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IBTEX No. 142 of 2017 July 11, 2017

USD 64.49 | EUR 73.43 | GBP 83.00 | JPY 0.56

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20389	42650	**83.99**
Domestic Futures Price (Ex. Gin), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20560	43007	**84.69**

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	**83.06**
Cotlook A Index – Physical	**83**

Cotton & currency guide:

The bulls in the market have been perhaps disappointed hoping ICE December would head towards 69 cents which eventually fell down to close the session lower at 67.29 cents/lb.

We had emphasized in our previous report that 69 is considered to be as a very strong resistance and until that is broken we may see price coming off the highs and turn towards 66 cents.

In the meanwhile, USDA Crop progress report for the week ending 9th July was out which showed 61% squaring and 19% setting bolls. This week's conditions report showed the first improvement in four weeks.

The reaction was clearly visible on cotton price as mentioned above. This morning ICE cotton for December contract is down by quarter per cent and trading at 67.07 cents. We believe market may remain under stress and recommend selling on rise.

However, the monthly USDA World Supply/Demand report will be published on Wednesday.

We believe this may also have some traders on the sidelines. Until then market may move in the predefined range of 66 to 68 cents. For the day the view remains weak.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Pakistan-Turkey to sign FTA on 14 August

Pakistan and Turkey's Free Trade Agreement (FTA) will be signed on August 14, for enhancing the bilateral trade between two countries. The seventh round of negotiations between the two countries on Free Trade Agreement (FTA) was milestone to reach the final agreement.

Secretary Ministry of Commerce Younas Dhaga led Pakistan's delegation in negotiation on FTA between Pakistan and Turkey. Pakistan and Turkey discussed the specific sectors including textile sector during the negotiation, a senior official of Ministry of Commerce said.

The two sides exchanged provisional lists for a final agreement in round of negotiation.

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.

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

Whereas, the country's major exports to Turkey are denim PET, ethanol, cotton yarn, fabric and rice, garments, leather, carpets, surgical instruments, sports good, chemicals.

The official said that after signing the FTA agreement Pakistan will get market space in agriculture and pharmaceutical sector in Turkey.

Source: yarnsandfibers.com- July 10, 2017

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Egypt aims to double its high quality cotton production

Agriculture Ministry of Egypt Hamed Abdel-Dayem on Saturday said that production of their silky soft cotton once known as 'white cotton' should rise to 1.4 million qintar (160 kg) in the 2017-18 fiscal year that started in July from 700,000 qintar a year earlier.

The government aims to increase the price of the long staple cotton to more than 3000 Egyptian pounds ($168.07) per qintar, which will all be exported.

Production of the cotton, used in luxury bedding, has fallen sharply since 2011, a year of political upheaval that coincided with looser regulations that degraded the quality of local cotton.

Egypt's sunny skies and superior seed help it grow a cotton known for unusually long fibers that produce a light durable fabric with an attractive sheen and soft touch.

Long-staple sells at 155 US cents per lb, about twice the price of common short-staple cotton.

Its return to world markets could provide a lucrative export opportunity at a time when Egypt has a huge trade deficit and is seeking to relaunch its stagnant economy.

In 2016 Egypt banned all but the highest quality cotton seed, dramatically shrinking the area under cultivation but restoring quality, in a bid to save its historic crop.

This year Egypt grew about 220,000 acres (89,000 hectares) of long-staple cotton compared with 130,000 acres (52,600 hectares) in 2016-2107, Abdel-Dayem said.

Cairo forecasts MY2016/17 cotton area harvested to increase by 20 percent or 20,000 ha to 120,000 ha. Post attributes the increase in area to farmers' willingness to grow more cotton with expectations that the government's cash subsidies will continue for the MY2016/17 crop.

In addition, the government's takeover of the distribution of cotton seeds addresses farmers' concerns on seed quality, which was deteriorating under private operators.

Although the Ministry of Agriculture and Land Reclamation (MALR) did not announce the targeted area for the MY2016/17 crop, announcements made by some local agricultural officials in some governorates support FAS Cairo's forecast for area harvested in 2016/17.

Local agricultural officials in Sohag governorate, southern Egypt, announced that their targeted area for MY2016/17 crop is 840 ha compared to 281 ha in MY2015/16. In Kafr El-Sheikh governorate, located in the Delta region north of Cairo, local agricultural officials announced that their target area for the 2016/17 crop is 35,700 ha compared to 32,000 ha in 2015/16.

In spite of forecast increases, Egyptian cotton production is still trending downward. Cotton area in MY2016/17 is projected to be 24 percent lower than total cotton area harvested in 2014/15 which was at 157,000 ha.

After backtracking on its previous policy, the government is once again providing cash subsidies for the MY2015/16 crop, a positive signal to producers that will encourage them to increase planted area in MY2016/17.

Source: yarnsandfibers.com- July 10, 2017

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USA: Trade Deficit Declines as Trump Blames G-20 Partners

The U.S. monthly trade deficit in goods and services declined 2.3 percent in May to $46.5 billion. Exports rose 0.5 percent to $192.0 billion, their highest level in two years, and imports slipped 0.1 percent to $238.5 billion.

For the year to date the U.S. trade deficit is up 13.1 percent over the same period in 2016 as imports (7.3 percent) have risen faster than exports (6.0 percent). Individual deficits with major trading partners such as China, Canada, and Mexico are larger over that time as well, press sources note.

Those countries are among the G-20 members whom President Trump reportedly blamed at a recent summit for being “largely responsible” for the U.S. trade deficit.

According to Commerce Department statistics, the politically sensitive deficit in goods trade fell 1.3 percent in May to $67.5 billion. Imports of goods were down 0.3 percent to $194.7 billion, including decreases of $900 million for cell phones and other household goods and $1.3 billion for passenger cars along with a $500 million increase for computers. Exports of goods were up 0.2 percent to $127.2 billion, including increases of $500 million for cell phones and other household goods and $400 million for passenger cars as well as a $600 million decrease for soybeans.

Country/region	Deficit	% Change	Surplus	% Change
China	$30.1 billion	-6.2		
European Union	$10.7 billion	-18.9		
Mexico	$6.8 billion	+6.3		
Japan	$6.4 billion	+28.0		
Germany	$4.7 billion	-14.5		
Italy	$2.4 billion	-20.0		
Canada	$2.0 billion	-15.4		
India	$2.0 billion	+25.0		
Taiwan	$1.7 billion	+30.8		
France	$1.7 billion	+41.7		
South Korea	$0.8 billion	-20.0		
Saudi Arabia	$0.2 billion	Unchanged		
South/Central America			$2.4 billion	-11.1
Hong Kong			$2.3 billion	+15.0
Singapore			$0.8 billion	-11.1
Brazil			$0.8 billion	+166.7
United Kingdom			$0.7 billion	+250.0

The services surplus was up 0.1 percent to $21.0 billion. Imports rose 0.1 percent to $43.8 billion and exports were up 0.1 percent to $64.8 billion.

Source: strtrade.com- July 11, 2017

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Pakistan: Tariffs, trade and taxation

According to official sources, the recent decline of Pakistani exports is due to adverse global economic conditions. Others attribute this, inter alia, to the appreciation of the Pakistani rupee. Both these factors may be partially true but defy empirical evidence as single-factor explanations.

Indian exports have expanded by 62 per cent, Bangladeshi by 69pc and Sri Lankan by 21pc from 2010 to 2015. In clothing exports, Vietnam, Bangladesh and Cambodia recorded growth rates of 10pc, 6pc and 8pc respectively. Bangladesh's nominal exchange rate has remained unchanged and the real effective exchange rate shows 54pc appreciation since FY2010-11.

The rupee appreciation is visible in India too. In Pakistan, the nominal exchange rate remained stable from 2001 to 2008 and export receipts doubled. Despite a depreciation of 51pc from 2008 to 2013, there was no corresponding increase in export value.

The declining trend of Pakistani exports is not recent. It began in the 1990s and, excepting the early 2000s, has worsened. Merchandise exports have declined from 0.18pc in 1990 to 0.14pc of the world export market in 2015, while India's share has tripled to 1.78pc and Bangladesh's has risen from 0.05pc to 0.2pc. Pakistan's exports — one-third of India's in 1990 — have fallen to a tenth; Bangladesh — once only one-third of Pakistan's — now exceed by almost $10 billion. The reasons for this decline are structural, cyclical and institutional.

Structurally, the world demand pattern has changed while the composition of Pakistani exports has remained unchanged. Cotton textiles still account for almost 60pc of exports. Several tariff lines under GSP-Plus remain unutilised as we lack the capacity to supply the required manmade fibre-cotton mix. Low technological goods and nonparticipation in buoyant commercial services exports have constrained our capacity to respond.

Asian markets have increased their share in world markets while our exporters are still hung up on the EU and US. Production patterns have shifted from longer vertically integrated final goods to global value chains. Intermediate goods and components are procured from countries where the comparative advantage dictates lower costs with acceptable quality.

Asia's share of global trade in intermediate inputs has risen from 14pc in 2000 to 50pc in 2012. The average journey length for Asian exports has fallen by 4.5pc with decreased transportation costs.

Manufactured product today has a much lower cost of actual fabrication than previously, and the cost of labour is declining per output unit. Most of the cost is incurred on manufacture-embedded services. Design, advertising, marketing, transportation, logistics, distribution, storage, financial services and insurance, and IT products and services make up most of the cost structure.

Lean manufacturing and just-in-time inventory have further reduced unit production costs. Countries that have liberalised services trade, reduced tariff rates, facilitated cross-border trade and movement of skilled and expert manpower, and softened custom regulations have benefited from the global supply chain as well as manufacture-embedded services exchange.

Pakistan's score on both counts is almost nil. Despite our excellent political relations, we haven't made much effort to encourage Chinese manufacturers to relocate part of their production to Pakistan or integrate Pakistan-made parts and intermediate goods in their final assembly line by using the FTA.

Cyclically, the drop in international oil and gas prices were not passed on to Pakistani exporters so they might take advantage of cost saving and aggressively push products in new markets where they did not enjoy price advantage. Exporters had firm orders to deliver, but couldn't do so due to load-shedding.

Political expediency demanded that shopkeepers and households be appeased at the expense of exporters. Naturally, those export orders were shifted to countries with more conducive conditions. These buyers will never come back to Pakistan; we have lost credibility in their eyes.

The decline is a typical example of coordination failure and lack of understanding of linkages and interdependencies among various policies. Tariffs on imports are driven purely by revenue mobilisation or protection of domestic import substituting industries.

It is hardly realised that a restrictive import regime with tariff, nontariff and regulatory barriers, and cumbersome customs clearance procedures with arbitrary powers enjoyed by low-level officials amenable to corruption, would prevent Pakistan's entry into the expanding global supply chain.

High tax incidence on manufacturing output, especially on large-scale organised firms, has stifled transition of medium-scale firms to acquire economies of scale and reduce production and distribution costs to become competitive in the world market. A large segment of market demand is taken away from the organised firms by the unorganised sector, which enjoys a cost advantage of at least 16-17pc.

The withholding tax regime is another distorting factor; it allows final settlement of income tax liability of various economic agents. Tax refunds have also become an albatross around the necks of the exporters. Their liquidity is drained due to refund delay, forcing them to borrow from banks for working capital needs. The refunds system is flawed; we should learn from Bangladesh's better functioning system.

As Pakistan's labour force is not properly trained and mostly unskilled, its productivity is low relative to other regional competitors. In the textile sector, an average Pakistani worker produces only 40pc of what his Chinese counterpart produces per day.

Pakistan's productivity growth rate in the manufacturing sector from 2000 to 2010 was 2.3pc per annum, while China's was 8pc and India's 3.4pc. The gap has only widened.

The country's business climate needs to be improved by a cost-effective enforcement of property rights and contracts, streamlining the granting of NOCs, permits and licences and inspections by government agencies.

Finally, the Schumpeterian notion of creative destruction has found little resonance among policymakers and industry players. Artificial respiration has kept some subsectors and firms alive when they should have ceased to exist. These established, inefficient firms lobby for more concessions, tax exemptions and benefits, making entry of more efficient and dynamic firms difficult.

This combination of convoluted public policy and status quo-minded behaviour of major industry players has kept Pakistan from scaling the ladder of technological upgradation and diversifying its exports to meet the demands of dynamic sectors.

Instead of artificial crutches to protect redundant firms, the government should invest in R&D and augment the supply of quality science, technology, engineering and mathematics graduates to move up the scale of the production frontier.

Source: dawn.com - July 10, 2017

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Nigeria: China Invests U.S.$600 Million in Kano's Textile Industry

A Chinese multinational company, Shandong Ruyi Technology Group is set to invest $600 million in the textile and garment industry in Kano State.

Already, talks between officials of the company and the Kano State Investment Promotion Agency have reached advanced stage, and it is expected that a memorandum will be signed in the next few months.

The chairman of the state Investment Promotion Agency, Alhaji Isyaku Umar Tofa made this known during the presentation of certificates of occupancy to two investors by the state governor, Dr. Abdullahi Umar Ganduje, at the Government House in Kano.

"We are about concluding talks with them and they were encouraged by the commitment of the Ganduje administration to provide tax incentives as well as free land for their huge investment," he stated.

Alhaji Isyaku Umar pointed out that the government was giving out free land to two companies namely; Black Rhino/Dangote Group to construct a 100 megawatt solar power plant, at the cost of $150 million and St. Meer International Investment and Management Company which would invest $120 million to finance a similar project in the state.

Presenting the certificates of occupancy to the two investors, Governor Abdullahi Umar Ganduje said the decision to give them 207 hectares and 152.3 hectares, respectively, for free, was part of effort at engendering competitiveness and attracting Foreign Direct Investment.

"It is in our interest to encourage investment in areas which have potential multiplier effects on the growth of the economy, including employment generation", noting out that the two companies would generate solar power that would help in addressing the states' energy deficiency.

"We are willing to remove any stumbling blocks towards the success of your investments because of benefits that will come to our state" the governor stressed.

Governor Ganduje maintained that his administration decided to engage an industrialist as chairman of the State Investment Promotion Agency in addition to actively involving representatives of what he called "the main industrial blocs in the state.

Source: allafrica.com- July 10, 2017

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Bangladesh: Export setback calls for trade policy review

The latest setback in exports may be an eye-opener. China, the world's leading exporter, has now started concentrating at home where consumer demand is growing when its export market is slowing down. In a similar vein, Bangladeshi manufactures may try to take some initiatives to expand the base in domestic market, writes Asjadul Kibria

Earnings from the country's exports suffered a big setback in the just-concluded fiscal year (FY17). Export earnings registered a modest 1.72 per cent growth in the past fiscal year which was the lowest annual growth in the last one decade.

Even during the global recession, which originated from financial crisis in 2007-08, the country's export didn't experience such a low growth. The lowest growth in that period was 4.17 per cent in FY10 which jumped to a record 41.39 per cent in FY11.

The latest figure, though provisional, released by the Export Promotion Bureau (EPB) shows that value of exports stood at $34.83 billion in FY17. The Seventh Five Year Plan (7FYP) has projected $37.50 billion export earnings for this fiscal year. Thus, actual export is far behind the projected amount. The target of export earnings in FY16, the first year of the 7FYP, was achieved as the actual earnings were $34.24 billion against the projected target of $33.78 billion.

Nevertheless, the overall export performance during the period of the Sixth Five Year Plan (2010-2015) failed to match the projected average growth of 17.5 per cent. The actual annual average growth of export during the period was 14 per cent.

Against this backdrop, achieving the ambitious target of exports in the 7FYP becomes more challenging. The medium-term planning document sets $54 billion export earnings by the end of FY20, also the terminal year of the plan period.

Having three years in hand, it appears that a huge jump in export growth is required in the next three years to reach even closer to the projected figure. Reality indicates that posting a growth close to double digit is also very challenging. It requires both a favourable external atmosphere and positive internal effort.

The current setback in exports may reduce the actual growth of the Gross Domestic Product (GDP) in FY17. The Bangladesh Bureau of Statistics (BBS) projected 7.24 per cent growth for the past fiscal year. The growth rate was been projected on the presumption that besides the internal real sector, the external front would also perform better.

In reality, performance of the external sector in the past fiscal year was disappointing due to setback in export earnings and debacle in remittance. Remittance inflow dropped by 14.48 per cent in the past fiscal year and stood at $14.93 billion while the 7FYP projected a target of $19.07 billion for FY17.

The 7FYP also set the target to increase the annual remittance inflow to $25.4 billion in FY20. The current trend, however, makes it clear that the target will not be achieved.

Setback in exports is mainly due to stagnation in the export earnings of the ready-made garments (RMG). Provisional data show that earnings from RMG, both woven and knit, reached $28.14 billion in the past fiscal year which was $28.09 billion in FY16. As RMG contributes 80 per cent of the total export, it is the prime mover of the total merchandise trade.

Export Target in 7FYP (in billion US$; growth rate in percentage)

FY16	FY17	FY18	FY19	FY20
33.78	37.50	42.00	47.46	54.10
(9.8%)	(11.0%)	(12.0%)	(13.0%)	(14.0%)

Less than one per cent growth of RMG export earnings in the past fiscal year is also a reflection of slowdown in global demand and stiff competition among the major suppliers. The slowdown is also reflected in the export trend of the major exporting countries. The example of the US market may be relevant here.

During January-May period of the current calendar year, clothing export from China, Bangladesh, Indonesia, India and Cambodia to the US market dropped by 2.90 per cent, 5.47 per cent, 4.26 per cent, 1.75 per cent and 5.53 per cent respectively. These are all major clothing import sources of the US. Vietnam was the only country among the top 10 clothing importers of the US that registered a robust 7.0 per cent growth during the period under review.

The traditional approach of export enhancement now works little to compete with others. Concentrating on lower segment of clothing may assist to maintain the regular flow of export but may not be helpful to enhance it.

Moreover, Bangladesh's RMG manufacturers and exporters are yet to develop a Bangladesh brand which is critical for market diversification. Though, inflated with decades-long fiscal incentives and policy supports, they are not adequately investing on brand creation, fashion innovation and factory betterment.

As global trade grew by only 1.3 per cent in the past calendar year (2016), it cast shadow on Bangladesh's exports to some extent. Recovery is expected in the current year as the World Trade Organisation (WTO) has projected 2.4 per cent growth in trade volume. But the first half of 2017 didn't experience the expected recovery, according to the proxy indicator. The World Trade Outlook Indicator in May reflected strong gains in export orders, container shipping and air freight.

Another area of concern is in growing Non-Tariff Measures (NTMs) across the world for better product standards. The stringent and complex requirements of product standards make it difficult for exporters of developing countries to explore many potential markets. Bangladesh is facing a series of NTMs in India as well as in many other countries. Tough compliance of NTMs sometimes discourages the exporters to move ahead.

Thus, the latest setback in the country's merchandise export actually calls for review of the export strategy as well as overall trade policy.

The policymakers should be cautious in fuelling hype on '$50 billion' export target. Instead, they should put more effort on analysing the real cost and benefit of exports -- to what extent the current trend of export is creating jobs and to what extent environment is paying the price.

In fact, the latest setback in exports may also be an eye-opener. China, the world's leading exporter, has now started concentrating at home where consumer demand is growing when its export market is slowing down. In a similar vein, Bangladeshi manufactures may try to take some initiatives to expand the base in domestic market.

Source: thefinancialexpress-bd.com - July 10, 2017

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Cotton produced in Bangladesh meets only 3pc RMG demand

Bangladesh produced 0.16 million bale fiber cotton in 2016-17 fiscal and the production of cotton is increasing every year.

This was disclosed by Agriculture Minister Begum Matia Chowdhury at the Parliament Sunday.

According to a source, at present Bangladeshi produced cotton meets only 2-3 per cent of the garment industry's demand.

To meet the growing demand of the garment industry, currently the government has to spend around $4.5 billion a year to import cotton.

The Bangladeshi government has taken up a Tk 1.05 billion project to increase raw cotton production, as only 3 per cent of which is now collected from local producers. Bangladesh has also taken an initiative to cultivate Genetically Modified Organism (GMO) cotton or BT cotton to boost cotton production.

However, talking about sufficient cotton production, the agriculture minister said "it is impossible to enhance significant amount of cotton production as per the requirement of the textile sector without hampering the food production."

"As the harmful pest 'Bollworm' is the main impediment in raising cotton production in the conventional method so, Bangladesh has initiated Biotechnology based BT cultivation to boost cotton production," the minister said this replying to query.

To this end, the Cotton Development Board (CDB) has set up different demonstration farm for introducing the BT cotton, she said, adding that after successful completion of the trial production initiative would be taken for extending the cultivation of the BT cotton through distribution it among the farmers, reports BSS.

In addition to this, she said a project on 'research development for developed variety cotton and its seed' is now under process for getting approval to develop high-yielding and short-duration cotton variety.

Executive Director of the Cotton Development Board Md Farid Uddin said they had already selected Barind areas of Rajshahi, Naogaon and Chapai Nawabganj, where other crops cannot be produced, for cotton cultivation, according to a earlier local agency news.

“We can produce 1.0 million bales of cotton in 200,000 hectares of land,” he said, adding that this can save 10 per cent to 15 per cent import costs.

Bangladesh is one of the largest cotton importers in the world.

Begum Matia Chowdhury said the government has provided training to 60,000 farmers on modern cotton cultivation and set up 3,050 demonstration plots under a project for increasing cotton production the country.

"We have undertaken various projects and programmes, including Expansion of Cotton Cultivation Project (Phase-1) at Taka 105 crore in the 2014-15 financial year, " she told the Jatiya Sangsad while replying to a question.

The minister said cotton is the main raw material for textile industries and the country has to import cotton for meeting the demand of the textile industries. The country has 5,000 garment factories and 450 spinning mills, she added.

Source: thefinancialexpress-bd.com - July 10, 2017

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NATIONAL NEWS

Textiles business hit by GST protests

Protests and strikes over the Goods and Services Tax (GST) by small manufacturers and traders have adversely affected the industry.

The Indian textiles business has come to a virtual standstill in many parts of the country, following protests and strikes by small manufacturers and traders over various aspects of the recently-introduced Goods and Services Tax (GST) that are showing no signs of abating.

From Surat to Erode and from Amritsar to Ichalakaranji, the protests have been widespread and brought manufacturing in these towns almost to a halt.

The latest organisations to throw their lot with the ongoing agitation were three major Ahmedabad textile markets—the Maskati Cloth Market Association, New Cloth Market and Panchkuva Cloth Market—who on Monday joined Surat merchants in demanding a rollback of the 5 per cent GST on fabric. They have decided to shut down their shops and establishments for an indefinite period.

"The 5 per cent GST on cloth is not acceptable to anyone who is in the textile business. To raise our voice against this tax, all textile markets in the city will go on indefinite strike from tomorrow, as traders will refrain from any kind of transaction," a joint statement released by the three associations on Sunday said.

The protests over various aspects of the GST started in the textile hub of Surat when the Textile GST Sangharsh Samiti there called for an indefinite bandh on July 2 in the city's buzzing textiles market, one of the largest in the country.

Surat produces 60 per cent of the country's synthetic cloth, and the city has more than 7,20,000 looms operated by over 1,50,000 entrepreneurs.

Textile shops in Surat have remained closed since June 15, except for a day on June 24, which has affected business.

There are more than 70,000 textile traders in the man-made textiles hub, who are demanding that GST be levied only on yarn, and not on fabric. Their contention is that since the duty on yarn has been increased from 12.5 per cent to 18 per cent, there is no need for GST on fabric.

They have been arguing that all segments of the textiles industry were tax-free for the past 60 years, and there was no duty on yarn. Under the GST structure, there would be problems in implementing the credit system, and these can be avoided by one-time tax collection on yarn. They are also asking more time for implementation of the GST.

The grouse in Maharashtra's Ichalakaranji, where over 100 textile merchants have been on a five-day strike since July 7, is the same. Textile mills in the area are expected to temporarily stop production as their cloth would not be procured by the striking traders, resulting in a fall in prices. More than 40 per cent of the loom owners here have already stopped buying yarn.

The Ichalkaranji Powerloom and Merchants Association is demanding that they should be allowed to file tax returns once in three months, instead of three returns every month. They are also seeking a guarantee that they would not be harassed by the tax authorities.

In Erode, Tamil Nadu, wholesalers observed a three-day strike over the weekend. Retailers there have shut shop since July 7 opposing the GST at various stages of production. Erode city has more than 10,000 retail shops and over 300 wholesale textile shops. Each day of strike has entailed a loss of Rs 30 crore for these traders.

According to them, the GST is being levied at 5–18 per cent at all stages of textile production by considering the dyeing, bleaching, colouring and stitching involved in turning yarn into fabric as separate segments. As a result, the taxes would work out to 23 per cent on an average. This would result in a sharp increase in both material and production costs, and would adversely affect all small and medium players in the textiles industry.

Weavers too have been on strike for over a week. “The GST will add nothing less than 25 per cent taxes on our produce against the existing zero percentage,” they asserted. Erode produces handloom and powerloom products worth more than Rs 900 crore every month.

Elsewhere in the state, powerlooms, and dyeing, packing and processing units across the textile towns of Karur, Namakkal, Tiruppur, Palladam, Somanur and Coimbatore have been protesting the imposition of GST on various stages of textile manufacturing.

Textile traders in Telangana too have sought exemption from the GST's purview. Around 80 per cent of the traders are from the unorganised sector and earn modest living from the trade, and the levy of GST would affect them as sales will decrease.

Under the GST, 5 per cent tax is being levied on readymade garments priced under Rs 1,000 and 12 per cent on those priced over Rs 1,000. This would result in around 10 per cent increase in the final price paid by the consumer, according to Telangana State Federation of Textiles' Association (TSFTA).

"The textile trade is a credit-oriented business. Especially in the wholesale trade, the payment is received only six months after the sale of goods. Under the new GST, the trader is expected to pay tax immediately after the sale. This will result in tremendous pressure on the trader in the form of liquidity," TSFTA president Prakash Ammanabolu said in Hyderabad.

In Amritsar, wholesale textile traders are on an indefinite strike demanding the rollback of 5 per cent GST on unstitched clothes, including all kinds of fabric, blankets and shawls. The Federation of Textile Traders of Amritsar (FTTA) has said that local member of Parliament Gurjeet Singh Aujla has extended support to their cause and assured them that he would raise their demand in the monsoon session of Parliament, which begins on Wednesday.

Meanwhile, Union ministers Mansukh Mandaviya and Parshottam Rupala—both Rajya Sabha members from Gujarat—have met textile traders in Surat. They urged traders to engage in talks with the Union government to seek an early resolution to their issues rather than staging protests.

"The intention behind rolling out GST was to give a boost to trade and business, not to harass people. I agree that traders are agitating because they are facing some problems due to this new tax structure. But, the issue can be resolved with dialogue with the government," Rupala told reporters.

In a related development, the Indian Texpreneurs Federation (ITF) has again urged the government to reduce the GST on man-made fibres (MMF) yarn from 18 per cent to 12 per cent. The current GST rate on MMF yarn will lead to increase in fabric costs, inability of weavers to compete, and subsequently de-growth.

It will also not allow a weaver to take input tax credit (ITC). Reducing the GST on MMF yarn to 12 per cent will result in a 100 per cent efficient MMF value chain that would be capable of competing against other fibres. Weavers will also be able to claim ITC on yarn if the GST is brought down.

The federation has also urged the government to reconsider GST on job work after fabric on apparel of 18 per cent as it truncates the ITC chain, considering that the GST will make weavers unable to utilise full ITC. It will also increase input cost as there's no big ITC for job workers. By reducing the job work on apparel to 5 per cent, weavers can achieve real cascading benefits by availing full ITC on garments and receive working capital benefits for job working units, according to ITF.

Source: fibre2fashion.com- July 11, 2017

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Garment exports likely to register 15-18% growth in FY 18

India's garment exports are expected to register a 15-18 per cent growth in FY 18 as against USD 17 billion registered last year, a senior government official said here.

"We have clocked 18 per cent growth in garment exports since January 2017 and we hope that similar trend may continue for remaining period this year. Last year our garment exports stood at USD 17 billion," Textile Commissioner Kavita Gupta said. She was speaking after inaugurating the 65th national garment fair here.

"Rebates on state levies have been introduced to encourage exports. There is an additional 10 per cent subsidy for the garment and made up segments, which means the home textile industry will effectively get 25 per cent capital investment subsidy on new machines they bring in, leading to efficiency and modernisation of the sector," said Gupta.

Subsidies have proved be very beneficial for the sector and led to increase in employment and attracted huge investments, she said.

The textile industry needs to utilise the various schemes launched by the government for the benefit of customers, the commissioner added.

The industry is looking at entering into CIS, Africa and Far East markets to increase garment exports, apart from our traditional markets of US and Europe, Gupta said.

To showcase business opportunity, Clothing Manufacturers Association of India (CMAI) has organised three-day national garment fair, the largest apparel trade show in Mumbai.

The B2B fair will be spread over approximately 6 lakh square feet, covering all the halls at the Bombay Exhibition Centre.

"We hope to generate 10 per cent increase in trade at Rs 750 crore from this fair, which will have 881 stalls displaying 1005 brands by 822 exhibitors," CMAI president Rahul Mehta said.

Whilst welcoming the GST, Mehta said the government needs to reduce the GST applicable on job work for garments and made ups from 18 per cent to 5 per cent.

The 18 per cent GST would be a major blow to the small manufacturers, most of whom follow the job work basis of manufacturing, he added.

Source: moneycontrol.com- July 10, 2017

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Grasim sells Bhiwani textile unit to Donear

Grasim Industries, an Aditya Birla Group company, has entered into a share transfer agreement with Mumbai-based Donear Group to sell its entire holding in Grasim Bhiwani Textiles, a wholly-owned subsidiary.

Grasim Bhiwani is engaged in the business of manufacturing and marketing of polyester-viscose Fabric. GBTL constitutes a small proportion of Grasim's consolidated financials with a revenue / EBITDA share of less than one per cent. It registered a consolidated revenue of ₹9,980 crore and Ebitda of ₹2,142 crore in the March quarter.

The divestment is the outcome of the business portfolio review exercise from time-to-time. It is in the direction of consolidation and greater focus on core businesses of the company, said Graim.

Source: thehindubusinessline.com- July 10, 2017

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Malegaon traders want both suppliers, customers to come under GST

The industrial hub Malegaon traders although equally concerned over GST but are remarkably quiet and waiting to see if the textile industry in Surat, their counterparts who has been up in arms over GST can extract some concessions. Malegaon is ready to accept and endorse the new tax regime but want both its suppliers and customers must also come under GST.

Though trade has diminished, astute businessmen had stocked up in advance, knowing supplies would suffer if there was any glitch in the long chain of textiles trade that involves Coimbatore, Surat, Jaipur and markets as far as Kolkata. Malegaon produces low-cost fabric that competes with China.

Traders are still seeking clarification but there have not been any strikes to avoid antagonising the government. Kailash Mehta, president, Grey Cloth Traders Association (Malegaon), has been busy with buyers from various towns of Rajasthan.

They are ready to get a GST number, provided their buyers and suppliers take it too, said Mehta, while others said that they still didn't have enough clarity on the tax.

On the other end, Ansari Khurshid Ahmed, president, Malegaon Industrial Management Association said that they don't know who will pay GST on yarn, adding that with clarity, they would try to help small weavers form groups to register for GST.

Government tax officials said that there is phenomenal scope for revenue collection from the hub, which has heavy cash dealings and where a lot of old currency was traded with the help of advance orders in their books after demonetisation.

Upendra Mehta, a leading CA in Malegaon, said that it was a natural apprehension for a new law and there was nothing to fear. However, other CAs say costs of compliance will surely go up for small players to begin with, though there will be benefits in the long run.

Barring large, organised composite units, hardly anyone has taken a GST number. They are hoping the government remove the tax on fabric in response to strikes by powerful traders in Surat. Surat's predominantly unorganised sector — involving 70,000 manufacturers and nearly 15 lakh workers — has refused to register under GST and is losing Rs 125 crore a day.

The sector is largely unorganised and making organised ones accountable for their suppliers is near impossible, noted a dye maker from Surat, which produces 4 crore metres of synthetic fabric a day.

Devkishan Manghani, representing the GST Sangharsh Samiti under the umbrella of Federation of Surat Textile Traders Association that has called for an indefinite strike, said that GST will tax intermediaries — from yarn (18%) to 5% across grey fabric makers, to weavers, dyers, printers, embroidery units, lace/handwork units — making the entire chain tax heavy. While for a composite unit, this would be a blessing, for smaller disintegrated units, this would be cumbersome.

According to a consultant with an integrated textile player , although GST would make the whole value chain compliant and force them to go digital, it would increase paperwork .

Source: yarnsandfibers.com- July 10, 2017

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Texathon: Vidarbha, Marathwada farmers learn agro-textile for better cotton farming

Ganesh Patil, a farmer in Buldhana, has faced two years of consecutive poor crop production. The cotton cultivator on Sunday travelled 500 km to reach Mumbai to join a novel 'Texathon', where 50 other farmers from Vidarbha and Marathwada had come to understand the use of agro-textiles for improved cotton yield.

"Farmers never went to a school that taught farming or use of technology in improving crop yield. We can only discuss our cultivation problems with other farmers and bring out traditional solutions," Patil said. In a day-long session at Sasmira Institute in Worli, attached with the Ministry of Textiles, farmers were taught techniques to protect crop from harsh weather conditions.

A virtual reality model in a classroom set-up showed them ways to protect cotton crop from hail storm, insects, and heavy rain. Sitting on a classroom bench, Patil learnt simple innovations to set up hail net, insect net, and harvest net at low cost.

"I took a loan of Rs 1 lakh and so did my wife. But with the cost of cotton dipping in the market, I have already faced a loss of Rs 1.7 lakh last year," Patil said. Farmers like him, he says, have been troubled with poor production in last two years and falling rates of cotton. "We got a loan waiver this time by the chief minister. But how many times will that happen if our crop fails again?"

On Sunday, over 2,000 people, including industrialists and farmers, participated in a 10-km marathon, calling it Texathon. Several farmers, in their dhotis, ran for 3.5 km from Indu Mills, one of the first cotton mills in the city, to Century Bazaar.

In addition, Sasmira Institute and NGO Goonj collected 15 kg of old clothes for economically backward families in rural regions.“Texathon aimed to bring two energies together making this a memorable event for textile fraternity,” said Kavita Gupta, textile commissioner of India.

Farmer Deepak Ware specially came from Buldhana to learn techniques of reducing cost of investment in farming.

“We are hoping that through agro-textiles, we will learn how to increase crop production. Right now, my cultivation is entirely dependent on good monsoon,” said Ware, who owns a 10-acre land.

According to Manish Daga, managing director of Cotton Guru, a cotton advisory company, training cotton farmers on hybrid varieties, textile industry and its demands will help in improving yield and cotton production in India.

“These farmers will spread the training they receive here to other farmers in their villages. Several farmers keep switching from one crop to another once there is a crop failure. Through technological aid, we hope they can sustain cultivation of cotton,” he said.

Commodity expert Suresh Kotak said it was also important to stop adulteration in cotton in global markets. “India’s cotton rates are lower than other countries due to mixing,” he said, adding that farmers must be trained to understand role of micronutrients in soil.

“Magnesium levels must be checked regularly in soil and added when required. India has the capacity to export good-quality cotton if we focus on high yield,” he said.

Source: indianexpress.com- July 10, 2017

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AP CM asks APCO to collaborate with NIFT for designs

Andhra Pradesh chief minister N Chandrababu Naidu has asked The Andhra Pradesh State Handloom Weavers Cooperative Society (APCO) to collaborate with the National Institute of Fashion Technology (NIFT) to create trendy and modern designs and develop itself as a competitor in the world market. APCO also proposes to set up a design studio with NIFT support.

There is every need to enhance designing and marketing skills of handloom and APCO departments to help them compete in the global market, Naidu said while reviewing the performance of these departments at the Secretariat.

In view of APCO's expected turnover of Rs 338 crore in 2017-18, Naidu fixed 2018-19 and 2019-20 turnover target at Rs 405 crore and Rs 486 crore respectively.

The chief minister stressed on the need to frame long and short term plans for strengthening and making APCO self-reliant. He suggested organising APCO exhibitions in other states, introduction of online booking for orders, and giving 25-30 per cent discount on sales during festivals.

He announced that the state government will enter into agreements with domestic and global firms for exporting APCO designed cloth.

He directed APCO officials to collect orders from the police, special battalions, navy, army and the air force for making their uniforms. He suggested that the officials should also reach out to other departments like transport, forest, medical, health, endowment, etc and collect orders from them.

APCO can also supply uniforms to Indian Railways, public sector companies and training institutes.

Announcing that every Monday be marked as Handloom Day, he directed officials to ensure that handloom clothes are worn by all the employees of corporate companies and students of all educational institutions on Mondays.

The chief minister also announced establishment of Handloom Bazaars in all the 13 districts of the state. He said the government will provide incentives to Chirala, Dharmavaram, Madanapalle, Mangalagiri and Uppada handloom clusters.

Giving details about the assistance provided to handloom weavers, Naidu said that Rs 71.39 crore was distributed as debt relief among 22,247 weavers.

During the meeting, APCO officials tabled a proposal for establishment of APCO design studio with the support of NIFT. They also proposed setting up a Yarn Bank for supplying yarn to cooperative societies. They suggested providing holiday advances for the government employees to purchase APCO products.

Source: fibre2fashion.com- July 10, 2017

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Navigating the choppy sea trade route

There is a chart on the Indian Ocean that shows its three stress points along with the number of vessels which ply on those, that Vijay Sakhuja — director, National Maritime Foundation — displays.

Through those three points, the Strait of Hormuz, Strait of Malacca and Bab el-Mandeb Strait, about 36 per cent of the volume of international oil traffic transits. The Indian Ocean, as Sakhuja points out, has begun to get crowded, with competing actors in the race to build ports, since this Ocean is now the main international traffic lane for transport of gas, oil and coal. The likelihood of disruption is rather high especially around the Strait of Hormuz (next to Qatar) and from where India plans to source a high percentage of its natural gas.

The ocean is also the zone where the largest number of ports is coming up among the world oceans. As of now, none of the top 10 port regions of the world is located on the Indian Ocean. Eight of those are China-based. This is an unnerving statistic and could worsen soon. As a response, the Centre is mulling the option of setting up an integrated response to the Ocean, instead of piecemeal approach by shipping, the defence ministry and the Ministry of Earth Sciences.

As Minister for Shipping, Road Transport and Highways Nitin Gadkari acknowledges India has very little presence in this waterway via ports, which he wants to correct. The risks are intense, arising from China. With its expertise to build ports, China is on course to circle India with a ring of mega ports that would mimic the current stress points and shut India even more out of the lucrative business.

The minister is thus, pushing for development of at least one port system to rival the top 10. The most promising one is JNPT, near Mumbai — currently at number 32 globally — in terms of the volume of cargo handled. While the ministry expects to get close by 2021, Sakhuja is more guarded. “I am not quite sure if that is achievable in the near future. If the projects under Sagarmala take shape well, it may be possible to work towards the top 10”.

Deputy National Security Advisor Arvind Gupta says in the interregnum, India must intensely develop “short shipping”. In other words, develop a fleet of vessels that can have a quick turnaround, ferrying goods to large ports from India’s ports. This sort of traffic is necessary to build up volumes at ports like Chabahar, where India and Iran have signed an agreement for India to operate two berths. Last week, according to PTI, the two major Indian conglomerates have bid for supplying key equipment for building the berths at the port. The shipping ministry plans to expand the financial eligibility criteria to attract more bidders, the report said.

While both Sakhuja and Gupta say taking advantage of transshipment is more productive than envisaging a major port, Pritam Banerjee, senior director, South Asia, at logistics firm Deutsche Post DHL Group, says India can fruitfully develop more than one mega port. He points to the proposed Mekong-India Economic Corridor as an example of how large ports can play their part.

The plans for the two largest competing economic zones of the world — the Belt and Road Initiative, anchored by China and the Asia-Africa Growth Corridor — jointly anchored by Japan and India — make such ports a necessity. The rise in the vital role of this sea lane is not surprising. In the past two decades as the growth engines of the world economy have veered to the shores of the Ocean, it is inevitable the role of it has become significant than that of the Pacific and the Atlantic Oceans.

Consequently, the engagement with the Ocean has stirred up interest among all the littoral states and those beyond. The most visible manifestation of this level of interest is the rapid growth in the number of ports along the Ocean. They are currently 197, of which a third are under construction. The Atlantic Ocean trading system has more than 400 ports distributed on both shores.

Brookings Fellow Dhruva Jaishankar notes: “The challenges of securing the free passage of trade and energy, ensuring the sustainable and equitable exploitation of fishing and mineral resources, and managing humanitarian assistance and disaster relief operations would be daunting , even if the Ocean was not so contested.”

Developments of large container ports have two spin-offs. It provides a channel for multibillion dollar investments, and has a pay-off by earning a slice of the expanding business in energy and other commodities.

In the absence of large ports, India’s neighbours like Sri Lanka earn money from berthing large container ships from which the cargo is hauled to India via smaller vessels. If Gwadar in Pakistan being built with Chinese money comes up meanwhile, it will be one more competition on the sea for India.

India also needs to be present on this sea, as it has vast potential as a blue economy. Harvesting all the oceanic zones of the world could bring in improvement in living standards. As on 2010, the blue economy contributes 4 per cent to the Chinese GDP and provides employment of 9.3 million.

The comparable figures for the US are 1.2 per cent and 2.8 million; for the UK, it is 4.2 and 0.6 million. There are as yet no comparable data for India, but the scope is easy to figure out.

Source: business-standard.com- July 11, 2017

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Nepalese importers haul vessels to Vizag port as Kolkata proves costlier

After over 30 per cent growth in 2015-16, rail movement of $3-billion-worth transit cargo recorded a slower 15 per cent growth in 2016-17 Nepalese financial year (July-July), reportedly due to the constraints in wagon-loading capacity at Netaji Subhash dock in Kolkata port.

While movement of cargo from Visakhapatnam port has just started, Nepalese traders expect it to gain momentum, sooner than later, due to both cost and time advantages over Kolkata port.

"Container shipping liner Maersk delivered the first rake (a cargo train) of cargo from Visakhapatnam to Birgunj in Nepal in mid-June. They are expected to bring the second rake in the third week of July," an importer in Nepal told *BusinessLine*.

Though the distance to Birgunj from Visakhapatnam is double that from Kolkata, a lower sea freight between Chinese ports and Visakhapatnam, and efficient port-handling is compensating the relatively higher rail freight from Visakhapatnam to Birgunj.

Unlike the river port in Kolkata that can accommodate only small daughter vessels, Visakhapatnam is a deep-water sea port where large container ships can unload cargo 12-24 hours.

To make the deal even better, Maersk starts the counter for the normative 14-day window to return the empties, five days after the import cargo reaches Birgunj.

"Operations through Visakhapatnam are proving to be both time- and cost-efficient. Detention and demurrage charges are zero," said Ashok Temani, an importer and Chairman of the Trade and Transit Committee of Nepalese apex chamber, Federation of Nepalese Chambers of Commerce and Industry (FNCCI).

High detention and demurrage are the prime complaints of Nepalese importers against the Kolkata port. According to Temani, it takes up to 30 days for importers to return the container to Kolkata, attracting penalty.

The delay is primarily due to capacity constraint at Netaji Subhash dock to load containers to cargo trains. While Kolkata Port authorities have undertaken a project to increase the capacity, importers are forced to take the costlier road option.

Unlike the Maersk offer for Visakhapatnam cargo, no shipping liner offers extended detention window for containers arriving at Kolkata. Sources blame it on poor working conditions and a strong grip of political syndicates, adding to the overall cost structure.

According to Temani, this, coupled with refusal of Indian customs authorities to open a second loading point outside the port, is adding to the misery of the Nepalese importers. They cannot use facilities at the Haldia dock complex due to the absence of consular services there.

The monopoly granted by Nepal to Indian government-owned Container Corporation in running container freight and dry port services is further preventing the entry of top global logistics firms that offer end-to-end services.

Fraudulent transactions

Meanwhile, transit operations have come under the scanner of customs authorities of both India and Nepal following the unearthing of a fraud. According to unofficial sources, before Maersk could deliver the first batch of cargoes, a container unloaded in Visakhapatnam reportedly made its way to Birgunj by road.

In a knee-jerk reaction, the customs authorities of both the countries imposed new set of restrictions and administrative barriers, which is apparently adding to the existing trade issues.

Source: thehindubusinessline.com- July 11

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Khadi board designs clothes for the new generation kanwarias

The state khadi board has introduced specially designed garments for Shiva devotees Kanwarias who are seen rushing to Pahari temple and Baidyanathdham at Deoghar to offer water to Lord Shiva on the first Monday of the holy month of Shravan.

Shiva devotees who are usually dressed in saffron kurta and sarees, the dress code for the new generation kanwarias has undergone a sea change as now they are seen doning T-shirts and salwar suits which have replaced sarees and long single-piece kurtas.

Khadi board chairman Sanjay Seth said that they have come up with designer bags, kurtis, patiala salwar suits, Nehru jackets all in saffron colours. These have been designed by artists from Hariharganj who have used cotton threads to make kanwarais feel comfortable in the garments. They are also offering 25% discount on all items.

Seth said that they have opened another outlet at R Mishra college premises in Deoghar. Earlier saffron coloured garments were brought from Manglahaat in Kolkata. But, responding to the growing demands of the devotees, the kanwarias especially the youngsters, they have launched a new range of garments and apparels.

Source: yarnsandfibers.com- July 10, 2017

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Sircilla's indigent weavers go the whole nine yards for festival

In a first of its kind move, about 10,000 weavers in the textile town of Siricilla are working round the clock. Their mission: To make one crore saris to cater to an order from the Telangana government for the flagship cultural event of the state, Bathukamma festival.

The saris are meant to be distributed free of cost to over 97 lakh women who are holding Food Security Cards (white ration cards) and is costing the state exchequer ₹200 crore, according to the State Handlooms Development Commissioner, Shailaja Ramayyar.

“An order worth ₹200 crore for saris is the first of its kind from the government,” P Yadgiri, Joint Director, Telangana State Handloom Weavers Society told *BusinessLine* here on Monday.

A team of officials had already met the members of the Mutually Aided Co-operative Societies (MACS), owners of small-scale powerloom industries and other stakeholders in the town to appraise them of the order.

“The process is on and 10,000 weavers are currently engaged in the production of saris,” Yadgiri said. Though the state government had sought the participation of weavers from other locations such as Warangal, Karimnagar, Nalgonda and Aler, the response was lukewarm compared to the great excitement shown by Siricila weavers.

Earnings

The deadline is August 15 and about 20,000 powerlooms will have to work round-the-clock to meet this. The order is for two varieties of polyester saris, one for the elderly and another printed variety for the young.

Each weaver will be paid a wage of ₹5 per metre of cloth produced. “The earnings of a weaver out of this order will be almost 70 per cent higher than what they earn in private production,” Yadgiri said.

This is expected to give a boost to many weavers who are facing financial challenges in the recent past. Bathukamma is a colourful and vibrant festival of Telangana and celebrated by women, with flowers that grow exclusively in each region. This festival is a symbol of Telangana’s cultural identity.

Source: thehindubusinessline.com- July 11, 2017

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