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IBTEX No. 128 of 2017 June 23, 2017

USD 64.54 | EUR 72.05 | GBP 81.96 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20079	42000	**82.93**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
19870	41563	**82.07**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.97
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**85.86**
Cotlook A Index – Physical	**83**

Cotton & currency guide: Interesting moves and interesting events related to cotton is seen through last one fortnight.

The July fell incessantly straight from 87 cents to 71 cents; so in the case of subsequent contracts with more or less same momentum.

July has come to a period whose first notice period shall resume on next Monday and will get converged to spot price so major fall in price looks limited.

For reference July is the only contract posted a positive close on Thursday while rest contracts just fell with winds of bearish trend.

The most active December contract descent for the ten consecutive trading sessions to close near 66.70 cents.

For the domestic participants we have an excellent strategy where in one needs to Sell July contract and Buy October contract simultaneously.

We expect the spread should narrow down substantially.

The key logic for such spread strategy is at the exchange more than 40K bales of FED stocks lying as part of old crop can pressure on the July future.

On the other hand October fall be limited due to unavailability of new produce and tight stocks.

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

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INTERNATIONAL NEWS

Expanding? India and China Hold a Host of Promise

It should come as no surprise to those in the garment business that the U.S. retail market is going through a change.

Consumers are spending less on products and more on "experiences," preferring vacations over wardrobes, to the point some malls are being recreated as community colleges or indoor parks. So it should also come as no surprise that brands are looking to developing markets like China and India to take advantage of the growth potential in those parts of the world. After all, the possibilities are enormous.

In the U.S., the population stands at 321.4 million people. American consumers are spending 65 percent of their discretionary dollars on things like vacations and sporting events, up from the low 40 percent range 60 years ago, according to a Wells Fargo analysis. Meanwhile, however, spending on apparel has decreased from 26 percent of discretionary spending to 11 percent. The Congressional Budget Office expects real disposable income to drop from its 2.5%t last year to an average of 2 percent in the next two years.

In contrast, China has a population of 1.37 billion and while India counts 1.3 billion residents. China's disposable personal income has grown at average annual rate of 11.5%, while India's has seen a 7.5% increase, according to an analysis by Deloitte University Press. The difference is staggering, yet very enticing to brands that have the time, money and ability to navigate the business landscapes of each country.

From activewear to luxury brands, more and more major apparel players have entered or are readying to enter the markets. Under Armour is looking to become a billion-dollar business just within China. Last fall, UA's founder and CEO Kevin Plank told the South China Morning Post, "In China, we have put in everything we have to make it great." Adidas recently launched its "One in a Billion" Chinese campaign, aimed at encouraging individuality among the nation's young competitors.

Eighty-three percent of consumers in China "love or somewhat like" shopping for clothes, according to the Cotton Council International (CCI) &

Cotton Incorporated Global *Lifestyle Monitor* Survey. Nearly half of all consumers there (49 percent) say clothes are their favorite item to shop for, followed by electronics (15), groceries (11 percent), cosmetics (8 percent) and shoes (7 percent).

Another point that makes China such an interesting market for apparel brands is that they are frequent clothing shoppers, with 68 percent shopping for apparel for themselves once a month or more, according to *Monitor* data. But retailers and brands should take note: Chinese shoppers mostly prefer to buy their clothes online (79 percent), followed by department stores (76 percent) and specialty stores (51 percent).

Additionally, the bulk of Chinese consumers say they buy clothes on sale, but other factors like quality are more important than price alone, according to the *Monitor*. Just 8 percent say they're willing to sacrifice quality to get a better price. The most important apparel purchase driver is fit (92 percent), comfort (92 percent) and quality (90 percent).

In India, even more consumers (91 percent), say they "love or somewhat like" apparel shopping, according to the *Monitor* research. And 66 percent cite it as their favorite item to shop for, outstripping groceries and electronics (both 9 percent), cosmetics (8 percent) and fashion accessories (4 percent). However, just 25 percent shop for clothes for themselves once a month or more, and instead prefer to shop once every two to three months or more.

India is also very different from China in that its most popular shopping channels are independent stores (68 percent), hypermarkets (66 percent), department stores (47 percent) and street markets (33 percent).

Just 17 percent of shoppers make their purchases online, according to the *Monitor* research. Data show Indian consumers have substantial concerns about shopping online, including the availability of clothes they want to purchase, not being able to try or touch the apparel, and the quality of the clothes purchased from the web (each 66 percent).

Brands and retailers looking to enter or expand in the Indian market should note that the *Monitor* research shows 82 percent of shoppers buy clothes on sale "at least some of the time."

But 45 percent of Indian shoppers purchase on impulse. And the *Monitor* finds shoppers there are drawn to clothes that are eco-friendly. India has a high percent of consumers (78 percent) who say they put an effort into finding environmentally friendly apparel. Almost all (92 percent) say cotton production is safe for the environment, far above the highest artificial fiber (by nearly 20 percentage points).

A.T. Kearney put India in the top spot in its ranking of the most promising markets for retail expansion.

“The 2017 GRDI (Global Retail Development Index) is all about the geopolitical scene and how it affects business,” says Hana Ben-Shabat, an A.T. Kearney partner and a co-author of the study. “Retailers are thinking twice about expansion into places where there is uncertainty about future government actions or high political risk.”

For its part, Reebok India is looking to expand its reach throughout the country. The company is looking to set up single brand retail stores. Currently, Adidas AG sells Adidas and Reebok clothing and shoes in India.

Reebok India recently submitted a proposal to the Department of Industrial Policy and Promotion. It’s been years in the making, with exploration into India’s regulations for single-brand retail discussed as far back as 2013 by then-managing director Erick Haskell.

A.T. Kearney points to India’s strong GDP growth, growing middle class, and a more favorable regulatory environment that has developed over the past few years as reasons for its ranking.

However, the firm says China’s size and the continued evolution of retail “still make China one of the most attractive markets for retail investment.”

Source: sourcingjournalonline.com- June 22, 2017

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Compelling Vietnam: Foreign investors unfazed by Trump's trade deal rebuff

Vietnam has been a big winner as Chinese manufacturing costs have risen and China itself is now one of the three biggest investors in Vietnam.

Every 45 seconds or so, a neatly wrapped VanHeusen dress shirt destined for a J C Penney store in the United States drops off a new production line at a factory north of Vietnam's capital.

Next door, rice paddies the size of 40 football fields have been filled for the $320 million textile mill which Hong Kong based TAL Group plans to build so it won't need to import cloth for the shirts.

As elsewhere in Vietnam, there has been no sign of an impact on investment plans since U.S. President Donald Trump abandoned the proposed Trans Pacific Partnership (TPP) trade deal which had been expected to benefit Vietnam more than any country.

In fact, foreign direct investment rose 6 percent year-on-year to $6.15 billion in the first five months of 2017. Cheap labor is an obvious lure for foreign investors. TAL's chief executive, Roger Lee, said Vietnam also scores highly on middle management, work ethic and government policy.

Though the removal of U.S. import tariffs under a TPP pact would have been a bonus, Lee said he had no second thoughts about investment plans after Trump pulled out of the deal soon after taking office.

"Vietnam is a very compelling proposition," said Lee.

The wage for garment workers is $250 a month in Vietnam, compared to $700 in China, where TAL recently shut a factory for cost reasons.

The removal of tariffs of up to about 30 percent would have made clothing firms particular beneficiaries of the TPP deal, which had been forecast to add 28 percent to Vietnam's exports and 11 percent to its gross domestic product over a decade.

Other clothing firms were also not discouraged by the scrapping of the deal. Lawsgroup's chief executive, Bosco Law, told *Reuters* it was now seeking to expand from its three factories with 10,000 workers.

Vietnam's trade surplus over the United States - the sixth biggest last year - has come under scrutiny as a result of Trump's "America First" policy to bring manufacturing jobs back to America. But it hasn't discouraged investment.

"We have started working for a couple of American manufacturing companies that contacted us after the TPP's demise and that are willing to relocate part of their operations from China," said Oscar Mussons, Senior Associate at Dezan Shira and Associates professional services firm.

Cheaper than China

Vietnam has been a big winner as Chinese manufacturing costs have risen and China itself is now one of the three biggest investors in Vietnam.

The TPP deal would have further improved access to U.S. and other markets for manufacturers based there, but also bound Vietnam to reforms meaning everything from opening up food import markets to strengthening labour rights.

Investment and Planning Minister Nguyen Chi Dung told *Reuters* that Vietnam planned to go ahead with its commitments under TPP anyway - both to strengthen the economy and because of other trade deals, such as one with the European Union. The 11 remaining TPP members are also still trying to keep it alive.

Dung said Vietnam had a target of $10 billion a year in foreign direct investment over the next five years – compared to nearly $16 billion in 2016 alone – as it sought a change in the type of investment it wants to draw.

"Before we focused on quantity, now we switch to quality," Dung said. "Higher technology, higher added value, less use of energy, less use of raw materials, less cheap labour."

That is where Vietnam has a greater challenge. It lags competitors for top skills. The proportion of secondary school leavers going on to further studies is a third higher in China and over three times higher in South Korea.

“Vietnam is still a very attractive country, but companies might not invest as much as expected because they find the employees lack the skills for that added value,” Mussons said.

“Companies have been too focused on reducing costs and not enough on training.”

Source: vnexpress.net- June 22, 2017

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Vietnam: Apparel industry faces tough times despite high export growth

At a working session with Minister and Chairman of the Government Office Mai Tien Dung on June 20, Tran Quang Nghi, board chairman of Vinatex, said the sector had faced a slew of challenges.

For instance, only a small number of Vietnamese enterprises are well-qualified to enter global supply chains.

Besides, supporting industries for the local textile and garment sector have remained underdeveloped. It is now facing a lack of skilled workers while its input costs are high and loan interest rates are higher than in other regional countries.

However, exports are still expected to fare well this year.

The industry is forecast to earn US$31.3 billion in export revenue in 2017, up roughly 11% over the previous year. Such a number if realized will account for 16% of the country’s total outbound sales.

Vinatex alone aims for nearly US$3 billion in export revenue.

At the meeting, Minister Mai Tien Dung asked Vinatex to be more active in its production and business performance, speed up work on 41 projects worth VND5.5 trillion (US$242 million), create value chains for its products, upgrade technologies, and reform administrative procedures.

Besides, the group should accelerate its divestment, Minister Dung stressed, adding the Government intends not to hold controlling stakes in the sector.

He said if Vinatex failed to undergo equitization as Nha Be Garment Corporation and Viet Tien Garment Joint Stock Corporation had done, the group would find it hard to compete with foreign companies, penetrate demanding markets, attract investors, take part in global value chains, and create products of higher added value.

Chairman Tran Quang Nghi pledged the group would work harder to achieve the export target of US$3 billion this year, a year-on-year rise of 20.4%, according to a report presented at the working session.

Earlier, Vinatex general director Le Tien Truong said Vietnamese textile and garment products are up against fierce competition with those from other countries, especially China, because in addition to quality, price and delivery time, domestic exporters have to meet strict environmental protection requirements.

Therefore, local manufacturers have had to replace old equipment to meet four key criteria – productivity, quality, energy saving and environmental protection.

Vietnam, one of the five largest textile and garment exporters in the world, got US$28.3 billion in outbound sales last year. The added value was still not high as local content in its apparel products was just over 50%.

The domestic sector is strong in export outsourcing but weak in weaving and dyeing.

Source: vietnamnet.vn- June 22, 2017

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China: Yarn Expo Autumn 2017 to kick-off from October 11

The Yarn Expo Autumn 2017 will kick off from October 11 at Shanghai, China. The leading trade platform is expanding by 115 per cent as more companies recognise its effectiveness to mirror the latest industry trends. The three day exhibition is an ideal opportunity for overseas buyers to gain access to leading domestic suppliers in the industry.

Suppliers from Asian and European countries will showcase their latest collection of natural and blended yarns including cotton, wool, flax / regenerated flax, and man-made fibres and yarns, as well as specialty products including elastic, fancy and blended yarns.

"Our Yarn Expo fairs have further solidified their status as amongst the best business platforms in the yarn and fibre industry in recent years," said Wendy Wen, senior general manager, Messe Frankfurt (HK).

"The dynamism of a number of industry sectors in Asia recently has ensured that, each March and October, Shanghai is the place to be to discover the latest innovations, see all the industry leaders under one roof and place orders for the upcoming season.

In particular, we are seeing strong demand for chemical fibres from emerging countries in Asia at present, as well as a lot of innovation happening with fancy yarns which is attracting buyers from the likes of Indonesia, India and Korea.

Yarn Expo has also proved a successful platform for Uzbekistan suppliers to launch their products in China, and they are doing well in this market vis-à-vis their more established competitors."

Apart from India Pavilion and Birla Planet Pavilion, Uzbekistan and Pakistan exhibitors will further enrich the sourcing options for buyers with their cotton yarns. Uzbek cotton now accounts for over 80 per cent of the total cotton consumption in Hebei province of Northern China.

Along with Yarn Expo Autumn 201, three other textile trade fairs are held concurrently from October 11-13 in the same venue - Intertextile Shanghai Apparel Fabrics – Autumn Edition, PH Value and the China International Fashion Fair.

Yarn Expo Autumn is organised by Messe Frankfurt (HK), The Sub-Council of Textile Industry, CCPIT, China Cotton Textile Association, China Wool Textile Association, China Chemical Fiber Association, China Bast & Leaf Fibres Textiles Association, and China Textile Information Centre.

Source: fibre2fashion.com - June 22, 2017

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Tunisia's textile and clothing exports up 11 per cent

For the first five months of 2017 Tunisia's exports of the textile and clothing industries sector rose 11 per cent. The same applies to the leather and footwear industries, whose exports increased by 8.2 per cent. Similarly exports from the miscellaneous industries sector grew by 13.1 per cent.

Tunisia's exports from the industrial sector grew 12.4 per cent compared to the first five months of 2016. Industrial sector imports for the first five months of 2017 were up 16.3 per cent.

The increase in exports was mainly due to the mechanical and electrical industries, whose exports increased 20.3 per cent. Similarly exports from the agri-food sector grew by 5.5 per cent.

Industrial imports increased for all sectors. These increases range from 7.7 per cent for the leather and footwear industries to 63.2 per cent for the agri-food industry.

The top export destinations of Tunisia are France, Italy, Germany, Spain and the United States. The top import origins are France, Italy, China, Algeria and Germany.

Top exports of Tunisia are insulated wire, pure olive oil, non-knit men's suits, crude petroleum and non-knit women's suits. Top imports are petroleum gas, refined petroleum, cars, wheat and low voltage protection equipment.

Source: fashionatingworld.com- June 22, 2017

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Zimbabwe: $42m Input Subsidy Revives Cotton Sector

Zimbabwe's cotton sector is going through revival following a $42 million input subsidy availed by the Government, which saw renewed interest in production from thousands of small scale farmers in major producing areas across the country.

About 350 000 households received frees inputs from the Government, enough to establish a minimum hectarage of two. The scheme, which has a three year horizon started in 2015 and ends next year. A recent visit to Gokwe and Chiredzi, some of the country's major cotton producing areas show vast tracts of land been turned into "white fields."

"Growing cotton had become unviable because the financing models used by contractors were very exploitative," Mrs Sabina Muchenje who farms in Chitekete said. "The contractors gave us inputs and when they bought the crop from us, they offered low prices such that when they deduct value of their inputs, we were left with nothing. We were essentially providing free labour and that is why most of us had abandoned cotton."

Last year, Zimbabwe produced about 30 000 tonnes of cotton, according to the Ministry of Agriculture, the lowest crop size in 24 years. The success of cotton in Zimbabwe was built around the Cottco inputs credit scheme which started in 1992 and ensured that farmers received adequate funding, agronomic support and quality incentives resulting in 95 percent of production coming through the contract scheme.

However, the opening up of the sector to new players was the death knell for Zimbabwean cotton. From being one of global cotton's top quality producers the sector had virtually collapsed with production levels falling to less than 10 percent of normal volumes. Yields crashed, thereby killing off viability and increasing levels of side-marketing. This created a toxic downward spiral of low yields, high side marketing and low inputs support.

In stark contrast, the growth of tobacco production has been driven by a successful contract farming model resulting in 82 percent of the crop being produced under contract farming. "It would have been irresponsible for Government if it had not intervened," Cotton Producers and Marketers Association of Zimbabwe chairman Mr Stewart Mubonderi said.

This year, output is projected to reach at least 100 000 tonnes. Government is paying 47c for the lowest grade, way above what other cotton producing countries in Africa are paying for the top grade. "This will definitely motivate farmers to increase hectarage next season," Cottco operations director Mr Max Njanji said.

While the fortunes of the industry seem to be turning around, analysts say there is need for a radical paradigm shift to lasting pragmatic solutions. The approaches that have been tried since the privatization of the Cotton Marketing Board in 1994 include liberalization of the sector and the entry of new players as well as the promulgation of a new legal framework to control side-marketing. However, the enforcement of this legal framework proved to be problematic due to a myriad of challenges.

The effect of this was that the investment case for the cotton sector was virtually non-existent due to the inability to curb side marketing and poor grower viability. "Simple logic dictates that the nation cannot continue to proffer the same failed solutions to the challenge of side marketing," Mr John Marova, a former economist with Cargil said.

Analysts say the industry should revert to a state controlled monopoly, the Cotton Marketing Board whose mandate extends beyond primary cotton production to value addition. The board can then contract a competent operator, for instance The Cotton Company of Zimbabwe, to run the cotton industry on its behalf. This will result improvement of grower yields due to the supply of the correct inputs package and agronomy support.

Yield growth will drive grower viability, improved debt repayment and the recovery of cotton production. This growth can be achieved without resorting to risky GMO technology. The reinstatement of the seasonal pool price and quality bonus payments would improve crop quality and sector viability, enabling the nation to regain its reputation for top quality.

Higher yields and higher crop volumes would also result in improved operational efficiencies and competitiveness, thereby allowing higher producer prices. The US dollar cost base has created huge challenges for Zimbabwe in terms of international competitiveness due to cotton subsidies in all the major global producers.

Consequently, Zimbabwe can't compete on an equal footing with the major global cotton producers. As a result, normal market forces cannot achieve competitiveness for the nation's cotton industry.

It is imperative that efficiencies are maximised through economies of scale arising from the contracting of a single operator. This will allow increase in the cotton producer price, thereby enhancing viability and the growth of the sector. With no other cotton contractors, this will instantly resolves the challenge of side-marketing.

The creation of a viable investment case will enable a virtuous cycle of adequate input packages, improved grower viability, improved debt repayment, higher crop size, improved operational efficiencies, higher investment in the sector.

With the Asian economies increasing losing their low labour cost advantage, there exists an opportunity for the nation to revive the textiles sector using the advantage of ready access to raw materials as well as hard currency revenues. A state controlled monopoly would be in a stronger position to forge textile partneships with Chinese investors.

Processing of cotton into yarn, fabrics and garments represents a low hanging fruit for Zimbabwe in terms of job creation and economic development. Zimbabwe is well positioned to exploit this opportunity due to the availability of local raw material and the limited level of technological complexity in cotton value addition.

There is need, therefore, to craft policies which attract investment into the sector. One such policy could be to offer supply contracts for government's textile and clothing requirements, thereby guaranteeing offtake for investors in cotton value addition.

Lessons can be learnt from the Asian tigers which used the textile industry as a vehicle for the acquisition of technological competencies. In addition to spinning, weaving and garment manufacturing, the Asian tigers ultimately diversified into production of textile machinery.

These skills were building blocks in their trajectory to becoming global leaders in the automobile industry.

Source: allafrica.com- June 22, 2017

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Pakistan Raw Cotton Import Leaps 144%; Textile Exports Declines In May

Pakistan raw cotton import leaped 144 percent, year on year, in the month of May as per Pakistan Bureau of Statistics(PBS).

Raw cotton imports increased 144.5 percent during the month of May 2017 to 72,896 metric tonnes (4.29 lakh bales of 170kg) from 29,813 metric tonnes (1.75 lakh bales) in May 2016. However, it decreased 10 percent from previous month.

PAKISTAN COTTON IMPORT

Commodities	Unit	May-17			April-17			May-16			% CHANGE	
		Quantity	Value		Quantity	Value		Quantity	Value			
			Rupees	Dollars		Rupees	Dollars		Rupees	Dollars	M/M	Y/Y
Raw Cotton	MT	72,896	13,427	128,196	81,821	15,419	147,202	29,813	5,426	51,836	-10.91	144.51
Synthetic Fibre	MT	21,991	4,643	44,330	23,609	4,798	45,805	22,935	4,561	43,572	-6.85	-4.12
Synthetic & Artificial Silk	MT	26,331	5,629	53,744	19,885	4,632	44,221	26,019	5,597	53,467	32.42	1.20
Worn Clothing	MT	32,188	1,274	12,164	33,456	1,263	12,058	37,643	1,341	12,813	-3.79	-14.49

NOTE: VALUE- RUPEES IN MILLION/U.S DOLLARS IN THOUSAND

PAKISTAN COTTON EXPORT

Commodities	Unit	May-17			April-17			May-16			% CHANGE	
		Quantity	Value		Quantity	Value		Quantity	Value			
			Rupees	Dollars		Rupees	Dollars		Rupees	Dollars	M/M	Y/Y
Raw Cotton	MT	282	53	506	622	108	1,031	220	35	331	-54.66	28.18
Cotton Yarn	MT	35,586	9,650	92,135	38,512	10,541	100,633	33,610	9,956	95,113	-7.60	5.88
Cotton Cloth	TH.SQM	131,568	16,446	157,020	137,075	18,231	174,047	177,650	19,507	186,356	-4.02	-25.94
Cotton Carded/Combed	MT	0	0	0	0	0	0	8	1	11	0.00	0.00

NOTE: VALUE- RUPEES IN MILLION/U.S DOLLARS IN THOUSAND

Imports surged as the cotton production faced a short fall of 24 percent from its target at 14.1 million bales. Due to shortfall in production, prices touched season high of Rs 7,300/maund (37.3kg) on March 28 which was not feasible for leading spinners who inclined towards importing cotton at cheaper price.

On the export side, raw cotton export rose 28 percent to 282 metric tonnes (1,659 bales) in the month of May 2017 compared to 220 metric tonnes (1,294 bales) in May 2016. However, it nosedived 55 percent from previous month at 622 metric tonnes.

Cotton yarn export marginally increased 6 percent to 35,586 metric tonnes compared to same period last year at 33,610 metric tonnes. It declined 7.6 percent from previous month.

However, cotton cloth showed 26 percent decrease at 131,568 square meter compared to 177,650 square meter which was the major reason behind the sluggish demand from spinning mills for cotton bales.

The total export proceeds for the textile group fell 12 percent in May at USD 938,589 negating the government's claim of reviving the growth in the sector despite offering huge subsidies.

Last year, the government announced a textile policy that gave a 4 percent rebate on the exports of readymade garments on a 10 percent incremental increase over the preceding year, 2 percent on home-textiles and 1 percent on fabric.

No support was announced on raw material or yarn exports.

All Pakistan Textile Mills Association (APTMA) has decided to keep all the mills shut next week in protest, as the government is not providing the incentives that were promised to the industrialists.

APTMA Chairman Aamir Fiaz expressed his views in a press conference and said the trade deficit has reached the highest level in country's history due to poor policies of government and continuous increase in production costs.

Aamir Fiaz told that PM Nawaz had promised to pay funds worth Rs180 billion, but Finance Minister Ishaq Dar has allocated only Rs 4 billion in the budget for fiscal year 2017-18. He said the industrialists are being asked to increase the exports without giving them the incentives.

Source: commoditiescontrol.com- June 21, 2017

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IFC assists Vietnam with green textile production

The International Finance Corporation (IFC), a member of the World Bank Group, has helped Vietnamese garment-textile outsourcers save over 20 per cent of water and energy consumption.

The information was released at a workshop reviewing the programme on enhancing resource-efficient consumption, held by IFC in HCM City on Wednesday. The sustainable production project has been carried out in 28 enterprises and factories nationwide doing outsourcing for VF Group and Target Group over the past 18 months, mostly during the stages of cutting, sewing, dyeing, printing and laundry.

The project, worth US$9.9 million, has applied measures to enhance resource efficiency, saving $15 million for Vietnamese enterprises by reducing water, energy and chemicals consumption. Once all recommendations under the project are implemented plus an additional investment of $26 million in new equipment is made, the targeted enterprises will save up to 2.8 million cu.m of water and 562,000 tonnes of greenhouse gas per year in the next two years.

Kyle Kelhofer, country director of IFC for Vietnam, Cambodia and Laos, said the results of the project in the first stage have proven economically efficient thanks to the saving of resources. With fast growth of the nation's economy as well as in the garment-textile sector, measures to enhance resource efficiency in the garment and textile sector will open up important opportunities for Vietnam to boost sustainable growth in the private sector, he said.

They will also help Vietnamese factories save production cost while promoting resource-efficient consumption and sustainable development, he added. IFC plans to work with other leading global brands to promote implementation of the programme for Vietnamese outsourcers. The garment-textile sector is the second largest earner of foreign currency for Vietnam, earning over $27 billion from exports per year

Source: vietnamnews.vn- June 21, 2017

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NATIONAL NEWS

'Foreign Trade Policy review by July 1 GST rollout'

The 2nd reconstituted Board of Trade meeting was chaired by Commerce Minister Nirmala Sitharaman.

The Dollar Business Bureau

The Commerce Ministry will finish the mid-term review of Foreign Trade Policy (FTP) earlier than expected so that it would coincide with the rollout of Goods and Services Tax (GST) on July 1, said a senior official on Tuesday, while adding that exporters have asked for policy incentives to boost exports.

“The objective of the meeting was to seek inputs for the review of FTP to coincide with the launch of GST. Exports have made a revival and they need support so that it continues to grow,” Commerce Secretary Rita Teaotia told reporters on the sidelines of Board of Trade meeting.

The second reconstituted Board of Trade meeting was chaired by Commerce and Industry Minister Nirmala Sitharaman. Besides, officials from Revenue and other government departments were present to reply to the queries of the industry.

“Various issues such as related to refunds, zero rating, etc, were explained by the Revenue Department. Some issues about the fitment will be studied by fitment committee,” Teaotia said.

Replying to a query with regards to the impact of GST on exports, she stated that since they do not have any tax, we do not anticipate any adverse effect of GST on the industry.

The Commerce secretary said the representatives of industry at the meet have acknowledged that exports have recovered, but also ask for support to further growth in the coming few years.

Several export promotion councils (EPCs) asked for further support through Merchandise Exports from India (MEIS) scheme, interest subvention scheme and others, under the FTP, she said.

Talks on market development and market access, along with the need to extend extra support to EPCs in order to develop and explore newer markets were also discussed, she added.

Teaotia said that the meeting also discussed on several suggestions about measures to facilitate e-commerce.

“We have taken note of all suggestions carefully and will be factoring in many suggestions for the FTP review,” she said.

Source: thedollarbusiness.com- June 21, 2017

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India, Australia to cooperate in textiles, clothing and fashion sectors

India and Australia will soon ink a Memorandum of Understanding (MoU) on cooperation in the textiles, clothing and fashion sectors between the Indian Ministry of Textiles and the Department of Foreign Affairs and Trade, Australia

The Union Cabinet chaired by Prime Minister Narendra Modi on Thursday approved the MoU with facilitate cooperation in relation to matters within the textiles and fashion sectors.

The participants will jointly identify appropriate measures to connect the Australian and Indian textile and fashion sectors; promote collaboration and international engagement between those sectors; nurture the skills and talents within those sectors; promote economic opportunities and encourage professional engagement, training, skill development and public exhibition of products derived from these sectors in the two countries.

However, Intellectual Property Rights of either side will stand protected.

The weavers including ancillary workers will be benefited from activities to be taken under MOU.

For overall development of handloom sector, the initiative aims to increase the handloom fabric production by way of establishing market linkages, to encourage innovation in designs and techniques for improvement in design capability, diversification of product lines and value addition, better access to domestic and export markets so that weavers are able to get continuous employment and improve their living standards.

Source: newkerala.com- June 22, 2017

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GST rollout: Textile industry wants cut, clarity on tax on job work

The textile industry has urged the finance ministry to reduce the proposed 18% goods and services tax (GST) rate on man-made fibres and yarn to at most 12% to somewhat correct a historical imbalance in favour of the country's cotton-based textile structure.

While the government has kept GST for cotton fibre and yarn at 5%, the same as now (although there is no excise duty on cotton fibre and yarn now, states impose a 5% VAT), the tax rates for man-made fibre and yarn have been fixed at 18%.

Although the current tax incidence for man-made fibre and yarn producers is roughly around the same level (17.5%, including both excise duty and value-added tax), it didn't bridge the duty existing differential with the cotton fibre and yarn.

Noted textiles expert DK Nair said three things need to be sorted out urgently.

First, this was a great opportunity for the government to fix the GST rate for man-made fibre at best at 12% to encourage companies to diversify from cotton-based textile segment.

Second, the GST rate for man-made fibre-spun yarn has been fixed at 18%, way above the current tax incidence of around 5% (while there is an optional excise duty, states impose a 5% VAT).

Third, while the GST rate for job work in textile yarn and fabric manufacturing segments has been announced, the government is yet to declare the tax rates for the job work for garments and made-ups, which will lead to unnecessary confusion.

According to O P Lohia, chairman of Indo Rama Synthetics, the GST should have a uniform rate structure for all fibres and this disparity between natural and man-made fibres must end.

Confederation of Indian Textile Industry (CITI) chairman J Thulasidharan hailed the government's decision to trim the GST rate for job work in textile yarn and fabric manufacturing activity from the proposed 18% to 5%.

But he also pointed out that the high rates of 18% announced for MMF, fabric and yarn, dying and printing units and embroidery items can lead to an increase in input costs and can adversely affect the entire textile value chain.

This will come as big blow to small fabric manufacturers in powerloom, knit and processing segments and prevent seamless flow of input tax credit and allow breakage of value chain, he added. CITI has already taken up the issue with the textile ministry.

The industry has been demanding a reduction in the excise duty on man-made fibres, saying such a disparity is preventing domestic synthetic fibre producers from scaling up operations.

The huge duty difference has ensured that India's textile market remains cotton-driven, in a stark contrast with the trend globally, apart from eroding the country's export competitiveness in the man-made fibre segment. While man-made fibres account for around 60-70% of the world's total fibre consumption, they make up for just 30-40% of Indian fibre demand (with cotton textiles contributing the rest).

The excise duty on man-made fibres, which was as low as 4% in 2009-10, was raised by the previous government. This came as a shocker to synthetic fibre producing companies that had invested much in expanding capacity to cater for growing domestic demand for man-made fibre, according to Lohia.

Also, as Lohia pointed out, the hike in the excise duty massively dented growth in the synthetic fibre segment—from roughly 10% in 2009-10 to a meagre 0-5% annually in recent years.

Source: financialexpress.com- June 23, 2017

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Ministry of Textiles organizes training workshop on GST

The Ministry of Textiles organized a full-day training workshop on GST in Vigyan Bhawan, New Delhi today, in which about 175 officials of the Ministry, its PSUs and members of Export Promotion Councils participated. The workshop was held in partnership with National Academy of Customs, Excise and Narcotics (NACEN) under the Department of Revenue, Ministry of Finance.

The Union Textiles Minister Smt. Smriti Zubin Irani was in the Chair. Revenue Secretary, Shri Hasmukh Adhia; Secretary, Textiles, Shri Anant Kumar Singh; Convenor, Law Committee on GST, Revenue Department, Shri P.K Mohanty; DG, NACEN, Shri P. K. Dash; Financial Adviser, Ministry of Textiles, Shri J&K Dadoo were also present. During the one-hour talk by the Revenue Secretary, he gave a brief overview and the philosophy behind the tax structure for the textile sector and clarified the doubts raised by industry participants.

Several transition issues relating to procedures to be followed on registration, migration, refund, credit for duty paid on stock, etc. were discussed in detail during the demonstration sessions.

The Clothing Manufacturers Association of India (CMAI) made a presentation on a software named Adhigam, which has been developed by TCS, for use of CMAI members. The software offers multi lingual solutions and essentially aims at making the small manufacturers and traders GST ready.

The software also enables traders to scan the existing invoice and translate it into a GSTN-compliant invoice. It operates on the principle of inter-locking and will enable matching and marrying of Input Tax credit of invoices in the value chain, with automatic reminders to the vendor to pay tax where he has not done so.

The workshop is one among several steps taken by the Ministry of Textiles towards building preparedness in the sector, for seamless transfer to the GST mode.

Besides this, all Export Promotion Councils and PSUs under the Ministry have been directed to train their officials and open call-centres to address concerns of the industry.

The officials will then constitute a resource pool to train others in each EPC/PSU. A GST cell, headed by the Economic Adviser, has also been set up in the Ministry for this purpose.

Source: business-standard.com- June 22, 2017

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‘Kerala needs political will to revive textile sector’

An expert committee has recommended one-time infusion of ₹494.81 crore in capital for comprehensive and sustainable revival of the 17 textile mills in the government and cooperative sectors.

“Practically, all 17 are government-controlled to the extent of 98.5 per cent, thanks to periodic interventions that converted loans in the existing cooperative mills to equity,” said P Nandakumar, chairman of the expert committee.

One-time infusion

The infusion of funds has to be time-bound with all 17 mills getting benefited at the same time. “It would depend on the state government’s political will,” Nandakumar told *BusinessLine* here.

But he doubted if the government has grasped the enormity of the task or the potential it holds for heralding a socio-economic change across the lower rungs of society. “The sector engages thousands of people. There’s no time to lose here,” he said.

The expert committee had carried out its work in association with the Coimbatore-based South Indian Textile Research Association. It has suggested that the government implement the revival strategy over a period of nine months.

Local demand

Nandakumar said the committee is convinced that the time-bound implementation would put all the mills back on the growth path and start yielding a profit from the third year itself.

“The infusion need to be one-time in all its sense. The mills wouldn’t need a paise more and would be able to upgrade on their own in five years. Imagine, the government has pumped in over ₹500 crore into the mills in the last 10 years for practically no return,” he said.

All stakeholders, including workers, stand to benefit from the revival strategy. As productivity and quality go up, wages too would follow suit. Workers would be able to earn ₹20,000 a month, on an average.

What the government seems not to factor in is the huge demand for clothes within the state itself. The per capita consumption is 34 metres in Kerala against an all-India average of 16 to 17 metres. Size of the local market is ₹3,500 crore.

‘Kerala brand’

To cater to this demand, the expert committee favoured the development of a ‘Kerala brand’ in the garment sector by combining the capacities of the spinning mills, the powerloom and handloom sectors.

“This is exactly why we’ve recommended a comprehensive and sustainable revival strategy for the sector, even going beyond our brief in the process,” Nandakumar said.

Centrally-monitored for raw material procurement and sales, among others, will bring economies of scale to play and and equip the mills to face market competition.

Capacity utilisation is expected to go up from the present 55.40 per cent to 98.50 per cent as a result of implementation of the strategy in totality and across the sector.

Source: thehindubusinessline.com- June 22, 2017

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King cotton makes big comeback this Kharif season in India

Cotton farming has seen an increase this year as the data from the Ministry of Agriculture and Farmers Welfare shows that in 2016, 12.25 lakh hectares (lh) of land was used for cotton, whereas this year the land use is 16.67 (lh), reported the Indian Express.

The dip in the cultivation of pulses is evident too from 2016's 3.63 lh to 2.22 lh this year. The huge margin in the production of these different crops was attributed to the state agencies' response in buying them from the farmers, who require immediate compensation for picking the cotton and using pesticides.

Raosaheb Vittalrao Gavhane, a farmer from Hiswan Khurd in Jalna taluka told the Indian Express, "I did not even have to go to the mandi [to sell the cotton, as in the case of tur or pigeon pea]. The traders themselves came to buy the kapas (raw un-ginned cotton) straight from my fields at Rs 5,600 per quintal this February, compared with Rs 4,000 in the previous year."

Cotton is sowed after the second week of June, with the first harvest or picking taking place 120 days post sowing, in its 175-180 day span.

The farmers who have basic irrigational access harvest about 12 to 15 quintals per acre, depending upon the availability of the drip irrigation.

Cotton is relatively harder than soybean, which can be washed off in heavy rainfall.

It can also be picked four to five times despite rains and at least twice if the weather isn't favourable, told Usha Barwale Zehr, Joint Director of Research at Maharashtra Hybrid Seeds Company, told the Indian Express.

Farmers generally have to bear the cost of picking which comes at Rs 6000 per acre. Pesticides like Confidor, Actara and Polo amount to Rs 4000 an acre, excluding the Rs 200 labour on each round of spraying the chemical.

Other expenses include weeding, fertilizer, and seeding, which costs the least to a farmer. The crop choices then left for a farmer which yield better returns in the kharif season are cotton, pulses, and soybean.

Another crop that is in demand this season is maize which is in high demand as poultry feed.

Source: financialexpress.com- June 22, 2017

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ATDC Indore organising apparel & fashion seminar

The Apparel Training and Design Centre (ATDC) Indore is organising a seminar on 'Careers in Fashion & Apparel Sector' on June 24, 2017, at the ATDC campus in Indore.

The seminar aims to create and spread awareness about the careers in fashion and apparel sector for the aspiring students, who will be introduced to the textile and apparel value chain.

The seminar will offer a unique blend of theoretical and industry related practical knowledge. It can be expected to provide the students a chance to interact with the industry experts.

Dr Jayantilal Bhandari, an eminent career counselor, will be the keynote speaker at the seminar. The other key speakers for the day will be Dr Dinesh Chandra Rathi - the deputy director of Swami Vivekanand Career Guidance Scheme, government of Madhya Pradesh; Vicky Kalani, president, Readymade Garment Complex Association and proprietor, Kalani Traders; and Pukhraj Kothari, GM (Retd.), DIC, Ratlam. The entry is free for all the students who will be participating in the Seminar.

"The basic aim of the seminar is to guide youth about various bright career opportunities waiting for them in the apparel sector/fashion industry rather than being lost in futile directions.

The participants will be exposed to various options for choosing degree, diploma and certificate courses.

The another aim of the said event is to inform the youth about the initiatives of state government for Skill Development and various courses run by ATDC at free of cost for the underprivileged part of the society by fee support of state government," said Preity Sarva, principal, ATDC Indore.

Professor Dr Jayantilal Bhandari is a renowned Career Counselor and an exponent of youth development in Madhya Pradesh, helping youths channelise their energy in the right direction through career education.

Source: fibre2fashion.com- June 22, 2017

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Will GST bring tax reforms?

The Goods and Services Tax (GST) is set to become operational from July. Rationalisation of taxes is long felt need and the GST structure is expected to deliver.

It would replace a cascade of 11 Central and State taxes with a concertina of eight tax rates, defeating the original idea of having a three-slab tax structure. The current GST structure on goods ranges from 0 to 28 per cent.

It is expected to inflate prices of consumer durables like television, air-conditioner, refrigerator and washing machine which may go up by around 3 per cent to 4 per cent. Smaller home appliances like electric irons, mixer grinders and juicers will too become dearer as all will come under one GST slab.

However, these should not have been equated with white goods like ACs etc. And, the tax on these would be one of the highest globally and certainly maximum among countries of our size.

All home appliances and consumer durables will now attract 28% tax, which varied for different products earlier. The government should use this opportunity to rationalise rates rather than simply going ahead with mechanical grouping.

For durables like TV, AC etc, the cumulative tax (excise and VAT) was around 23% to 28% depending on the State. Prices in cities like Mumbai may reduce as there was additional octroi of 5% on consumer goods.

Further, the tax burden of white goods companies would not rise much due to input tax credit which means companies will get credit for all taxes paid. For example, if a company's GST liability on a product is Rs 500, it will pay only Rs 400 and will get tax credit of Rs 100 for taxes paid by its vendors and suppliers earlier.

In the realm of health, the switchover to GST is likely to affect prices of medicines which may fluctuate in coming months. Medicines other than baby food, life saving drugs and contraceptives, may feel the push and pulls due to varying GST rates. However, there is no tax on baby foods, 5% on life saving drugs and 12% on all other drugs and 18% on food supplements.

Source: thehansindia.com- June 22, 2017

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