese imports, coupled with greater job volatility and reduced permanent incomes. While the structure of the US economy is different from India’s, not taking lessons from the US experience might be a folly.

At a time of growing protectionism and the US’s stance towards China, opening our market to China can be prove to be detrimental for the domestic industry given proper standards and processes are not in place in India. In other words, the US experience—as is documented by Autor—may very well see a repeat in the Indian scenario. China’s capacity overhang in most sectors is a serious concern, especially for MSMEs.

While the two leaders address the ‘trust deficit’ that has crept in the Sino-Indian relations, addressing the burgeoning ‘trade deficit’ is also crucial. While politics and diplomacy are a multidimensional game of their own, looking at the economics of bilateral trade between the two Asian powers is also a need of the hour.

Source: financialexpress.com- May 17, 2018

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FOSTTA oppose hike in job charges by textile processors

The Federation of Surat Textile Traders Association (FOSTTA) has threatened to challenge the decision of the South Gujarat Textile Processors' Association (SGTPA) before the anti-profiteering and the Competition Commission of India (CCI) for illegally increasing the job charges in the range of Rs 2 to Rs 4 per meter on the finished fabrics on Wednesday.

Two days ago, the SGTPA had announced that the textile processors have unanimously decided to to revise the job charge rates with an increase of 15% on the finished fabrics. The hike was announced due to the increase in the input raw material costs by almost 25% in chemicals, dyes, coal and workers' wages.

FOSTTA office-bearers stated that the textile processors have been enjoying input tax credit (ITC) on the 5% GST on the job work of the finished fabrics. The benefit of ITC is not extended to the powerloom weavers and the traders.

Until now, the textile processors have been given ITC refund to the tune of Rs 350 crore. With such huge benefits under GST, the increase in job charges is totally illegal.

"Textile processors have ganged up to increase the job charges, which is against the anti-profiteering standards set by the government. At present, the textile business is down by almost 40%," said secretary of FOSTTA, Champalal Bothra.

He added, "We have urged the textile traders to reject the decision of textile processors and that they should come on the table to discuss the hike in the job charges with valid reasons."

Source: timesofindia.com- May 17, 2018

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Local metal output hits FTA roadblock

The key objective of the government's Act East policy is to promote economic cooperation and cultural ties, and develop a strategic relationship with countries in the Asia-Pacific region through bilateral, regional and multilateral treaties.

The purpose of an FTA is to liberalise and support trade in goods and services, create a transparent and facilitative investment regime, and build up appropriate measures for closer economic cooperation between the partner countries.

According to the recently published report by the NITI Aayog on FTAs and their costs, the key macro takeaways are:

- India's exports to FTA countries have not outperformed overall export growth or exports to the rest of the world;
- FTAs have led to increased imports and exports; the former has been greater;
- India's trade deficit with ASEAN, Korea and Japan has widened post-FTAs;
- According to Economic Survey, FTAs had a bigger impact on metals on the import side and textiles on the export side;
- India's exports are far more responsive to income changes as compared to price changes, and a tariff reduction/elimination doesn't boost exports a lot;
- Utilisation rate of RTAs by exporters in India is low (between 5% and 25%).

The assessment of FTAs

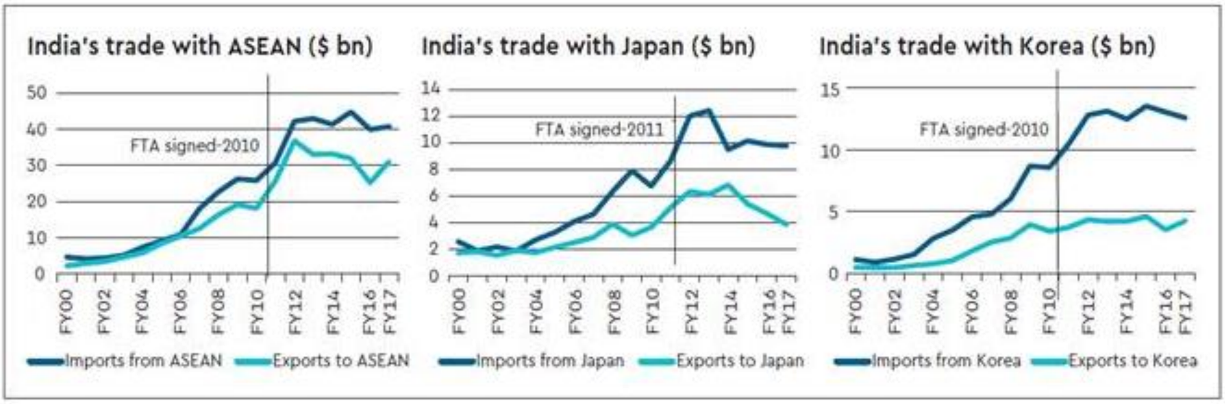
The key FTAs India has signed with the ASEAN, South Korea and Japan (they are the most comprehensive ones) have resulted in the following:

- Bilateral trade increased post signing of all the above FTAs;
- Imports from these FTA partners into India increased more than India's exports to partner countries post signing of FTAs;
- The trade deficit has only increased and, in some cases, it is doubled post signing the FTAs.

Impact on non-ferrous metals

While the concerns of the steel sector were addressed with the imposition of the minimum import price (MIP) due to surge in imports from China, Japan and South Korea, the non-ferrous metals industry like aluminium, copper and zinc is still reeling under severe threat of imports under FTAs. This has resulted in shrinking the market share of domestic manufacturers and outgo of foreign exchange.

FTAs with the ASEAN, Japan and South Korea have resulted in trade diversion of most of non-ferrous metals. While the MFN duty on aluminium is 7.5%, and on copper and zinc it is 5%, imports under the ASEAN and South Korea FTAs are coming at zero duty; in the case of Japan, the current duty is 1.36%, which is set to become zero by 2021. Imports from FTA countries have increased as compared to imports from other countries.



Aluminium: Imports of aluminium products including scrap have more than doubled in the last seven years—from 8,78,000 MT in FY11 to 19,00,000 MT. Imports have now captured almost 54% of the total domestic market share. Also, 69% of imports of major primary aluminium products like billet and wire are now coming through the FTA route, mainly from Malaysia, Vietnam, Thailand and South Korea, which are parties to the ASEAN-India Free Trade Area (AIFTA).

Copper: Imports have captured nearly 35% of the domestic market share in this fiscal year, up from 28% in FY15, decreasing the market share of domestic manufacturers like Hindalco, Vedanta and HCL to 65%. A majority of the imports, around 1,00,000 MT of the total 2,50,000 MT, come under AIFTA route—copper wires of less than 6-mm in diameter are imported at nil duty against 5% MFN duty.

Copper imports have also grown from Japan under the India-Japan Comprehensive Economic Partnership Agreement (CEPA), under which import duties on refined copper have been reduced from 5% to 1.36%. To make it worse, the duty is set to become nil by 2021. Due to this avalanche of imports, Indian primary copper producers are compelled to run their plants at only 80% of their capacity.

Zinc: This industry is affected by the India-Korea CEPA which was ratified in 2010, due to which import duties on most products, including zinc, were put under progressive reduction and made nil in 2014. Under this CEPA, zinc imports into India from Korea increased hugely from 10,000 tonnes in FY10 to 1,26,000 tonnes in FY18, or 1,100% rise.

Despite being a surplus market, India imported around 1,85,000 tonnes of zinc in FY18, thus contributing adversely to CAD. India's zinc production remained stagnant since FY11 at around 7,70,000 tonnes, while Korea, taking the benefit of the FTA, increased its zinc production from 7,70,000 tonnes in FY11 to 9,80,000 tonnes in FY18.

There is an urgent need to formally initiate a pending review to assess the impact of FTAs on the industry. There are geopolitical reasons in going in for FTAs, but we must also focus on encouraging domestic manufacturing, capacity addition and job creation. First, the review of the ASEAN and Japan FTAs, which are pending for 18 months and six months, respectively, has to be accelerated.

In the review, product-specific rules of origin must be strengthened, tariffs readjusted to relieve pressure on domestic non-ferrous metal industry, and rules of origin strictly enforced. Trade defence measures must also be pursued. The RCEP revealed comparative advantage of non-ferrous metals and our experience in the ongoing FTAs in them must be taken into account while making offers.

Source: financialexpress.com- May 17, 2018

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India's apparel exports decline 22.76% in April

India's apparel exports in April 2018 were to the tune of $1.34 billion, registering a decline of 22.76 per cent against exports of $1.74 billion in the corresponding month of last year, as per the latest trade data. In rupee terms, exports for the month of April 2018 stood at ₹8,859.67 crore against ₹11,272.24 crore in April 2017, down 21.4 per cent.

"The exports are in a negative territory since October due to a declining trend in the global apparel industry. The high base effect has been due to the release of rebate of state levies (RoSL) amount during April 2017 but the continued backlog in GST and RoSL is affecting the sentiments.

We would like the government to address the issue at the earliest to reverse the trend of stagnating exports," said HKL Magu, chairman, Apparel Export Promotion Council (AEPC).

In fiscal 2017-18 that ended on March 31, India's apparel exports fetched $16.71 billion, a decline of 3.83 per cent compared to exports of $17.38 billion in the previous financial year.

Source: fibre2fashion.com- May 16, 2018

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Indian cotton seed companies report low demand

Cotton seed companies in Punjab have reported low demand for BT cotton seeds, the variety that accounts for most of the cotton grown in the country.

This is due to the farmers shifting to other crops, especially paddy and maize, which yield higher returns.

Accordingly, cotton acreage in the state this kharif season is expected to drop by 15-20 per cent despite an 8 per cent discount in price of seeds this year. If the sowing doesn't pick up pace, it is likely to affect the revival of cotton in Punjab, where acreage under the cash crop had jumped by about half in 2017-18.

Cotton, especially BT cotton, was grown over 12.2million hectares in India in 2017-18.

In recent years, pest infestation, high input costs and drop in earnings in cotton have hit farmers hard.

Source: fashionatingworld.com- May 16, 2018

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Demand for eco-friendly fabrics propels organic cotton farming in India

Barku Jairam, a 55-year-old farmer from Barwani of Madhya Pradesh, has taken up cultivating organic cotton, which he claims, has significantly brought down input costs besides ensuring a decent yield.

The demand for organic cotton from global apparel companies has prompted 1,000-odd farmers in the state to switch to eco-farming to grow cotton using bio-fertilisers and pesticides manufactured from medicinal plants.

The C&A foundation -- the corporate foundation of fashion retail clothing chain C&A -- has tied up with a few non-profits in the country to promote organic cotton farming as a part of its efforts to procure sustainable raw material for its business.

Although yields from organic farming are lower than by using Genetically Modified (GM) seed, chemical fertilisers and pesticides, the negligible input cost makes it a profitable business, Jairam said.

"Till three years ago, I would earn up to Rs 27,000 per acre when I used GM hybrid seeds but the input cost would be around Rs 20,000 due to expensive chemical pesticides and fertilisers.

"Now, I earn around Rs 20,000 per acre but the input cost has reduced to just Rs 5,000," Jairam told IANS.

Farmers like Jairam produce bio-fertiliser for free from manure and agricultural waste from their fields and pesticides from extracts of medicinal plants such as neem, karanj (pongamia), ratanjot (alkanet root), besharam (ipomoea) and custard apple leaves along with cow urine.

Non-profits Aga Khan Foundation and Action for Social Advancement are helping the C&A Foundation in promoting and procuring organic cotton.

According to the Union Agriculture Ministry, 30.01 million bales (of 170 kg each) of cotton -- roughly 5.1 billion tonnes -- were produced in the country in 2015-16. The ministry, however, doesn't give out the breakup of organically grown cotton vs other methods.

At 60,184 tonnes, India was the largest organic cotton producer in the world in 2015-16, accounting for 56 per cent of the total production of 107,980 tonnes while Madhya Pradesh accounted for 24 per cent, as per the C&A Foundation. Organic cotton accounted for less than one per cent of cotton produced globally.

Another farmer, Dhansingh Ghana, said hybrid seeds for organic farming were provided for free for first three years by the foundation as incentives to make them self-reliant.

"Even if we will have to pay for seeds now, the input cost would not be much as major components such as bio-fertilisers and pesticides are still free," said Ghana.

According to these farmers, who had come to the state's capital Bhopal to attend an event on organic farming, the foundation gave them Rs 200-300 more per quintal when compared with the government rates.

Anita Chester, Head of Sustainable Raw Materials of C&A Foundation, said the negative impact of climate change has driven brands across the globe to look for sustainable alternatives.

"The way climate change is impacting all of us, the whole industry thinks that the businesses have to be more responsible.

"In this inequitable world, there is growing consciousness that there has to be more equity in what we do. This is what drives the brands to push themselves and set targets to source sustainable materials," she said.

Organic cotton production needs 93 per cent less water as compared to the conventional cotton cultivation, according to the foundation.

It also said the climate change impact is of 338.5 kg CO_2 equivalent by organic cotton as opposed to 680.2 kg CO_2 equivalent by conventional cotton.

The brands have sustainability commitment and so the demand for organic material is very strong now, said Chester.

"They are giving clear signal that organic is important and special. So it needs to grow," she said.

Chester said her foundation supports the farmers who want to go organic through capacity building and helping them in getting certification, which helps them to link with the markets.

While there are hurdles such as non-availability of seeds, lack of input agencies, poor market links for organic farming, the foundation is bringing all stakeholders, including the government to cross the barriers, she said.

Faiz Kidwai, Managing Director of the Madhya Pradesh Agriculture Marketing Board, sought a fixed price for farmers to promote organic cotton.

"There is a huge potential for organic farming in the state but farmers are not keen on doing it because they do not see any benefits due to lack of market, supply chain or value chain.

"We will have to assure fixed market price to bring them on board," Faiz told reporters on the sidelines of the event.

Source: thequint.com- May 16, 2018

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5,000 buyers expected at Garment Show of India

As many as 5,000 buyers are expected at the third edition of Garment Show of India (GSI) beginning June 17 in New Delhi. Creating a comprehensive platform, the sourcing show will connect the entire manufacturing and supply chain by bringing together the best manufacturers of apparel products and serious buyers for all type of garments from across India.

With more than 100 exhibitors from 15 countries likely to attend the B2B exhibition focused on transforming North India into an effective sourcing base for all type of garments which are trendy, high in quality and innovative as well, GSI press release said.

The three-day exhibition will bridge the gap between buyers and sellers; by bringing together manufacturers/brands that can offer quality, fashion and competitive prices to match the requirements of retailers, retail chains, e-commerce companies and distributors.

Leading retail chains like Pothy's, Chennai Silk, RMKV, Shoppers Stop, Lifestyle, Landmark Group, Bazar India, Reliance Trends, Amazon, Snapdeal, Myntra, Westside and many more will visit the exhibition.

More than 10,000 visitors are expected to visit the 2018 show from far and near, from places like Delhi, NCR, Meerut, Aligarh, Kanpur, Jaipur, Ludhiana, Lucknow, Bihar, Gorakhpur, Haridwar, Saharanpur, Mumbai, Kolkata, Panipat, Hyderabad, Trichy, Madurai, Chennai and Bangalore to Surat and Ahmedabad, etc.

This will include manufacturers, brands, retailers, wholesalers, distributors, agents, e-commerce companies and retail chains homing onto the activewear/intimate/sports/yoga/fitness segments from all over India.

Source: fibre2fashion.com- May 16, 2018

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