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IBTEX No. 88 of 2017 May 03, 2017

USD 64.11 | EUR 70.09 | GBP 82.78 | JPY 0.57

Cotton Market (02.05.2017)

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

Rs./Bale	Rs./Candy	USD Cent/lb
19959	41750	**82.92**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
20860	43634	**86.66**

International Futures Price

NY ICE USD Cents/lb (May 2017)	79.32
ZCE Cotton: Yuan/MT (July 2017)	16,105
ZCE Cotton: USD Cents/lb	**85.62**
Cotlook A Index – Physical	**88.8**

Cotton guide:

We have been emphasizing this entire week having fresh trigger in the market which can move cotton price either direction while it was trading near the key levels of 80 cents. Finally the export sales figure came last evening from the US shook the market. The weekly export sales data showed a sharp decline.

The export sales figure as of 20th April fell to 180.80 almost half of last week's data. The repercussion was felt clearly on the price. The ICE July that was hovering close to 80 cents fell below 78 and closed the session at 77.96 cents per pound. We believe market may remain sideways to lower on today's trading session.

The effect was also felt on the domestic cotton future. The most active May contract ended the session lower at Rs. 20,860 down by Rs. 260 from the previous close.

To know more on today's likely movement and possible trend of cotton in the short term Log in through Kotak Commodities Research Reports.

In the meanwhile, USDINR which moved strong close to 63.90 has lowered this morning to 64.20. The effect of Indian rupee movement may also have impact on the cotton price.

For more details please contract Kotak Commodities Research Desk.

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

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INTERNATIONAL NEWS

COTTON USA holds cotton market issues seminar in Hong Kong

COTTON USA, which promotes US cotton fibre and cotton products, conducted a seminar in Hong Kong for nearly 100 participants, giving insights on the latest updates on the cotton market from the viewpoints of different segments along textile supply chain, including raw material supply, sustainability trends, and latest dyeing and finishing technology issues.

COTTON USA co-organised the seminar with the Hong Kong Association of Textile Bleachers, Dyers, Printers and Finishers; the Sustainable Fashion Business Consortium; and the Textile Council of Hong Kong. Attendees included COTTON USA licensees and partners in the Hong Kong textile supply chain.

Professor Philip Yeung Kwok-wing, executive director of clothing industry training authority in Hong Kong, kicked off the seminar, followed by a presentation from Cotton Council International (CCI) on the global cotton market and cotton textile industry in China from macro and micro perspectives.

Stephen Leung, manager of technology application centre of Fong's National Engineering Co., Ltd., introduced their latest environmentally-friendly dyeing and finishing technology at Fong's Group.

Sheila Shek, Environmental Supply Chain, Responsible ?, H&M Hennes & Mauritz (Far East) Ltd., also briefed the audience on the practices of responsible sourcing in the supply chain adopted within H&M.

The Hon. Felix Chung, member of the legislative council, also took the chance to discuss the impact of new US government policies on the textile industry in China, Hong Kong, and Southeast Asia, and the measures that the Hong Kong government is going to implement to support the local textile industry.

Participants included: 5.11 Sourcing, Able Leader, Advance Denim, American Eagle Outfitters, Bondex, CBX Software, Centre Testing, Chemtax Industries, Clover Group, Cotton Incorporated, Crystal Group, CTI International, Datacolor, Dicks Sports, DSA Int'l, Eddie Bauer, Esprit, Esquel Group, Hong Kong Productivity Council, HKRITA, Hong Kong Design Center, Huafang (HK), Inside Fashion, ICC Enfant, KappAhl (Far East), Kiabi, L.L. Bean, Li & Fung, Macy's, MGB, Mou Fung, Next Sourcing, Pacific Textiles, Quiksilver, Russell Corp., TAL, s.Oliver, Target, Tesco, TUV Rheinland and Woolmark.

Source: fibre2fashion.com- May 02, 2017

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Pakistan: Tough times in textile sector hurting exports

The export package was a non-starter from day one as all the stakeholders, particularly the value-added sector, had reservations, but agreed nevertheless due to the planners take it or leave it approach.

Interaction with different textile stakeholders revealed that the package was manoeuvred by the lowest value-added basic textile sector. The garment and bed wear exporters said they were entitled to more facilitation and refunds then the spinners and fabric exporters. They said when the five exporting sectors were exempted from sales tax, the sales tax on packaging material supplied to the exporters remained imposed, and it was clarified that this sales tax would not be refunded to the exporters.

The value-added textile exporters further pointed out that packing material is a major cost for the value added exporters. They have to buy costly and strong packing to ensure that their garments and bed wear are not damaged during transportation.

They said this one exemption from zero-rating has eaten away Rs18 billion of sales tax refunds of the value-added exporters. Khuram Mukhtar, a leading home textiles exporter from Faisalabad, said the value-added sector does not want any package.

"Instead, the sector wants that the government expedite all genuine refunds and implement the textile policy announced by the present and previous governments." He said exports were zero-rated and this principle should be strictly adhered to.

He said there are some issues that need to be addressed fairly. "An amount of Rs10.30 billion export finance mark-up support announced in 2011-14 textile policy has still not been released," he said/

Similarly, Rs1.5 billion relating to mark-up rate support against long-term finance were pending, he said, and added that the technology up-gradation fund amounting to Rs19.405 million for September 2009-June 2014 was also pending.

He said refunds amounting to Rs11 billion announced by the government under different heads were also awaited. "The state should fulfil its commitments," Khuram Mukhtar added. The exporter said zero rating of energy fuels was announced in 2016-17 budget but refunds were allowed on domestic coal.

He called this eye wash as domestic coal was sparingly available and 80 percent of the coal was imported. He said if these issues were resolved, Faisalabad alone would add $2 billion in textile exports.

Mian Muhammad Lateef, the chairman of Chenab Group, said the GSP Plus granted by EU has saved our planners many blushes. He said the exports to EU after the grant of GSP Plus status increased by 38 percent for all items exported to EU.

For textiles, he added, the surge in past three years has been 58 percent. He said the major declines were in the United States, South Africa, and Russia. He said the textile exports increased during 2008-2013 from $8 billion to $13.8 billion but have since declined to $12 billion. He urged the government to evaluate the reasons for this decline.

Lateef said discussions should be held at bureaucracy level with all stakeholders, including basic textiles, home textiles, and apparel exporters. "The discussion must cover all aspects of proposed policies clearly indentifying which policy will benefit one sector and hurt the other.

"Thereafter, a minimum acceptable policy for the entire sector must be designed, keeping the national interest supreme," he added.

Amjad Khawaja, a leading knitwear exporter from Faisalabad was of the view that Pakistan needed to create a large number of jobs. He said the apparel sector was the largest creator of jobs.

He said Vietnam created million of jobs by exporting garments. He said Pakistani government should also make efforts to boost the clothing sector. "Currently, we are exporting low value-added garments because the fabric produced in Pakistan is not of the quality that is globally in demand," he said, and added that as a first step, the government should allow duty free import of blended fabric so that high value garments could be produced and exported.

Source: thenews.com.pk- May 02, 2017

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Italian businesses are waking up to Pakistan's potential: envoy

Statistics released by the national data-collecting agency paint an unflattering picture of exports, which came down 9 per cent annually between 2013-14 and 2015-16.

In particular, textile exports that constitute about three-fifths of the total registered negative growth in July-March despite preferential market access to the European Union, largest foreign consumer of Pakistani goods. But every cloud has a silver lining. Recent data from the Pakistan Bureau of Statistics (PBS) shows a trend that may well be the forerunner of a reversal in Pakistan's export fortunes.

Imports of textile machinery jumped 21pc year-on-year to $401.1 million in July-March. Imports of electricity-generating machinery surged 76pc over the same period. Added megawatts of electricity to run the newly imported textile machinery is the herald of future export proceeds, according to Stefano Pontecorvo, Italy's ambassador to Pakistan.

Speaking to Dawn on the sidelines of Igatex Pakistan 2017, an international exhibition of textile machinery and technology held in April, Mr Pontecorvo said more than 70 Italian textile companies came to Karachi for the trade fair. Italy had the largest presence in the exhibition in which 550 companies from 35 countries took part.

“The Italian government and businesses are waking up to the huge potential that Pakistan has,” he said, adding that Pakistan has become the sixth largest buyer of Italian textile machinery.

“In three years, I expect the Pakistan-Italy trade volume to go up to six times of what it is today. I am bullish on Pakistan,” the ambassador said.

Pakistan’s imports from Italy were $444 million in 2015, down 5.4pc from 2014, according to the latest International Trade Centre (ITC) statistics. Pakistan’s exports to the European nation declined 19.4pc to $618.2m over the same period.

Noting that trade flows take time to change, Mr Pontecorvo said Pakistan has a solid entrepreneurial base, strong industry and sound banking system to fuel the expected economic expansion.

Internal restraints like energy shortages and uncertainty in the international market are major reasons for the decline in Pakistan’s exports, the ambassador said. But lower exports from Pakistan have also resulted in higher domestic consumption, he added. “Industrial capacity is limited. So you end up exporting less if you consume more. No wonder Pakistan’s domestic market (for textiles) is growing bigger and bigger,” he said.

Foreign direct investment (FDI) from Italy amounted to $41.7m in July-March, which made it the sixth largest foreign investor in Pakistan. Its investments are concentrated in textiles, surgical instruments, pharmaceuticals and plastics.

He said the rise in FDI from Italy is partly because Italians of Pakistani origin are taking interest in the country. “It’s a sign of confidence.”

Source: dawn.com - May 02, 2017

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Ethiopia: Infrastructure Investment for FDI Inflow

The Ethiopian government has pursued extensive development of industrial parks that can serve for specific sectors such as textile & apparel, leather & leather products, pharmaceuticals, agro-processing and the like. Among these parks, the Hawassa Industrial Park that is approximately located 275 kms south of Addis Ababa has been dedicated for textile & garment.

The foreign companies engaged in textile and garment making at the Park have been exporting their products to the global market. As Ethiopia bids to be the leading manufacturing hub in Africa, some high-profile multinational corporations are making their harbors here.

American apparel corporations like Calvin Klein, Tommy Hilfiger have leased spots at the Hawassa Industrial Park. Besides, similar gigantic corporations from Europe like that of Swedish H&M, PVH Corp are settling in the country.

Multinational companies commonly prefer countries with well-established and reasonably developed infrastructure, as they can optimally utilize the imported machinery in such economies. The amount, availability and quality of supportive infrastructure is essential for the smooth functioning of multinational's affiliate production and trade activities.

Better infrastructure can significantly reduce overhead costs and thereby positively affect investor's decision. Though infrastructure functionality alone is not multinationals' engine of production, it for sure is their wheel of economic activity in the developing countries.

Realizing this phenomenon, the Ethiopian government has been allocating huge amount of resources in infrastructural development to make sure the flourishing of private investments in the country.

For instance, the road infrastructure under construction throughout the country that stretches for over 2000 kms is considered to remarkably increase foreign trade by cementing regional integration, according to the Ethiopian Road Authority.

The roads are said to have colossal significance to Ethiopia and the region as they are instrumental in boosting trade and economic integration in the Horn, Samson Wondimu, Authority Communication Director told The Ethiopian Herald. He further added that the infrastructure also enables the nation to diversify port options amid its ever increasing need for additional trade outlets.

Accordingly, the Addis Ababa - Nekemt - Asosa - Kurmuk main road is in its final phase with an expense of over 500 million Birr. This infrastructure conveniently enables Ethiopia to utilize Port Sudan, explained Samson.

As part of the Mombasa - Nairobi - Addis Ababa corridor, the asphalt concrete road that stretches from Hawassa to Moyale is under construction, according to the Authority. The road is part of the Trans-African Highway and it directly connects Addis Ababa to Mombassa availing another port connectivity to the nation.

Similarly, Jigjiga-Togochale asphalt concrete road that is open for traffic connects the nation to Berbera Port enhancing legal import and export in the region, added Samson. Moreover, the roads from Shire to Lugdi and Gondor to Metema in northern part of the nation are open to traffic to foster trade between Sudan and Ethiopia. On top of these road links, Gambella - Jikawo, Woyto to Namurapuz in South Omo and the Mizan Teferi - Boma road that connects the nation to South Sudan have tremendous advantages in greasing the countries economy.

These and other road networks that have been built on the expense of 12.2 billion Birr in the country play considerable roles in fueling foreign trade, cementing regional integration and attracting foreign investment to the region in general and the nation in particular. From a total of 2000 km of road project, 1230 km which accounts for 62.5 percent is completed so far, according to the Authority.

The Ethiopian Investment Commission claims that state investment in infrastructures has helped to intensify Foreign Direct Investment (FDI). It also contributed a lot in accelerating Ethiopia's target to become Africa's leading manufacturing hub in a near future. Commission commissioner Fitsum Arega in an exclusive interview with The Ethiopian Herald said that the government of Ethiopia is hugely investing on infrastructures in a bid to boost nation's foreign trade.

"State investments on railway lines, road networks, maritime, dry ports, airline cargo, industrial parks among others are significantly heightening private sector investment in consistence with the magnitude of investment the government is undertaking," stated Fitsum.

The importance of state investment in fostering the private sectors' involvement in the construction sector is considerably highlighted. Moreover, state investments are also colossal to encourage the private sector to take part in a variety of manufacturing industries thereby transforming nation's foreign trade.

Fitsum added "The general overhaul of infrastructures through state investment accelerates swift trade exchange on top of availing less expensive means of business transaction that puts Ethiopia in a competitive advantage on the global business arena." He also highlighted the centrality of the notion "speed to market" particularly crucial to perishable and fashionable commodities deepening nation's business culture.

Hence, in sealing the quick link of manufacturing spots to transit posts, the government's effort in improving Hawassa's connectivity with the Addis-Adama highway through extension to Hawassa, the construction of a domestic airport at Hawassa, and the extension of the Addis - Modjo - Djibouti railway to Hawassa can be a remarkable leap.

Abundance of competitive labor, repatriation of investment and profit, temporary income tax exemptions for investments in selected sectors, duty-free imports of capital goods, an excellent national airline, fast growing infrastructures, competitive energy costs and the untapped consumer markets are key elements for attracting FDI to Ethiopia.

Renewable energy, construction, health-care, tourism, textile and apparel, leather products, telecommunication infrastructure and value-added services, and aviation support services and products are some of the key sectors targeted by the government in GTP II.

Source: allafrica.com- May 02, 2017

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Bangladesh govt to provide employment to 2.6 mn youth

About 2.6 million young people in Bangladesh will receive employment offers from the country's government to achieve the Sustainable Development Goals (SDGs) target. Steps will also be taken to establish rights of over 56.7 million workers. This initiative aims to tackle the unemployment problem of Bangladesh and promote sustainable economic growth.

The Government of Bangladesh is taking various initiatives to create employment opportunities on a large scale, said a Bangladeshi news agency quoting Mujibul Haque Chunnu, state minister for labour and employment.

Talking about the garment sector, Chunnu said that it employs over 4.2 million workers. Considering that readymade garment sector is the biggest foreign currency earner in Bangladesh, the wages of garment workers have been increased.

A garment worker's wage has increased from Taka 1,600 in 2009 to Taka 5,300 in 2013, resulting in a 223 per cent increase, according to Chunnu. They are also getting salary increment facilities of 5 per cent and a special welfare fund.

Bangladesh has close to 39.5 million male labourers and a female labour force of about 17.2 million, according to International Labour Organisation and Bangladesh Bureau of Statistic.

About 87 per cent of the total labour force is involved in informal work and the remaining people work in the formal sector.

Source: fibre2fashion.com- May 02, 2017

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Pakistan witnessed growth in towel exports worth $70.354m in March

Pakistan witnessed growth in towel exports by 15.78 percent during month of March, 2017 as compared the exports of the corresponding month of the last year.

However, during first three quarters of current financial year exports of the towel from the country decreased by 3.18 percent as was recorded at 132,723 metric tons.

According the data of Pakistan Bureau of Statistics, about 15,325 metric tons of towels worth US$ 70.354 million exported in month of March. During the period from July-March, 2016-17 towels worth of US$ 578.24 million were exported.

However, in last 9 months exports of bed wear grew by 5.11 percent and about 263,814 metric tons of the bedwear worth US$ 1.585 billion exported.

On month on month basis, exports of bed wear increased by 5.43 percent and was recorded at 29,259 metric tons valuing US$ 180 million. It may be recalled that textile group exports from the country during month of March grew by 6.16 percent and reached at US$ 1.64 billion.

While textile goods worth US$ 9.278 billion were exported during the last nine months.

Source: yarnsandfibers.com- May 02, 2017

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World cotton area to expand 5% in 2017-18: ICAC

The area under cotton globally is likely to expand by 5 per cent in 2017-18 season to 30.8 million hectares, as high cotton prices that prevailed in 2016-17 would encourage farmers to sow more cotton. However, world cotton mill use is expected to surpass world production, the International Cotton Advisory Committee (ICAC) has said in its latest report.

in India, cotton area is forecast to increase by 7 per cent to 11.3 million hectares in 2017-18 as farmers are encouraged by better returns due to high cotton prices and improved yields in 2016-17. Assuming yield is similar to the five-year average, production could increase by 3 per cent to just under six million tons, predicts ICAC in its report.

In China, after contracting in the last five seasons, cotton area may expand by 3 per cent to 2.9 million hectares due to the stable cotton policy and high cotton prices. Production in China is expected to rise by 1 per cent to 4.8 million tons, the first increase in five seasons.

Similarly, farmers in the United States are forecast to expand harvested cotton area by 12 per cent to 4.3 million hectares, and assuming a yield of 938 kg-ha, production could grow by 8 per cent to 4 million tons.

Unlike the other top cotton producers, area in Uzbekistan is expected to contract by 4 per cent to 1.2 million hectares in accordance with government plans to reduce areas where yields are low, and use them for other agricultural products. However, plentiful soil moisture may improve the average yield by 1 per cent to 638 kg-ha, which will limit the loss in output. Uzbekistan's cotton production is projected to decline by 2 per cent to 770,000 tons.

However, cotton area expansion may be more limited for producing countries in the Southern Hemisphere because of anticipating falling cotton prices in early 2017-18.

Cotton area in Brazil and Australia is forecast to increase by 2 per cent to 950,000 hectares and 3 per cent to 574,000 hectares, respectively. Production in Brazil is projected to reach 1.4 million tons while Australia's production is forecast to rise by 4 per cent to 1 million tons.

Meanwhile, world cotton mill use is expected to surpass world production for the third consecutive season in 2017-18. World consumption is projected to increase by 2 per cent to 24.6 million tons as world economic growth recovers in 2017 and 2018.

Mill use in China is forecast to increase by 1 per cent to 7.7 million tons, accounting for 30 per cent of world cotton consumption. After decreasing by 3 per cent to 5.1 million tons in 2016-17, India's consumption is forecast to recover by 2 per cent to 5.2 million tons due to competitive prices for its cotton yarn products, expanding capacity and the resolution of the consequences of demonetisation.

Mill use in Pakistan may grow by 1 per cent to 2.3 million tons due to new incentives for textile exports offered by the government. Bangladesh's cotton consumption is projected to expand by 5 per cent to 1.5 million tons, making it the fourth largest in 2017-18.

World cotton trade is projected up by 5 per cent to 7.9 million tons in 2016-17, after declines during the previous three seasons. Imports by Bangladesh are forecast to rise by 3 per cent to 1.4 million tons in 2016-17, while imports by Vietnam should increase by 16 per cent to 1.2 million tons. Imports by China, now the world's third largest cotton importer, are expected to increase by 3 per cent to 987,000 tons.

Exports from the United States are projected to increase by 53 per cent to 3 million tons and are likely to account for 38 per cent of world exports in 2016-17. However, India's exports are projected to decrease by 30 per cent to 886,000 tons.

In April 2017, sales from China's reserve reached 404,000 tons, which is slightly lower than the total volume sold in March 2017 of 466,000 tons. At the end of 2016-17, China's total stocks are projected to have fallen by 17 per cent to 9.3 million tons. World ending stocks in 2016-17, are expected to decline by 7 per cent to 17.4 million tons, and in 2017-18, by 5 per cent to 16.4 million tons, the report said.

Source: fibre2fashion.com - May 02, 2017

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Sri Lanka: 'GSP+ a platform for Sri Lanka to sign FTA with EU'

Sri Lanka is likely to regain the Generalised Scheme of Preferences Plus (GSP+) trade concession in the European Parliament after defeating a resolution objecting its resumption was tabled.

The GSP+ can be used as a platform to sign a Free Trade Agreement (FTA) with the European Union (EU), said Harsha De Silva, deputy foreign affairs minister of Sri Lanka.

The resumption of GSP+ concession should be used as an opportunity to create an FTA with the EU as the trade concession is not likely to last for more than four years. Thus, Sri Lanka should start discussions for an FTA, De Silva told reporters during a media briefing.

De Silva added that he has already instructed the Sri Lankan Ambassador in Brussels to initiate discussions for entering into an FTA with EU. The minister will also discuss it with the Prime Minister of Sri Lanka.

The minister also helped laying the groundwork required to defeat the resolution tabled in the European Parliament. Defeating this resolution is considered a great victory for the country on an international platform.

Close to 436 Members of the European Parliament were against the anti-Sri Lanka resolution, while 119 MEPs voted in its favour.

An announcement declaring the final decision of the European Parliament about revoking the anti- Sri Lanka resolution will be made on or about May 15, said De Silva.

He added that Sri Lanka should diversify its exports and products to reap the benefits of the GSP+.

Source: fibre2fashion.com - May 02, 2017

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Vietnam garment exports grow despite hurdles

First quarter figures appear to support this expectation. Vietnam earned 6.84 billion USD from garment and textile exports in the first quarter of this year, 11.2 percent more than in the same period last year, according to the Vietnam Textile and Apparel Association (VITAS).

Vietnam's textile and apparel sector has set a target of seven percent growth over 2016, with total export earnings of over 30 billion USD.

Currently, Vietnamese garment and textile products are available in 40 countries and territories, with major markets including the United States, Japan, the Republic of Korea, China and the EU. VITAS has urged enterprises to optimise the capacity of their equipment to reduce production costs and seek orders for high-quality products.

But Dang Phuong Dung of the VITAS advisory board said the growth of export value and volume to the EU was low, with local manufacturers receiving only small orders. Vietnam's garment industry has also not developed in terms of design, so most textile and garment enterprises have found it difficult to complete export orders from this market.

A high import tax rate of 8-12 percent to the EU market is also one of the obstacles facing garment exporters to this market.

The EU is the second largest export market of Vietnamese garment products, but it has only captured a 1.9 percent share of the union's total import value, according to the association, presenting opportunities for growth.

However, Dung said, meeting the rules of origin under the EU-Vietnam Free Trade Agreement in terms of preferential tax rate would be the biggest challenge for Vietnamese garment exports.

The garment industry expects ASEAN countries, including Vietnam, to sign an FTA between the ASEAN region and the EU, and then local garment enterprises would have more options to get material for garment production from other ASEAN countries, meeting rules of origin under the FTA.

According to data of the General Department of Customs, in 2016, the textile and garment sector reached total export value of 23.8 billion USD, an increase of 4.6 percent year-on-year. In particular, the United States continued to be the largest export market of Vietnamese garment products, accounting for 48 percent of the total garment export value. The textile and garment export to the United States has increased by 12-13 percent in value each year in recent years.

Many enterprises invested in building textile and dying factories on an extensive and intensive scale to boost opportunities in production and business for the planned Trans-Pacific Partnership (TPP), according to the association.

But now that the TPP with the United States' withdrawal is no longer in the cards, experts say these facilities would help the textile and garment industry complete production processes and actively source material, focusing on the significant opportunities offered by other FTAs, such as the EU-Vietnam and the Vietnam-Republic of Korea FTAs.

Source: vietnamnet.vn - May 02, 2017

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Pakistan, Turkey to hold free trade negotiations by May end

Pakistan and Turkey would hold the seventh round of negotiations on Free Trade Agreement (FTA) by the end of May 2017 in Turkey to finalize the agreement.

Talking to the state-run news agency in Islamabad on Tuesday, a senior official of the Ministry of Commerce said that during the negotiation, the two Countries would also discuss specific sectors including textile sector.

The official said that the two sides would exchange provisional lists for a final agreement in upcoming round of dialogue.

“Pakistan’s trade balance with Turkey remained positive until 2011, however, it started decreasing since 2011, when additional duties on various commodities were imposed by the two countries,” he said.

The official said the two sides would hold discussions on agreement on goods, services and investment.

The senior official of the Ministry of Commerce said that after signing of new FTA, both the Countries would be able to improve their trade balance.

The official said that Pakistan would get market space in agriculture and pharmaceutical sector in Turkey.

He said that Pakistan's major imports from Turkey included manmade textiles, towels, steel structure, tanning and plastic chemicals, processed milk and whey.

Whereas, he said that Pakistan's major exports to Turkey were denim PET, ethanol, cotton yarn, fabric and rice, garments, leather, carpets, surgical instruments, sports good and chemicals.

Source: dnd.com.pk - May 02, 2017

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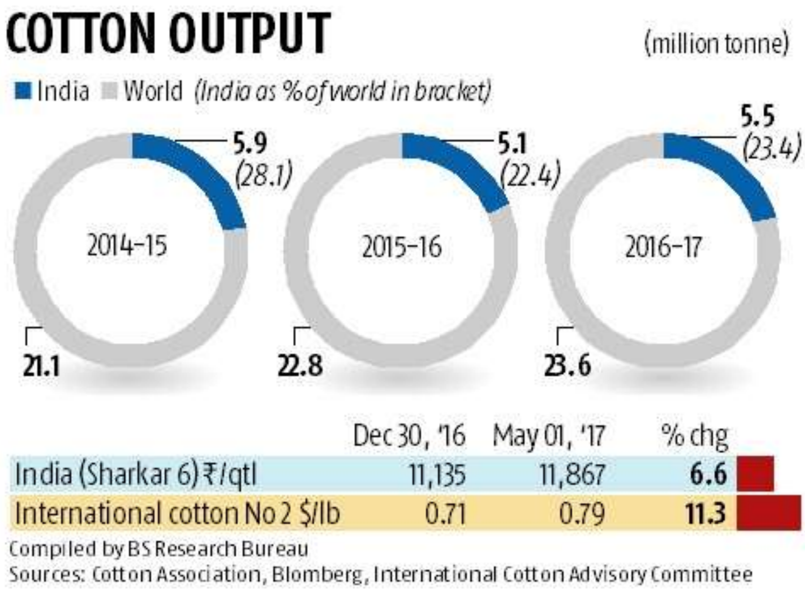
NATIONAL NEWS

Cotton output set to rise with increased sowing globally

Farmers are likely to increase acreage under cotton, resulting in higher output going forward, as the crop has been able to fetch relatively higher prices in 2016-17 and is expected to sustain remuneration levels in the current fiscal.



However the demand for cotton, especially by mills, is also rising and is likely to result in a consistent fall in year-end stocks of cotton, according to the International Cotton Advisory Committee (ICAC).

The total area under cotton globally will rise by five per cent to 30.8 million hectares in 2017-18 cotton year (July-June). However, ICAC says,"India's cotton area is forecast to increase by seven per cent to 11.3 million hectares in 2017-18, as farmers eye better returns brought about by higher prices and improved yields in 2016-17.

Assuming the yield is similar to the five-year average, production could increase by three per cent to a little under six million tonnes". The Textile Commissioner of India had estimated the yield in 2016-17 at 568.29 kg/hectare. The highest yield was in south India and the overall yield was better than in previous years.

Prerana Desai, Vice President-Research, Edelweiss Agri Services and Credit, said, "Cotton has seen a unique season this year. In response to demonetisation, farmers delayed selling their produce and dictated the price throughout the season. As the seasonal price trough did not play out, the mills were caught unawares and missed out on opportunity to make purchases at lower prices.

Farmers in Rajasthan played a crucial role this season. Lower crop along with increased local consumption of cotton in Gujarat increased the raw cotton deficit in Punjab and Haryana, the largest consuming region after Tamil Nadu. Import parity for mills in the north emerged in March itself, and these mills ended up importing very large quantity of US cotton this season. This has improved their yarn realisation and US cotton may have earned some loyalty in this traditionally non-importing region of India."

Production of about six million tonnes helps India surpass China and US by quite a high margin. China's production is expected to be higher by one per cent, at 4.8 million tonnes, the first increase in five seasons. Farmers in the US are expected to expand harvested cotton area by 12 per cent to 4.3 million hectares, and assuming a yield of 938 kg/ha, production could grow eight per cent to four million tonnes, according to ICAC.

Another reason for the global increase in cotton acreage is lower price realisation from soyabean. As a result, farmers switched from soyabean to cotton, according to one exporter.

In India, despite high prices, imports have seen a sharp rise. According to Desai of Edelweiss Agri Services, "Year-to-date imports (Oct-Mar) are around 980,000 bales vis-a-vis 450,000 bales during same period the previous year.

While mills in the country have been quoted as saying that India will import more than three million bales this season, we are of the view that the pace of import will slow down from here on. Softening domestic prices has seen import parity disappear for mills in the south, and flatten for mills in north. India imported around 2.3 million bales of 170 kg in 2015-16. and may end up importing a similar or marginally lower quantity this season as well."

Imports by China, now the world's third largest cotton importer, are expected to increase by three per cent to 987,000 tonnes as sales from that country's reserves are falling. India's exports are projected to decline by 30 per cent to 886,000 tonnes.

Source: business-standard.com- May 02, 2017

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'Demand for green chemicals has increased'

There is an increase in the number of textile companies demanding green chemicals. Many of these companies export to European Union nations. Aiming to establish itself as a company delivering textile chemical innovations and creating social impact, Infinium Polychem, a client-oriented outfit, also uses renewable energy as much as possible.

"There is high demand for green chemicals. We have started receiving orders for green chemicals from foreign countries. Moreover, environmental norms in India have become more stringent. We have developed blends of polyacrylate that are better and are also environment-friendly as they reduce consumption of synthetic binders that ultimately bring down the load on the effluent plant," said Darshan Mehta, owner of Infinium Polychem.

"More companies are opting for compact yarns in the medium and fine cotton counts segment. Compact yarns are cost effective due to less sizing. It also improves efficiency of the loom and spinners have the advantage of low recycling of fibres.

So, demand for sizing materials that offer high penetration in the yarn has gone up. We have introduced four grades of one shot sizes to suit the end use, depending on counts. These offer greater weaving efficiency," said Mehta, who has spent more than two-and-a-half decades with speciality products used by industries including textile, paper, food, nutraceuticals, pharmaceuticals and others.

It is not easy developing and selling sustainable products when the market is flooded with low-cost and low-quality products. "As far as possible, we use bio-based chemicals in place of basic chemicals, irrespective of cost. We are here to create a niche in the market.

Our vision is to become a total solution provider company in the next two years. Every month, we add at least one new product for the industry," added Mehta.

Source: fibre2fashion.com - May 02, 2017

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Textile industry is batting for a 5% GST

The textile industry has urged the union government to make a uniform levy of 5% (lowest slab) on all textile and clothing products under the GST (Goods and Services Tax). They also want the government to continue the duty drawback benefits for garment and made-up exports.

The entire cotton textile value chain is currently enjoying zero per cent central excise benefit under optional Cenvat route from 2004.

"A uniform levy of 5% GST on all textiles and clothing products would ensure smooth migration of entire textile value chain to GST tax structure with full compliance, creating win-win strategy for all the stakeholders and would bring substantial revenue to the exchequer when compared to the existing revenues," textile associations from south India said in a joint memorandum to union textiles minister Smriti Irani.

"The net revenue that is being realised with the current optional central excise duty, 2% CST (central sales tax) and reduced VAT (value added tax) rate (in various states) is less than 3% of the revenue to be collected," they said.

"This revenue will double if the GST rate is fixed at the lowest slab of 5% without any exemption across the value chain," Southern India Mills' Association (SIMA) said in the memorandum submitted to the minister after an interaction programme here on Friday.

"The deserving sectors like handlooms could be given the benefit of refunding of taxes under direct benefit transfer system. In addition, all the state levies like market committee cess in the nature of entry tax should also be subsumed," SIMA said.

"Existing export benefits, including duty drawback rates and other benefits announced under garment/ made-ups export package, need to be continued for some time after the implementation of GST as the industry has just begun taking advantage of these schemes and grabbing global export opportunities," the associations stated.

"All the existing export benefits could be continued till its expiry period in the case of apparel and made-ups package and for two years for all other export benefits, as the industry has no level playing field in the international market due to delay in concluding FTAs (free trade agreements) with various potential markets," they said.

"Duty drawback scheme in its present shape is seamlessly reimbursing the tax incidence on input and input services. Any sharp downward revision of drawback rates may be potentially disruptive and adversely impact the global competitiveness of Indian textile and apparel exports," Tirupur Exporters' Association said.

Stating that the strengthening of rupee and high import tariffs of up to 20% on various textile products in almost all the major importing countries has made Indian textiles and clothing industry uncompetitive.

The associations requested the Prime Minister's Office and Ministry of Commerce & Industry to expedite conclusion of free trade agreements with all the potential importing countries, especially EU and Britain.

Source: timesofindia.com- May 02, 2017

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A strong rupee is devastating small exporters

Even as the rupee has scaled new heights, reflecting to some the overall strength of the Indian economy, an entire category of businessmen and women are in deep distress. Spare a thought for the garment exporter in New Delhi’s Okhla industrial area or the one in Tirupur, Tamil Nadu.

Already facing intense competition from Bangladesh and Vietnam, whose currencies have been depreciating in the same period, as well as sharply rising cotton prices, these exporters have seen their wafer thin profits disappearing overnight.

Bear in mind that over 70% of Indian textile and apparel exports are dollar-denominated.

Nor have the various preferential trade agreements been particularly helpful. The India-Mercosur one, for instance, doesn't include textiles and apparel items. As a consequence, these face prohibitive import duties of up to 35%. Mercosur comprises Brazil, Argentina, Uruguay and Paraguay.

Over the last two years, analysts had placed the US dollar's value at about Rs69-70, which means the rupee is currently up over 7% at a time when the Chinese yuan has declined.

The strengthening rupee has taken a huge toll on exporters in other areas like gems and jewellery and electronics as well. These companies with operating margins of 10-12%, already hit hard by wage inflation, are now taking a massive hit to their bottom lines. But that's not all. Domestic manufacturers, in industries ranging from electrical parts to chemicals and solvents, who compete with imports from China, are feeling the pain as well.

As the economies of manufacturing have got distorted, thousands of small and medium enterprises are reeling under the impact of an irrationally strengthening rupee. The first indications are already available in the March trade deficit, which widened to a four-month high of $10.44 billion following a 28% surge in merchandise imports.

Unfortunately since the rupee's strength hasn't come on the back of stronger economic fundamentals like rising productivity, what it has done is to wipe out all the productivity gains for exporters that recent reforms by the government enabled. Instead, it has effectively led to subsidising imports while reducing the overall export competitiveness.

Eventually, at this level, the overall economy will get impacted. As Mint reported, citing UBS Securities India Pvt. Ltd's calculations, every 1% appreciation in the rupee could lead to a 0.6% cut in Nifty earnings.

Not unexpectedly, the appreciation in the rupee hasn't hurt the big boys of Indian industry as much, which probably accounts for the muted voices against it. The Federation of Indian Export Organisations (FIEO) obviously doesn't carry the same weight as some of the other similar organizations that represent the interests of the larger Indian companies.

FIEO has put out a request to the government for incentives in the form of interest subvention, currently available to the manufacturers, to be extended to merchants and other sectors of exports.

In addition, it is looking for some change in the Merchandise Exports from India Scheme (which gives incentive of about 3% in the form of duty credit scrip to the exporter to compensate for his loss on payment of duties) in the hope that this will offset somewhat the losses on account of rupee appreciation.

But these moves, even if they find favour with the government, are likely to offer little succour to small and medium enterprises (SMEs) that are under the cosh.

There is also no rational explanation for this unexpected spike. Given the technical rules that govern the rupee market, rules that the Reserve Bank of India has been at pains to communicate over recent years, it has come as a shock.

Conspiracy theorists are already speculating that it has the makings of a possible currency attack but in the absence of any evidence to show it was concerted, it is perhaps an exaggeration to call it that. Over the years, countries like the UK, Switzerland and Greece have had to handle the fallout from an overtly strong currency and in the case of the UK and Greece it did lead to a recession.

Sure, a strong rupee will force Indian exporters to look for greater efficiency and increased productivity while also diversifying into more value-added exports that are less sensitive to price fluctuations.

But before that happens, there is the small matter of surviving the current run.

Source: livemint.com - May 03, 2017

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Need time to consider Turkey's call for FTA, says New Delhi

India is open to considering Turkey's proposal to negotiate a bilateral free trade agreement in goods, services and investments despite the politically volatile situation in Ankara, but needs time to weigh the potential gains for its industry.

"New Delhi wants to consider factors such as the EU's uncertain trade relationship with both the countries and the access Turkey can provide for Indian businesses in other markets such as Russia and the Middle-East before taking a final call on the matter," a government official told *BusinessLine*.

Officials are re-examining a feasibility study on the proposed Turkey-India FTA carried out earlier for the Commerce Ministry. "We will factor in the changes that have taken place in the economic and political situation subsequently and take a decision on the matter," the official said.

The government may, in fact, go for a fresh feasibility study, another official said.

The earlier study finalised by ICRIER professor Arpita Mukherjee and her team in 2011 had pointed out that it was in India's interests to have a time lag between the implementation of the proposed FTA with the EU and the FTA with Turkey.

This will give it sufficient time to examine the trade flows and the impact of the FTA with the EU given the fact that Turkey and India were competitors in the EU market, the report said.

"Since India's FTA negotiations with the EU have not progressed substantially, we have to take into consideration the changed situation," the first official said.

The political situation in Turkey is, however, not a cause of major concern for India as in the past, too, business interests did not take a big hit when things were rough. "It makes sense to respond positively to the new establishment in Turkey and help it cement its position in order to help foster a climate of stability and prosperity," the official said.

Turkish President Recep Tayyip Erdogan, addressing a India-Turkey Business Summit on Monday, had said that it would be good to start FTA talks with India as it would add further momentum to bilateral relations.

Erdogan, however, pointed out that the bilateral trade volume was skewed against Turkey and there was a need to balance it as fast as possible. Of the total $ 6.4 billion annual trade between the countries, Turkey's export to India was worth only about $ 650 million, he said.

While Erdogan was concerned over the sluggish Indian investments in Turkey, India has said its investors are seeking stable environment there in the wake of rising political turmoil there and other geopolitical issues, sources said.

Nevertheless, both sides have set a bilateral trade target of $10 billion by 2020 from $6.4 billion at present.

“Turkey no doubt will gain from an FTA with India as their base is low and there exists a lot of scope to increase Turkish exports given the size of the Indian market. We have to be clear about how the FTA will help Indian exports as the size of the Turkish market is small and gains would come only if we are able to use it to cater to other markets,” the official said.

For instance, India is a manufacturer of yarn, while Turkey makes fabric.

“An FTA will make sense for India, if Turkey increases its sourcing of yarn from India by removing duties and then uses this yarn to make fabric and supply to third countries,” pointed out Ajay Sahai from the Federation of Indian Export Organisations.

India would examine if big markets such as Russia and the Middle-East could be accessed by getting into joint-ventures with Turkish companies, the official added.

Source: thehindubusinessline.com - May 03, 2017

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India should be a standard setter, not follower: Nirmala

Technology should be used to disseminate standards to implement them without time lag, the minister added.

India should be setting quality standards for products rather than following global norms, Commerce and Industry Minister Nirmala Sitharaman said on Monday, stressing on timely dissemination of regulations for better implementation.

Addressing the 4th National Standards Conclave in New Delhi, she called on the industry to produce quality products at an affordable price so that import of cheaper products can be contained.

"India should be setting standards rather than following the standards which are being set," Ms. Sitharaman said, adding that the country should have active participation in any global debate on setting standards.

The minister said technology will play a very critical role in standard setting and conformity assessment and there is a need to factor this in.

Launching a portal of standards developed jointly by the commerce ministry and industry body CII, Ms. Sitharaman said this website will be providing all the information relating to standards and conformity assessment.

"But I am also a bit impatient (as to) how it will reach people who will have to follow, conform and implement these standards," she added.

A phone-based alert, adaptable to regional languages, has to be prepared so that conformity to these standards become effective, she suggested.

"The farmer today is not against conforming to the global standards. He is very keen on it, but information should reach on time. Institutions cannot any longer seek cover that trickle—down does take time," she cautioned.

Technology should be used to disseminate standards to implement them without time lag, the minister added.

Ms. Sitharaman said there should be constant awareness among not just farmers, but trade negotiators so that standards, especially of agri products, are set in a manner that it covers all varieties of farm items and exports are not hit.

In this regard, she cited the example of global standards on length and weight of mangoes and wondered how India accepted those norms. She said: “India has exemplary varieties of mango, grapes and banana. Uniformity (in standards) can go against it.”

Ms. Sitharaman contended that only man-made products can be homogeneous and therefore, any quality standards on agri produce should reflect different varieties and not homogeneity.

The minister asked the industry to manufacture quality products at an affordable price. “Quality need not always be expensive. Quality products can also be affordable,” the minister said, calling for a change in mindset.
Various government departments, including textile, steel and pharma, have a focus on setting standards to enhance product quality.
Commerce Secretary Rita Teaotia emphasised that product quality is key to achieving export-led growth. She acknowledged the role played by states in ensuring these standards are adhered to.

Teaotia stressed on putting in place “right standards” for services, where the country has a competitive advantage.

The secretary said the government is focusing on evolving a comprehensive national strategy for standardisation. The objective is positioning standards as a key driver of all economic activities relating to goods and services.

Source: thehindu.com- May 02, 2017

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