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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. 196 of 2017 September 27, 2017

USD 65.55| EUR 77.19 | GBP 88.01 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18262	38200	**74.45**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18530	38760	**75.54**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.75
ZCE Cotton: Yuan/MT (Jan 2017)	15,570
ZCE Cotton: USD Cents/lb	**90.41**
Cotlook A Index – Physical	**78.70**

Cotton guide: The broad range of 68 to 70 cent per pound continues to maintain in Cotton. This has been more than almost two weeks market is consolidating. There are no major development hence market is lacking clear direction. Therefore trading volume is also very minimal.

On Tuesday the December future traded lower to end the session at 68.83 cents per pound. Market retreated from the day high of 69.70. Since the trading range is defined every time market reaches near 70 area good selling by speculative trades takes place or on call sales/hedge positions pulls the market lower.

We believe market would continue to trade in the same range in the near term. Also if we look at entire September except during Hurricane "Harvey" and "Irma" cotton and other commodities were volatile and thereafter market is almost silent.

The broad perspective still holds bearish as Miller's are still expecting cotton production to remain in the higher trajectory above 21+ million bales as indicated in September USDA WASDE report. Nonetheless we believe until the October report is out and the whole world gets a clarity of US production figure market may remain sideways. Until then trading volume could be lower. On an average daily trading volume is less than 20000 contracts.

This morning ICE cotton for December is seen trading at 68.74 cents down by 13 points from previous close. The trading range for the day would be 68.20 TO 69.30 cents per pound.

From domestic front spot continues to trade steady. As indicated in the previous report there has been buying in far forward contracts near or below Rs. 37500 per candy. The effect is partly visible on futures contract especially in November and December futures contract at MCX. The both mentioned contracts anytime falling below 18K per bale witness a good buying in the market. As of Tuesday November closed at Rs. 18250 per bale. We expect market to sideways to slightly lower. The trading range for the day would be Rs. 18070 to Rs. 18360 per bale.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

US raises annual AGOA quota for textiles

The US Committee for the Implementation of Textile Agreements has released the new annual limit on duty- and quota-free imports of apparel articles assembled from regional and third-country fabric under the African Growth and Opportunity Act (AGOA) in the next fiscal beginning October 1. The figure is a 2.9 per cent rise over the limit in the current fiscal.

For apparel articles fully assembled in any beneficiary African country from fabric wholly manufactured in any beneficiary country from yarn originating in the United States or any beneficiary country, the new annual limit is 2,022,822,376 square metres equivalent (SME), Apparel articles entered in excess of these quantities will be subject to otherwise applicable tariffs, according to a recent US Federal Register notice.

Of this limit, 1,011,411,188 SME is available for apparel articles imported under the AGOA third-country fabric provision, a special rule for lesser-developed countries that offers preferential treatment for apparel articles assembled in one or more lesser-developed beneficiary African countries, regardless of the country of origin of the fabric used.

The AGOA Acceleration Act of 2004 mandates that the quantitative limit for the 12-month period beginning October 1, 2017, will be an amount not to exceed 7 per cent of the aggregate square meter equivalents of all apparel articles imported into the United States in the preceding 12-month period.

Source: fibre2fashion.com- Sep 26, 2017

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USA: Google unveils smart denim jacket with Levi Strauss

Ending the months-long wait, Google has unveiled its smart denim jacket. The wearable technology is the outcome of the project between Google's Advanced Technology and Products (ATAP) group and Levi Strauss. The smart denim jacket developed using Jacquard technology, is durable and is designed to be comfortable for cycling as well as off the bike.

Jacquard is a connected apparel platform that allows fashion designers and apparel manufacturers to integrate connectivity and interactivity into clothes. The technology enables the wearer to perform common digital tasks like starting or stopping music, getting directions or reading incoming text messages by simply swiping or tapping the jacket sleeve.

Gesture-sensing Jacquard threads are woven into the cuff and wirelessly connected to the mobile phone using tiny electronics embedded inside the sleeve and a flexible snap tag. The snap tag also notifies about incoming phone calls or text messages with light and haptic feedback. The gestures on the jacket cuff are fully re-configurable. Using the Jacquard app it is possible to assign gestures to invoke different digital “abilities” that were designed specifically for an on-the-go lifestyle.

Levi's Commuter Trucker Jacket will be available at the US stores of Levi and on its website.

Source: fibre2fashion.com- Sep 26, 2017

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Vietnamese garment enterprises have opportunity to access US market

Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association (VITAS), said that Vietnam's textile and garment export turnover, in 2017, is estimated at US$30.5 billion, of which the US market accounts for approximately 51% of total turnover.

In the first eight months of 2017, textiles and garments exports grew steadily, with export value increasing by 9.9%, over the same period last year, to US$19.8 billion. Currently, textile and garment exports to the US account for the largest share of the industry, making up around 51% of the export market share.

However, Vietnam is also importing cotton from the US for its spinning industry, accounting for up to 60% of its total demand. In recent years, the cotton cultivation areas in Vietnam have narrowed down to just 0.04% of the total demand. Meanwhile, American cotton is considered the best for Vietnamese spinning, due to it containing less impurities and being put through a tightly controlled production process.

In order to create favourable conditions for the Vietnamese textile and garment enterprises to approach the US cotton market, VITAS and the US Cotton Council International (CCI) recently held Cotton Day in Ho Chi Minh City, in mid-September.

According to Giang, this event created an opportunity for US firms to evaluate the potential and importance of the spinning and textile industry in Vietnam, before making proposals to the US Government for policies to support the spinning, textile and garment industry in the Southeast Asian country.

Among them, the most important is the recommendation on the establishment of cotton bonded warehouses in Ho Chi Minh City and Hai Phong that would help to create better opportunities for Vietnamese spinners to access US cotton products, while shortening buying times and reducing financial pressure.

Giang said that Cotton Day 2017 acted as a bridge between the Vietnamese textile industry and the US cotton industry for the benefit of both parties, presenting an opportunity for Vietnamese fashion brands and Vietnamese businesses, who have not yet exported to the US, to seek opportunities for cooperation with US enterprises and buyers.

According to VITAS, Vietnam's cotton imports surged over the past ten years from 150,000 tonnes in 2005 to approximately 1.2 million tonnes in 2016, with US cotton making up a large proportion.

In the first seven months of 2017, Vietnam imported 808,000 tonnes of cotton, worth US$1.47 billion, annual rises of 32.6% and 58%, respectively. The US accounted for 60% of the market share, marking a milestone in the development of US cotton in Vietnam.

To pave the way for Vietnamese apparel exports to the US and to help customers recognise high-quality products, the CCI granted licences to 12 Vietnamese businesses using the COTTON USA™ label, including Hoa Tho Textile, Dong Xuan Knitting, Phu Cuong Spinning, Phu Gia Spinning, Viet Hong Dyeing, Sunrise Spring Vietnam, Thanh Cong Textile and Vi Son Textile.

The use of COTTON USA ™ labels will help consumers to recognise quality products, as well as helping exporters enjoy more favourable conditions when exporting textiles to the United States.

Nguyen Ngoc Binh, Deputy General Director of Hoa Tho Textile, said that his company currently has three fiber factories in Da Nang and Quang Nam, with an annual capacity of around 1,600 tonnes of yarns. Raw materials used in the plants are cotton and man-made fibers, of which cotton imports from the US account for more than 60%.

Binh added that, compared with cotton imported from West Africa or India, cotton from the US contains less impurities, so the finished product quality is higher.

Recently, US cotton has had a more competitive price, making it a good choice for manufacturers in meeting the high requirements of high quality orders.

CCI Director William Bettendorf said that in recent years, the Vietnam textile and garment industry has made breakthrough growth, becoming a bright spot in the textile industry around the world. Currently, Vietnam is the largest customer of the American cotton industry.

This year is also the first year that CCI has supported Vietnam's fashion brands using the COTTON USA ™ label to create more favourable conditions for Vietnamese exports and better transparency for consumers concerning the origin of materials.

Source: en.nhandan.org.vn- Sep 27, 2017

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Myanmar: Cotton demand expected to rise as textile plants reopen

With the re-opening of government textile factories this year, the demand for cotton is expected to rise and production likely to double, say traders.

Since the start of the cotton production season, which runs from July to September, the government-owned factories and private factories ordered up to 3 million viss. Traders sold out all their stock.

The textile factories administered by the Ministry of Industry placed their orders, which also increased the cotton price to K3600 a viss (about 1.6 kg a viss).

"In previous years, the government textile factories mostly stopped and didn't run the mills. Last year, cotton production declined due to heavy rains in July, August and November.

"The production was 12 million viss for the year. If the weather is good, this year's production will reach 30 million viss.

But we need to wait to see the weather in October," the Myanmar Cotton and Cotton Products Merchants and Manufacturers Association's secretary U Aung Myint told The Myanmar Times on September 24.

He expected the demand to increase till the end of the season. Myanmar's cotton production, one of Myanmar's national strategic export crops, which usually takes place from July to March, faced difficulties accessing seeds.

The cultivation season is already over, so negotiations with the agriculture department will begin.

The issue comes from Lunn Kyaw from Kyaukse township and Shwe Taung from Wandwin township's difficulties to provide seeds for cotton plantation and long-term crops.

In Myanmar, there were 752,145 acres of cotton plantation for the 2014-2015 fiscal years; 720,662 acres for the 2015-2016 fiscal years; and 768,286 acres for the 2016-2017 fiscal years.

As cotton is part of the national export strategy, and the textile and garment industry is also a top priority, local raw material is expected to be on high demand.

Beside domestic use, cotton is also exported to China through border trade. It totalled 1.6 tonnes (US$3.5 million) in 2013-2014, and increased to 487.5 tonnes ($1.073 million) so far in the 2017-2018 fiscal year.

"Half of the production goes to China, the rest answers local demand from textile factories," said U Aung So director general of the Myanmar Trade Promotion under Ministry of Commerce.

The cotton association faces several challenges, such as the difficulty to access quality seeds and the lack of labour force. The association currently plans to relocate to Nay Pyi Taw.

Daw Tin Tin Shwe, general manager of the Panda Textile factory in Paleik city said her factory purchased about 800 to 1000 tonnes of A-grade cotton during fiscal year 2016-2017.

And this year, the factory is expected to buy more than that amount if there is no disruption of their production due to labour protest.

Many textile factories are now turning to locally produced cotton instead of procuring from abroad.

Source: mmtimes.com - Sep 27, 2017

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Here's How EU Brands are Sourcing for Speed to Market

In Europe, sourcing in Asia isn't the standard go to. The region's cluster of sourcing countries—which includes places like Tunisia, Greece and Portugal—has provided an ecosystem that's supporting European brands' speed to market needs.

And most of these countries are supplying to Zara, which has figured out better than anyone else how to tap its neighbors to create a close, efficient supply chain.

Tunisia was the country of focus in the Manufacturing hall of Premiere Vision Paris last week, and it could be next to garner greater attention as a viable sourcing option for the EU market.

The country is known for its trousers and is a leader in North America when it comes to denim sportswear, according to Boujemaa Harbaoui, an expert in textiles for COM_TEXHA, a project aimed at strengthening the competitiveness of the Tunisian textile and apparel sector. After trousers, Tunisia's next biggest areas of production are intimates, swimwear and sportswear, and technical textiles.

There are 1,700 factories making textiles and apparel in Tunisia, and according to Harbaoui, annual turnover in 2016 was 2.3 billion euro ($2.75 billion), What the country still lacks, though, is raw materials.

"We buy raw materials worth 1.2 billion euro ($1.43 billion), so it's a big market for textile factories," Harbaoui said. "But the potential is here."

Zara, H&M, Boss and United Colors of Benetton are just some of the brands that have already picked up on that potential of sourcing in Tunisia. Turning to Greece, manufacturers like DMiss have fast fashion down pat for its clients, which include Asos, VF and Guess.

"We work with many European clients with quick response orders," junior manager Thanos Papaioannou said. "We stock the fabric, they give us sales projections and we manufacture and ex factory in one and a half weeks." Without stock fabric on hand, production time is still a considerably low five to seven weeks.

Eighty percent to 90 percent of the fabrics DMiss uses in its products are made in Greece, which also keeps the supply chain short. The country is known for its jacquards and cotton quality.

The production isn't done in Greece, as labor costs there are on the higher side. DMiss has goods produced in Fyrom, Macedonia, which is less than a two-hour drive from the company's Thessaloniki home base.

Greece's price-quality ratio is what has set the country apart for clients, according to Papaioannou.

"I believe it's great value," he said. "If you go to Bangladesh, you have a very cheap price, but the quality is not good for a diffusion brand, for example." And more than good quality for the price, brands are benefitting from a much shorter supply chain, which means fewer leftovers and greater flexibility.

"These companies order a lot less," Papaioannou said. For them, there's the time and opportunity to see what's selling well and cut into more of that, rather than buying everything up front and ending up with too much markdown product.

Portugal could soon be as top of mind for sourcing as Turkey, with its offerings continuously improving and its political stability becoming more and more of a competitive advantage as tensions around the world rise.

For Siena, a knitwear manufacturer 30 minutes outside of Porto, Portugal, whose clients include Zara, Pull & Bear, Carolina Herrera and Guess, interest in both the company and the country were high.

"We can do everything, so it's an easy way to get ready made garments," said Helena Pereira, who works in Sienna's commercial department. "We have the right places to make the fabrics, we have suppliers for the accessories as well, so it's an easy way to get the product ready in a short time." Lead times at Sienna start as low a six to seven weeks from order placement to ex factory.

Portugal has started to pick up some market share from Turkey as the two country's price points become increasingly comparable and Turkey's political tensions become increasingly problematic.

Portugal has know-how for apparel sourcing, more so now that Zara's been in town to help prepare manufacturers in the country to best fulfill its needs.

"Inditex Group is a big quota of the production in Portugal and it's helping the industry because they are pushing to develop in areas like finishing, sustainability, fashion, new techniques, in new fabric compositions, in logistics, in all the areas," Nuno Costa of Somani Sociedade Textil in Portugal. "And that made the textile industry in Portugal very flexible and very developed."

Somani has been in business for 30 years and produces in three main categories: toweling products, nightwear and loungewear, and baby wear and nursery products.

The vertically integrated business controls production almost entirely, with the exception of spinning, though the yarns Somani buys are most often from Portugal, sometimes from India. Scandinavia is one of the company's biggest markets, followed by Germany and France. Turnover at Somani is roughly 12 million every year and the employee count at its facilities is 100. But it's the company's flexibility and speed to market that's among its biggest draws right now.

"Many customers are coming back from Asia because their business models require fast deliveries and many collections during one season," Costa said. "If you want to have that business model, you need to have suppliers that can adjust themselves to that business model…I think it's the benefit of doing business in Portugal."

Source: sourcingjournalonline.com- Sep 26, 2017

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Bangladesh: Textile sector crying out for investment

KEY POINTS

Total investment in primary textile so far: Tk **48,000**cr

Investment made in the last four years: Tk **1,300**cr

Bangladesh has **425** spinning, **790** weaving and **250** dyeing mills

Primary textile sector can supply **90**pc raw materials for knitwear and **40**pc fabrics for woven garments

Bangladesh's primary textile sector, an essential cog in the garment export wheel, has been witnessing a dearth of fresh investment for the last few years due to gas crisis and scarcity of bigger industrial land.

Only five new spinning, three weaving and two dyeing mills with an investment of about Tk 1,300 crore were set up in the last four years, according to data from the Bangladesh Textile Mills Association.

The textile sector needs heavy investment and bigger industrial plots to set up the plants.

The primary textile sector indicates the strength of a country's garment sector as the millers and spinners supply the yarns and fabrics to the apparel manufacturers, who cater to the international clothing retailers.

A more developed primary textile sector means shorter lead-time in the garment business as the apparel makers can purchase the raw materials from the local market.

Currently, Bangladesh has 425 spinning, 790 weaving and 250 dyeing mills that have an investment of about Tk 50,000 crore tied up, according to BTMA data.

With existing capacity, the primary textile sector can supply 90 percent of the raw materials for the knitwear and 40 percent for woven sector.

The rest of the demand is met through imports mainly from China, India and Pakistan. Since the country's garment export is on the rise, so is the import of raw materials.

In the first six months of the year, Bangladesh imported woven fabrics worth more than $2.11 billion and knitwear fabrics and yarn worth $527 million, up almost 15 percent year-on-year in both the categories.

The import of fabrics is also rising as the garment manufacturers can now enjoy zero-duty benefit on export of apparel items to the EU and other major markets even if the garment is made from fabrics not manufactured in Bangladesh.

"So, there is room for more investment in the sector. We need only gas connections and industrial plots," said Monsoor Ahmed, secretary to the BTMA.

At least five spinning mills cannot go into operation mainly due to a lack of gas connections, although the owners have constructed the factories by investing a lot of money, he said.

The hike in gas prices every year is also another problem for the sector.

The government raised the gas price to Tk 19.26 per cubic metre in 2016 from Tk 8.36 in the previous year for captive power plants. In 2015, the government had increased the gas price to Tk 8.36 from the previous rate of Tk 4.36 per cubic metre.

The textile millers have demanded duty-free import of heavy fuel oil or furnace oil to keep their factories up and running. Currently, importers pay 35 percent duty to import the oil, which, they say, was too high for users.

They said the tariff of gas was hiked 222 percent in the last two years, which was eating up the profitability of businesses as spinning, weaving, finishing and dyeing mills need uninterrupted gas supply.

"We have already started talks with the government to make fuel oil import duty-free so that the primary textile sector can run well," said Tapan Chowdhury, president of the BTMA.

The government has not fixed the prices of liquefied natural gas yet although it was saying that its import would start from next year, he added.
"If LNG price is fixed at a higher rate, the industrial sector might not be able to afford it."

The government plans to import 500 million cubic feet of gas a day (mmcfd) from the start of next year and another 500 mmcfd from the middle of 2018 to ride out the existing gas shortage.

“The time now is very much favourable to setting up new primary textile units,” said Razeeb Haider, managing director of Outpace Spinning Mills.

One of the reasons is that the bank interest rate declined to a single digit after many years.

“We have a lot of opportunities to diversify our business in the textile sector,” he said.

Many factory owners have expanded their current operations as they cannot set up new units.

Source: thedailystar.net - Sep 25, 2017

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Pakistan guns to complete China FTA by December

The government has asked China to expedite the second Free Trade Agreement (FTA) and conclude the process by December, a senior official of the commerce ministry told Dawn on Monday.

Delegations from both countries met in Beijing on Sept 14 for the eighth round of negotiations on the FTA. Pakistan now hopes to have a final agreement to sign before the end of the year.

“We have asked for 70 exportable items to be zero-rated immediately,” said the official, who did not wish to speak for attribution due to the sensitivity of the negotiations. The items include textiles, particularly cotton yarn and readymade garments, as well as leather, food and fisheries items.

“If they agree to this list, then we will exchange all the HS codes, which will be divided into four categories, targeted for liberalisation” over the next 15 years.

That list could be up to 300 items long. The four categories will define the timeline for future liberalisation. Category 1 will be marked for immediate liberalisation, and can contain up to 70 items. Category 2 will be marked for liberalisation in five to seven years. Category 3 will be liberalised in 10 to 15 years. Category 4 will be those items that will never be liberalised.

The Chinese have replied that they will need to consult with their industry representatives before agreeing. “Once we have agreed to the lists, we will move for signature in December,” the official said.

Some industries that are set to continue enjoying protections include automobile, fertiliser and steel rerolling. “We have already worked on the lists, so we can move quite fast in getting our requirements to them,” the official added.

He said four main industries have suffered the most under the existing FTA whose terms, he said, were favourable initially when it was signed in 2006. But the favourability eroded once China entered into FTAs with other Association of Southeast Asian Nations (Asean) countries on even more generous terms.

“Cotton yarn, for example, was at 3.5 per cent for us, but became zero for Asean countries after their FTAs. For 79pc of our products, the tariff preference was eroded,” he said.

The four industries affected most adversely by the FTA, according to him, are ceramics, steel, cables and rubber.

“These are the players that have lost the most” due to the erosion of tariff preference with China under the first FTA.

Source: dawn.com - Sep 26, 2017

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Zimbabwe: Cotton production up 150 percent

Zimbabwe's cotton production increased 150 percent this year, largely driven by Government's free input support programme, according to official statistics.

Cotton output increased to 70 000 tonnes, up from 28 000 tonnes produced during last season, latest figures from the Agriculture and Marketing Authority show. AMA has not yet declared the selling season closed but deliveries buying points have slowed. Production of the "white gold" slumped to about 28 000 tonnes last year, the lowest since 1992. The Presidential Input Scheme however saw an upward of 155 000 farmers returning to production.

Government, through The Cotton Company of Zimbabwe, injected in excess of $42 million into the cotton sector and has scaled up the financial support to $60 million this year. The Presidential Free Inputs Scheme also helped Cottco to reclaim its position as the market leader after buying more than 54 000 tonnes of the total crop delivered.

Farmers in Gokwe, who produced 50 percent of the crop hailed the Presidential Inputs Programme, saying it had managed to empower thousands of farmers who had abandoned the crop due to exploitative financing models by private contractors.

They were speaking at an event to express appreciation of the free input programme. "What was happening is that private companies were giving us inputs at inflated prices and buy the commodity at very low prices. So at the end of the day, we were essentially providing free labor because all the income would go towards debt repayment.

"In certain instances, some farmers ended up losing their property or livestock after failing to repay," famer Ishmael Chacha said. "But we are happy the President has come to our rescue."

Another farmer, Barnabas George said: "We are happy for what the President is doing. Cotton is a dominant commercial commodity in Gokwe and the collapse of the industry had thrown thousands of families in poverty.

The impact of this programme on the livelihoods of people is so huge. Farmers have managed to upgrade their homes, buy cattle; some even cars, animal drawn ploughs and parents are paying school fees. Service providers such as transporters are back and most grocery shops in the village have re-opened. Commercial activities have grown."

The local leadership said the programme has helped boost cotton production, tame poverty among the rural people and created jobs. Gokwe Mapfungautsi Member of Parliament Miriam Makweya said the scheme was "well-coordinated and successful."

This is a wonderful programme, which was extremely well managed and we are just hoping that the next season will be a success just as the previous one," she said. "Despite some logistical challenges, the management at Cottco did so well to timely distribute the inputs. It also swiftly responded to challenges we encountered during the season.

"We are happy some of the inputs are already at the depots and distribution should immediately begin before the rains. "In terms of cotton production in Gokwe, we are now stable and our people are very happy. "We are really appreciating efforts by all stakeholders including the Minister (of Agriculture Dr Joseph Made) as well as the Reserve Bank of Zimbabwe. Gokwe-Gumunyu MP Melania Majovan said the programme offered good opportunity for improving farm productivity and livelihoods especially for rural women.

"We are very happy that the programme has empowered the disadvantaged women," she said. Gokwe-Kana legislator Owen Ncube said the programme helped to create jobs, improve livelihoods and would go a long way in reviving downstream industries such as the textiles.

While cotton production was initially estimated to reach 110 000 tonnes, several downgrading factors, including excessive rains, diversion and abuse of inputs by some farmers as well as smuggling of the commodity to Mozambique saw missing the target.

Source: herald.co.zw- Sep 26, 2017

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Italy signs agreement to boost Ethiopian textile sector

The Ethiopian Textile Industry Development Institute and the Italian Trade Agency recently signed an agreement to boost the textile industry in the former. Textile firms will be the key beneficiaries of the assistance through the 'Italy-Ethiopia textile technology centre' project. The assistance includes 200,000 Euros for technology and training equipment.

The assistance will help improve Ethiopia's textile industry capabilities, a news agency quoted Seleshi Lemma, general director of the institute, as saying. Italian ambassador to Ethiopia Giuseppe Mistretta assured his government's commitment to support Ethiopia's efforts in realizing textile sector targets.

Source: fibre2fashion.com- Sep 26, 2017

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New package for Pakistani textile sector soon: minister

Pakistan's commerce and textile minister Pervaiz has said the government will announce a new incentives package to boost tumbling textile exports. The government is reviewing the prime minister's package for enhancing exports, which is yet to offer positive yields, he said inaugurating an office of All Pakistan Textile Mills Association (APTMA) in Islamabad.

The minister said efforts are under way to enhance cotton production by focusing on cotton research in collaboration with APTMA, according to Pakistani media reports.

Textile exports for August 2017 recorded a growth of 9 per cent to $1.17 billion compared to $1.08 billion in the same period of last year, according to Pakistan Bureau of Statistics data. On a cumulative basis, textile exports expanded 6 per cent to reach $2.18 billion in two months of the ongoing fiscal. During August, basic textiles exports registered a drop of 9 per cent year on year to $302 million.

Source: fibre2fashion.com- Sep 27, 2017

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Chinese firm to build textile industrial park in Nigeria

The government in Kano state in northern Nigeria has signed an agreement with China's Shandong Ruyi Technology Group to establish a $600-million textile industrial park. The agreement was signed recently by secretary to the state government Alhaji Usman Alhaji and the company's chairman Yafu Qiu at the company's headquarters in Jining, Shandong.

The planned investment in Kano would be the Chinese company's biggest in Africa upon completion, A Nigerian newspaper reported quoting a statement from Salihu Tanko Yakasai, director general of media to Kano governor Abdullahi Umar Ganduje.

"One can only imagine the number of jobs that would be created and the value that would be added to our economy when your plant commences operation in Kano," Ganduje, who visited one of the group's factories, said.

Ganduje assured the company that his administration would create an enabling environment for the smooth take off of its project.

Expressing his desire to collaborate with the Kano government in enhancing the capacity of its on-going hydro power project at Tiga and Challawa, Qiu said his company would explore the possibility of executing a solar power project specifically for the park.

Source: fibre2fashion.com- Sep 27, 2017

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NATIONAL NEWS

In a bid to prop up labour intensive garment export sector, here is what is on Narendra Modi government agenda

ZERO RATING

2.9-3.9%
Rate fixed for remission of state levies before GST

0.39%
RoSL rate announced in July before the pre-GST rate was restored (up to end-Sept)

₹1,555 cr
Budgeted outlay for RoSL scheme in FY18, up from ₹400 crore in FY17

The government is likely to extend the rate of the remission of state levies (RoSL) under the duty drawback scheme available to garments exporters in the pre-goods and services tax (GST) period by at least three months through December in a bid to support the labour-intensive sector that has witnessed a slowdown in export in recent months.

"Some exporters have been demanding that the status quo be maintained until March next year. However, taking into account the stress the sector is going through due to a rupee appreciation and subdued overseas demand, at least three months' relaxation may be considered. But the revenue department hasn't yet decided on it," a senior government official told FE.

The revenue department recently conveyed its decision to trim the RoSL rate to 0.7% of the freight-on-board value from October 1, versus 2.9-3.9% now, sources said. This led to the demand from exporters to maintain the current rates till at least March 2018, which, a some in the government believe, could be hard to offer.

So, said the official, an extension of the current rate for at least three more months may be considered primarily for two reasons: The textile and garment sector employs around 3.2 crore people, mostly women, and exports have plunged — from a rise of almost 32% in April to a fall of nearly 12% in July.

The RoSL, under which garment exporters get refunds from the Centre against all the levies they pay at the state level, was the most important scheme (with fiscal significance for the government) in the Rs 6,000-crore garments package announced by the government last year to create 1 crore more jobs, Rs 78,000 crore in additional investments and $30 billion more exports over a three-year period.

Following the introduction of GST, the government had initially cut the RoSL rate to a uniform 0.39% up to September 2017, against the pre-GST levels of 2.9-3.9%, arguing most of the state levies — including central sales tax — were scrapped in the GST regime.

Only two state levies (value-added tax on petroleum products and electricity charges) would continue under the GST regime as well, on the basis of which the 0.39% interim refund structure was based, a senior government official had then told FE.

Garment exporters, however, protested and requested the finance ministry to restore the earlier RoSL rate, saying the reduction would adversely impact apparel exports. Consequently, the government on August 1 announced the restoration of the pre-GST RoSL rate up to the end of September.

The government has budgeted Rs 1,555 crore for the RoSL scheme in 2017-18, compared with Rs 400 crore a year before. The low allocation last year was due to the fact that the scheme was announced in late June last year and notified in around August. Ashok G Rajani, chairman, Apparel Export Promotion Council, said:

"Garment exports will decline if the status quo is not maintained, both in case of duty drawback and RoSL. As such a strong rupee has adversely affected us and demand in key markets still remains fragile. The government should extend the current transition rates till March 31, 2018, to instil confidence in the sector, ensure a smooth transition into GST and also for sustaining the employment in the sector."

In the absence of encouraging drawback and RoSL rates, exports will further witness a sharp decline just ahead of the peak festival season when the industry was expecting recovery, he added. He said even the new all industry rates (AIR) for garments is fixed at 2%, against 7.7% drawback available until now.

Apparel exports had been registering double-digit growth since the start of the disbursement of RoSL (around December last year). During March and April, garment exporters were able to increase production by around 30% and employed at least 5% more workers during the same period, according to AEPC.

However, they lost the momentum since June. Garment exports in July, the first month of the GST launch, dropped almost 12%, far worse than a 1.4% fall in the previous month, showed official data.

Source: financialexpress.com- Sept 27, 2017

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Global exports prospects revised sharply; why India must not miss this boat

The sharp revision in global export prospects for 2017—the WTO has raised its growth projections for trade volumes from 2.4% earlier to 3.6%, and trade grew at a mere 1.3% in 2016—represent an opportunity that India cannot afford to miss. Indeed, the changed projections, reflecting a stronger growth in both the US and China, are even stronger for Asia where the IMF is now projecting a 6.4% growth in 2017 exports as compared to a mere 1.8% in 2016.

Given the role of exports in raising GDP growth, particularly manufacturing, the prospects look alluring. More so when you consider that exports from India have actually contracted in three of the last seven years; in two of them, they grew by around 5% and it was only in two that growth was appreciable—dollar exports grew by over 40% in FY11 and by nearly 22% the year after.

Whether India will be able to capitalise on the boom will depend on several things, though the fact of the growth step-up will obviously help. If you look at textiles and apparel, India's exports grew from $30 billion in 2011 to just $34 billion in 2016, while those of Vietnam grew from $20 billion to $32 billion and Bangladesh's apparel exports rose from $19 billion to $28 billion.

Certainly, the fact that the rupee is quite overvalued has played a factor in India's exports slowing and factors like delays in GST credit are adding to the problem, but at a broad level, the problem is that India just isn't competitive enough in labour-intensive exports like textiles and footwear since the bulk of its producers are small-scale units that don't enjoy the kind of economies of scale that units in countries like Bangladesh and Vietnam have.

That means, over the medium term, India's exports strategy has to be based on a competitive exchange rate—that probably involves the central bank actively buying more dollars—as well as removing domestic hurdles in the form of, say, stifling labour laws or expensive/inefficient infrastructure. While all of that is in the medium- to long-term, were the government to completely free up agriculture exports, despite the current slump in prices, exports could pick up quite rapidly.

Indeed, analysis by Shweta Saini and Ashok Gulati at ICRIER show that most agriculture commodities were export-competitive over the last decade—it is periodic export bans that prevented their sustained growth.

Though global farm prices are much lower today, in the case of wheat, once the export ban was lifted in September 2011, exports rose to over $5 billion in 2012-13—between FY10 and FY13, total agriculture exports rose from $13 billion to $33 billion.

So while India has to address domestic constraints for most exports, in the case of agriculture, the exports response could be much faster.

Source: financialexpress.com- Sep 27, 2017

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Govt mulls Rs 30,000-crore fund to help exporters under GST regime

The government is mulling a dedicated fund to expedite timely refund of taxes paid on input for export, to address liquidity woes of exporters under the new goods and services tax (GST) regime.

A corpus of Rs 20,000-30,000 crore is under consideration, to narrow the input tax credit cycle and facilitate their working capital requirements.

"It is in the initial stage of discussion that a designated fund be set up to help exporters with liquidity, as outbound shipments are already under stress," said a government official.

He added the matter was discussed last week in the Hasmukh Adhia-led committee, set up to address exporter concerns under GST.

If approved by the panel, the proposal would go to the GST Council. Finance Minister Arun Jaitley will take a meeting of the Council next week through video conferencing.

Ajay Sahai, director-general of the Federation of Indian Export Organisations, said such a fund would address the problem of 90 per cent of exporters. “We have, in fact, recommended an electronic wallet facility for refund purposes. But, that might take time, as GST Network (the new levy’s information technology backbone) is already under stress,” he said.

The extension of return filing deadline has added to the anxiety of exporters, as they fear working capital might get stuck for a longer while. A dedicated fund could help in this.

Another solution being considered is completely exempting imported inputs that do not face basic Customs duty from Integrated GST (IGST). Exporters have to pay IGST on import of goods and then claim refunds based on their scrips under the new tax system.

A decision is likely soon, with worry of a slowing economy and job creation. Growth in gross domestic product slumped to a three-year low of 5.6 per cent in the first quarter (April-June) of this financial year. Exporters claim refunds worth Rs 65,000 crore in the July-October period are stuck, but the government has denied this.

In the Adhia panel meeting last week, various methods of resolving the issue of blockage of funds for exporters were discussed. The committee met exporters from eight sectors, who made detailed presentations. Authorities at state governments and the Centre were asked to clear the pending refund claims of central excise and value added tax for the pre-GST period, to give quick relief to exporters.

Despite all these complaints, export rose 10.3 per cent in August from a year before, up from 3.9 per cent in July. However, exporters say their order books are down and this would show on figures of outbound shipment in the coming months.

Source: business-standard.com- Sept 27, 2017

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India slips a notch in global competitiveness

India's rank is down by a single position in the World Economic Forum's annual Global Competitiveness Index.

Issued on Tuesday, it places India at 40th among 137 economies for the 2017-18 report, down from 39th position in 2016-17. However, this is the country's highest score, under a new methodology.

In 2016-17, India had jumped 16 positions, from 55th rank a year before.

The index this year measures national competitiveness. Defined as the set of institutions, policies and factors that determine the level of productivity. Of the three sub-indexes, India has progressed the most in the efficiency enhancers category, up four positions to 42nd rank.

"This is helped notably by improvements in the quality of higher education and training, as well as labour market efficiency," the report said. It finds improvement in ability to attract and retain talent, as well as in labour-employer relations.

However, in the other two sub-indexes, basic requirements and innovation & sophistication, India stands at 63rd and 42nd positions, respectively.

The report says this country still has to straddle a large gap between its innovative strength (29th position) and its technological readiness, which still lags most comparable economies at a lowly 107th position. In the latter category, the latest report saw only a progression of three places for India.

This is also pointed out as true for regional giant China, which also needs to increase its technological readiness and promote innovation. China's ranking improved by a single position to 27th in 2017.

The report mentions that India remains the most competitive country in South Asia. And, most countries in the region broadly continue to be among the most improved economies globally. In 2017, both Pakistan and Bangladesh managed to better their ranking by seven positions each. Pakistan is now at 115th position; Bangladesh at 99th.

However, across the region, overall challenges remain the same. "Improving ICT (information and communications technology) infrastructure and use remain among the biggest challenges for the region. In the past decade, technological readiness stagnated the most in South Asia," says the report.

With Switzerland, the Netherlands and Germany stable on first, fourth and fifth spots, respectively, the only changes in the top five apply to the United States and Singapore, which swap second and third positions.

Source: business-standard.com- Sep 25, 2017

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Exporters to take up quick GST refund issue with Finance Minister Arun Jaitley tomorrow

Exporters plan to take up the issue of quick refunds, a uniform goods and services tax on job work and concerns of small and medium enterprises when they meet finance minister Arun Jaitley on Thursday.

"The minister wants to know industry's concerns about GST," said a person aware of the stakeholder consultation, adding that the meeting is a precursor to the GST Council meeting on October 6.

Exporters are likely to seek a uniform job rate of 5% in GST regime, which was introduced on July 1.

"Job work for some sectors like handicrafts and carpets is complex.

So many processes are involved and the credit flows between the exporter and the job worker. So the government does not get any revenue from this transaction," the person said.

Exporters could reiterate the need of fast-tracking the refund process to improve their liquidity situation. At a meeting with revenue secretary Hasmukh Adhia last week, exporters had said that Rs 65,000 crore could get stuck in the July-October period if the current mechanism of refunds for GST continues. This amount was disputed by the government later.

Exporters flagged their concerns over the liquidity crunch and the loss of competitiveness of India's exports on account of the refund process.

Source: economictimes.com- Sep 27, 2017

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Textile MSMEs to be severely affected under new duty drawback rates: SIMA

With the government's notification on new duty drawback rates, the Micro, Small and Medium Enterprises (MSMEs) in the textile sector fear severe implications, Southern India Mills Association informed.

SIMA Chairman P Nataraj in a press statement said that the sector is aleady grappling with several issues including compliance complications under the new tax regime.

The revised duty drawback rates will further add to the woes of the sector and bring down its capacity to face the global compeition.

Also MSME body Tirupur Exporters Association (TEA) raised similar concerns over the new duty drawback rates.

TEA informed that he reduction in drawback rate to knitwear export sector from 7.6 to 2 per cent is more likely to have severe impact on the industry of the region.

Explaining the worrisome situation, TEA said that the announcement has come as a shock to the exporters and manufacturers.

There is great deal of anxiety regarding the losing of business to other rival countries including Sri Lanka, Bangladesh, Vietnam and Cambodia.

The association raised that once the interest of the global market shifts away from India to other countries, it would be next to impossible to restore the position once India had in the global market.

The associations have written to the Finance Ministry urging to reconsider the decision to reduce the duty drawback rate.

Source: knnindia.co.in- Sep 26, 2017

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GST 'a major roadblock' to India-Bhutan trade ties

Indo-Bhutanese trade has been hit because of infrastructural constraints at the Jaigaon Land Custom Station,particularly after the implementation of GST.

According to a senior CGST official, the volume of trade between India and Bhutan through Jaigaon has dropped since July. After the roll out of GST, clearances are required online, unlike the earlier system when it was manual.

Located in the Alipurduar district of West Bengal, Jaigaon is the most important border trading point with Bhutan, as it caters to around 90 per cent of the bilateral trade. During FY-16, exports from India touched $469 million, while imports were at $281 million.

According to the July-August 2017 newsletter put out by the Bhutan Chamber of Commerce & Industry, as many as 350 Bhutanese trucks were held up for over a week across the Phuentsholing border (on the Bhutan side) due to inadequate custom facilitation at the Jaigaon Land Custom Station.

Though the number of stranded trucks at present is down to 100 with a waiting period of two-to-three days, the situation is far from normal.

"Internet connectivity at Jaigaon is very poor. In some cases there is no connectivity for two-to-three days," the official told *BusinessLine*. According to him, Nathu La, one of the three open trading border posts between China and India, is also witnessing a similar problem.

Interim measures

As an interim measure, Jaigaon was allowed to clear the goods manually and later update the data into the online Electronic Data Interchange (EDI) system designed for filing GST claims. Initially allowed for a month, the provision was later extended till September 10.

A delay in uploading the GST claims on the EDI system comes as a blow to exporters, who are already facing liquidity crunch due to delayed GST refunds. Hence CGST officials have proposed online clearance of goods at Siliguri GST and Custom Station, as nearly 90 per cent of goods heading to Jaigaon pass through Siliguri.

"We have asked the Board of Central Excise and Customs [now CGST] to allow online clearance of goods at Siliguri, which has better connectivity. A manual copy can be procured and a telephonic confirmation can be taken at Jaigaon subsequently," the official said.

Using satellite internet services has also been proposed to help address the issue of connectivity.

Source: thehindubusinessline.com- Sep 27, 2017

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Telangana cotton farmers to flaunt ID cards with QR code

Cotton farmers in Telangana will soon be getting identity cards with a QR (Quick Response) code from the next procurement season.

These ID cards will be accepted at the procurement centres of the Cotton Corporation of India (CCI) when the farmers go there for selling their produce.
A QR code captures unique information of an individual that can be read electronically by imaging devices like cameras and smartphones.

The decision has been taken at a review meeting held here on Monday.

"This will enable timely procurement of cotton in a transparent manner.

This will help farmers avoid middlemen in the procurement process," an official statement has said.

The farmers will get the cards by October 10 so that they can use the cards from this season itself.

The officials are building a database of cotton farmers in the State.

C Parthasarathi, Secretary (Agriculture), asked the officials to cover all of the cotton sowing area.

Source: thehindubusinessline.com- Sep 24, 2017

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Textiles give tourism a fillip in the state

The scenic locations and numerous temples located across Tamil Nadu that embody heritage have definitely been the key factors in attracting tourists to the state. The tourist inflow to the state is so much that TN has been on the top of the list of states that attract maximum domestic tourists for the third consecutive year. Meanwhile, the state's textile tourism is something that has been seeing a steady growth, of late. On World Tourism Day, today, experts in this field share with us their thoughts on how the textile industry is contributing to the state's tourism.

A large number of people who are part of textile tourism are export buyers and they frequently visit places likes Coimbatore, Tiruppur, Chennimalai, Erode, etc., say observers. "Erode and Chennimalai are best known for blankets, table linens, etc. These buyers come for textile machinery to Coimbatore. So, when there's a good inflow of such people, the message gets spread through word of mouth about the textile heritage these places possess," begins Sreemathy Mohan, who organises textile trails and is a researcher of the state's textile heritage.

The availability of handloom, organic cotton and sungudi also attract a lot of textile enthusiasts. Says Sreemathy, "Organic cotton is available in places like Pollachi, Negamam and Vadambacheri. Negamam cotton saris, especially, are very famous. When they make organic cotton saris, they use natural dyes. So, people who are very environment-conscious go for it. There's a big market for this in Europe also.

Meanwhile, in places around Madurai, it is sungudi fabric which is famous. A lot of people who visit the temples around Madurai also drop in at the units where they make sungudi saris. They are specially made by a segment of the Saurashtrian community called Pattunool Karar. The art was kind of lost for some time, but now it's in revival mode.

The saris are dyed in a special way. They tie up the saris in small knots and dye them. When they open the knots after dyeing, there would be white knots wherever they had put the knots. So, there are about 8,000 to 9,000 dots on one single sari. That's the specialty of sungudi saris. A lot of people come to Madurai to watch these people make sungudi saris. And that adds to the number of textile tourists in the state. And Kancheepuram is another favourite destination of sari buyers. There's a good difference in the price of saris if you buy directly from Kancheepuram. So, many people who buy for weddings go and buy directly from weaving societies in Kancheepuram."

With its rich textile traditions and heritage, trails are regularly organised to many of these places. Sreemathy herself organised a trail two months ago. "It was a one-day trip. When such trails are organised, we take the participants to a weaver's place and show them the techniques of handloom saris and help them buy saris. We also take them to a temple, take them to a place where Kancheepuram idlis are made, etc. It gives them a complete feel of the city," shares Sreemathy.

Agreeing with Sreemathy is TN Venkatesh, managing director of Co-optex. He says, "The main idea behind such trails is to make people appreciate handloom. We have been doing these trails for the last one year. And we've taken people to Kancheepuram, Arani, Madurai and Thanjavur. Interestingly, most of them are young textile enthusiasts and students, and they all come from places as far as Mumbai, Delhi and Ahmedabad."

Apart from domestic tourists, there's a good inflow of foreign tourists as well to explore the heritage of sari-making in Tamil Nadu. Deepa Krishnan, founder of a tour-organising company, says, "We work in the inbound tourism segment, that is, for overseas visitors to India.

We run textile trails all over India, including Tamil Nadu. For most of the first-time visitors to India, their interests lie in the textiles of Rajasthan and Gujarat, where these trails have been running well for many years alongside a highly developed tourism sector. There are several non-profits that have opened up textile museums, and which conduct multi-day residential workshops for these tourists.

Alongside this, the facilities for accommodation and guide services are also well developed. In south India, textile trails are a more recent phenomenon.

In Tamil Nadu, the main centres for our textile trails are Chennai (to visit Kancheepuram, usually as a one-day trip, and to visit Kalakshetra), Pondicherry (where there are diverse crafts and textiles in the Auroville community, including indigo dyeing, bamboo, leather work, screen printing, etc), and Chettinad (to see the Athangudi tiles and the Chettinad weaves).

In Tamil Nadu, our earliest trail with interest in crafts and textiles was in 2014-15, when we had a group of 13 American tourists who visited the Chettinad region (and also went to Rajasthan). Since then, we have had a steady stream of guests coming to Tamil Nadu; usually these are not first-time visitors, but tourists who come back for deeper explorations."

Source: timesofindia.com- Sep 27, 2017

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Standalone shops hold their own despite online offers

Quality, discounts influence buyer preferences, says survey

Despite online shopping portals and malls offering the best discounts during the ongoing festival season, standalone shops continue to attract customers, according to a survey conducted by the Retailers Association of India (RAI).

The survey also shows that superior, premium products and discounts influence shopping preferences to a great extent .

Although online shopping is catching on among buyers, with 57% of the respondents saying that they are planning their purchases from portals, malls and standalone shops are also on their itinerary. Some said they were also planning to do tele-shopping. These results have emerged from conversations with more than 50,000 consumers across metros as part of the survey.

Social media's influence

A majority of the buyers said that online and social media influenced their buying decisions, followed by TV and newspaper advertisements.

Mumbai shoppers are the ones most influenced by online and social media ads, and those in Kolkata follow TV ads. While fashion wear and apparel are the categories expected to see maximum sales, mobile phones, home appliances and electronic devices may also witness brisk sales. This could be followed by jewellery (dhanteras), home furniture and automobiles.

So what are the product categories that are expected to witness maximum sales: fashionwear and apparel tops the list during this festive season which is all about wearing and gifting new clothes. However new mobile phones and home appliances and electronic devices may also witness brisk sales. This may be followed by jewellery (Dhanteras) , home furniture and new automobiles.

A majority of shoppers, especially those from Mumbai, Kolkata and Delhi go by the quality of products while making their buying decisions, with almost an equal proportion of people – mostly from Chennai, Bengaluru and Noida — prioritising discounts.

Source: thehindu.com- Sep 27, 2017

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