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INTERNATIONAL NEWS

Global trade runs into choppy waters

The spike in container freight rates smacks of top shipping lines exploiting the market with their oligopolistic power

A shipowner tries to fix freight rates in such a way as to recover capital costs, depreciation, operating costs, agency commission, administrative expenses and other overheads, and get a reasonable return on investment. But with coronavirus taking a toll on the global economy and seaborne trade in early 2020, the container shipping sector was badly hit.

The sector had been struggling with an over-supplied market and slow demand growth even before the pandemic which kept the container freight rates generally low over the past few years. As the pandemic weakened economies, this segment experienced major setbacks. The early part of 2020 witnessed modest recovery in demand and freight rates, but with the outbreak of the pandemic the prospects for demand not only decreased but fleet development was also affected.

With lockdowns coming into force in March 2020 and reducing the demand for container goods, shipping companies adopted strategies to manage supply capacity to reduce costs and keep freight rates from falling. The spread of Covid also led to a sudden drop in demand for seaborne transport. This development forced the container lines to apply strategies such as increased blank sailing (that is, skip port calls), idling of vessels and re-routing as a way of adjusting supply to low demand. This allowed freight rates to remain stable at a time of lower demand for ocean shipping.

Although blank sailing, accompanied by low oil bunker prices, helped shipping lines mange supply capacity and reduce costs, it still accounts for about 40 per cent of the operating cost of a vessel and has an impact on revenue due to capacity withdrawals (Drewry London 2020, Annual Report).

From the perspective of shippers, these strategies meant severe space limitations to transport goods and delays in delivery dates which had an impact on supply chains and the proper functioning of ports (UNCTAD Review of Maritime Transport 2020).

The levels of increase

These factors culminated in freight rates reaching historically high levels by early 2021. The surge in freight rates spread across some developing regions such as Africa and Latin America, and even outpaced the rise observed on the main East-West routes. While the increase in freight rates recorded on the Asia-East coast-North America route was 63 per cent, on the China-South America it was 443 per cent higher than the median for that route.

Rising freight costs over the last year due to shortage of shipping containers have reportedly had a detrimental impact on small and medium-sized exporters. Drewry's Composite World Container Index — a global index for container spot market freight rates on all major routes — peaked at $6,727, up by over 300 per cent since the emergence of the pandemic in December 2019.

Drip Capital, a California-based digital trade finance , in its analysis on the global shipping crisis has stated that small and medium businesses globally account for more than 25 per cent share of the $18 trillion maritime trade. While the Suez Canal hold-up in March 2021 unleashed different challenges on the shipping and logistics industry, small and medium businesses particularly have been going through a bad patch since the onset of the Covid pandemic.

At a time when exports are giving a big push to Indian economy, exporters are forced to shell out more to ship goods to global destinations. Container lines have announced surcharges and as on July 7, freight rates from JPort, Mumbai, Mundra and Hazira to the Mediterranean have seen an increase of $500 per TEU (twenty foot equivalent unit).

Currently, it costs $2,800 per TEU to Barcelona in Spain — an extra $500 would mean an 18 per cent increase in shipping costs. CMA/CGM — a French shipping company — will apply a high season surcharge of $1,250 per TEU for dry cargo to the east coast of Central America from India via Malta.

Exporters hit

According to FIEO (Federation of Indian Export Organisations), a 40 foot container to the US before Covid costing $2,000 is now $6,200 6500; the rates to Europe have increased from $1,200 to $5,000, while the West Africa market has seen a 600 per cent jump.

According to the Indian Rice Exporters Association, African nations are the biggest buyers of Indian basmati rice. Africa as a market accounted for 54 per cent of India's $4.796 billion non-basmati rice shipments during 2020-21. Freight rates to Africa has more than doubled to $115 per tonne compared with $45 per tonne a year ago. An African buyer, who used to get rice delivered at $400 per tonne last year, has to pay $500 now.

Container shipping lines will be able to advance a number of arguments like shortage of containers, congestion in the South China and the US ports on the west coast, delays and detention of ships at ports due to the pandemic and labour shortage, empty container repositioning, the hold-up of ships at the Suez, etc., to justify the abnormal increase in freight rates.

Had the increase in freight rates been modest or moderate, the global shipping community would have accommodated such increases. The world's top ten container lines seem to control about 85 per cent of the total cellular container capacity and they seem to have taken unfair advantage by exploiting the market with their oligopolistic power. These container lines have formed shipping alliances among themselves to consolidate their position and continue to abuse the potential market power.

Latest reports suggest that the US President has issued an executive order demanding the Federal Maritime Commission to take all possible steps to protect American exporters from the high costs imposed by the ocean carriers. In the circumstances, the best antidote appears to be for the national Competition Commission to monitor freight rates and market behaviour with a view to creating a fair, stable and sustainable environment in the area of maritime transport with requisite regulatory oversight.

Source: thehindubusinessline.com– July 26, 2021

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Australia: Cotton grant sets sights on market diversification

The Australian Cotton Shippers Association (ACSA) and Cotton Australia (CA) have received a $692,456 grant from the Australian Government to explore markets with potential growth.

Minister for Agriculture and Northern Australia David Littleproud said the grant would play an important role in coordinating a plan for the future of Australia's cotton industry. "This grant will establish a long-term strategy for market diversification for the entire cotton industry," Minister Littleproud said.

"This will explore as many options as possible to make Australian cotton a fibre of choice for textile manufacturers. "It will look at markets with huge growth potential, like Bangladesh, Pakistan and Vietnam; it will also look at consumer education through digital platforms.

"The more consumers, brands and retailers understand about the sustainability and quality of Australian cotton, the more they can make informed decisions when buying."

Boost to industry

Cotton Australia chief executive officer Adam Kay said market diversification was crucial in the next two years. "We're forecasting a good crop in 2021 and a huge crop in 2022 – 635,000 tonnes this year and 1 million tonnes next year," Mr Kay said.

"Working closely with our customers, retailers and brands will increase demand for the sustainable high-quality cotton we produce and avoid stockpiling product." ACSA chairman Michael O'Rielley said the cotton industry was grateful for the chance to boost the industry.

"We know putting all your eggs in one basket isn't a good idea – that's just common sense and it's been backed up by research," Mr O'Rielley said.

"Market diversification is the way out of any future shocks, whether it's market disruption or a global pandemic."

Source: graincentral.com– July 26, 2021

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Central America Sourcing on the Comeback Trail, Insiders Say

Sourcing of apparel in Central American countries–notably Guatemala, Honduras and El Salvador–has whiplashed from full pandemic shutdown to the great PPE pivot to nearly full operations today, but experts contend its full potential has yet to be seen.

Apparel imports from the region, most of which are shipped to the U.S. duty free, rose 46.44 percent to 1.08 billion square meter equivalents in the first five months of 2021 compared to the same period last year, Sharon Perez, business development manager for activewear and footwear at Lenzing Fibers said last week while moderating a Texworld Lenzing seminar on "Central America Sourcing Strategy."

Taken together, the countries of the Central American Free Trade Agreement (CAFTA), which also includes Nicaragua, the Dominican Republic and Costa Rica, is the third largest supplier of apparel to the United States behind China and Vietnam, Perez said.

"From Guatemala, we are two days shipping by boat to Miami or Los Angles," Davide Piazza, commercial director of Liztex, said. "So that's a big opportunity we do have. I do believe we need more investments in the textile industry in the region, for instance in the types of yarn we can produce."

Piazza said the pandemic highlighted the region's opportunity to serve the U.S. market in terms of the types of materials it can supply.

Central America has significant potential to grow as a supplier to U.S. retailers and brands, according to Diego Cuenca, senior sales manager for Mercados Internacionales, based in El Salvador.

"There's a lot of opportunity being so close to the largest end market in the world and it's slowly been getting better but we have to make it go faster if we work more together," Cuenca said. "Also important to note is that Central America has been producing garments for 30 to 40 years now, so the labor force is very experienced."

Liztex has been expanding into full-package production of bottoms and uniforms due not just to strong demand but also to an imperative to expand beyond yarns and knits. The company has also focused on adding fabric finishes such as temperature control, wicking, wrinkle free and soil release.

Companies in Central America dealt with the pandemic in different ways and continue to be impacted by the ongoing global health emergency.

From the outset, Liztex, like many of its global peers, saw business slow down and order cancellations pile up, Piazza said. But after a couple of months, PPE orders began coming in, prompting Liztex to start producing masks and medical scrubs.

"After that we began making a lot of knits because people were working from home and buying T-shirts, knit shirts and soft pants," he said. "So Liztex started producing 100 percent yarns for knits. Then when industry got going again, we started over again with woven uniforms. So we really didn't feel a big lack of orders during the pandemic and now we're able to grow the business again."

El Salvador completely locked down on March 18 last year, and Mercados also shut down accordingly, Cuenca said. But by the next month, textile manufacturers were included among "essential industries" allowed to open and produce PPE.

"I do think the relationships among mills and textiles companies got even stronger during the pandemic and a lot of orders meant to be produced in El Salvador were shifted to Honduras and Guatemala," he said. "That was good for us because we do business throughout the region."

Then in June 2020, the country reopened and business starting coming back to El Salvador "at 120 percent."
"Right now, it's been crazily growing," Cuenca said. "Almost all spinning mills are booked and most of the manufacturing is also fully booked. We got out of the pandemic into this huge demand and we're trying to make it and hopefully it continues."

SanMar in Honduras retooled its plants to make masks and gowns when it became part of a coalition contracted to supply masks to the U.S. government, according to Jorge Colindres, the producer's senior director of manufacturing.

"So there was a period of time that we were mostly doing PPE," Colindres said. "Then we started converting back to T-shirts. But we had a very good

Q4 last year and it continues to date. The demand has definitely shifted, with a lot of online sales. All of the T-shirts and basic fleece products are in high demand."

SanMar is going "full speed ahead" building a new 800,000-square-foot textile plant in Honduras for increased capacity, he noted.

"With companies struggling getting goods out of Asia right now, with all the logistical problems that are happening, I think will start motivating some companies to rethinking their supply chains…and relooking at Central America."

Source: sourcingjournal.com– July 26, 2021

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USA: Are Ocean Carriers Complying With Detention and Demurrage Rules? New Audit Finds Out

The Federal Maritime Commission (FMC) has established a new audit program and dedicated audit team to assess carrier compliance with its rule on detention and demurrage, as well as to provide additional information to aid in regular monitoring of the marketplace for ocean cargo services.

The "Vessel-Operating Common Carrier Audit Program," which launched immediately, was established at the direction of chairman Daniel B. Maffei and came after industry calls for greater monitoring of detention and demurrage charges.

Earlier this year, Steve Lamar, president and CEO of the American Apparel & Footwear Association (AAFA), sent a letter to the FMC urging it to take immediate steps to stem the surge in contract violations and the spike in detention and demurrage charges.

"Despite having contracts in place, our members have had to pay unexpected and unplanned surcharges, premiums, and/or spot rates to get their cargo on ships," Lamar said in February. "Even then, their cargo has still been rolled, forcing them to miss key delivery dates, leading to further lost sales (particularly for seasonal product) or further charges from their customers."

In addition, Lamar said AAFA members have faced a spike in detention and demurrage charges "for situations completely out of their control."

The audit program will analyze the top nine ocean cargo carriers by market share for compliance with the FMC rule as it applies to detention and demurrage practices in the United States. The commission will work with companies to address their application of the rule and clarify any questions or ambiguities. Information supplied by carriers may be used to establish industry best practices.

Other audit focus areas may include company practices related to billing, appeals procedures, penalties assessed by the lines and any other restrictive practices.

"The Federal Maritime Commission is committed to making certain the law is followed and that shippers do not suffer from unfair disadvantages," Maffei said.

"The work of the audit team will enable the commission to monitor trends in demurrage and detention practices and revenue, as well as to establish ongoing dialog between staff and carriers on challenges facing the supply chain. Of course, if the audit team uncovers prohibited activities, the commission will take appropriate action. Furthermore, the information gathered by the audit process might lead to changes in FMC regulations and industry guidance if warranted."

The audit program will begin with an information request establishing a database of quarterly reports allowing the FMC to assess how detention and demurrage is administered. Responses will be followed by individual interviews with the carriers.

Each of the nine largest carriers by market share will be audited irrespective of whether a formal or informal complaint has been filed at the commission.

FMC managing director Lucille Marvin will lead both the audit program and the audit team, which will initially be comprised of existing commission employees.

Source: sourcingjournal.com– July 26, 2021

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Mango Gearing Up for $1 Billion in Digital Sales This Year

Mango continues to get a big lift from digital sales, which could reach 1 billion euros ($1.18 billion) this year.

The Spanish fast-fashion retailer revised its forecasts for the year after ending the first half, and now sees profit topping 2019 levels. For the first six months of the year, the Barcelona-based company said revenue jumped 21 percent over 2020 and approached pre-Covid 2019 levels. May and June sales were "constantly above those of two years ago," Mango said.

Growth is by and large coming from online, which accounts for 46 percent of Mango's total revenue, closed the first half up 37 percent from a year ago, and was up 85 percent above 2019.

Because online growth "remains on an upward trajectory," Mango projects online sales volume of 1 billion euros ($1.18 billion). The continued increase in online growth comes at a time when much of its European store network—including Germany, France, the U.K., Portugal and Turkey—were closed on average of almost 50 days during the first half. Spanish stores operated with capacity caps and and modified store hours.

"The results obtained so far this year makes us optimistic about the second half of the year, in which we expect a recovery in sales above the 2019 figures. We expect to return to profit this financial year," said Mango CEO Toni Ruiz.

"The strategy implemented by the company in the last few years, together with the major decisions we took within a very difficult context like the one last year, are now bearing fruit. Mango is moving in the right direction and we are ready to face the future with more guarantees."

For the first half, improved collections, proactive stock management and scaled-back sales promotions bolstered margins.

A close eye on expenditures plus as rise in profitability improved profit before tax by more than 20 million euros ($23.6 million) on a two-year basis and by almost 100 million euros ($118.1 million) versus 2020.

In June, Mango kicked off a 35 million euros ($42.43 million) expansion of its Barcelona logistics center, which is expected to help reduce online order fulfillment costs by 25 percent.

And earlier this year, the company produced a new collection of denim that uses laser or ozone to provide more sustainable solutions for the washing and finishing of each garment. According to the fashion retailer, the finishing technologies reduce the collection's water consumption by 30 million liters.

Source: sourcingjournal.com– July 26, 2021

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H&M renounced as FC Barcelona uniform sponsor due to Chinese cotton controversy

When China began to boycott brands who made political statements against Xinjiang cotton, the repercussions potentially equalled a loss of local sales. But as political motivations travel far beyond Chinese borders, western companies are being forced to choose sides too.

One such company is Barcelona's star football club. Affectionately known as Barça, the team was to be sponsored by H&M as uniform outfitters. But not any more.

When H&M raised doubts about the respect of civil rights towards China's Uighur minority, who are essentially the local cotton pickers, it faced a local backlash with its 500 stores disappearing from China's main geolocators.

In light of H&M and China's cotton row, team FC Barcelona temporarily suspended all negotiations for sponsorship, which would have equalled approximately three million euros per year for the Catalan-based club.

The move comes after an American manager of Houston's NBA basketball team tweeted sympathetic support for Hong Kong's protesters in 2019. The response triggered the wrath of the Chinese government, who suspended the airing of its games in a boycott which lasted nearly one year. This forged a loss of 400 million dollars for the basketball league.

The value of the sponsorship is not worth the possibility of retaliation.

Source: fashionunited.uk– July 26, 2021

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Canada's garment industry suffers as investments, skills in the sector dwindle

Canada is stuck in a strange predicament. As per a recent survey, post pandemic, the country has witnessed renewed demand for locally made goods. Yet, shopping for local products in the country has become more challenging, says a report by Macleans. As per a 2019 report, most clothing purchased in Canada is imported from China, Bangladesh and Vietnam. Though, brands including Roots, Lululemon and Joe Fresh design their clothing in Canada, majority is manufactured elsewhere.

Throughout the '70s and '80s, Canada was home to a vibrant and thriving clothing industry, with homegrown designers like Simon Chang, Leo Chevalier, Pat McDonagh and Vivian Shyu ruling the ramp. The garment and textile industries combined employed 200,000 Canadian citizens. The industry continued to flourish till 1990s, when a whopping 70 percent of the country's local demand for textile and clothing products was satisfied by demand production.

NAFTA, quota elimination mar export growth

However, Canada's joining of the North American Free Trade Agreement (NAFTA) in 1994, put a brake on its growing exports. The agreement eliminated tariffs on most goods circulating among Canada, the United States and Mexico, thus making it cheaper to buy many foreign-made items, including clothing.

In 2001, China joined the WTO giving consumers greater access to less expensive Chinese goods. Further in 2005, the Canadian government made apparel imports duty-free. This led to an explosion in fast fashion imports with T-shirts being available for as low as $15. Bob Kirke, Executive Director, Canadian Apparel Federation believes, elimination of these export quotas proved to be the single biggest blow to the Canadian garment industry.

Production weakens as investments decline

Canadian garment industry has also had to grapple with declining investments. Funded by Imperial Tobacco, Matinée Fashion Foundation had invested over $7 million in the industry before the federal government banned cigarette companies from advertising their products.

This fall in investment with sudden proliferation of less expensive foreign-made clothes weakened the apparel-manufacturing industry to an extent that made it unable to compete with foreign made goods. However, one area where Canada continues to flourish is production of high-quality knits, like French terry and fleece.

Encouraged by this, Julie Brown and Jeremy Watt, the co-founders of Province of Canada, decided to launch their brand in 2014. They started by sourcing the logo on their made-in-Canada jogging pants and sweatshirts from a family-owned Canadian factory. They later started sending their own designs to the factory to produce. Now, they plan to produce button-down denim shirts.

Though the shop-local movement has gained momentum in Canada, it hardly signals a new era of revitalization for the Canadian garment manufacturing in the country, says Bob Kirk, Executive Director, Canadian Apparel Federation. He is aware of the fact that the better-quality, less-expensive fabric and production can again lure consumers to overseas brands.

Skill and fund shortage

The Canadian apparel industry also faces another obstacle in the form of aging workforce. The country lacks a skilled workforce to replace its aging professionals. Sewing is no longer considered a skill in the country with most youngsters opting for designing rather sewing. There are also no schools to train young Canadians in industrial production.

The only way the falling Canadian garment manufacturing industry can be uplifted is by government intervention. The Canadian fashion industry has been lobbying the federal government for more funds but has received none so far. The only recent funding received by the fashion industry from the federal government is the $600,000 to be granted through the Quebec Economic Development Program over the next three years.

Currently, there appear to be no solutions for the Canadian garment industry's present dilemma. Yet, the limitless opportunities offered by the sector cannot be ignored.

Source: fashionatingworld.com– July 26, 2021

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Low-cost apparel exports from China, Asia pose problem for Ghana

Low-cost and high-volume apparel exports from China and other Asian countries in the global market are continuously overwhelming Ghana's exports, according to the Ghana Export Promotion Authority (GEPA), which recently said inadequate promotion of Ghanaian textiles and Afro-centric fashion in mainstream apparel channels abroad remains a bane for the sector.

Opportunities do exist for the industry in Ghana. These include unexplored niches in the global market like original woven Kente, diaspora market potentials; proximity to global apparel markets; and the existence of bilateral and regional trade agreements, according to a newspaper report in the country.

Currently, the industry employs more than 6,000 Ghanaians and exports more than $30 million on an average annually. Export revenues from the sector in 2020, according to GEPA, stood at $43 million compared to the $137.4 billion worth of apparel and accessories that China alone exported last year to the US market.

But the GEPA, in its 10-year National Export Development Strategy for the non-traditional export sector, says its export revenue for 2021 is projected to reach $52 million by December, according to a newspaper report from Ghana.

The authority is reviewing financial positions of existing apparel companies to roll out a funding package to serve funding requirements of the industry.

GEPA indicated that it will also provide strong capacity building and funding support to upgrade members of the Ghana Association of Apparel Manufacturers to become a self-sustaining national industry. There are about 14 indigenous apparel manufacturers which predominantly export to the US under the African Growth Opportunity Act (AGOA).

Source: fibre2fashion.com– July 26, 2021

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Home textile orders flood Bangladesh

At least eight companies from Europe and the US, who used to buy home textiles from Pakistan and China, have started doing business with Bangladeshi exporters in the last six months. Some buyers do not get products as per their demand from Pakistan and China. Bangladeshi exporters have attracted them with quality products at a competing price and on-time delivery.

The use of home textiles has seen an increase across the world as people are staying home for longer periods during the pandemic. According to Bangladesh Terry Towel and Linen Manufacturers and Exporters Association (BTTLMEA), the eight new buyers that have started business with Bangladesh in the last six months include the well-known Standard Textile in the United States.

Most factories in Bangladesh export medium and general quality home textile items. However, some companies export relatively high-priced home textile items. Towels account for 40 per cent of Bangladesh's total exports and bedding around 50 per cent. Bedding includes bed sheets, pillows and cushion covers.

The type of home textiles that Bangladesh exports, including towels, is made mainly of ten counts and 16 counts yarns. The share of Bangladesh in this sector in the world market is still about only one per cent. The country's home textile sector is beset with rising raw material and fuel prices. Around 75 per cent of the cost of towels goes to yarn purchasing. As a result, many producers are incurring losses.

However, despite a rise in orders the home textile sector is faced with growing prices of raw materials and fuel that are hurting the industry. Continuously increasing yarn prices are bane as most buyers are not willing to share the extra cost and most producers are being forced to take orders at lower prices.

Source: fashionatingworld.com– July 26, 2021

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Bangladesh: Association members asked to keep textiles, apparel units closed until August 5

Two trade-bodies -- BKMEA and BTMA -- have advised their respective member units to abide by the government's instruction of keeping the factories closed during the ongoing strict lockdown until August 05.

The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), in a notice issued on Saturday, said, "The government has imposed countrywide strict lockdown from July 23 to August 05 due to the deadly new variant of the virus, and our factories are not out of the restriction purview."

"Though the 14-day lockdown will hamper planning of your export activities, you have to accept the loss for doing business in a coronavirus-free environment in future," BKMEA President A K M Salim Osman saidin the notice.

He requested all its 1,500 members to abide by the government'sinstruction despite incurring financial loss during the lockdown, and not to pay any heed to third party. He also said they would seek incentive support fromthe government after the lockdown comes to an end.

Besides, on the same day, the Bangladesh Textile Mills Association (BTMA), in a separate notice, claimed that all its member units remained closed. It also hoped that all textile mills would remain shut during the ongoing strict lockdown.

"The responsibilities will lie on respective mills in case of defiance of the restriction," BTMA President Mohammad Ali Khokon said in the notice. On the other hand, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the apex body of some 4,500 mostly woven manufacturers, did not issue any such announcement to its members.

According to the BGMEA, some 1,912 of 4,500 units are in operation. When asked, BGMEA President Faruque Hassan said they did not issue any closure or opening guidelines or announcement from the association.

All the factories, except the units that manufacture products for preventing Covid-19, would remain closed until August 05 in line with thegovernment's instruction, if there is no further instruction, he noted.

However, the BGMEA, through a text message on July 19, advised its members to take preparations for opening factories from August 01, after Eid holidays, amid the lockdown.

BGMEA Vice President Md Shahidullah Azim said the trade-body was in favour of strict lockdown until July 31.

It believed that the government might re-consider their request to allow them to operate factories from August 01, if the infection rate comes down.

On July 15, the BGMEA, BKMEA, BTMA, Bangladesh Terry Towel and Linen Manufacturers and Exporters Association, and Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association in a joint letter urged the Prime Minister to keep their export-oriented garment and allied factories out of the purview of the strict lockdown, and allow the units to resume operations after a short Eid vacation.

Garment factories, however, announced their respective Eid holidays, ranging from five days to 11 days, and resumption of operations in different dates.

According to Industrial Police, a total of 303 factories continued their production activities on Sunday.

Some 233 or majority of those were medicine manufacturing units, followed by food and beverage, flour, poultry and fish feed, fish processing, gas, biscuit, packaging/carton, and oxygen units.

The rest included chemical, ceramic, leather, plastic, consumer products and medical equipments, according to IP data.

Law-enforcing agencies, meanwhile, closed three units, including one textile and one ceramic, in Gazipur on Sunday morning, as those tried to operate. Mobile court also fined them for violating the government's instruction, according to IP officials.

Source: thefinancialexpress.com.bd– July 26, 2021

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Study: Bangladeshi RMG ranks high with US buyers

Almost half the fashion brands and buyers of the US in a survey said they are keen to increase sourcing from Bangladesh over the next two years due to low prices

The readymade garment (RMG) sector of Bangladesh is in the good books of American buyers as it has historically offered to brands prices that are lower than the global average, according to a recent study.

Nearly half of the fashion brands and buyers of the US surveyed for the eighth edition of the annual study titled “2021 Fashion Industry Benchmarking Study” said they are keen to increase sourcing from Bangladesh over the next two years.

The study, conducted by the United States Fashion Industry Association (USFIA) and published on July 19, showed that the unit price of apparel products in Bangladesh was $2.5 in July-May of this fiscal year while the global average price was $2.6 during the period.

Executives in charge of purchasing clothing from 31 US-based brands, retailers, importers and wholesalers participated in the study which was conducted from April to June of this year.

Of the respondents, 37% said they would increase their purchase of clothing from Bangladesh, while 11% expressed that they would definitely increase sourcing from the country.

India came out on the top as 52% respondents said they would increase their sourcing from India while 7% said that they would definitely increase it.

Vietnam, Indonesia, Cambodia, Sri Lanka, Turkey and China were also contenders for apparel sourcing in the survey.

The import price per square metre of Indian garment is $3.5, $3 in Vietnam, $2.5 in Cambodia, and $1.6 in China.

Although the price of Chinese garments is low, US buyers are leaving the country for other problems — 90% of the respondents said that the maintenance cost of stores had risen because of increased tariff to the US-

China trade war where 74% said the trade war had weakened their brands' financial condition.

The brands paid an average of 23.4% duty on garment imports from China last year, which was about 8% in 2017, said the study.

China, Vietnam, India and Bangladesh are the top four Asian countries who exported RMG to the United States this year.

Of the respondents, 70% said they want to reduce sourcing from China by 70% over the next two years and they are also worried about the rising cost of Vietnamese clothing.

The respondents said that apparel with the “Made in Bangladesh” tag enjoyed a prominent price advantage over many other Asian suppliers.

But as a competitive disadvantage, US apparel imports from Bangladesh concentrated too much on basic fashion items, limiting export growth, especially when consumer demand shifted during the pandemic.

The study said that diversifying the export product structure and improving production flexibility and agility will be critical for Bangladesh to play a more significant role as an apparel sourcing base for US fashion companies in the post-Covid-19 world.

It also revealed that 70% of the respondents plan to source more from Bangladesh over the next two years but they plan to “source from the same number of countries and work with fewer vendors.”

This emerging trend implies that the competition among the thousands of Bangladeshi apparel suppliers will intensify and the smaller and less competitive ones could become more vulnerable, the study noted.

Besides, the respondents still believe that sourcing from Bangladesh represents a relatively higher compliance risk than many of its rivals.

However, after the Rana Plaza collapse, a lot of work has been done on the working environment of the factory. Bangladesh now has the highest number of eco-friendly garment factories in the world, the report said.

Shahiddullah Azim, vice president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said that Bangladeshi clothing has good potential in the US market.

"The US has shifted orders from China due to the trade war, from Myanmar due to military rule, and from India due to a shaky Covid-19 situation. Bangladesh is receiving these orders," he added,

According to the BGMEA, the US is the top destination for Bangladeshi RMG exports.

Bangladesh exported $5.22 billion worth of garments to the US last year.

In the first five months of this year (January-May), Bangladesh exported garments worth $2.58 billion to the US, which is 15.38% more than the same period of last year, according to the Office of Textiles and Apparel (OTEXA) — an affiliate of the US Department of Commerce.

Source: dhakatribune.com– July 26, 2021

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Pakistan: Cotton market remains stable amid increased trading

Cotton Analyst Naseem Usman told Business Recorder that the rate of cotton in Sindh remained Rs 12900 to Rs 13000 per maund. The same in Punjab was Rs 13500 to Rs 13700 per maund.

The rate of new Phutti crop in Sindh was Rs 4800 to Rs 5400 per 40 kg while the same in Punjab remained Rs 5500 to Rs 6200 per 40 Kg. The rate of Banola in Sindh was Rs 1700 to Rs 1800 per maund and in Punjab it was Rs 1700 to Rs 1900 per maund. The rate of cotton in Balochistan remained Rs 12900-13000 per maund while the Phutti in Balochistan was Rs 5200to RS 5700 per maund.

Around 2400 bales of Tando Adam were sold in between Rs 12500 to Rs 13000 per maund, 2000 bales of Shahdad Pur were sold in between Rs 12700 to Rs 12900 per maund, 2600 bales of Sanghar were sold at Rs12500 to Rs 12800 per maund, 1000 bales of Mir Pur Khas were sold at Rs 12650 to Rs 12800 per maund, 800 bales of Hyderabad were sold at Rs 12700 to Rs 12800 per maund, 200 bales of Chichawatni were sold at Rs 13600 per maund, 200 bales of Mungi Bangla and 400 bales of Burewala were sold at Rs 13500 per maund.

The country is likely to miss the cotton production target of 10.5 million bales due to high inputs costs including fertilizers, diesel, tractors, pesticides, and water shortage issues.

Sources in the Ministry of National Food Security and Research (MNFSR) said that during 2020-21, the total production of the cotton crop for 2020-21 declined 23 percent to little over seven million bales against 9.15 million bales 2019-2020, and during the current season, the government is also not likely to achieve the set cotton production target owing to the above mentioned issues.

The area under cotton cultivation also fell by 17.4 percent to 2.01 million hectares compared to previous year's 2.5 million hectares, mainly due to absence of incentives to farmers to sustain the crop amid challenges from competing crops like sugarcane.

They said that decline in cotton production was hugely impacting the country's balance of payment as the local industry was forced to import around $3 billion worth raw cotton to meet local requirements.

They further said that in 2011, the country produced 14.7 million bales of cotton since than the crop production is declining, because the farmers did not get desirable rates and they suffered heavy financial losses as a result, they shifted on other crops especially on sugarcane and maize.

Sources said that the growers kept on urging the government for an intervention cotton price of at least Rs 5,500 per 40kg this year but the MNFSR proposed price of Rs 5,000.

The government has set the production target for 2021-22 crops at 10.5m bales, which is 50 percent higher against 2020-21. The government has also set the target of cultivating cotton over 2.33 million hectares, up 16 percent more, when compared to this year's 2.01 million hectares.

Meanwhile, Pakistan Cotton Ginners Association has appealed to the Prime Minister of Pakistan to establish an autonomous cotton control board which should be directly supervised by the Prime Minister of Pakistan in order to achieve the target of production of 20 million cotton bales and in order to save ginning industry from closure.

They also demanded that zoning of the cotton crop must be implemented in letter and spirit. Government should also ensure availability of certified, germinated heat and disease-resistant seeds.

The Spot Rate remained unchanged at Rs 12700 per maund. The rate of Polyester Fiber increased by Rs 3 per kg and was available at Rs 216 per kg.

Source: brecorder.com– July 27, 2021

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NATIONAL NEWS

India-EU FTA talks likely in September but no resolution yet on linking of investments, GIs

EU insists on stand-alone pacts in three areas, India wants comprehensive agreement

India and the EU are likely to begin negotiations on the revamped proposal for a bilateral free trade agreement (FTA) in September but there continues to be disagreement between the two sides on whether to carve out separate agreements on investment protection and geographical indications (GIs), a source tracking the matter has said.

"Both sides have made significant progress on the ground work to re-start the negotiations but there is no resolution on whether to work and conclude pacts on investment protection and geographical indications separately, as wished by the EU, or go by India's demand of linking the conclusion of all three agreements and agreeing on a complete package," the source told BusinessLine.

There are now hopes that when officials from the two sides meet for the negotiations in September or later this year, the issue would be finally sorted out, the source added.

FTA negotiation

In May this year, at the India-EU Leaders' meet, it was decided that the two sides would resume the FTA negotiation (formally known as the Broad-based Trade and Investment agreement) that was suspended in 2013 following differences over issues such as reduction of import duties on automobiles and alcohol and greater market access in financial services by India and greater mobility for Indian professionals in the EU countries.

India is keen for re-launch of the talks as it wants to get into trade pacts with countries that are outside the influence of China. The EU, on the other hand, wants to re-affirm its strong economic ties with India, a significant trade partner, through an FTA, especially after exit of the UK from the bloc. The EU is India's third largest trading partner, accounting for €62.8 billion worth of trade in goods in 2020 or 11.1 per cent of total Indian trade, after China and the US, per EU figures.

"Months before the India-EU Leaders' meet, the EU had demanded that an investment protection pact and an agreement on GIs should be carved out separately from the FTA but India had not agreed," the source said. However, the joint statement of the Leaders' meet laid down that an investment pact would indeed happen as a stand-alone pact while the two sides would decide together the fate of the pact on the GIs.

"The Commerce Ministry, which drives all negotiations for free trade pacts, objected to the bit on a separate investments pact mentioned in the joint statement and wrote to the EU stressing that while the talks on investments and GIs could take place on separate tracks they needed to be concluded together with the FTA. The EU has not replied in the positive yet and matters are hanging," the source said.

Since India terminated all bilateral investment treaties with partner countries, including individual EU countries, in 2017, the EU is eager to put in place a bilateral investment protection agreement between India and all EU member countries as early as possible. But New Delhi realises that the investment agreement will be a strong bargaining chip for it while negotiating the FTA and also be an inducement for its conclusion.

Similarly, the GI agreement, which will help both countries in getting their GI (sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin) recognised in each other territories, will also serve as an incentive for the fast conclusion of the FTA as the EU is very keen on it, the source added.

Source: thehindubusinessline.com– July 26, 2021

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Why India is warming up to a trade deal with UK

More than a year after pulling out of the China-led regional comprehensive economic partnership (RCEP), India has stepped up its efforts to negotiate free trade agreements (FTAs) with other major economies. Separate discussions are currently underway with the UK and the European Union (EU), with possibilities being explored for early harvest deals before eventually moving towards full-fledged FTAs.

FTA talks between India and the EU had come to a halt in 2013 after the two sides failed to resolve major differences over its scope. The dynamics today are different since the UK, which was India’s major trading partner in the EU, is no longer a part of the EU.

Post Brexit, the UK is now positioned to strike a trade deal with India on its own rather than as part of a large trading bloc. The EU itself is more amenable to a trade deal with India today than it was 8 years ago as it seeks to diversify supply chains. Yet, it will take longer for India and EU to resolve outstanding issues than for India and UK to hammer out a trade deal.

The two countries have already set the ball rolling. In May this year, India and the UK unveiled a 10-year roadmap which included an “enhanced trade partnership (ETP)" agreement to reduce market barriers and a commitment to double bilateral trade by 2030. Formal negotiations for an FTA are likely to start later this year.

A trade deal with India is likely to come as a shot in the arm for the Boris Johnson government as it tries to showcase gains from Brexit. For India, this is an opportunity to showcase itself as an alternative trading partner to China in a post-covid world. It also helps India demonstrate its commitment towards freer trade without much risk of incurring large trade deficits.

Vital Partners

The total trade between India and the UK is currently around $33 billion per year, including $15 billion worth of trade in goods and the rest in services. The UK is amongst India’s top ten exporting destinations while India is UK’s sixth-largest non-EU trading partner.

India's major exports to the UK include clothing, pharmaceuticals, refined oil and metal manufactures. The UK's key exports to India comprise metal ores, non-ferrous metals, electrical goods and general industrial machinery. Overall, the trading patterns between the two countries show a high degree of complementarity, with India's export basket having a high match with UK's import basket, and vice-versa.

FDI inflows from the UK to India have also grown steadily, with the UK being the sixth largest source of FDI in India <> since 2000. But given the lingering tax disputes involving Vodafone and Cairn Energy, the UK may well push for greater policy certainty in investment deals during the FTA negotiations.

Untapped Potential

The two countries would also aim to reduce tariff and non-tariff barriers that are holding up trade potential between the two economies. According to the International Trade Centre (ITC), the Indian products with greatest export potential are jewellery (of precious metals), diamonds and medicaments. The UK products with the highest export potential include turbojets, whiskies, and airplane/helicopter parts.

Source: livemint.com – July 27, 2021

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Factoring Bill gets LS nod, to bolster cash flow to MSMEs

The amendments to the factoring law approved by the Lok Sabha on Monday will bolster cash flow to micro, small and medium businesses (MSMEs), Finance Minister Nirmala Sitharaman said.

The Factoring Regulation (Amendment) Bill, 2020, seeks to broaden the participation of entities in the factoring business, thus expanding the avenues of working capital credit to even small businesses. It also relaxes restrictive provisions in the extant law and empowers the central bank to come out with norms for better oversight of the $6-billion factoring market.

Sitharaman said the amendments are in sync with the UK Sinha panel recommendations. The Bill has already passed through the scrutiny of the standing committee on finance, and the government has also accepted their suggestions, she said.

The Bill, which was cleared without a proper discussion amid a din in the Lok Sabha, had been listed since last week. But discussions on the amendments couldn't take place due to frequent disruptions in House proceedings.

The new Bill seeks to allow all non-banking financial companies (NBFCs), instead of a select few, to engage in the factoring business.

Factoring is essentially a transaction where an entity (like an MSME) sells its receivables (dues from a customer) to a third party (a 'factor' like a bank or NBFC) for immediate funds. It often helps a firm satiate its immediate working capital requirement. Many MSMEs, whose payments against supplies are stuck, participate in the factoring business with receivables.

Despite growth in recent years, the factoring market accounts for only 0.2% of India's GDP, way behind comparable developing economies such as Brazil (4.1%) and China (3.2%), according to a report of the parliamentary standing committee on finance, which reviewed the Bill. The factoring market worldwide is projected to reach $ 9.2 trillion by 2025.

In India, factoring credit makes up for only 2.6% of total formal MSME loans, way below 11.2% in China. Moreover, only 10% of the total receivable market is currently covered under a formal bill discounting mechanism.

The factoring Bill also seeks to amend the definitions of “assignment”, “factoring business” and “receivables”, to bring them in sync with international definitions, and to insert a new definition of “Trade Receivables Discounting System”.

The House panel, in its report submitted in February, had stressed the need for the RBI to build sufficient regulatory resources to ensure effective supervision of factoring activities now that a large number of players may take part in such businesses.

Source: financialexpress.com– July 27, 2021

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'Govt committed to clear MSME dues within 45 days': Nirmala Sitharaman

Union inance minister Nirmala Sitharaman reiterated the Centre's commitment that Micro, Small and Medium Enterprises (MSMEs) will receive their pending payments within the 45-day deadline set by the government. She was replying to a question on the issue in the Lok Sabha on Monday.

"I have over the last year (2020) reviewed it from the point of view of central government and various departments which owe money to the MSMEs, inclusive of public sector undertakings (PSUs). We have made sure that standard, as per rule 45 days, be not crossed and all dues be paid from the government side to the MSMEs," Sitharaman said.

The minister added that the digital platform where MSMEs payments can be discounted is very actively encouraged by the government.

"As fas as the central government is concerned, we have taken this position that any pending payment will have to be given within 45 days and I a personally monitoring it," said Sitharaman.

Talking about the Goods and Services Tax (GST) payments, the finance minister said the GST Council will have to take the final decision in this regard. "The GST Council will have to take a response on how they want the states also to get into this scheme of things. When we say governmetn dues, they are not just central government dues, or central PSU dues, but also from state governments and state government-owned PSUs," said Sitharaman.

MSMEs play a significant role in nation-building and makign the economy stronger. They contribute about 29 per cent to the country's Gross Domestic product (GDP) and employ more than 11 crore people.

Around 1.09 crore MSME borrowers have been provided with guarantee support amounting to ₹2.73 lakh crore as of July 2 this year under the Emergency Credit Line Guarantee Scheme (ECLGS), MSME minister Narayan Rane said in the Rajya Sabha last week.

The scheme was launched for an emergency credit line of up to ₹4.5 lakh crore to businesses including MSMEs and the same is backed by 100 per cent central government guarantee.

On Thursday, Rane said that MSME loan accounts with an aggregate amount of ₹55,333 crore have been restructured by public sector banks till June 25 this year.

In a separate reply, he said since the inception of the Prime Minister's Employment Generation Programme, till July 9, 6,97,612 units have been set up (including those by farmers) with MM (margin money) subsidy of ₹16,688.17 crore.

Source: hindustantimes.com– July 26, 2021

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Major ports now have a new tariff setting authority

It's official. After 24 years of fixing tariffs at the 12 major ports under Central government control, the Tariff Authority for Major Ports (TAMP) will no longer have that role. The Board of Port Authority, formed under the Major Ports Authority Bill 2020, will now fix tariffs, which will act as a reference during bidding for public-private-partnership (PPP) projects. PPP operators are free to fix tariffs based on market conditions, according to the Ministry of Shipping's 2020-21 annual report.

The validity of the Reference Tariff Guidelines of TAMP was extended upto March 8, 2021, or until further orders, whichever was earlier. It's now official that TAMP has been dispensed with, going by the ministry's annual report, said an official.

However, the transition went unnoticed and surprised the trade, as many in the shipping industry said they were not aware of the development. "We are yet to hear about the transition," one of them said.

G Raghu Shankar, Executive Director of International Clearing and Shipping Agency, said that TAMP had created a consultative process that gave the port/terminals industry a platform to interact on any proposal including tariff revisions. Over time, the landscape of ports and port terminals changed drastically with the addition of multiple facilities, both in the private and public sector, offering users options not necessarily based on tariff. This indirectly minimised the relevance of TAMP. However, the ministry could open a consultative process, he said.

Need for balance

On one hand, the major ports have done away with industry representation in the Board, while on the other there is need for user participation in fixation of tariff and other port-related development activities to help balance the demand-supply situation, said AV Vijayakumar, CEO of Paramount Shipping.

TAMP was created in 1997 through an amendment to the Major Port Trusts Act, 1963, and constituted by the government through a gazette notification on April 10, 1997. It was mandated to frame the 'scale of rates and statement of conditions' for services rendered by the major port trusts and private terminals, as well as the charges for use of port properties.

An adjudicatory board has been proposed to carry out the residual function of the erstwhile TAMP, to look into disputes between ports and PPP concessionaires, to review stressed PPP projects and suggest measures to revive such projects, and to look into complaints over services rendered by ports and the private operators operating within them, the annual report said.

The Board of Port Authority has been empowered to enter into contracts, planning and development, fixing of tariff except in the matter of national interest, security and emergency. Under the current MPT Act, 1963, prior approval of the Central Government was required in 22 instances.

The Board of each major port shall be entitled to create specific master plan for the development of infrastructure established or proposed within the port limits, and such a master plan shall be independent of any local or State government regulations of any authority whatsoever, the annual report said.

Source: thehindubusinessline.com– July 26, 2021

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Draft Indian Ports Bill, 2021

In the course of new legislation, the Ministry had circulated the draft Indian Ports Bill 2020 for seeking inputs from all stakeholders viz. State Governments, State Maritime Boards, major ports, General Public etc. The feedback/ suggestions on the draft Indian Ports Bill, 2020 as received from the concerned stakeholders were carefully examined by this Ministry and suitably incorporated in the draft Indian Ports Bill, 2021.

The present version of the Indian Ports Bill, 2021 has also been circulated to all stakeholders to provide comments. The draft of the Bill was also discussed in Maritime State Development Council (MSDC) meeting held on 24.06.2021. Comments of some of the State Government is still awaited. The proposed legislation is still under consultative stage.

This information was given by Minister of State for Ports, Shipping and Waterways Shri Shantanu Thakur in a written reply in Rajya Sabha today.

Source: pib.gov.in– July 26, 2021

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Financial assistance towards MSMEs

Government has taken a number initiatives for providing financial assistance to the Micro, Small and Medium Enterprises (MSMEs) to cope with the financial impact of the COVID-19 pandemic which inter-alia include measures such as :

- Rs. 20,000 crore Subordinate Debt for MSMEs,
- Rs. 4.5 lakh crore Collateral free Automatic Loans under Emergency Credit Line Guarantee Scheme (ECLGS) for businesses, including MSMEs.
- Rs. 50,000 crore equity infusion through MSME Fund of Funds
- Rs.15,000 crore Special Refinancing Facility for Small Industries Development Bank of India (SIDBI) from RBI as a specific response to COVID-19 for on lending/refinancing purposes
- Credit Guarantee Scheme to facilitate loans to 25 lakh persons through Micro Finance Institutions,
- Rs 30,000 crore Special Liquidity Scheme for NBFCs/HFC/MFIs,
- Rs. 90,000 crore partial Credit Guarantee Scheme 2.0 for Liabilities of NBFCs/MFIs.

In view of the challenges faced by taxpayers due to the outbreak of Novel Corona Virus (COVID-19), the Government of India has taken several taxation related measures for the industries including MSMEs which inter-alia include measures such as :-

- extension of various time limits for compliances and statutory actions under the taxation laws
- extension of date for filing declaration under the Direct Tax Vivad se Vishwas Act
- issuance of corporate tax refunds,
- extension of the date of incorporation of eligible start up for claiming deduction under the relevant provisions of income tax act,
- extending the date for making various investment/payment for claiming deduction under Chapter VIA-B of the Income Tax
- Concessional rates of interest in lieu of the normal rate of interest of 18% per annum for delayed tax payments.

This information was given by Union Minister for Micro, Small and Medium Enterprises, Shri Narayan Rane in a written reply in the Rajya Sabha.

Source: pib.gov.in– July 26, 2021

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Commodity prices boosting exports' value: Moody's arm

High commodity prices have boosted the value of India's exports, which have hit a record $95 billion in the first quarter of 2021 and outbound trade is likely to lead the country towards a recovery after the pandemic's 'one-two punch' hit the economy, Moody's Analytics said in a report on Monday.

Stating that India is struggling to accelerate COVID-19 vaccination, the firm reckoned that 'herd resilience' — when 65% of the population is fully immunised — is now expected in the fourth quarter of 2022. Only Indonesia, Philippines and Thailand are expected to reach those levels of vaccination later, among India's peers in the region.

In an economic outlook report on the Asia Pacific Region titled 'The Delta Roadblock', the financial intelligence firm said the delta variant of COVID-19 is among the key factors adversely affecting economies, although the setback from the current set of movement restrictions will not be as severe as in the second quarter of 2020.

'Exports, a lifeline'

"Our forecasts for the third quarter across much of APAC are revised lower, but some recovery is expected in the fourth quarter," it said, terming exports a lifeline for the region which are now well above pre-pandemic levels and continued to rise in the April-June quarter.

"Even in India and Indonesia, where exports make up relatively small shares of the economy, high commodity prices have boosted the value of exports. This is one factor that helped reinvigorate India after its first devastating wave of COVID-19," the firm said in its report.

While India's second wave, now coming to an end, 'may have more lasting damage to the economy as the pandemic's one-two punch hit small enterprises very hard, exports will once again be the foundation for recovery', it said.

Struggles to contain COVID-19 create considerable downside risks for countries like India, in the second half of 2021 and going into 2022, Moody's Analytics warned, and attaining pre-pandemic level growth rates may have to wait till the next year.

“[India has] suffered lengthy economic shutdowns, accompanied by only modest fiscal support provided to SMEs and low-income households, that could lead to very deep and lasting scarring as they struggle to reopen businesses, pay back loans, or find employment as the economy finally recovers,” it concluded.

Source: thehindu.com– July 26, 2021

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Indian ministry in process of obtaining cabinet nod for MITRA scheme

The Indian textile ministry is in the process of obtaining cabinet approval for the proposed Mega Investment Textiles Parks (MITRA) scheme under which seven such parks will be set up in the country over the next three years, minister of state for textiles Darshana Jardosh informed parliament recently. The scheme was announced in the last union budget.

"Once, the proposed scheme is approved and modalities are finalised, the details of location, government funding structure etc. will be decided," she said in a written reply to the parliament lower house (Lok Sabha).

In a separate reply, the minister said during the pandemic, the Cotton Corporation of India (CCI) procured 20.72 lakh bales valued at ₹5,615 crore from 4 lakh cotton farmers, a news agency reported.

However, during the entire cotton season 2019-20, CCI made a record procurement of 105.15 lakh bales (equivalent to around 546.80 lakh quintal kapas) and an amount of ₹28,500 crore was disbursed to around 21.50 lakh cotton farmers directly into their bank accounts, she said.

"During current cotton season 2020-21 (October 1, 2020 to September 30, 2021), CCI opened more than 450 procurement centres in all cotton growing state.

CCI continued its procurement of cotton under MSP operations since beginning of season to avoid the eventuality of distress sale by farmers and has procured 91.89 lakh bales so far (equivalent to around 482 lakh quintal kapas)," Jardosh said.

CCI disbursed an amount of ₹26,700 crore to around 19 lakh cotton farmers, she added.

Source: fibre2fashion.com– July 26, 2021

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Seasoned multibagger hunters all turn to one sector to find next gem

Rising demand for textile products in domestic as well as foreign markets has already attracted a large number of investors, taking some of the stocks up as much as 750 per cent this calendar so far. The best minds on Dalal Street are always trying to find the next best stock idea. The ability to do so earlier than the others makes them successful.

Going by buy-sale trends of the June quarter, it looks like many of them have been hunting for gems in the textile sector. The sector has suffered quite a bit due to the pandemic, with sales down in the dumps, but the recovery has been impressive. Rising demand for textile products in domestic as well as foreign markets has already attracted a large number of investors, taking some of the stocks up as much as 750 per cent this calendar so far.

Not just big names, even retail investors and institutional investors piled on select stocks from the sector. In 2021 till now, 38 stocks from this space have delivered multibagger returns; 24 have more than doubled since April 1, reflecting solid investor interest. This is reminiscent of the rally in metal stocks that multiplied between October 2020 and May 2021.

This is at the time when the situation is yet to turn favourable for the business. JM Financial expects home textile players to report sequentially flat profit growth in Q1. However, things may change drastically from here on. Analyst commentaries have turned bullish on the textile sector. In the financial year 2021, the home textile segment saw a 7-8 per cent drop in revenues. However, that is likely to grow 20-22 per cent this financial year, said Crisil.

The rating agency believes cotton yarn revenues will also recover to the pre-Covid levels this financial year, with operating profit rising 200-250 bps thanks to sustained demand at a high price spread. It has a similar projection for ready-made garments.

A $220 billion opportunity

In value terms, India's domestic textile and apparel market was worth $106 billion in 2019-20 and is ex

With the adoption of modern technologies and better capacity building, India in the recent years has emerged as a cost-competitive base for manufacturing.

“Growing preference for India as a sourcing partner and the China+One strategy has also increased demand for Indian textiles in the global market. In the last six months (Jan – Jun 2021), India’s textile export to the US has surged by 46.4 per cent to $4.5 billion,” said Vinit Bolinjkar, Head of Research of Ventura Securities.

India has strengthened its position as an alternative to China, thanks to a favorable Ease of Doing Business ranking, better compliance and political stability. Labor cost in India is highly competitive in the region and significantly lower than those in China, noted analysts.

India’s market share to triple

Thanks to the political tensions between the US and China along with some favourable agreements with Europe, India’s textile and apparel exports are expected to touch $300 billion by 2024-25, resulting in a tripling of the country’s market share globally from 5 per cent to 15 per cent, said a projection.

“Our channel checks suggest a healthy order book for exporters for next six months, given the sharp recovery in the US and EU markets. The spread between yarn and cotton prices is past the previous highs and should enable yarn producers to report strong earnings for H1FY22. Integrated players – Trident and Welspun India – continue to be our preferred picks in the home textile space,” said Ashutosh Somani of JM Financials.

Supportive government policy is also likely to come to fruition this financial year. “We are positive on the Indian textile market due to a rise in demand and support from the government through innovative schemes such as mega textile parks and the creation of a world-class infrastructure, which is expected to provide the necessary push to this sector and attract large investments,” said Bolinjkar. He is bullish on Vardhman Textiles, Trident, Nahar Spinning and Welspun.

Source: economictimes.com– July 26, 2021

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GST e-way bill generation gathers momentum in July

E-way bill generation for goods transportation under the Goods and Services Tax (GST) system has improved pace in July, indicating a gradual pick-up in economic recovery.

In the first 25 days of July, average daily e-way bill generation stoodat19.83 lakh, 8.8% higher than the average for June and 54% higher than the May level.

Average daily e-way bill generation was 20.2 lakh in the week ended July 25, compared with 20.4 lakh in preceding week and 19.24 lakh in the first11 days of July.

Between July 1 and 25, as many as 4.96 crore e-way bills were generated. Higher e-way bills generation will also reflect in GST revenue.

Gross GST collections, after remaining above the Rs 1-lakh-crore mark for eight months in a row, came in at Rs 92,849 crore in June (May transactions), reflecting the blow to the economy from localised lockdowns.

Thanks to reduction in Covid-19 case numbers and easing of the lockdowns, e-way bill generation by businesses rose to 5.5 crore in June from 3.99 crore in May, indicating a recovery of trade and business. About 5.9 crore e-way bills were generated in April.

With the impact of the second Covid-19 wave waning and the vaccination drive making progress, parts of the economy are expected to look up from July.

In recent months, the government's GST revenue has been robust, thanks to steps taken to curb evasion, increased compliance and also a shift of business away from the informal sector. A nascent economic recovery that appears to have been disrupted by the pandemic's second surge, also helped.

Source: financialexpress.com– July 27, 2021

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Skyrocketing prices & import duty big concerns for cotton Textile Value Chain: SIMA

The recent hike in price of Rs. 3,800 per candy (355 kgs) of cotton within 15 days by Cotton Corporation of India and 10 per cent import duty on cotton has enabled the trade increase prices abnormally and such hikes are a severe blow to the entire cotton textile value chain, Southern India Mills'' Association said on Monday.

Cotton prices have been increasing rapidly since January 2021 and skyrocketed this month, even as CCI increased the price from Rs 51,000 to Rs 54,800 per candy since the start of July, which has helped fuelling the market, SIMA Chairman Ashwin Chandran said in a release here. The market price of Gujarat based Sankar-6 cotton that was Rs 43,300 in January last has increased to Rs 56,600 now, an increase of over 30 per cent, Ashwin said.

The steep increase in cotton prices will not only affect the industry and squeeze margins, but lead to higher prices in apparel and textile goods for domestic consumers, who are already burdened by the ill-effects of the COVID-19 pandemic, he pointed out.

Stating that there was no parity between current cotton prices and yarn prices, which in turn would force spinning mills to increase yarn prices in the coming period to avoid incurring losses, he said CCI had procured over 25 per cent of the Indian cotton crop under Minimum Support Price operations, the cost of which works out to Rs 43,000 per candy.

The current selling price is abnormally high. Even if the carrying costs and reasonable profit margins are taken into account,CCI could have maintained prices at a reasonable level of around Rs 48,000 per candy to maintain stability, he said.

"Taking advantage of the 10 per cent import duty on cotton, the trade has encouraged price speculation and domestic prices in certain varieties such as ELS (Extra Long Staple) cotton has already exceeded the international price making our industry uncompetitive he said. Chandran said that because the country is poised to record a very high closing stock figure of 110-120 lakh bales, such a steep increase in cotton prices was never anticipated.

The speculative market has encouraged the ginners and trade to mix inferior cotton and waste with virgin cotton, resulting in high trash content, short fibre content and high contamination, which affect the performance MSME spinning mills, power looms and handlooms, he said.

Expressing grave concern over the issue, he urged the government to withdraw the 10 per cent import duty immediately to change the market sentiments and avoid further damage to the cotton textile value chain. Since the industry imports only around 11 to 12 lakh annually (less than 4 per cent of annual consumption) that too cotton varieties not grown in India, the import duty does not help Indian cotton farmers and is a big hindrance to the Indian Textile and Clothing Industry, he added.

Source: outlookindia.com– July 26, 2021

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CCI opened over 450 procurement centres across India in current season

During current cotton season 2020-21 (Oct 1, 2020 to Sept 30, 2021), Cotton Corporation of India (CCI) has opened over 450 procurement centres in all cotton growing states across the country. The corporation has procured 91.89 lakh bales so far (equivalent to around 482 lakh quintals kapas) and disbursed ₹26,700 crores to around 19 lakh cotton farmers.

CCI continued its procurement of cotton under MSP operations since the beginning of the current season to avoid the eventuality of distress sale by farmers, minister of state for textiles Darshana Jardosh said in a written reply to Lok Sabha.

In cotton season 2019-20, CCI had opened 423 procurement centres in 12 cotton growing states to safeguard the cotton farmers from distress sales. During the pandemic, CCI procured 20.72 lakh bales valuing ₹5,615 crore from 4 lakh cotton farmers.

However, during the entire cotton season 2019-20, CCI made a record procurement of 105.15 lakh bales (equivalent to around 546.80 lakh quintals kapas) and an amount of ₹28,500 crores was disbursed to around 21.50 lakh cotton farmers directly into their bank accounts.

To achieve the desired success in the Scheme for Integrated Textile Park (SITP), government of India provides financial assistance to a group of entrepreneurs to establish state-of-the-art infrastructure facilities in a cluster for setting up their textile units, conforming to international environmental and social standards and thereby mobilise private investment in the textile sector and generate fresh employment opportunities.

Under SITP, industry associations, group of entrepreneurs and agencies of the state governments are main promoters of the Integrated Textile Parks (ITPs). Special Purpose Vehicles (SPVs) are formed by the representatives of the local industry, financial institutions, state industrial and infrastructural corporations, and other agencies of state and central governments. The SPVs shall invariably be a corporate body registered under the Companies Act. The textile parks under various stages of implementations are reviewed by the PAC time to time.

Source: fibre2fashion.com– July 26, 2021

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Pre-packs for MSMEs: FM introduces Insolvency amendment Bill in LS

Bill to replace Ordinance that was issued in April this year

The Finance Minister Nirmala Sitharaman on Monday introduced a Bill in the Lok Sabha to provide statutory backing to pre-packaged insolvency resolution process (pre-pack) regime for companies classified as micro, small and medium enterprises (MSMEs).

This Bill —Insolvency and Bankruptcy Code (amendment) Bill 2021 —once passed by Parliament would replace an ordinance that Centre had promulgated in April this year for introduction of pre-packaged insolvency for MSMEs.

Currently, India has about 6-7 lakh companies that are classified as MSMEs and potentially these many could benefit from the newly introduced pre-packaged insolvency framework.

The objective of introducing pre-pack for MSMEs is that it is a cost-effective mechanism and quickens the process for resolution of MSMEs.

A pre-packaged insolvency — in the Indian framework context— is an arrangement where the resolution of a company's business is negotiated with a buyer before the appointment of an insolvency professional. It is a blend of informal and formal mechanisms, with the informal process stretching up to NCLT admission, followed by the existing NCLT supervised process for resolution as specified under the Insolvency and Bankruptcy Code (IBC).

Viable alternative

Pre-packs are seen to be a viable alternative to the current corporate insolvency process and would be significantly less time-consuming and inexpensive as against the formal insolvency proceedings.

The government had deemed it fit to first introduce pre-packs for MSMEs as they are critical for India's economy and they contribute significantly for the country's gross domestic product besides providing employment to a sizeable population. Also, MSMEs in India have relatively suffered most during the current pandemic times. Also with threshold of debt default at ₹1 crore now under IBC, most of the MSMEs are out of this range.

Debt default threshold

The Centre has notified at ₹10 lakh the minimum debt default threshold for MSMEs for which pre-packaged insolvency resolution process could be used. The ordinance specifies maximum time period of 120 days from the pre-packaged insolvency commencement date by when the pre-pack process should be completed.

The framework introduced through the ordinance was an experiment of sorts and different in some ways from the normal Corporate Insolvency Resolution Process (CIRP). Unlike CIRP, this pre-pack framework for MSMEs is a debtor in possession and creditor in control model.

In the case of normal CIRP, it was resolution professional in possession and creditor in control. Put simply, in the pre-pack for MSMEs, the debtor will continue to control and run the enterprise till resolution happens. In normal CIRP, the Resolution Professional comes in and takes over on the day of the admission itself.

Source: thehindubusinessline.com– July 26, 2021

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Cotton promises to trade above MSP as season starts

Cotton traders foresee a good season as a supply glut threatens to push prices up once the season starts. Pradeep Jain, founder president of Khandesh Gin/Press Owners and Traders Development Association, talked about average traded price of the lint crop touching Rs 6,500-7,000/quintal right at the start of the season.

After the US, India is the second largest producer of cotton in the world, but last year, drought in Texas has seen the former slipping down the line of producers. As a result, cotton prices had firmed up post December with Indian farmers able to command prices above the government declared minimum support price (MSP) of Rs 5,515/quintal.

Higher international prices had seen Indian exporters managing to send58 lakh bales (each of 170kg) outside the country. Estimates by the industry has talked about exports touching around 65 lakh bales before the start of the 2021-22 (October-September) cotton year.

Higher prices of cotton have not seen an increase in area in the current kharif. Farmers have shifted more towards soybean than cotton, and as of July 23, India reported 108.93 lakh hectares of sowing. Last year, the country had reported sowing over 118.03 lakh hectares during the same time period. Farmers have talked about better realisation in the oilseed as their reason for increasing soybean acreage at the cost of cotton and other crops.

Jain said this lower area and higher international prices of both lint and seeds promise good returns for farmers. “India, which had started the 2019-20 season with over 100 lakh bales in reserve, will start the next season with 30-40 lakh bales. As of now international prices are good and if this remains, we see above MSP prices right at the start of the new marketing season,” he said.

Jain’s optimism is borne by the bullish trend of Cotlook, an index, which is trading above 90 cents/pound since February this year. For the season of 2019-20, the index had averaged at 71.33 cents/pound. Low price of cotton had seen the Cotton Corporation of India reporting record procurement.

In anticipation of the good prices, the Cotton Association of India had urged its members to take measures to increase area. But the figures show most farmers have gone for soybean rather than cotton in the country.

Source: indianexpress.com – July 26, 2021

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MCX to amend cotton contract

Will include reflectance, colour quality in contract specification

The Multi Commodity Exchange of India Ltd (MCX) will modify its cotton contract specification as the pink boll-worm's frequent attack is impacting the quality of cotton available in the market.

The industry has also changed the way it grades the cotton based on its reflectance and colour. The change in contract specification will lead to more delivery on the exchange and benefit the entire value chain.

Based on the market feedback, MCX has added cotton Grade RD (Reflectance) and +b (Yellowness) for delivery on the exchange. The basis grade RD 76 value and +b up to10.2 will replace the existing standardised grade.

The inclusion of RD value and +b would give more confidence to domestic spinning mills buyers as they procure cotton based on RD value and +b quality.

MCX will award a premium of one per cent for RD above 77. The discount of 1.50 per cent for RD 75.50 up to 74 and additional discount of two per cent applicable below RD 74 to 73. The exchange will review and modify RD value and its premium/discount before the launch of every new season contracts, said sources.

As per the physical market feedback, the maximum quantity of trash allowed will be reduced to 4.5 per cent from existing five per cent. While discount ratio has been kept at 1:1, trash value basis is reduced to three per cent from existing 3.5 per cent along with its matrix of premium and discount.

Delivery centre shifted

The exchange has also moved the additional delivery centre to Adilabad in Telangana from Warangal. The changes in cotton contract will be implemented in the November contract which will be available for trading from August 2.

Cotton delivered on the exchange platform declined two per cent last fiscal to 3,42,858 bales (of 170 kg each) against 3,51,170 bales logged in the previous financial year. Average trading volume also plunged 57 per cent to 29,764 bales (69,000 bales) while open interest more than halved to 1,16,241 (2,41,000) bales.

Sanjay Garg, President of Northern India Textile Mills' Association, Chandigarh, said spinners will now be more comfortable in securing forward position through the exchange with addition of RD value in the contract specification.

Sushil Kumar Jhamb, Senior Vice-President, Ludhiana-based Vardhaman Textiles, said the RD value is vital for quality yarn production and MCX cotton contract will be in line with the international contracts of cotton.

The modification in the contract will benefit all the participants in the supply chain to hedge their risk on exchange platform.

Spinning mills had fixed the bare minimum threshold of reflectance at 75/76Rd which has now become a standard even in export markets such as Bangladesh.

Source: thehindubusinessline.com – July 26, 2021

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Scaling up the ecosystem for job and skill seekers

With the receding number of Covid cases, roll-back of lockdowns and cautious optimism about a recovering economy, skilling initiatives are in the spotlight yet again. On the occasion of 'World Youth Skill Day', Prime Minister Narendra Modi has put his weight behind the Skill India Mission and called skill development of the new generation a national need, important to building a strong foundation of Aatma Nirbhar Bharat.

Skilling India's youth should undoubtedly be a high priority. But government initiatives to improve India's skilling track record have not been very successful in the past. An analysis by the Sharda Committee (2016) found that skill development courses often offered poor placements to participants and added limited value to their employment opportunities.

While some skilling schemes have since been restructured, the problem has not been fully addressed. For instance, when the government introduced the Garib Kalyan Rozgar Yojana (GKRY) last year to address skilling and unemployment issues that emerged in the wake of reverse migration, it did not pan out as anticipated. Many reports suggest that GKRY's demand-driven skilling initiatives were not successful; they did not reach the intended beneficiaries.

This hints at a systemic problem that affects the talent ecosystem in India. Think about Asha — a young woman contemplating her next career move. How should she go about finding her calling? Where should she get trained? And what kind of jobs would be open to her? Stories of many youth in India today mirror that of Asha's. While they have a strong drive to better their lives, they are limited by a lack of access.

A major challenge that India currently faces with respect to its talent pool is one of 'matching' — between jobseekers and jobs, and between skill-seekers and skill-training providers. Search costs are prohibitive for employers and a candidate's qualifications are difficult to verify. For jobseekers, there seem to be many available jobs but listings are spread across different platforms and there is no real way to establish quality of job roles. For someone like Asha to successfully navigate through this maze would be almost impossible.

Similar issues plague the arena of skilling; candidates looking to upskill find it difficult to connect with credible skill providers, and 'certified' trainees often do not have the required skills to make them employable. Data from India's biggest skilling programme, PMKVY, testifies to this fact. Over the last few years, only one in four persons who trained under PMKVY, were actually placed.

Designing the future of work

Technology can potentially bridge these gaps that we observe in the labour market. Already, several employers conduct recruitment through digital platforms, and there has been a significant ramping up of State level employment initiatives such as the Delhi Rozgar Bazaar — a government job portal.

To extend support to blue and grey collar workers, the Central Government has also announced a beta version of the Unnati platform. Meanwhile, there are a number of promising private sector initiatives that have come up, such as a new hyperlocal job search portal named Jobsgaar as well as other established platforms like QuikrJobs and AasaanJobs.

While these initiatives are impressive, connecting them through a common digital platform can yield immense benefit. In fact, the government has already indicated its plans to develop Unnati as a "platform of platforms" to facilitate interoperability and bring together the entire ecosystem, in the form of a national open digital ecosystem — a Talent NODE.

People like Asha can benefit greatly from such a Talent NODE. In one place, they can find information on accredited skilling programmes including placement records, as well as details about employment opportunities. Private players can seek insights from this platform to create value-added services such as counselling, aptitude testing and credit transfers between training institutes. As more initiatives get integrated into this platform, it can host a wealth of information, offering a bird's eye view for India's talent.
Building a robust Talent NODE

While the Talent NODE is a promising idea, its execution will need innovative solutions to address several dogged challenges. The first issue is the verification of existing skills — a problem that has been especially hard to solve. Looking to international examples, Singapore uses "OpenCerts", a blockchain platform to validate educational certificates.

While this could work for university/college degrees, verifying skillsets for grey collar jobs could prove tricky. This would require further standardisation and certification of vocational courses — a task which the Ministry of Skill Development has already started on through the National Occupational Standards.

The second related issue is that of universal access. The informal sector accounts for approximately 93 per cent of the employed population in India. In the case of the Talent NODE, this population could face a high risk of exclusion. Mitigating the exclusion risk would require engagement with marginalised groups, via both online and offline channels.

Common Service Centres (CSCs), for example, could be used to facilitate last-mile reach. Similarly, user-friendly, vernacular interfaces could greatly benefit job and skill seekers across segments.

The Talent NODE is by no means a silver bullet. But if done right, through an innovative and inclusive approach, between 50-80 million people can be expected to benefit from new jobs or jobs that are better matched to their skills. A million different opportunities firing up a million 'ashas' or aspirations, for millions like Asha — all through one inter-connected ecosystem.

Source: thehindubusinessline.com– July 26, 2021

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Unemployment rate rises again to reach 7.14%

Unemployment rate, as computed by the Centre for Monitoring Indian Economy (CMIE), increased to 7.14% for the week ended July 25 from 5.98% in the previous week. Both urban and rural areas contributed to the spike in joblessness.

Unemployment rate in urban areas increased marginally to 8.01% from 7.94% a week before; the rise was sharper in rural areas, from 5.1% to 6.75%.

The rate reached its recent peak of 14.73% in the week ended on May 23. As the impact of the coronavirus ebbed and restrictions on mobility eased, overall unemployment rate showed signs of decline, but has again inched up.

Unemployment rate was 7.4% for the week ended April 25 and 8.16% on April 4. The second wave of the pandemic hit towards the beginning of April.

Meanwhile, monthly unemployment rate in June fell to 9.17% from 11.9% in May.

In a recent article, CMIE MD and CEO Mahesh Vyas wrote, "The recovery in June notwithstanding, job losses compared to January 2021 were of the order of 17 million. Compared to 2019-20, the loss is a substantial 26 million. Covering such large gaps could take months if the June 2021 recovery is sustained."

Source: financialexpress.com– July 27, 2021

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Japanese apparel retailer Uniqlo launches online store in India

Japanese global apparel retailer Uniqlo has launched its official online store in India. Available through a new website and mobile application, the store will make LifeWear more accessible to customers nationwide and provide a convenient shopping experience. It will offer a complete lineup of LifeWear items for men, women, kids and babies.

Customers can avail of over 12,000 items as well as size options ranging from XS to 3XL for select products at the new online store, the company said in a media release.

“We are excited to expand our business online and offer customers a unique Uniqlo shopping experience through the e-commerce platform, which compliments the offerings of our physical stores. Our aim is to make high-quality, comfortable and functional apparel easily accessible from the comfort of your home, especially, during these challenging times,” said Tomohiko Sei, chief executive officer, Uniqlo India.

Through the new online store, customers now have the option to either receive their purchases through home delivery or avail the feature of ‘Click and Collect’ at a Uniqlo store of their choice with no minimum purchase amount.

Uniqlo opened its first store in India in October 2019 in the capital city of New Delhi, and now has a total of six stores in Delhi/NCR. In October 2020, it launched a strategic initiative ‘Shop from Home’ in response to customer needs during the COVID-19 surge.

Source: fibre2fashion.com– July 26, 2021

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Noida: Apparel industry pins hopes on international fair

The apparel industry in Gautam Budh Nagar, still recovering from the losses due to the Covid-19 pandemic, is now banking on the 66th India International Garment Fair (IIGF) that kicked off on Monday. The two-month fair is being held virtually for the second time since last year and is scheduled to go on till September 25.

Earlier, the fair used to be held at the India Expo Centre and Mart in Greater Noida.

The International Garment Fair Association (IGFA) organises two events every year in the month of January and July in India. The event is aimed at helping exporters from India to showcase their latest designs and apparel for the upcoming season to importers from all across the world.

"At present, we have 1,123 registered buyers and 181 registered buying agents, while 251 exhibitors are showcasing their latest collections. However, we expect the number of buyers to increase to 2,000 in the course of next two months as our team is following up with over 14,000 buyers across the globe," said Lalit Thukral, , vice-chairman of the IGFA.

According to Thukral, the association was looking forward to holding a physical fair this year before the second Covid wave hit the country.

The apparel and fashion accessories fair is being held in India since 1988.

Daljeet Singh, a buyer from London, who has been a regular at the fair for the past 20 years, said that the fair helps meet new exporters and exhibitors.

"China has been holding such virtual fairs and hence new collections keep coming from that country. Now, I am happy that India has again held this event as the kind of material we need for our market can only be supplied from India," said Singh from London, who runs Coleridge UK, an apparel firm.

Uday Sehgal, an exporter from Noida Sector 59, said that many of his regular buyers stopped business due to losses incurred during the pandemic.

“We are heavily dependent on the IIGF now because the pandemic hit the business badly. By showcasing our collection at the fair, we can be sure of business because the buyers are registered and genuine. We are expecting new buyers for this season at the fair,” said Sehgal.

Since the outbreak of Covid-19 in March last year in the country, the GB Nagar apparel industry suffered a collective loss of over ₹3,000 crore, said Thukral, who is also the president of Noida Apparel Export Cluster (NAEC). However, he said that the market has recovered up to 80% of its business.

“In 2020, we did suffer losses but in 2021, the business is back to 80% capacity of what it was before the pandemic. We hope that we will reach the pre-pandemic business, which is ₹10,000 crore, by end of this year,” he said.

Source: hindustantimes.com– July 26, 2021

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