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INTERNATIONAL NEWS

Global demand rising prices augur well for Indian cotton this year

With US Department of Agriculture (USDA) projecting lower opening stocks, production and ending stocks this cotton season from October 2020 to September 2021, global cotton prices shot up from the beginning of this year.

This surely is good news for Indian cotton exports. As a Rajkot-based raw cotton, yarn and spinning waste trader Anand Poppat says based on these trends, India's cotton exports can touch 65 lakh bales (170 kg each) and this can help reduce the country's huge carryover stocks from last season, reports Moneycontrol.

However, as per Cotton Association of India (CAI) president Atul Ganatra export demand is slow at the moment due to the pandemic and ongoing lockdown in Europe and other countries. CAI pegs exports at 54 lakh bales this season.

Global cotton prices on a high

A little number crunching reveals as on January 19, 2021, cotton prices in New York were 81.29 US cents or (Rs 47,075 a candy of 356) per pound for delivery in March against the previous close of 80.70 cents.

For May delivery of cotton for May the prices being quoted is 82.60 cents (Rs 47,850/candy) and July delivery stood at 82.91 cents (Rs 48,025). All these figures are above previous close.

In comparison, India's Shankar-6 variety, a benchmark for exports, was quoted at Rs 43,400-43,600 a candy.

Ganatra says cotton prices in India are steady after some correction last week. On MCX, cotton for delivery next month was traded at Rs 21,420 a bale (170 kg), which converted to candy is Rs 44,856. In fact, raw cotton prices are regaining after a drop.

Chinese demand good for India

The USDA in a recent outlook projected lower production in the US, Pakistan, and Mali could offset the higher production in Greece, Turkey and Australia. In fact, Turkey's higher production levels were revised later from 16 per cent increase to four per cent. While consumption estimates for China, the world's largest consumer, and Turkey were increased. As per USDA, China is expected to import 135 lakh bales.

The world's largest producer of cotton, India, whose production is pegged at 377 lakh bales by USDA, could export nearly 64 lakh bales. CAI however does not want to speculate on Indian cotton exports just yet. However, other stakeholders are more optimistic and expect prices to rise further with reports of China's textile exports being higher than last year. Chinese are importing yarn from Bangladesh and Pakistan with growing demand and depleting stocks. While Ganatra expects cotton prices to rule steady, others say chances were bright for a rise in rates and exports soon.

Poppat explains as of now exporters can avail CCI's huge inventory and this is keeping prices on a leash, as the CCI has fixed a cap for daily sale. If the cap is removed, prices will go up. If cotton futures in the global market rise another 3-4 cents, it could tend to push up Indian prices, he feels.

Lower carryover stocks

Poppat also believes export demand will not affect domestic spinning sector, which has two to 2.5 months inventory. He also expects premium for quality cotton to increase as availability is low. And with higher exports cotton carryover stocks will go down to 85 lakh bales this season against 125 lakh bales last season. However, CAI, projects carryover stocks at 113.50 lakh bales estimated based on India's cotton production which is pegged at 358.50 lakh against 360 lakh bales last season.

Meanwhile, the Ministry of Agriculture in its first advance estimate of commercial crops for 2020-21 season, projects cotton production at 371.18 lakh bales. Carryover stocks are higher as the textile industry had to shut during due to the pandemic and lockdown.

Source: fashionatingworld.com– Jan 21, 2021

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China's Hubei sees foreign trade surge in 2020

Central China's Hubei Province, once hit hard by COVID-19, saw an 8.8 per cent growth in foreign trade in 2020, according to customs figures.

The total import and export value of the province reached 429.41 billion yuan (about 66.3 billion U.S. dollars) year, according to customs in the provincial capital Wuhan.

The total value of Wuhan's foreign trade reached 270.43 billion yuan, accounting for 63 per cent of the province.

Hubei's trade volume with the European Union and U.S increased by 17.1 per cent and 22.8 per cent, respectively, last year, and the province's trade volume with the ASEAN dropped 5.6 per cent year on year.

The foreign trade by private enterprises in Hubei totaled 255.47 billion yuan, a 20.9-per cent growth year on year, accounting for 59.5 per cent of the province's total.

The total value of import and export of cross-border e-commerce grew 67.1 percent.

Hubei's exports of textiles, clothing and agricultural products experienced robust growth in 2020, surging by 332.9 per cent, 25.8 per cent and 12.3 per cent, respectively.

The growth of imports was boosted by semiconductor manufacturing equipment, integrated circuits and consumer goods, which rose by 25.8 per cent, 22 per cent and 45.3 per cent, respectively, year on year.

Building on its effective containment of COVID-19, China has rolled out a raft of measures to stabilise foreign trade and investment.

Source: naija247news.com– Jan 20, 2021

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China plans to expand free trade network, accelerate FTA talks

China has planned to expand its network of free trade and is willing to sign more free trade agreements (FTAs) with its trade partners to jointly promote free and convenient trade and investment, Gao Feng, spokesperson of the Ministry of Commerce said at a regular press briefing on Thursday.

The country will boost China-Japan-South Korea FTA talks and free trade talks with Gulf Cooperation Council, Israel and Norway, while actively considering joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Gao said.

"Meanwhile, we will step up efforts to enhance the levels of present FTAs by actively exploring free trade rules that are integrated into international common rules while in line with our own need for reform and development," he said.

He pointed out that the country will further improve the proportion of goods for zero tariffs, further relax market access into the country's services trade and investment sectors, and actively talks on new rules such as digital economy and environmental protection.

Gao said that MOFCOM will strengthen promotion and training relating to FTAs already signed, to ensure the deals will benefit more enterprises and individuals. He said last week that the country's process of ratifying the Regional Comprehensive Economic Partnership, beginning in December 2020, is moving along as expected, and the government aims to complete it within a six-month period.

Relevant government departments have issued duty lists in keeping to the RCEP lines so that all the opening moves and rule-based obligations could be fully acted upon, Gao said, noting that training related to the trade deal will be organized to help local governments, companies and intermediary organizations learn the RCEP rules.

Source: globaltimes.cn– Jan 21, 2021

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American Eagle Closing Up to 225 Stores

American Eagle Outfitters Inc. plans to close between 200 to 225 stores at its core brand, while it hatches a plan to get Aerie to $2 billion in revenues by 2023.

The core American Eagle brand operates about 880 stores, about 95 percent of which are four-wall positive, according to chief operating officer Michael Rempell. After the closures, the brand will have between 600 to 700 locations across the U.S. and Canada, with average lease terms of 2.8 years.

Rempell, who spoke at an investor day presentation on Thursday, said the clothing company plans to speed up store closures, negotiate rent reductions and use industry-wide closures as a springboard into desirable locations. And while it plans for a smaller American Eagle footprint after 52 locations were shuttered last year, Rempell said the company is also looking at short-term lease renewals while leaning into smaller-format stores.

Despite all the changes on the brick-and-mortar front, Rempell said stores remain an important vehicle for customer acquisition, engagement and retention. Aerie, which began as a digitally native brand, is looking at reaching 550 locations by 2023, he said, up from 342 now.

In just six months, the retailer opened regional hubs for greater agility that has driven greater efficiencies, like two- to threefold improvements in store replenishment times, thus enhancing in-stock positions. AEO Inc. offers curbside pickup, buy online and pick up in store, buy online and ship from store, ship from store to door and alternative payment options. It’s currently testing two pilots in customer self-checkout and same-day delivery.

The company’s new “Real Power. Real Growth.” plan aims to reignite the core brand for profit growth.

Chief creative officer Jen Foyle, who doubles as Aerie’s brand president, said the American Eagle brand is “a bit under appreciated.” After posting $3.5 billion in 2019 revenues, it’s expected to report $2.7 billion in 2020, a dip due to Covid-19. Though it has always had a strong cash flow, margins aren’t are what they once were, she said, and the three-year plan to refresh the brand DNA aims at strengthening the point of view. The company will continue to leverage its dominance in jeans, while optimizing inventory and right-size the store fleet.

The retailer's target customer, between 15 to 25 years old, is part of a demographic that spends twice the population average on clothing. "Jeans is a stick category that builds strong loyalty," Foyle said, noting that the category also plays a role in new customer acquisition and retention. As the company looks to improve its story-telling ability for the brand, it also will look at how to improve its "complete the look" capabilities. That means delivering tops to go with the jeans, and reducing overall assortment to buy narrow and deep, a move that can help the company "market key looks in [certain] items more aggressively," she said.

As for future growth over the next three years, that's going to come primarily from the company's Aerie brand and its 8.5 million identified customers. The company said Aerie hit $1 billion in revenue in 2020, and now the plan is to double that to $2 billion by 2023. "Momentum is stronger than ever," she said of the brand, noting that Aerie grew at a compound annual growth rate of 25 percent from 2015 to 2020.

Aerie, which started with a boy brief in underwear, has since expanded to other categories including bras, loungewear, swim and activewear with the Offline by Aerie line. The brand has plenty of runway ahead of it, Foyle said, noting that the addressable market for intimates, soft apparel, active and swim is about $65 billion, compared with the total women's apparel market of $123 billion. Both initiatives are expected to help AEO Inc. hit $5.5 billion in revenue, with operating income targeting the $550 million range in fiscal 2023.

Chairman and CEO Jay Schottenstein told investors that the coronavirus pandemic accelerated the pace of change and innovation for the company, such as expanding fulfillment responsibilities and fast tracking its supply chain for faster efficiencies. The company will continues to prioritize product quality and innovation through fabric and fit, as well as focus on sustainability efforts. It is targeting water reduction use per jeans by 30 percent by 2023, and recycling 50 percent of total water use in denim laundries by 2023.

Separately, American Eagle said it achieved over $95 million in adjusted operating income for the fourth quarter, excluding potential asset impairment and restructuring charges. Fourth-quarter revenue is expected to decrease in the low single digits, mostly due to store revenue declines from weak mall traffic, store closure sand reduced hours connected to the pandemic.

Source: sourcingjournal.com– Jan 21, 2021

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Eurofins Receives WRAP Accreditation in India for Apparel, Textiles

Eurofins Consumer Products Assurance announced that it has been accredited by Worldwide Responsible Accredited Production (WRAP) as a monitoring firm in India to drive responsible sourcing across complex modern apparel and footwear supply chains.

WRAP is one of the world's largest independent certification programs that aims to promote safe, lawful, humane and ethical manufacturing globally through certification and education in the apparel and footwear industry. Following WRAP's 12 principles, buyers and suppliers work toward the same set of social compliance assessment protocols. WRAP certification enables buyers to identify and suppliers to showcase a commitment to and achievements in social compliance.

India is one of the key apparel and footwear manufacturing countries in the global supply chain. Eurofins Consumer Products Assurance's latest accreditation from WRAP in India will contribute to and support the industry's social compliance effort in this important region.

Eurofins Consumer Products Assurance, as part of Eurofins Assurance businesses, offers comprehensive assurance services to the consumer product industry through factory audit, product inspection and training. The digital platform Eurofins Assurance OnLine provides data-driven intelligence and analytics to modern supply chain. Eurofins CPA operates in a network across Asia, Africa, Europe and South America.

As a full member firm of the Association of Professional Social Compliance Auditors (APSCA), this accreditation further strengthens Eurofins Consumer Products Assurance's service portfolio that covers key industry standards and qualifications, including amfori BSCI, Sedex SMETA and SLCP Verifier Body.

APSCA is an industry association with members that represent a substantial majority of the social compliance audit industry. Its mission is to enhance the professionalism, consistency and credibility of the individuals and organizations performing independent social compliance audits.

The amfori BSCI platform provides a single point for all supply chain performance information. By sharing monitoring activities' results, its members reduce effort, save money and increase consistency for buyers and suppliers with a range of practical auditing tools to help members manage risk and effectively monitor their supply chain.

SMETA is Sedex's social auditing methodology, enabling businesses to assess their sites and suppliers to understand working conditions in their supply chain.

The Social and Labor Convergence Program (SLCP) has developed a Converged Assessment Framework that can replace all current audit methodologies by delivering one verified data set that can be used by standards and brands to decide on certification, compliance and more. SLCP assessments consist of a self or joint-assessment at the facility followed by verification.

Source: sourcingjournal.com– Jan 21, 2021

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Java Flow: Indonesian Industry Migrates for Lower Costs

It is no secret that factories in Indonesia have been slowly migrating from the strong manufacturing base in West Java to Central Java over the past few years.

But the pace of this move has been taking on new intensity as manufacturers hit by Covid-19 look for ways to cut costs to counter the severe impact of reduced orders and cutbacks by global retailers.

The reason for the migration has been simple: reduced labor costs.

Labor has long been seen as the highest variable in production, one that can make the ultimate difference for brands in search of competitive production centers.

The trend for global brands to relocate to save costs is hardly new–with factories migrating to Vietnam, Cambodia and Myanmar, as labor costs in the largest exporter in the world, China, have been increasing. Relocation within a country, it turns out, can be equally attractive.

Minimum wages in Central Java are approximately half those in West Java. Since Indonesia has 240 different wage rates across the country, depending on the sector, region, district and area, the savings can be huge.

Yet, as Suryadi Sasmita, chairman, Employers Association of Indonesia (APINDO), pointed out to Sourcing Journal, decisions looking only at labor costs can sometimes be near-sighted and damaging.

“As minimum wages have been increasing in Jakarta and surrounding areas, more than 20 percent of the factories have been moving to Central Java, where the minimum wage is 50 percent of this area. But…efficiency is also much lower,” Sasmita said. “If you look at it in the short term–it is almost the same.

It takes two to three years of training of workers, we have to send our managers and trainers–the ratio is one trainer to about 10 people–we have to organize their travel and stay. Workers from Western Java are not keen to move and settle for a lower wage.”

On the other hand, he admitted that Central Java has been stepping up its infrastructure considerably. What was once a long and arduous journey from Jakarta is now only a few hours by car.

The approximately $9 billion industry of garment exports in Indonesia, which employs an estimated 600,000 workers, is also complemented by Indonesia's own consumption. Domestic consumption also helps the global players, as they know they cannot ignore the 280-million strong population of the fourth-largest economy in the region. Key to Indonesia's strengths is that the median age in the country is 28.6 years–which means there is a large workforce available, as well as a young population of consumers.

Western Java, including the cities of Jakarta, Bandung and Bogor, has been an attractive manufacturing destination for years, with industrial estates and factories spanning other cities as well. Jabodetabek, the official name for the urban area surrounding Jakarta, has some of the best infrastructure in Indonesia, including paved roads, large ports and reliable electricity.

But it is true that minimum wages in this region rank as the highest in the nation. Land costs are also higher as Tanjung Priok, Indonesia's largest and busiest port, is also located there. Central Java, with a strong center around its capital city of Semarang, has been working on its infrastructure as Sasmita mentioned, revving up Tanjung Emas, a major port from the times of the Dutch colonial era.

Sasmita added that the opening of the Kendal industrial estate, an international complex launched with bilateral cooperation between Indonesia and Singapore in 2016 in Central Java, has been an additional draw with its quick and ready infrastructure and access to a large pool of labor.

Factory owners making the move to this region also cite the efforts of the provincial government to simplify licensing, the electricity network and water supply, as well as labor regulations and much fewer labor disputes.

In 2018, Indonesian president Joko Widodo inaugurated a new airport terminal in Semarang, nine times bigger than the previous one, describing it as a "part of revamping the sky gate in Central Java."

Maria João Vasquez, chief technical adviser, Better Work in Indonesia, noted the change, too. "The move of garment factories to Central Java has been driven by costs but also an active policy of regional economic development by Central Java in line with government efforts to overcome regional asymmetries in Indonesia," she said.

"In the last few years, the move has been drastic and thousands of workers have lost their jobs in West Java, but it's all part of a tendency of lower value and labor intensive industries moving away from urban and high-income areas such as Jakarta and West Java," she added. "For us, a lot of this phenomena concerns the provincial industrial policy and is about adapting to change."

Better Work is a collaboration between the United Nations' International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group, with the aim of improving working conditions for labor in the garment industry.

The need for worker protection is important as these changes happen, including severance payments, the fight against unemployment and the need to re-skill workers, she said. Yet, Western Java remains a stronghold.

"West Java, interestingly enough, is still an interesting area for garments, because of its past experience and qualified workers. It might make sense, from an industrial policy perspective to keep a certain part of the sector in this area. Our advice has always been for stakeholders to gather to discuss with the provincial governments about the best policies that protect the industry, the regions and workers," Vasquez said.

As factory owners make the shift, they do note that among the issues is that in many of the districts around Semarang in Central Java each district makes its own laws, as well as its own wage structure, and the need for agility is high.

Daniel Kostzer, senior wage specialist, ILO, noted that the variety of wage levels adds immense complexity. "I think that the extremely decentralized minimum wage regime in Indonesia, which generates 240 different levels, and with a more than 60 percent range within a very narrow geographical proximity, precludes the effectiveness of the minimum wage of becoming the reference price of labor in the country."

Source: sourcingjournal.com– Jan 21, 2021

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NRF 2021: Retail's Big Show to return online in June

National Retail Federation (NRF) has announced that Javits Center used for vaccine distribution will most likely be unavailable during the first week of June, as NRF plans to hold the Second Chapter of its annual NRF Big Show. President and CEO Matthew Shay gave statement regarding changes to the planned in-person NRF 2021: Retail's Big Show Chapter 2.

"The Javits is once again playing a critical role during this pandemic, first serving as a field hospital for Covid-19 patients and now a place to inoculate citizens against this deadly disease. We are all aligned that the first priority in our country today is to get the vaccine to as many people as safely and quickly as possible, and the Javits will help make that a reality," Shay said in a press release.

"Vaccinations and the overall state of our nation's response to the pandemic were always a primary consideration for an in-person gathering this year. And while we were optimistic about the prospects of a quick timeline for vaccine distribution, the reality is that it is taking longer than we had all hoped and experts believe the process could extend through the summer," Shay said.

"After successfully launching the popular and virtual Chapter 1 of Big Show this month, we are preparing to return online in June to provide even more expansive content, networking, entertainment and expert insights for registrants.

In the weeks ahead, we will be unveiling a new and exciting offering that only NRF can provide for the industry as we've done for more than 100 years serving as a prelude for when we return to the newly expanded Javits Center in January 2022 with the largest retail trade show in the world," Shay said.

Source: fibre2fashion.com– Jan 21, 2021

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Mila Fashion to open apparel plant in Sri Lanka's Welioya

US-based Mila Fashion, part of the Design Studio Group, recently signed an agreement with the Board of Investment of Sri Lanka for opening an apparel manufacturing plant in Welioya.

The group employs over 2,000 in Pandulagama in Anuradhapura and Etawa in Kurunegala, and the new venture with $3-million investment will create an additional 1,200 jobs.

The project, staggered across two phases, will deploy state-of-the-art machinery, automation and technology, according to Sri Lankan media reports.

Since its inception in 2009, the group has established itself as a supplier of choice for high street retailers in the United Kingdom and Europe, including Primark, ASDA, Sainsbury's, ASOS, Next and River Island, from its network of factories in Sri Lanka and Bangladesh.

Source: fibre2fashion.com– Jan 21, 2021

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Bangladesh RMG exports fall with long lead time, negative growth in woven products

As per Export Promotion Bureau (EPB) data, shipments of apparel goods to the US declined 16 per cent to $5.07 billion in 2020 down from $6.02 billion in 2019. The steep decline was due to the ongoing pandemic, which hit people's income and supply chain.

Exports earnings from woven products witnessed sharpest fall of 22.13 per cent to $4.49 billion, which was $4.49 billion in the previous year. However, knitwear products posted positive growth up 2.73 per cent to $1.56 billion from $1.52 billion in 2019.

Production of woven products was hampered due to supply chain disruption during the first phase of Covid. Bangladesh needs to import fabrics for woven products mostly from China. However, experts also blamed longer lead time and sharp negative growth in woven products for the downtrend in US markets.

Amid the pandemic, lead time was crucial for importers and brands as the supply chain was disrupted. They preferred Vietnam due to shorter lead time. Experts feel in order to grow in the US market Bangladesh has to come out from the traditional exporting items and attract FDI in areas where there are opportunities for manufacturing value added goods.

Additionally the country should develop strong backward linkage for the woven sector to reduce import dependency and to increase value addition.

Source: fashionatingworld.com– Jan 21, 2021

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Pakistan: Cotton arrival at Pak ginneries down 34.12% as on Jan 15

Over 5.493 million bales of cotton have arrived in 2020-21 season at various ginneries in Pakistan, as on January 15, 2021, down 34.12 per cent compared to arrival of 8.338 million bales during the corresponding period of last season, according to the latest fortnightly report on cotton arrivals, released by Pakistan Cotton Ginners' Association (PCGA).

In the major cotton producing province of Punjab, total cotton arrivals decreased by 30.88 per cent year-on-year to 3.366 million bales, according to the report prepared by PCGA, in joint cooperation with All Pakistan Textile Mills Association (APTMA) and the Karachi Cotton Association (KCA). While in Sindh province, cotton arrivals decreased 38.67 per cent to 2.126 million bales as on January 15 during the ongoing cotton season 2020-21.

Of the total arrival of 5.493 million bales at various ginneries in Pakistan, 5.399 million bales were pressed by ginners, of which 4.907 million bales were sold, leaving an unsold stock of 491,231 bales with the ginners, as on January 15, according to the PCGA report.

The textile mills in Pakistan consumed 4.837 million bales, while another 70,200 bales of cotton were sold to exporters, according to the data. The Trading Corporation of Pakistan (TCP) has not procured any bale of cotton so far this season.

As of January 15, a total of 150 ginning factories were operational in Punjab compared to 208 ginneries that were operational during the same time last season. Similarly, 16 ginning units were operational in the Sindh region, compared to 24 operating units during the corresponding period last year.

In the previous cotton season 2019-20, Pakistan had produced around 8.571 million bales of cotton. However, cotton production is estimated to remain lower this season due to water shortage and attacks by cotton leaf curl virus (CLCV) and other pests.

Source: fibre2fashion.com– Jan 21, 2021

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Pakistan: Cotton jumps to over 2-year high

ICE cotton futures rose over 1% on Thursday to more than a two-year high on the back of a weaker dollar and a rally in global equities, while investors were looking forward to the US weekly export sales report.

The cotton contract for March was up 1.00 cent, or 1.2%, to 82.59 cents per lb at 1:21 p.m. EST (1821 GMT), having touched its highest level since September 2018 at 83.06 cents. It traded within a range of 81.40 and 83.06 cents a lb.

“The dollar is down a little bit, soy beans and corn are up, the stock markets are up a little bit, so cotton is following some other markets. There are expectations for really good sales (report) tomorrow,” said Rogers Varner, president of Varner Brokerage in Cleveland.

The weekly export sales report from the United States Department of Agriculture (USDA) is due on Friday.

World stock markets racked up record highs, while the dollar fell to a one-week low on bets for massive stimulus from US President Joe Biden’s administration.

A weaker dollar makes greenback-denominated cotton cheaper for investors holding other currencies.

Chicago soybeans snapped a three-session losing streak on Thursday, while corn prices firmed. “There are huge expectations for a consumer boom once the COVID restrictions are taken off, and a lot of markets, especially cotton, are trying to price in robust demand for 2021,” Varner added.

Total futures market volume fell by 7,554 to 28,013 lots. Certificated cotton stocks deliverable as of Jan. 20 totaled 70,649 480-lb bales, unchanged from the previous session.

Source: brecorder.com– Jan 22, 2021

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NATIONAL NEWS

Cotton Corporation introduces lock-in period for prices

Chairman and Managing Director of the Cotton Corporation of India, Pradeep Kumar Agarwal, said the facility has been introduced to ensure price security for textile mills

The Cotton Corporation of India (CCI) has permitted those who buy cotton from it through e-auctions, to lock in the cotton prices.

Chairman and Managing Director of the CCI, Pradeep Kumar Agarwal, said the facility has been introduced to ensure price security for textile mills.

Textile mills can buy cotton in multiples of 100 bales through e-auctions, and lock-in the cotton price for 30 days without any charge. The units can lock-in the prices for 60 days from the date of contract by paying ₹250 more for each bale; for 90 days by paying ₹500 for each bale.

The mills will have to inform the CCI corporate office by mail on the day of the auction and, the payment should be made within the lock-in period.

The National Committee on Textiles and Clothing had pointed out that cotton prices shot up from ₹35,000 a candy to ₹43,000 a candy in three to four months. In order to bring stability in prices, the CCI should offer lock-in periods for mills based on the volume of cotton procured. The CCI should revise the prices only once a month, it had said.

According to T. Rajkumar, convenor of the committee, though it had asked for a lock-in period based on the quantity of cotton purchased, the system introduced by the CCI would also bring stability to cotton prices and was a welcome move.

The South India Hosiery Manufacturers Association said the CCI should fix prices once in three months for the cotton it sells to the mills and should set up godowns in Tamil Nadu. Currently, the textile units in the State pay huge amounts to transport the cotton from the northern States, it said.

Source: thehindu.com – Jan 21, 2021

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India within striking distance of attaining positive growth: RBI

The shape of the recovery will be V-shaped and the 'V' stands for vaccine, said an article in RBI's Jan bulletin.

India's GDP is within the striking distance of attaining positive growth, said the Reserve Bank of India (RBI) observing that the letter 'V' in the V-shaped recovery stands for vaccine.

The government had launched the world's biggest Covid-19 vaccination drive on January 16. "What will 2021 look like? The shape of the recovery will be V-shaped after all and the 'V' stands for vaccine," said an article on the 'state of economy' in the RBI's January Bulletin. "If successful, it will tilt the balance of risks upwards," said the authors, including RBI Deputy Governor Michael Debabrata Patra.

'Views personal'

The RBI, however, said the views expressed in this article are those of the authors and do not necessarily represent the views of the central bank.

E-commerce and digital technologies will likely be the bright spots in India's recovery in a world in which there will be rebounds for sure, but pre-pandemic levels of output and employment are a long way off, they said.

The article further said: "Recent shifts in the macro-economic landscape have brightened the outlook, with GDP in striking distance of attaining positive territory and inflation easing closer to the target."

India's GDP is estimated to contract by a record 7.7 per cent during 2020-21 as the Covid-19 pandemic severely hit the key manufacturing and services segments, as per government projections released earlier this month.

The economy contracted by a massive 23.9 per cent in the first quarter and 7.5 per cent in the second quarter on account of the Covid-19 pandemic.

The article added that in the first half of 2021-22, GDP growth will benefit from statistical support and is likely to be mostly consumption-driven.

"India being the global capital for vaccine manufacturing, pharmaceuticals exports are expected to receive a big impetus with the start of vaccination drives globally. Agricultural exports remain resilient and under the recent production linked (PLI) scheme, food processing industry has been accorded priority," it said.

Harnessing the synergies by transforming low-value semi-processed agri products through food processing would not only improve productivity but also boost India's competitiveness, it added.

Source: thehindubusinessline.com– Jan 21, 2021

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Indian apparel exporters must capture double-digit share of world market: Venkaiah Naidu

AEPC launches virtual exhibition platform to find way around Covid challenges

Indian apparel and fabric exporters must aim to capture a double-digit share of the world apparel market, from its current level of 5-6 per cent, through upskilling and use of latest technologies, Vice-President M Venkaiah Naidu has said.

Inaugurating the 24x7x365 virtual exhibition platform of the Apparel Export Promotion Council (AEPC) on Thursday, Naidu said that this effort, together with the support of the Textile Ministry, will boost Indian apparel exports.

"We should soon aspire to reach a double-digit share in export of fabrics with proper encouragement and branding," the VP said, according to a statement circulated by AEPC.

The virtual exhibition platform will showcase Indian apparels round the year and host B2B meetings. "Considering the travel restrictions due to Covid-19 pandemic, the platform is seen as a better alternative in terms of both economy and convenience," the statement pointed out.

Naidu said that the industry should try to focus on the reasons behind why it lacked the competitive edge in fabrics and apparels when compared to Bangladesh and China, despite being the leading producer and exporter of cotton, jute, silk and MMF yarns.

"They (Bangladesh and China) are the biggest buyers of Indian yarn. They add value to it and sell the fabrics and apparels at a lower cost than India. This is largely due to the unorganised and dispersed nature of the weaving sector in India. We need to have more Tirupurs," he said.

Support for SMEs

The Indian apparel industry created world history by establishing a ₹7,000-crore ($1 billion) personal protective equipment (PPE) and N95 mask industry in the midst of a pandemic in just two months, pointed out Minister of Textiles Smriti Irani.

"Reflecting the same enterprise, AEPC has now created a virtual platform. It will give rise to opportunities for over 300 top exporters in the country.

But knowing that AEPC is an 8,600-member family, I am hopeful that the platform specially gives space to those who innovate, who belong to the SME segment, who are start-ups, as young innovators need a supporting hand," Irani said.

Source: thehindubusinessline.com– Jan 21, 2021

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Budget 2021 Expectations: 'Tax exemption, interest reduction, power subsidy needed for rural MSMEs'

Union Budget 2021-22 Expectations for MSMEs: In the upcoming budget, the government should offer a tax holiday of one-two years to the Micro, Small, and Medium Enterprises (MSMEs) affected by the ongoing Covid-19 pandemic crisis. Many MSMEs have been deeply impacted and they are on the verge of winding up, especially those who come under the sectors such as retail, travel, hospitality, textile, jewelry, auto, etc. They should get the tax benefits. On a case-to-case basis, the government should think on the lines of reduction of interest rates or giving tax benefits to the affected MSMEs. Retail, being the backbone of the country, has to be protected at any cost, no matter how much e-commerce has grown.

This is the ideal time for the government to kick start the rural economy by supporting the MSMEs. Today there are a lot of approval processes and barriers for starting a new business, even for setting a small manufacturing or a cottage unit. This has to change. In a country like China, every household produces something. China was once an agrarian economy like India. However, decades ago, favorable government policies helped in easy diversification to activities such as rural manufacturing, growing its economy, and converting China into an export powerhouse.

India should encourage its villages to diversify into self-employment, cottage manufacturing and services, and reduce dependence on agriculture. This will aid the government's 'Make in India' initiative and make the country truly 'AtmaNirbhar'. The villages can be the right place for producing semiconductors, textiles, pharmaceuticals, and running BPOs. If textile manufacturing could be expanded to villages, India can regain its status as the textile capital of the world. We can produce a lot of products of export significance in our villages, which will catapult the country into the global supply chain as a low-cost producer when China is facing issues today.

The model should make it easy for MSMEs to enter and exit easily, diversify into alternative businesses when the current ones are not working, etc. Making the market competitive will bring the costs down. The government needs to offer tax exemption, interest reduction, and power subsidy for rural entrepreneurs. Land and labour costs will be low in villages and small towns. Solar power needs to be harnessed in villages that will bring down the power costs.

Today on account of the telecom revolution, the difference between a city and a village is dwindling. Especially after the Covid crisis, one can operate from anywhere be it urban or rural. By creating a flexible model, a lot of production could be shifted to villages and semi-urban towns, giving significant employment potential to local people. There are many successful MSME owners who wish to shift their production or start new ones at their native villages as a gesture of giving back to their birthplace. However, they can be inspired only by creating the right model.

Only MSMEs are well placed with competency, flexibility, local market understanding, and experience to bring about this rural revolution. For startups, it will be difficult due to their nascent nature. Large companies will have their own business model and will be lacking flexibility.

MSMEs adopting CRM, ERP solutions or plant automation should be incentivized. Banks should be encouraged in funding the digitization efforts of the MSMEs. If there is a demand for a product, it can be met by a startup. Startups need to be given tax holidays for one-two years which enables them to grow and get into the league of MSMEs.

Covid-19, although has affected the whole world, has also taught one to be resilient. With the telecom infrastructure at its firm place in the country, the situation has helped urban India grow in terms of remote working, online education, online health consultation, and telemedicine. This is going to be the new norm even if the pandemic ceases in the future. With the right funding, well-trained resources, and relevant technology infrastructure in place, the villages can be gradually transformed into a production hub. This change can be undoubtedly brought by MSMEs.

Source: financialexpress.com– Jan 21, 2021

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Govt working with SBI to launch e-commerce portal for MSMEs; to take on Amazon, Flipkart, others

Ease of Doing Business for MSMEs: The MSME Ministry is working with the State Bank of India to launch the e-commerce portal for MSMEs that will help them market and sell their products in India and internationally similar to platforms such as Amazon and Alibaba, MSME Nitin Gadkari said in a webinar organised by the All India Association of Industries.

The e-commerce portal called Bharat Craft was announced by the government around mid-2019 and since then has been in the works. "For the marketing support of MSMEs, we are going to create an e-portal like Alibaba and Amazon. This is a live gateway for MSMEs to take products to the world and global market. We are working with the State Bank and as early as possible we will make this," Gadkari said.

The government currently already has a business-to-business marketplace Government e-Marketplace to help MSMEs sell to government organisations and departments and has reportedly been planning to open it for private businesses as well to buy from MSMEs.

With the launch of a government-owned B2C marketplace ahead where MSMEs would be able to sell directly to consumers, it would compete directly with large private incumbents including Flipkart, Amazon India, Snapdeal, and more. The marketplace "should soon see turnover on the platform to the tune of Rs 10 lakh crore in the next few years and this would benefit MSMEs in a big way," Gadkari had said at the listing of 200th MSME on the National Stock Exchange (NSE) Emerge platform in 2019.

India's e-commerce market is expected to grow from $50 billion in 2018 to $84 billion in 2021 and $188 billion by 2025 on the back of increasing internet user base and favorable market conditions, as per Statista. India is likely to have 300-350 million online shoppers by 2025 from 100-110 million in 2020, according to a report by Bain & Company and Flipkart. This will also lead to nearly 30 per cent CAGR of gross merchandise value of the e-retail market, which is led by Amazon, Flipkart, Snapdeal, others, from $30 billion in FY20 to $100-120 billion by FY25 — around 4X growth.

Source: financialexpress.com– Jan 21, 2021

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UDYAM — a bane or boon for MSMEs?

Far from helping the sector, the stringent classification norms of the scheme will end up harming it

“A Good intention with a bad approach often leads to a poor result”. Covid has impacted almost all the sectors of the economy but the micro, small and medium enterprises (MSME) seem to be the worst affected. Various survey reports estimate the loss in revenue for this sector to the tune of 30-50 per cent and given their fragile scale and vulnerable position, the damage is serious.

The government’s helping hand through initiatives like bank guarantees, loan moratoriums, etc. have provided some relief but they are far from adequate. In continuing with the reform agenda, the MSME Ministry has introduced a new scheme “UDYAM” to improve access to assisted schemes; however, has the Ministry shot itself at its feet with UDYAM?

MSME, a vital sector

To begin with, India is touted as the land of MSMEs, not without reason — we have one MSME for every 21 citizens (6.34 crore MSMEs), of which a significantly large number (99.4 per cent) are micro enterprises (less than ₹5 crore of turnover and ₹1 crore of investment). MSMEs are the backbone of our country contributing enormously to distribution of products, services, employment and consequently wealth.

More than half (51.4 per cent) are from rural India with activities spanning across manufacturing (31 per cent), trading (36 per cent) and other services (33 per cent). A fifth of the MSMEs are run by women entrepreneurs and in all they provide over 100 million jobs.

Access to organised finance has been difficult for the sector and nearly two-thirds of MSME loans are from informal sources. Since nationalisation of banks in 1969, the thrust towards priority sector lending (MSME included) has been implemented with diligence.

Banks need to lend 40 per cent of their net credit exposure towards priority sector loans (PSL). Further PSL commands benign regulatory requirements thereby reducing the cost of borrowing by a good 2-3 per cent.

The sops

The MSME Development Act was introduced to facilitate the development and enhance competitiveness of MSMEs. Subsequent to this, various enabling regulations like amendment to income tax forms, GST concessions, banking norms, etc were introduced to foster their growth.

Availability of quality data has been a serious constraint affecting targeted welfare measures. To promote identification and access to various schemes of MSMEs, the Udyog Aadhaar Memorandum (UAM) was introduced and more than 8.6 million (as of January 2020) units were registered under the scheme. However, in July 2020, the UAM was substituted by UDYAM.

UDYAM is an “online only” registration which provides for classification of units engaged in manufacturing and service sector into Micro Small Medium Enterprises based on investment and turnover. The scheme links both income tax and GST returns for assessing eligible turnover and investment criteria.

A recent notification by the Ministry, dated June 26, 2020, makes investment and turnover criterion, beyond the first year, determinable based on tax filings (both income tax and GST) in lieu of self-declaration. As of October, 2020, over a million units have registered under UDYAM (37 per cent manufacturing and 63 per cent services).

Further, the RBI, in a notification dated August 21, 2020, has made it mandatory for MSMEs to be registered under the UDYAM scheme to be eligible for PSL, by March 31, 2021.

The pain points

While the intent behind the scheme and the resulting notifications are laudable, it has some glaring concerns:

* Traders have been excluded from the purview of MSME definition, consequently eliminating nearly 2.3 crore entities (36 per cent) from the landscape. Scheduled commercial banks had sanctioned limits of nearly ₹11.5 lakh crore to 1.25 crore traders (wholesale and retail) (March 18), all these limits would now have to be reviewed in terms of pricing and eligibility in the absence of PSL tag.

Further, banks may not be inclined to lend small ticket loans to traders citing commercial reasons affecting financial inclusion and forcing the traders to resort to high-cost informal borrowings. Traders constitute nearly 36 per cent of all MSMEs and have a 35 per cent share in employment generation. The move could affect nearly 39 million jobs (45 per cent from rural) in this sector. The Ministry has subsequently agreed to include wholesale and retail sale and repair of motor vehicles, constituting a small fraction of the trader universe, within the purview, though an official notification is yet to be released.

* The notification mandates MSMEs to file tax returns even though they may not otherwise be required to file under the respective fiscal laws. In a country where nearly 99.4 per cent of MSMEs are micro enterprises and just a small percentage of the population actually paying taxes, this expectation seems far fetched.

* Registration under the UDYAM scheme is entirely online, and in a country where nearly half the population lack access to internet and more than half of the MSMEs (51.4 per cent) located in rural areas, this expectation seems stretched. Further, the time limit for registration is pegged at March 31, 2021 for PSL tag which seems extremely tight given our infrastructure constraints. The move could effectively push MSMEs to rely on informal sources of financing thereby plunging them into a debt trap.

Collection of data for expansion of access to welfare schemes is an important requirement for eradicating inequality in distribution of income and wealth; however, it should not come at the cost of practicality or undue hardship especially in a year of pandemic. Policy initiatives with a forward-looking approach are the need of the hour, but the same needs to be done after putting in the desired infrastructure in place.

We hope, given the magnitude of the issue, the government expands the definition of MSME to include traders, accepts self-declaration (in lieu of tax returns) and makes the registration mandatory over a 24-36 month period to make the transition smooth and seamless. After all, “the best public policy is made when you are listening to people who are going to be impacted”.

Source: thehindubusinessline.com– Jan 20, 2021

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Cotton yarn price to keep rising in India

The price per kg of Indian woven cotton yarn rose from $2.65 in August last year to $3.65 in January this year an increase of 37.7 per cent. The price per kg of combed cotton yarn of 30s count is now $3.55 per kg with an increase of 8.33 per cent over December.

The price of Indian cotton fiber has not increased significantly but the price of cotton yarn is higher than domestic and export prices. The problem is exacerbated by uncertain demand in supply chains. International buyers resumed their orders in the second half of 2020. Already inventories have dried-up as supplies failed to match demand and spinning mills resumed operations late across India.

The demand for Indian yarn is growing with a large number of orders coming in from Bangladesh and Vietnam. Bangladesh is already planning to buy from the stock market as the price of cotton has skyrocketed.

Manpower was limited at the time of the lockdown-induced factory closure resulting in limited production. Later when demand increased, traders and agents started selling more to those who were willing to pay higher prices and, therefore, prices have risen significantly in the last six months.

According to experts, the price may rise further by March 21. This could lead to further difficulties in the Indian textile and garment supply chain. Already weaving price increased from 12-15 paisa/pick to 20-24 paisa/pick in India.

Source: fashionatingworld.com– Jan 21, 2021

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AEPC appeals for stable yarn price, normal supply to garment manufacturers

Apparel Export Promotion Council (AEPC) has appealed to the Association of Yarn Suppliers to maintain the yarn price without any increase and also ensure normal supply of Yarn to the garment manufacturers.

AEPC Chairman Dr A Sakthivel made this appeal during a webinar meeting which was jointly conducted by Confederation of Indian Textile Industry (CITI), Tamil Nadu Spinning Mills Association (TASMA), Northern India Textile Mills' Association (NITMA), The Southern India Mills' Association (SIMA) and other associations of yar

Sakthivel also reviewed the prices of yarn and observed that Rs 10 per kg has been increased in the month of January whereas warp yarn price has been decreased by Rs 15 per kg. Hence, it is learnt that there is no increase in the cotton prices and the supply of cotton is also normal.

He also said that Cotton Corporation of India (CCI) has come up with a scheme that the purchaser can block the cotton by giving very nominal advance.

Further, he said that the buyers aren't giving any raise in the prices since no country has increased the prices for cotton garments. Moreover, now we have observed some improvement in getting orders from Europe & USA.

"At this juncture, if we apply further pressure for price hike it may lead them to switch over from India to other countries who are competing with us. If the buyer replaces our country for their sourcing, then it will be very difficult to bring them back. Ultimately it will impact the garment industry and in turn sourcing of yarn will be reduced," he warned.

"Considering the win-win situation, AEPC Chairman appealed to the Association of Yarn Suppliers to maintain the yarn price as per December month without any increase and also ensure normal supply of Yarn to the Garment manufacturers," he suggested.

Source: knnindia.co.in– Jan 21, 2021

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Gadkari says govt to bring law to ensure MSME dues are paid within 45 days

In order to boost micro, small and medium enterprises (MSME) sector and strengthen the Atmanirbhar Bharat programme, the Central Government is looking forward to bringing a law that will make it mandatory to pay the dues of MSMEs within 45 days, said Union Minister of Micro, Small and Medium Enterprises Nitin Gadkari on Wednesday.

Addressing the members from All India Association of Industries, Gadkari said, "All MSME receivables should be paid within 45 days. Delayed payment is a major problem faced by MSMEs. We are thinking to bring a law to protect their interests."

The Minister said the government is looking forward to introducing legislation mandating public sector undertakings to settle the dues of MSMEs within 45 days of sale.

Source: hindustantimes.com– Jan 21, 2021

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No bank guarantee for cargo transhipment via 2 neighbours

India's Central Board of Indirect Taxes and Customs (CBIC) recently notified the waiver of bank guarantee for transhipment of import and export cargo via Sri Lanka and Bangladesh.

It was told customs authorities at some ports are insisting that ship owners provide bank guarantee for carriage of export-import (EXIM) cargo containers for transhipment from east coast to west coast ports via Colombo.

A CBIC circular dated November 24, 2005, waives the requirement of execution of bank guarantee for the purpose of transhipment in respect of carriers of containerised cargo that handle more than 1,000 TEUs as import containers in a fiscal. Now carriers having annual transhipment volume below 1,000 TEUs, but with good track record, can get the benefit as well.

The board decided to extend the exemption from requirement of furnishing of bank guarantee by the carriers for carriage of EXIM cargo for transhipment through Sri Lanka and Bangladesh if the carrier fulfils the requirement of waiver of bank guarantee in a like manner.

Source: fibre2fashion.com– Jan 21, 2021

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PSA's Mumbai terminal boosts Europe connectivity with new direct service

This is the second direct service linking PSA International-run Bharat Mumbai Container Terminals (BMCT) in JNPT

A consortium of three global container shipping lines led by CMA-CGM SA started a new direct service to Europe from the Bharat Mumbai Container Terminals (BMCT) in Jawaharlal Nehru Port Trust (JNPT).

This is the second direct service linking PSA International-run Bharat Mumbai Container Terminals (BMCT) in JNPT.

The berthing of CMA CGM's 'APL New York' on 20 January, marked the launch of the service. The 9,336 TEUs (twenty-foot equivalent unit) capacity vessel is one of the four deployed by French box line CMA CGM on the service.

Partners COSCO Shipping Lines and OOCL are contributing two vessels and one vessel each on the service, a BMCT statement said.

Connectivity

The new service connects PSA Mumbai to key Europe markets with halts at Tangier, Southampton, Bremerhaven, Rotterdam, Antwerp, LeHavre and Algeciras.

Sivakumar Kaliannan, Managing Director PSA Mumbai, said, "With growing volumes and services, PSA Mumbai is strengthening its service offerings with the launch of the new direct service to Europe".

"BMCT also boosted domestic repositioning of containers by rail in January 2021, with over 1,600 TEUs handled so far. This includes empty container repositioning between hinterlands and nearby container depots via rail yard, and off-dock less than container load (LCL) consolidation for laden containers currently moved by rail to North Indian destinations", he added.

BMCT is one of the five container terminals and the biggest at state-owned JNPT, with a capacity to handle 2.4 million TEUs a year from a quay length of 1,000 metres or 1 km with the deepest berths capable of handling super post-panamax vessels.

PSA International is fully-owned by Temasek Holdings Pte Ltd, the sovereign wealth fund of Singapore.

BMCT is well-connected by major highways and rail networks to key markets in Maharashtra, Gujarat and the National Capital Region. It serves the important industrial and manufacturing centres and cities in North-west India.

Source: thehindubusinessline.com– Jan 21, 2021

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