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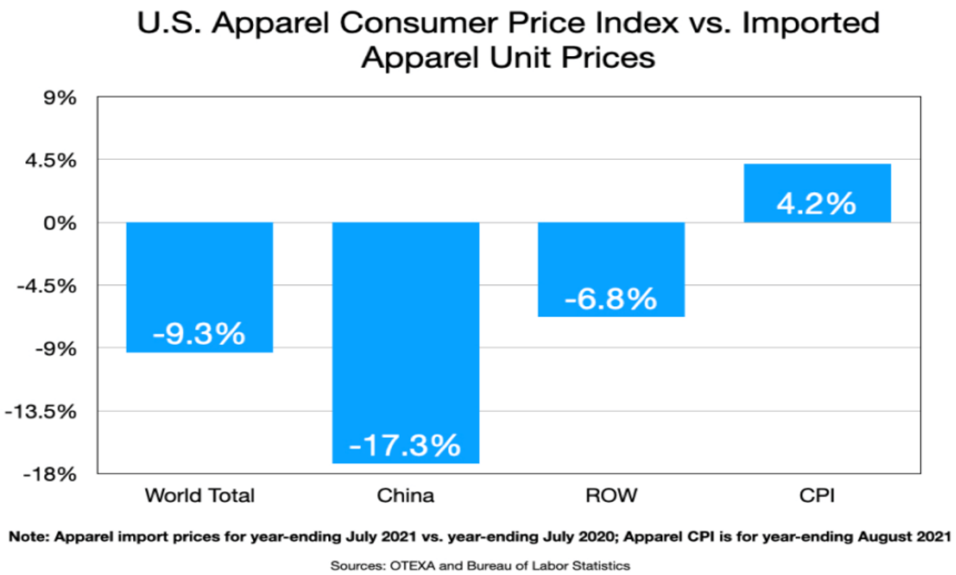
Why Are Import Prices Falling While Consumer Prices Are Rising?

I'm feeling pretty dumb these days. Help me out.

Here's my quandary: U.S. apparel import prices are falling, and precipitously from some major suppliers, while the prices paid by consumers for clothing are rising. You may ask, so what? But I wonder if there's more to the story. Let's take a look.

I'm not surprised to see that prices paid for clothing by consumers in the United States have moved up this year. No wonder when I consider all of the press about knotted supply chains, labor shortages, Covid lockdowns, and a lack of shipping and trucking capacity. In fact, consumer apparel prices are up at a rate of 4.2 percent for the 12-months ending August, according to the Bureau of Labor Statistics. Put another way, it's a sign of inflation.

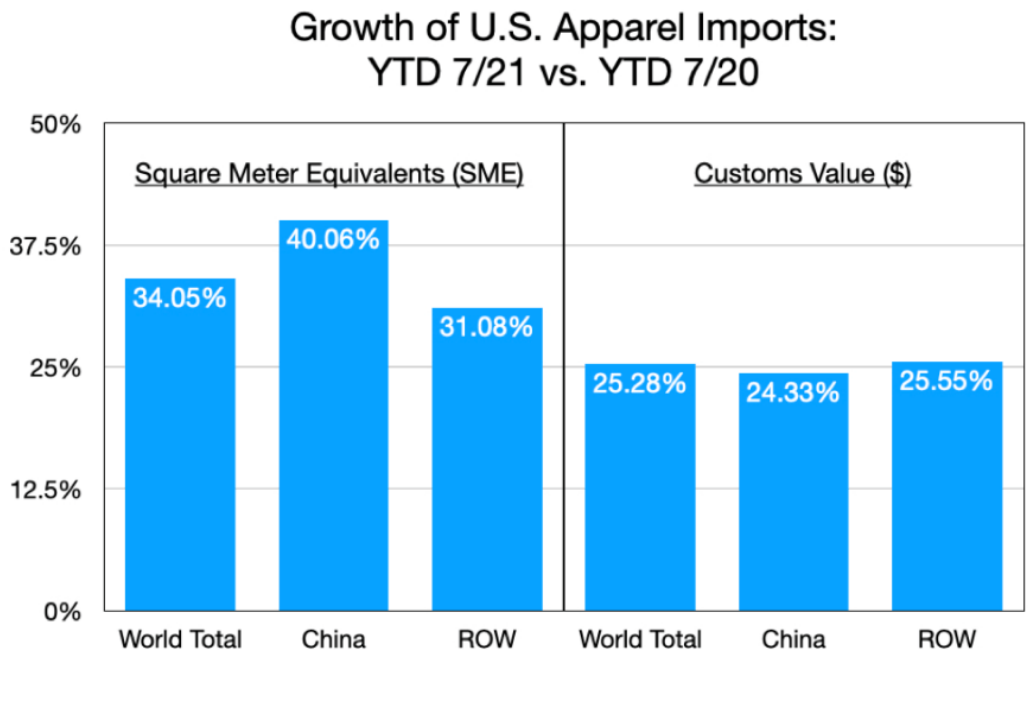
And as we all know, most clothing sold in the U.S. is imported. So, I looked at the latest import statistics published by the Commerce Department's Office of Textiles and Apparel (OTEXA) and did a little number-crunching sleuthing. Here's what I found: based on OTEXA data, import prices for apparel have moved in the opposite direction from consumer prices —falling 9.3 percent for the 12-months ending July compared to the same period in 2020. That's for apparel imports from the world in total.



A puzzling development

Does that make sense? Maybe it has something to do with folks diversifying their sourcing out of China, compelling Chinese manufacturers to slash their prices to maintain customers. Wow, and did they ever slash prices: apparel import prices from China are down 17.3 percent for the 12-months ending July. Also, Chinese exporters are saddled with Trump-era tariffs of 7.5 percent on average on top of regular tariffs, which further adds to my puzzlement.

While imports have slowed since the heady days prior to Covid, China remains the largest supplier of apparel to the U.S. In fact, China continues to dominate the U.S. apparel market by holding nearly 37 percent of total U.S. imports in this sector for the 12-months ending in July. Which begs the question: what about everyone else? Well, apparel prices from the rest of the world are down by 6.8 percent for the same 12-months ending July.



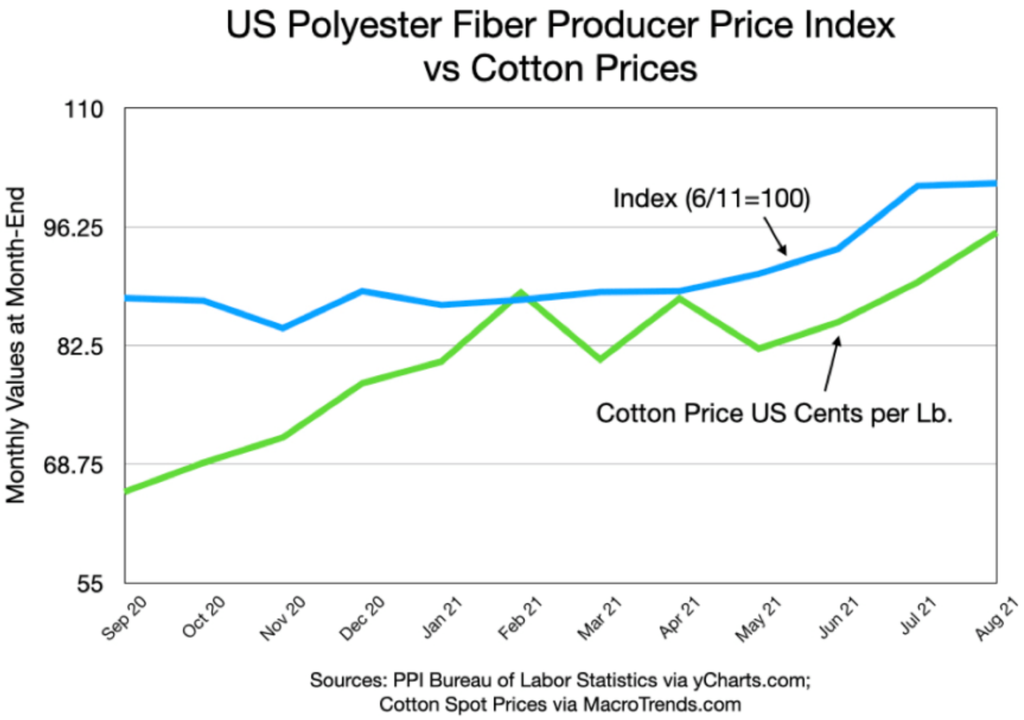
Sources: OTEXA and Bureau of Labor Statistics

I’ve heard economists in the past say to treat links between import prices and consumer prices with some care. This is because there’s some uncertainty baked into any correlation between the two. I agree one needs to be careful when comparing different data series. The collection, timing or compilation of such data may be predicated on a different set of assumptions.

Maybe the dollar exchange rate has a role to play?

Even so, I wondered if a strong U.S. dollar has contributed to the decline in import prices. Indeed, foreign contracts are often priced in the local currencies where clothing is made. A stronger dollar, in this case, will result in lower prices for imported apparel when measured in dollars. Although the U.S. dollar has strengthened against foreign currencies in recent months, it's still lower than a year ago. So, more puzzlement on my part.

What also puzzles me are rising raw material costs. Fiber prices are up. Cotton continues to advance past $1 per pound levels, and polyester, as is normal to expect, tracks cotton higher at the same time.



What about higher shipping costs?

I've also heard a lot about rising shipping costs. Of course, there are many reasons for the rise in these costs ranging from a lack of port workers to extraordinary demand. The result? There's not enough shipping capacity to meet demand. Hence, higher prices. According to a recent Wall Street Journal article, "The average price world-wide to ship a 40-foot container has more than quadrupled from a year ago, to $8,399 as of July 1, according to a global pricing index by London-based Drewry Shipping Consultants Ltd.

The measure has surged 53.5 percent since the first week of May. Listed prices to ship from China to major ports in Europe and the U.S. West Coast are closer to $12,000 a container, by Drewry's measure, and some companies say they are being charged $20,000 for last-minute agreements to get goods onto outbound vessels."

A missing piece to the puzzle?

So, what am I missing? There must be some logical explanation for this. Then it occurred to me. This may sound wonky, but it is relevant: the import data I discussed above are for "general imports" meaning the declared value of goods excluding insurance, tariffs and freight. But maybe we'd see steep unit price increases if we include the value of general imports and insurance, tariffs and freight. Only that we don't. Unit prices are still down.

So, I'm stumped. Either there are lots of subsidies floating around the world, or companies somewhere in the supply chain are collecting the profits. So, someone, somewhere, is filling the gap or actually grabbing a profit. It's too easy (and unfair) to simply blame greedy brands and retailers. After all, they're having trouble getting their products into the country in the first place. So, something else must be going on.

What about foreign manufacturers? Perhaps suppliers are sharing in the higher costs of shipping, etc.? Or maybe government subsidies have helped companies better compete in a hyper-competitive market? I'm not so sure. After all, prices in the consumer market are rising, not falling. Or maybe it's the effect of private label sourcing of direct-to-consumer products? In theory, such items would cost less than products sold in stores via traditional supply chains. But even these products would be affected by the higher costs of shipping.

Source: sourcingjournal.com– Oct 07, 2021

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Economic recovery 'hobbled', rapid inflation rise in many nations: IMF

The International Monetary Fund (IMF) recently said while the United States and China remain vital engines of growth even as their momentum is slowing now and a few advanced and emerging economies are still gaining momentum, growth in many other countries continues to worsen, hampered by low access to vaccines and constrained policy response.

Noting that global economic recovery remains ‘hobbled’ due to the novel coronavirus pandemic, IMF managing director Kristalina Georgieva said “this divergence in economic fortunes is becoming more persistent,” and she now expects growth to moderate slightly this year.

She noted that headline inflation rates have increased rapidly in a number of countries, again some more affected than others.

"While we do expect price pressures to subside in most countries in 20n22, in some emerging and developing economies price pressures are expected to persist," she said.

"We face a global recovery that remains "hobbled" by the pandemic and its impact. We are unable to walk forward properly - it is like walking with stones in our shoes! The most immediate obstacle is the ‘'Great Vaccination Divide' –too many countries with too little access to vaccines, leaving too many people unprotected from COVID,” Georgieva said.

"At the same time, countries remain deeply divided in their ability to respond—in being able to support the recovery, and in their ability to invest for the future. But we can secure a stronger recovery everywhere and shape a better post-pandemic world for all. We can only do it by working together to overcome these divides," she said in her address ahead of the annual meetings of IMF and the World Bank.

"But the risks and obstacles to a balanced global recovery have become even more pronounced: the stones in our shoes have become more painful," Georgieva said.

"Economic output in advanced economies is projected to return to pre-pandemic trends by 2022. But most emerging and developing countries will take many more years to recover. This delayed recovery will make it even more difficult to avoid long-term economic scarring, including from job losses, which hit young people, women, and informal workers especially hard," she said.

The IMF estimates that global public debt has increased to almost 100 per cent of GDP. "Much of this reflects the necessary fiscal response to the crisis as well as the heavy output and revenue losses due to the pandemic. Here we see yet another deep divide, with some countries more affected than others - especially in the developing world," she said.

"Many started the pandemic with very little fiscal firepower. Now they have even less room in their budgets - and very limited ability to issue new debt at favourable terms. In short, they face tough times and are caught on the wrong side of the fiscal financing divide," said the Bulgarian economist, who has served in a number of key positions at the World Bank.

Georgieva called for sharply increasing delivery of COVID-19 vaccine doses to the developing world and that richer nations must deliver on their donation pledges immediately.

"And, together, we must boost vaccine production and distribution capabilities; and remove trade restrictions on medical materials. In addition to vaccines, we must also close a USD-20 billion gap in grant financing for testing, tracing, and therapeutics," she said.

"If we don't, large parts of the world will remain unvaccinated, and the human tragedy will continue. That would hold the (economic) recovery back. We could see global GDP losses rise to $5.3 trillion over the next five years," she added.`

Source: fibre2fashion.com– Oct 07, 2021

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UK Retail Group Urges Cut on ‘Excessive’ Shops Tax

The British Retail Consortium (BRC) wants a cut in business tax burdens to prevent further store closures and job losses.

BRC is urging Chancellor Rishi Sunak, U.K.’s finance minister and the equivalent of the Treasury Secretary in the U.S., to include a cut in the shops tax as part of the government’s Autumn budget. Her Majesty’s Treasury said there will be two budgets in 2021, and the Autumn plan is set to be disclosed on Oct. 27.

“The retail trade association also urged the Chancellor to stand by his Party’s manifesto commitment to ‘cut the burden of tax on business by reducing business rates‘ through its Fundamental review, due to conclude in Autumn,” BRC said, adding that there’s no substantial reduction in place, “four out of five retailers would be forced to close additional stores across the country, further eroding the fabric of local communities.”

BRC said the need to cut the tax burden on retailers is supported by a WPI Strategy report that said the levy also stops investments in new shops, which in turn impacts retail job creation. The report also said the effects will be felt most acutely in the North of England, the Midlands and Wales, according to the BRC.

“The evidence is clear: business rates are costing shops and jobs and undermining the government’s ‘levelling up’ agenda. Retail is the UK’s largest private sector employer and serves as a vital lifeline to places most in need of levelling up, offering flexible jobs, supporting other businesses on the high street, and breathing life into local communities,” BRC CEO Helen Dickinson said.

Real estate firm Knight Frank said business rates in the U.K. are essentially a “tax on the right to occupy commercial property and typically equate to approximately 50 percent of the annual rent.” Retailers have pushed for reform, noting that the legacy business system no longer reflects the reality of the move to digital sales. Even Frasers Group chairman David Daly in August called the rates “excessive,” warning that keeping the outdated business rates system could result in the closure of some House of Fraser locations.

According to independent economics research consultancy Retail Economics, retail sales in 2020 totaled 403 billion pounds ($549 billion). The U.K. retail sector employed 2.9 million and U.K. retail sales grew 2.2 percent last year. The proportion of retail sales made online was 28 percent in 2020, and the average annual growth of online retail sales last year was 45 percent. The total amount of retail sales in the U.K. accounts for 5 percent of the country's gross domestic product.

The retail group is recommending a long-term reduction of the 8 billion pounds ($10.86 billion) in the annual rates tax burden on retailers, which it said has costed retailers over 500 million pounds ($678.6 million) between 2017 and 2020. BRC is also recommending the removal of the requirement for rates to raise a fixed sum and is suggesting a more flexible option in line with economic conditions that's comparable to other tax structures. It is also pushing for a one-year "bridge" period for the 2022 to 2023 tax year that would see at least a 30 percent reduction for retail as an adjustment for the reduction in retail rents since 2015.

The recommendations are part of a "budget submission" from the BRC, which includes other retail priorities that include a debt moratorium and the current shortage of truckers. One problem that's been talked about among retailers in connection with the driver shortage has been the inability of companies to bring in overseas workers during the run-up to the all-important holiday selling season.

Foot traffic data for the week of September 5 indicates that employees are starting to drift back to offices, according to the "Central London Back to Office Footfall Benchmark" from data specialist Springboard. That benchmark indicates a rise in footfall from the week before in many location, suggesting that many employees are still working from home. However, footfall in general decline across Central London, suggesting that some employees are returning to their offices.

For the month of September, Springboard said retail sales held steady, helped in part by the start of the return to the office. Retail footfall strengthened in September and narrowed the gap from 2019 to down 17.4 percent from down 18.6 percent in August. The gap from 2019 in high streets narrowed to down 20.3 percent in September from down 23.5 percent in August. The data firm said September benefited from a bank holiday in August that boosted high street footfall as a result of the popularity of daycations and staycations.

"As we move into the second month of Q4, we are anticipating a continued and steady increase in the return of employees to office working for at least part of the week together with the beginnings of the return of overseas tourists. The combination of which, will add further support to footfall in retail stores and destinations as we near the Christmas trading period," said Diane Wehrle, insights director for Springboard.

Source: sourcingjournal.com– Oct 07, 2021

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DBS predicts Vietnam's GDP growth may reach 8% in 2022

Vietnam's economic growth may reach 8 per cent in 2022 due to rising foreign direct investment (FDI) flows, exports and digitalisation impetus, according to Singapore-based financial services supplier DBS, whose economist Chua Han Teng recently said the worst is over and the country's economy will recover again when it reopens the door with a higher vaccination rate and lower number of new infections.

In a report released on October 4, DBS said FDI will remain a key engine of Vietnam's growth over the coming years. Newly registered FDI remained resilient in the first three quarters of 2021, despite the challenges and difficulties faced by international companies during the virus outbreak since April 2021.

It noted that Vietnam has suffered heavily from the pandemic in 2021. Having done well with virus management in 2020, the economy shrank significantly in the third quarter of 2021 by 6.17 per cent year on year.

The multi-decade decline in the third quarter makes it difficult for growth to recapture last year's 2.9 per cent expansion, much less than the government's official GDP target range of 6-6.5 per cent, a report in a Vietnamese English-language daily said.

Therefore, the DBS lowered its 2021 growth forecast to 1.8 per cent from 5 per cent previously. With demand-pull pressures also muted through 2021, consumer price index inflation is likely to average lower at 2.1 per cent from 3.3 per cent previously.

"Looking into the fourth quarter of 2021 and 2022, we expect a better outlook, as the economy enters a 'new normal', helped by the vaccination roll out. Favourable base effects and structural growth drivers such as FDI and exports, coupled with digitalisation impetus, are likely to propel growth to 8 percent in 2022 (vs 6.8 percent previously)", the DBS report said.

"We expect retail and recreation mobility to improve further amid looser curbs and greater adaptation towards 'living with the virus'. Retail sales and 'accommodation and food services', which saw significant double-digit contractions in the third quarter, are therefore likely to concomitantly rebound and recover into 2022," stated Chua.

The report also highlighted Vietnam's increasing digitalisation in the 'new normal' situation. The pandemic has notably accelerated digitalisation and increased technological adoption, which is a constructive trend, it said.

Chua said greater attainment of technical and digital skills, and a higher-skilled workforce over the coming years should not only help to increase productivity but also provide a positive feed-back loop to enable Vietnam to move up the manufacturing value chain and further attracting FDI.

Source: fibre2fashion.com – Oct 07, 2021

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Bangladesh: Spinners ask authorities to address barriers in importing cotton for RMG

Local spinners on Thursday called on authorities concerned to address the barriers they are facing in importing cotton from US to help the smooth supply of the main raw material used for RMG manufacturing.

They also urged US government for duty concession on RMG products made from US cotton to enhance the bilateral trade.

USA has always maintained its cotton quality resulting no complaints, Bangladesh Textile Mills Association (BTMA) President Mohammad Ali Khokon said on Thursday.

The only limitation faced in importing US Cotton by the Bangladeshi spinners is the fumigation of US Cotton at Chittagong port which is not required for the cotton imported from other countries.

He requested the government, USDA, Cotton Council International (CCI), Bangladesh Cotton Association (BCA) to look into the matter seriously.

He was speaking at the celebration event of 'World Cotton Day' with the theme ‘cotton for good’ jointly organised by BCA and CCI held at Dhaka Club in the city.

Textile and jute minister Golam Dastagir Gazi was present as chief guest while US ambassador to Bangladesh Earl R. Miller, Brazil ambassador to Dhaka Joao Tabajara de Oliveira Junior were also present.

BCA president Sultan Riaz Chowdhury made welcome speech while CCI, USA country representative Ali Arsalan and the programme chair Mohammad Ayub presented two separate keynote papers.

Terming USA as one of the major export destinations of local RMG, the BTMA leader said there is a lot of potentials to enhance the trade more between the two countries.

"But the existing tariff structure to enter the US market of our RMG products is comparatively high", he said.

He urged US government to provide some concession for the RMG products of Bangladesh made from US Cotton and added this will be a win-win situation for both countries.

He also requested Mr Miller to raise the issue with US government with high emphasis.

The BTMA leader also urged Brazilian ambassador to find out a mechanism so that local spinners can raise their import of Brazilian cotton and the export of local RMG products there.

Bangladesh exported RMG products worth US$ 31.45 billion and imported 8.2 million bales of raw cotton in the last fiscal year to meet the local exporters' demand for yarn and fabric, he noted.

Addressing the celebration, Mr Miller expressed hope that the fumigation issue would be addressed soon saying once the testing requirement is withdrawn, it would benefit not the US cotton exporters but also be cost effective for Bangladeshi manufacturers.

He said Bangladesh imported about 14 per cent of its required cotton from US last fiscal which would increase further with the rise in garment exports and work orders. Referring to the country's US$ 4.16 billion single month export earnings in September last, Mr Arsalan said about the rising demand for cotton in coming months.

Bangladesh will need to import about 2.0 million bales of cotton for October to December period, he predicted.

Explaining the purpose of the Day, Mr Ayub said World Cotton Day 2021 offered an opportunity for all cotton trade related stakeholders to come together, share knowledge, showcase cotton-related activities and the agricultural crop's critical role in economic development, international trade and poverty alleviation.

World Trade Organisation (WTO) in 2019 launched the World Cotton Day while the United Nations General Assembly on August 30 last officially recognised October 07 as World Cotton Day, he added.

Source: thefinancialexpress.com.bd– Oct 07, 2021

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Bangladesh primary textile sector investment around $12B: BTMA President

Bangladesh Textile Mills Association (BTMA) President Mohammad Ali Khokon today said due to the supportive policy of the government, the investment in the primary textile sector is around $12 billion. He also noted the contribution of textile and clothing in total export revenue was 82%.

"In financial year 2020-21 the country's total export earning was $38.35 billion of which textile and clothing export was $31.45 billion," he said while addressing a programme arranged by Cotton Council International, USA and Bangladesh Cotton Association (BCA) marking World Cotton Day 2021.

BTMA president said the sector is helping the country to retain foreign exchange and enriching the foreign reserve as well, said a press release. "Both the import and consumption of cotton in Bangladesh had risen steadily over the past decade. The Textile & Clothing sector has started to rebound after the Covid-19 halt and there is an upward trend in local & international demand of clothing products. In order to meet the said demand, the local Spinning mills required to import more cotton," he said.

Khokon said in fiscal year 2020-21, Bangladesh imported 8.2 million bales of cotton. "If we look at the last 5 years data, our main sourcing countries of cotton are East & West Africa, India, CIS Countries, USA and Australia," he added.

The BTMA president further said the cotton import from the US is expected to increase to 14% in the coming year. "If the US government considers providing some concession for the RMG products of Bangladesh made from US Cotton there will be a win-win situation for both the countries," he said.

He also requested US Ambassador to Bangladesh Earl R Miller and Brazil Ambassador to Bangladesh Joao Tabajara de Oliveira Junior to press their governments to increase cotton export to Bangladesh.

Textiles and Jute Minister Golam Dastagir Gazi alongside the two ambassadors were present at the programme.

Source: tbsnews.net– Oct 07, 2021

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Focus on core issues will help Bangladesh benefit from new GSP scheme

The new generalized scheme of preferences (GSP) proposed by the European Commission is likely to limit Bangladesh's gains from the current 'GSP plus' scheme, says a report by the Daily Industry. The report suggests, focusing on core issues like climate protection and good governance, the scheme lowers product graduation thresholds by 10 percentage points, enhancing competitiveness of large industrialized players in their preferred markets.

The scheme maximizes opportunities for low-income countries to benefit from the GSP. It also ensures a smooth transition for all countries graduating from the least developed (LDC) next decade, as per European Commission's legislative proposal for 2024-2034.

With the new scheme, countries will be able to retain access to the EU market and also apply for special incentive arrangement for sustainable development and good governance (GSP+).

Lower thresholds hamper Bangladesh's competitiveness

To boost growth prospects for poorer developing countries, the new scheme lowers the threshold to 47 per cent and textile threshold to 37 per cent. This may be a major disadvantage for Bangladesh as majority of its products are above this threshold.

It prevents Bangladesh from benefiting from products that have good export competitiveness, believes Mustafizur Rahman, Fellow, Centre for Policy Dialogue. In force from January 1, 2024, the new scheme enables all graduating countries to apply for the GSP+ facility. However, the scheme has certain conventions on labor rights that need to be amended.

Fazlee Shamim Ehasan, Vice President, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) feels, the new scheme will enable Bangladesh to get GSP+ facility. However, it may create a few problems for woven garment exporters, he adds.

Focusing on climate protection, the new proposal will mark a new beginning for Bangladesh apparel sector, says Md Saiful Islam, President, Leathergoods & Footwear Manufacturers & Exporters Association of

Bangladesh (LFMEAB). To benefit from the proposal, the government needs to negotiate with the European players through political and diplomatic routes, he adds. Also, entrepreneurs need to comply with all environment and safety-related rules.

Ease of withdrawal on violation of rights

Another benefit of modernized framework is the widening of scope for withdrawal of EU GSP preferences in case of serious and systematic violations. Besides, human rights and labor contracts, the proposal also includes rules on environment and good governance.

The new framework also adds two new rules on rights of the disabled and children, and another two on labor inspections and tripartite dialogue. It also incorporates a convention on transnational organized crime.

Rensje Teerink, Head, European Union Delegation to Bangladesh believes, GSP Plus will be the way forward for Bangladesh as it includes issues related to environment protection and good governance. Therefore, she advises Bangladesh to follow the core issues related to GSP Plus in detail post LDC graduation.

Source: fashionatingworld.com– Oct 07, 2021

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DCCI calls for Bangladesh-Algeria FTA to boost bilateral trade

Dhaka Chamber of Commerce and Industry (DCCI) president Rizwan Rahman recently underscored the need for signing a free trade agreement (FTA) with Algeria to boost bilateral trade. He said this while meeting with Algerian ambassador to Bangladesh Rabah Larbi in which he requested Algeria to hire more skilled manpower and professionals from Bangladesh.

"Bilateral trade between Bangladesh and Algeria reached $98.28 million in FY2019-20 of which, Bangladesh's export was $5.90 million and import was $92.38 million.

Bangladesh mainly exports RMG products to Algeria. On the other hand, Bangladesh mainly imports mineral products from Algeria," he was quoted as saying in a chamber press release.

He invited Algerian investors to register with the Bangladesh Trade and Investment Summit, to be jointly organised by the ministry of commerce and DCCI.

Larbi said Bangladesh can import fertilizer, cement and fruits from Algeria and Algerian investors are keen to work in the energy sector in Bangladesh.

Source: fibre2fashion.com– Oct 07, 2021

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Pakistan: Investment in textile sector

Adviser to the Prime Minister on Commerce and Investment Abdul Razak Dawood on Thursday appreciated new investment of $5 billion in the textile sector.

“We have been informed that an investment of approximately USD 5bn is in the pipeline under which 100 new textile units are expected to be established,” he said on his official Twitter account.

“Our Make-in-Pakistan policy is beginning to show results,” the adviser said.

He said that apart from enhancing export capacity, the new investment was likely to create about 500,000 jobs.

Mr Dawood said the incumbent government had reversed the de-industrialisation and they were now on a path of industrial growth in Pakistan.

Source: dawn.com– Oct 08, 2021

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Pakistan: Textile: twin benefits?

Global Cotton A index has reached its highest level in 118 months, with ICE futures already flirting with $2.5 per kg. By September end, cotton prices in the domestic market were already up by 76 percent over last year, foreboding a rally in prices of cotton value-add products locally. But how far will that rally go?

When it comes to fibre prices, it is often useful to remember one cardinal principle: wild swings in prices may only occur once in a decade, but once commodity prices start their upward climb, they can steer off course for a considerable period. For example, cotton price spiral of last decade that began in late 2009 had peaked by March 2011, but it took another 18 months (post-peak) for prices to return to their pre-spiral range.

By that token, although world cotton prices have already been rising for past 18 months (since they hit Covid bottom in April 2020), it may take another – or even two - global harvests before prices peter out. China's novel workaround the Xiangyang cotton ban – and reserve building through raw material imports from US! – has also thrown a spanner into the works. What will it take for world cotton supply to replace Xiangyang cotton is anybody's guess; and it remains to be seen how far the two superpowers will take this battle of wits before the ban is finally lifted.

Either way, it is now becoming obvious that cotton's great leap forward will not only be priced-in by value-added producers, but the increase may also become permanent going forward. By September 2021, cotton yarn prices had already increased by 37 percent year-on-year, based on Wholesale Price Index (PBS).

Higher value-added products have also witnessed a rise in price levels, with cotton fabrics, towels, and hosiery each increasing by 13 percent; while bedsheet and readymade garments prices rose by 7 percent, year-on-year. Is the country facing heady days ahead when lawn prices also run amok in local market?

Although the question demands more research and deeper investigation, a brief look at 3-year WPI Textile group data shows that this isn't the first-time value-added products prices are undergoing adjustment. Consider that readymade garments price index rose by 16 percent between Sep-18 and Sep-19, and then increased another 7 percent in the following 12 months.

Other value-added cotton-based goods have followed a similar pattern, witnessing smaller but consistent year on year price increases between Sept-18 and Sep-20.

This is significant, as world cotton prices were already on a downward trajectory during the pre-pandemic years, and 6-months moving average fell from $2.04 per kg in H1-CY18 to $1.62 per kg by H2-CY19. Yet, price of local cotton value-added products rose concurrently not only in response to rising domestic inflationary pressures and depreciating currency, but also due to rising export opportunity amid finite output.

This is hardly surprising, considering that domestic yarn output has remained static at 3.4 million tons since FY16. On surface, it appears that as exports became lucrative in 2019 due to depreciating currency, the incentive to capitalize on forex gain meant letting go off domestic revenue (since overall industry output did not increase). Moreover, history suggests that higher the product lies on the value-addition ladder, the smaller yet irreversible the increase in local market prices.

While it is too early to jump to conclusions, the textile export target set by the industry for FY22 may not appear so wildly off the mark. Even without substantial increase in absolute output, the industry may find economic sense in capturing the export opportunity right now while world cotton prices are still high, by letting go off some domestic revenue (in the short-run).

If world cotton prices stay high for long enough, value-added prices shall go up in the local market irreversibly. The unsatiable domestic lawn (and other garments) demand means sooner or later the bet shall pay off, even if export revenue does not sustain itself in subsequent years (once world cotton prices fall).

Source: brecorder.com– Oct 08, 2021

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NATIONAL NEWS

Union minister Piyush Goyal calls for collective efforts to increase cotton productivity

"The world average is around 757 kg per hectare. India's rank today is 34th, which is truly abysmally low. We should aspire to be among the top three productive countries in the world," the minister for textiles, commerce & industry and consumer affairs, food & public distribution said.

Union minister Piyush Goyal on Thursday called for collective efforts to increase the country's cotton productivity from 457 kg per hectare to around 800-900 kg per hectare.

"The world average is around 757 kg per hectare. India's rank today is 34th, which is truly abysmally low. We should aspire to be among the top three productive countries in the world," the minister for textiles, commerce & industry and consumer affairs, food & public distribution said.

He was delivering the inaugural address at the cotton meet organised by the Confederation of the Indian Textile Industry (CITI) on the occasion of Global Cotton Day, Azadi ka Amrit Mahotsav and CITI CDRA Golden Jubilee Celebrations.

According to Goyal, the trash content in imported cotton is 1%, whereas that in Indian cotton is 1.5 to 3%. "The Textiles Committee has been implementing assessment and star rating of ginning and pressing factories. I hope all our textile stakeholders will take advantage of this assessment and try to improve production quality," he said.

He advised farmers to use Kapas plucker machines to control contamination levels at the farm level and make Indian cotton acceptable at the global level. He said a memorandum of understanding (MoU) has been signed with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH for sustainable development of cotton by capacity building, training and adoption of best agriculture practices.

The MoU will cover 1.5 lakh farmers and bring about larger areas of land under cultivation by increasing cultivating land area of 90,000 hectares in Tamil Nadu, Gujarat, Maharashtra and Andhra Pradesh.

"Our aim is to increase the income of our farmers and also expand the economic value of production of the textile sector significantly. I would also like to see textile exports triple from $33 billion last year to $100 billion in years to come," Goyal said.

He also underlined the need to reduce import dependency and create self-sufficiency of extra-long staple cotton and contaminate-controlled cotton. "Work is under way to boost development of seed chain for newly released cotton varieties and introduction of extra-long staple cotton variety. Organic cotton also has huge potential. India is the largest producer currently contributing 51% of the world produce. We should look for global dominance in this sector," he said.

The minister said Apeda has developed standards for chain of custody and feasibility for certification of cotton fibre from farm to build up and apparels. Cotton by-products like cotton seed, linters, hulls, and oil hold valuable opportunities for farmers and they should take advantage, he said. The minister said Indian brand of cotton launched last year as Kasturi Cotton India has started getting global recognition and has the potential to emerge as India's premium raw material worldwide.

Source: financialexpress.com– Oct 08, 2021

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Shri Piyush Goyal calls for focus on Skill Development in all Govt schemes

The Union Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles, Shri Piyush Goyal has said Skill Development will be the core of all Government schemes. As the Government pumps in more resources in the many Industrial, Textile and Automobile Parks, each such Park should include a relevant Skill Development institution, he said.

Addressing a Webinar on "Sabka Prayas: Collective Partnership" today, Shri Goyal said the New Education Policy (NEP) being implemented across the country now too lays stress on Skill Development. It envisages Dual Degree programmes, tie-ups with foreign Universities, student exchange programme and the promotion of Liberal Arts besides Academics.

"The NEP involved extensive consultations since Jan 2015, involving more than 2 lakh suggestions from 2.5 lakh Panchayats and proposals from around 700 districts. The NEP has not been criticised by anyone, it was made as a result of Sabka Prayas," he said. Shri Goyal said Government is also working towards raising the quality of higher education by envisaging tie ups with foreign universities during trade talks with other nations.

"In the Free Trade Agreement (FTA) and Comprehensive Economic Partnership Agreement (CEPA) talks being negotiated with many countries such as the UK, Australia or Canada, we are trying to include Education as a key sector of cooperation and incorporate tie-ups among Universities keeping NEP as the basis and aiming to reduce fees," he said.

Shri Goyal said, today is an auspicious day when the Prime Minister Shri Narendra Modi has completed 20 years of uninterrupted public service.

"With 'Sabka Prayas' (Collective Partnership) as the driving force and Good Governance as the guiding principle of the various welfare schemes of the Government, we will be able to reach out to the most marginalised sections of the society. Good Governance implies making the country honest, ushering honesty into our institutions and making them transparent. 'Sabka Saath' and 'Sabka Vikas' is the ideal behind our Government's schemes, that has earned us 'Sabka Vishwas', and today the whole country is united on the path of 'Sabka Prayas' to improve the nation's destiny and bring prosperity to India, its entire population of 135 crore people," he said.

Shri Goyal said the NEP will lay the foundation for the New India Prime Minister Modi visualizes and it will help make India AatmaNirbhar. India's stature will rise among the comity of nations with the implementation of landmark schemes such as Jandhan, Ujjwala, promoting LED bulbs, Ayushman Bharat, DBT, JAM Trinity, One Nation, One Ration Card and PMGKAY through Good Governance as the benchmark.

"People's Participation (Jan Bhagidari) through Collective Partnership (Sabka Prayas) leads to People's Movement (Jan Aandolan)," said Shri Goyal.

Source: pib.gov.in– Oct 07, 2021

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Close partnership between India and US is central to a free, open, inclusive and prosperous Indo-Pacific region: Shri Piyush Goyal

Shri Piyush Goyal, Minister for Commerce & Industry and Minister for Consumer Affairs, Food and Public Distribution today said that close partnership between India and the United States is central to a free, open, inclusive and prosperous Indo-Pacific region.

He was addressing the United States – India Business Council's (USIBC) 46th Annual General Meeting and India Ideas Summit themed 'From Recovery to Resurgence: reflecting the growing importance of global economic recovery amidst emerging healthcare issues and technological trends'.

Congratulating Prime Minister Shri Narendra Modi for completing 20 years of uninterrupted public service as the head of a duly elected democratic government, Shri Goyal lauded his untiring efforts that has accorded India a special status in the comity of nations.

Shri Goyal said that the world now looks at India as a reliable and trusted partner and a driving force in the world economy. Appreciating USIBC for bringing in 'Unity, Strength, Inclusion, Boldness & Commitment' in India-US relationship, he lauded its efforts to act as a bridge to build strong India-US business ties for the last 46 years.

He said that India-U.S. relationship had developed to a global strategic partnership, based on our convergence on bilateral, regional and global issues and added that PM Modi and President Biden have been proactive in deepening our relations.

Referring to PM Modi's visit to US last month for Quad Leaders' Summit, Shri Goyal said that the first in-person meeting of the two leaders was extremely fruitful.

Shri Goyal said that the COVID-19 pandemic highlighted that supply chains should not be based only on cost but also on trust. He added that India wanted to focus in areas where it has a Competitive advantage to become a bigger stakeholder in global value chains

Expressing concern over the increasing trust deficit in Post Covid world, Shri Goyal called for a resilient India-US relationship. Observing that India is recognized as a major defence partner of US, Shri Goyal also called for multiple dialogues across areas of energy, health, trade and innovation to improve our business to business relationships and provide the people of both countries with better services and opportunities.

Shri Goyal said that India is currently negotiating FTAs with like-minded nations like Australia, UAE, EU and UK and added that India has been focusing on strengthening 24 sectors where it has competitive and comparative edge. Speaking of a National Infrastructure Pipeline in the making, Shri Goyal said that India was working to boost investment, simplify its tax regime, liberalize its FDI policy and strive to encourage invention, innovation, research and development.

Emphasizing that the World now looked upon India for its openness, opportunities & growth, Shri Goyal said that India is now the 3rd largest Startup ecosystem in the world. He added that under the leadership of PM Modi, India today is set on the path of 'Aatmnirbhar Bharat', a mantra which would make India even more open and empower it to work with the world nations from a position of strength.

Observing that India had leapfrogged from 'Make in India' to 'Make in India for the world', Shri Goyal said that India is strengthening its domestic Industry and will offer quality with cost-competitiveness. Shri Goyal said that from addressing a range of issues, from the pandemic to climate change, India-US partnership has a leadership role to play. "India and US need to leverage our complementary strengths in technology, finance, production and supply and enhance cooperation in Electronic manufacturing, Fintech, Ed-tech, pharma and health, biotechnology, etc", he added.

Describing USA as a natural ally of India, Shri Goyal said that with a shared vision, the two nations can become true partners in progress and prosperity of their people.

Source: pib.gov.in– Oct 07, 2021

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Ministry of Textiles and GIZ signs an MOU on Implementation Agreement of Indo German Technical Cooperation project on 'Sustainability and Value Added in the Cotton Economy'

As part of the Indo German Development cooperation framework, the German Federal Ministry for Economic Cooperation and Development (BMZ) has collaborated with Ministry of Textiles (MoT) supported by Ministry of Agriculture and Farmers Welfare (MoAFW). An MOU was signed between Deutsche Gesellschaft fur InternationaleZusammenarbeit (GIZ) and the Ministry of Textiles Govt. of India on Implementation Agreement of Indo German Technical Cooperation Project on 'Sustainability and Value Added in the Cotton Economy' here today. The objective of the project is `to increase the value addition from sustainable cotton production in India by focusing on sustainable cotton, and strengthening of downstream processing'.

It is focussing on 4 majorly cotton producing states- Maharashtra, Gujarat, Madhya Pradesh and Tamil Nadu and will work closely with them and the related agencies. The MoU was signed by Shri Sanjay Sharan, Joint. Secretary on behalf of Ministry of Textiles andMrMohd. -El-Khawab, Programme Coordinator GIZ India and Dr. Rossitza Krueger, Programme Head, Sustainable Cotton Project, GIZ, in the presence of Minister of State for Textiles, Smt. DarshnaVikramJardosh, who presided over the event and Shri U. P. Singh Secretary, Ministry of Textiles.

Speaking on the occasion Smt. DarshnaJardosh said that the GIZ project is aimed at increasing volume of cotton production at least on 90,000 hac with participation of 1.50 lakh cotton farmers with yield increase by 10%. This will enable capacity building of the 1.50 lakh farmers& entrepreneurs of which about 30% will be women beneficiaries.

The Minister mentioned that India is the largest cotton producer in the world and also the 2nd largest consumer of cotton in the world with estimated consumption of 303 lakh bales (5.15 Million Metric Tones i.e. 20% of world cotton consumption of 1505 lakh bales (25.59 Million Metric Tones)It plays a major role in sustaining the livelihood of an estimated 6 Million cotton farmers and about 50 Million people engaged in related activity such as cotton processing & trade.

She further stated that the GIZ project will also help in enhancing employment and women empowerment in training and capacity building on sustainable cotton growing practices by innovation in new cotton processing procedures and ginning etc.

Shri U. P. Singh in his address said that today being the ‘World Cotton Day’ is an important day for the Ministry of Textiles. He said that cotton is important cash crop and the entire edifice of Textile Industry depend on natural fibers like cotton, jute and wool. He said that development without sustainability has lost value in current scenario.

The Secretary informed that focus of project is to work with major global textile companies to create the “pull” factor for improved market access by the farmers for their sustainably grown cotton. The project envisages promotion of sustainable cotton cultivation methods emphasizing on implementation of good agriculture practices, he added.

The project follows "From shelf to field” approach, with the strategy to link consumers to the cotton growers in India and work along the entire supply chain.

The project is also focusing on creation and promotion of transparency about the prevalence and application of internationally recognized/accepted sustainability standards and promoting measures that reduce the water footprint in cotton production. This will help reduce vulnerability of cotton sector to ever-increasing water-stress worsened by climate vagaries.

The Ministry of Textiles, as the lead partner on the Indian government side, guides the project on main intervention areas based on its vision for textiles in India, through the establishment and convening of the project Steering Committee for project progress review and guide the project implementation. MoT enables the interface and coordination with the project nodal officers in the 4 states of Maharashtra, Gujarat, Tamil Nadu and Madhya Pradesh.

MoT participates in the various International Textile Conferences and major GIZ organised events for sharing the Indian experiences and best practices, especially those emerging from this join Indo-German collaboration project. It also holds meetings with the GIZ project team for assessing technical progress, identify best practices and mapping key impact-results from time to time. This provides Ministry the evidence based best practices for mainstreaming and scaling up and in need-based policy changes.

The GIZ project envisages increase volume of cotton production atleast on 90,000 hac with participation of 1.50 lakh cotton farmers with yield increase by 10%.

Source: pib.gov.in– Oct 07, 2021

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Centre releases Rs 40,000 crore to states as back-to-back loan for GST shortfall

The Centre on Thursday released Rs 40,000 crore to states and UTs to compensate for the shortfall in GST revenues, taking the total amount released as loan so far this fiscal year to Rs 1.15 lakh crore.

“The Ministry of Finance today released an amount of Rs 40,000 crore to states and UTs with legislature under the back-to-back loan facility to meet the shortfall in GST Compensation.

“Earlier on July 15, 2021, an amount of Rs 75,000 crore was released to states & UTs with legislature. With the current release, the total amount released in the current financial year as back-to-back loan in-lieu of GST compensation has reached Rs 1.15 lakh crore,” an official statement said.

It said that the Centre has frontloaded the release of assistance under the back-to-back loan facility with more than 72 per cent of the total estimated shortfall for the entire year of Rs 1.59 lakh crore being released so far. The balance amount will be released in due course.

This release of funds as back-to-back loans is in addition to the bi-monthly GST compensation being released out of cess collection.

The 43rd GST Council meeting on May 28, 2021 had decided that the central government would borrow Rs 1.59 lakh crore in 2021-22 and release it to states and UTs with legislature on a back-to-back basis to meet the resource gap due to the short release of compensation on account of inadequate amount collected in the compensation fund.

This amount is as per the principles adopted for a similar facility in 2020-21, where an amount of Rs 1.10 lakh crore was released to states under a similar arrangement.

“This amount of Rs 1.59 lakh crore to be provided to states as back-to-back loan would be over and above the compensation in excess of Rs 1 lakh crore (based on cess collection) that is estimated to be released to states/UTs with legislature during the current financial year. The sum total of Rs 2.59 lakh crore is expected to exceed the amount of GST compensation accruing in 2021-22,” the statement added.

All eligible states and UTs (with legislature) have agreed to the arrangements of funding of the compensation shortfall under the back-to-back loan facility.

"The release of Rs 40,000 crore made today is funded from borrowings of GoI in 5-year securities, totalling Rs 23,500 crore and 2-year securities for Rs 16,500 crore issued in the current financial year, at a Weighted Average Yield of 5.69 and 4.16 per cent per annum respectively. No additional market borrowing by the central government is envisaged on account of this release," the statement said.

Source: financialexpress.com– Oct 07, 2021

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PM MITRA could weave textile success for India

If it were to produce in line with its labour force, the size of its domestic textile and clothing sector should be $174 billion. In other words, the country's missing production in the key low-skill textiles and clothing sector is a whopping $140 billion (~5% of GDP).

The seven mega textiles-and-apparel parks to be set up under the Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA) scheme should provide the sector much-needed world-class infrastructure. Despite several inherent advantages, especially the large pool of low-skilled labour, India's textile industry has been left behind in the global market by smaller and niftier nations like Bangladesh and Vietnam.

As economists Arvind Subramanian and Shoumitro Chatterjee pointed out in a recent study, India produces roughly $34 billion in textiles and clothing. If it were to produce in line with its labour force, the size of its domestic textile and clothing sector should be $174 billion. In other words, the country's missing production in the key low-skill textiles and clothing sector is a whopping $140 billion (~5% of GDP).

Indeed, India's share in the global textiles trade ought to have been far bigger, given the strong raw material base for both cotton and synthetics. However, its share in global exports of cotton yarn shrank 600 basis points to 23% in CY2020 from 29% in CY2015, while, in readymade garments (RMG), the share has stagnated at 3-4% over the past decade, which must be seen in in the context of the global market itself shrinking.

As analysts at CRISIL have observed, despite the EU and the US being the largest RMG export destinations for India, with ~32% and ~27% share in FY20, respectively, India was unable to increase its presence. One reason for this is the absence of free trade agreements (FTAs), but it is also to the credit of competing countries that they have made enormous strides.

Against this backdrop, the proposed mega parks could be useful. However, the infrastructure should be set up by the states and the Centre; roping in private investors may complicate matters. It is true the Centre has promised viability gap funding (provided in the outlay), but one is not sure that private players would be too keen to participate. Indeed, too many stakeholders could result in delays and disputes; it is better to give the states a free hand in the building and running of the park, subject to certain conditions.

The Centre's outlay of Rs 4,445 crore seems adequate for the moment. It is up to the states to come up with affordable land, electricity and water supply. Ultimately, they must take the initiative and those that have the simplest labour compliance procedures should be given priority. The scheme envisages the parks be set up across 1,000 acres each and be equipped with plug-and-play facilities.

While an SPV structure has been proposed—between the state, Centre and the private investors—this construct could work equally well with just two stakeholders. Justifiably, the capital allocation will be bigger for greenfield parks—as the scheme envisages—and smaller for a brownfield one. The incentive set aside, to the tune of Rs 300 crore, for the early birds who set up the manufacturing units, is a good idea.

The integrated parks will complement the recently-approved Rs 10,638-crore production-linked incentive (PLI) scheme for man-made fibre and technical textiles segments where India's share is relatively small. While infrastructure is critical to achieve economies of scale—the textiles sector has been rather fragmented—trade negotiations also need to be pursued. New Delhi has been against joining trade groups like RCEP, but FTAs can be pursued.

Source: thehindubusinessline.com– Oct 07, 2021

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World Cotton Day: Shaping the future of cotton

India is indisputably one of the largest producers of cotton in the world, accounting for nearly 26 per cent of the world's cotton production.

However, while the country prominently occupies the largest area – 12.5 to 13.5 million hectares – under cotton cultivation globally, its yield per hectare (roughly 459 kg/ha) still falls short of the global average (757 kg/h). India's current rank – 33rd worldwide in terms of productivity per hectare – indicates that there is a long way to cement our position not just as leaders in cotton production, but at the forefront of agro-productivity.

Tech-enabled growth

Cotton, recognised for its versatility, forms the backbone of India's textile industry and truly so. As a commercially important crop with significant demand, it offers an effective, reliable and lucrative option for the textile industry as compared to the available alternatives, that pose both environmental and degeneration threats.

While the domestic textile industry and scope for cotton production have seen tremendous growth over the past two decades, based on the benefit of Bt cotton technology, the future requirements of the textile industry do not seem to be within the reach of the current levels of production and productivity of cotton in the country.

Current production of about 36 million bales is way short of the requirement of above 60 million bales by the end of this decade. This gap can be filled only by encouraging investments in research and development in breeding and the upgradation of technologies including latest GM (genetically-modified) technology tools and propel sectoral growth.

With traditional cultivation and breeding unable to keep pace with the population's growing needs for food security, GM crops offer a promising alternative to bridge this gap. A key GM crop is Bt cotton that occupies the largest market share of hybrid seeds – with evidence backing claims that it curtails pesticide use and the need for toxic pesticide alternatives, while also offering benefits of doubling yields, tripling cotton production, and raising productivity levels.

Such technology can greatly benefit the farming community, while also facilitating water conservation efforts. Thus, going forward, our aim should be to introduce new cotton seed traits in strategic alignment with regional needs – ensuring water use efficiency, herbicide tolerance, and more. We should not hesitate since the entire economy of cotton producing States and the textile production-based States will suffer economic losses in the absence of our investing in the future.

Investing in the future

By continuing to encourage investments in research and development for better and improved cotton seeds through modern breeding techniques and upgradation of technologies such as GM including Herbicide Tolerant-Insect Resistant cotton, which can help us unlock a radical transformation across the textile value chain and spearhead positive growth for the sector, while using fewer resources more efficiently.

Especially considering the government's investments to fund biotech research across agriculture, we must not let this opportunity go to waste. We have to understand the needs of the farmers who have been crying for help of upgraded insect control technology and weed management technologies even if they are GM technologies that deliver value and solve their problems soon.

Technology advancements in the sector often come under scrutiny, and regulatory processes need to be streamlined in order to proceed in a predictable and science-based manner. Without smooth and easy-to-operate regulatory mechanisms in place, companies are also disincentivised and thus not ready to rise to the fore by adopting these technologies.

It is essential that favourable progress is made on policies to pave the way for more agile systems within farming, so we can leverage synergies between science and technology to optimise production with an emphasis on driving value chain competitiveness. We must evolve our agronomic practices and tech strategies in line with the times. Pests and diseases keep evolving and technology should also be allowed to evolve with investments over time so that we can help farmers fight the new threats. Stagnation in deployment of science technology in cotton based on unfounded campaigns launched by vested interests against the technology will eventually result in distress for cotton farmers and the value chain.

Policy environment for investments has to be strengthened by resolving issues such as intellectual property (IP) complications regarding traits and GM cotton seed price controls. As a country we must engage in constant R&D to leverage efficient and evolving biotechnology products. This can also lend a competitive advantage that is vital to the economy, particularly in regions where cotton cultivation as well as textile manufacturing are dominant modes of livelihood.

Moreover, the benefits trickle down and can be reaped by Indian farmers in the form of employment generation and raised farm incomes. Today, an estimated 5.8 million farmers make a living growing cotton, with nearly 60 million people across the value chain. With technology upgradation, they can cultivate and supply high-yielding crops, enhancing their productivity while advancing the sector.

The case for GM crops and Bt cotton is becoming abundantly clear. The advantages are multivariate; with the roadmap for the industry as one of transformative growth by harnessing the full potential of indigenous cotton crops through a combination of R&D and technological innovations, while generating employment and meeting supply needs – both locally and globally.

Actions to discredit Bt and related technologies can be detrimental to farmers' interests and prosperity. The government must be called upon to consider the research and real-world findings outlining the clear benefits of Bt cotton and review the decision and mechanisms to adopt cotton technologies accordingly.

This can have important implications for the nation as well – contributing to a self-reliant agricultural sector, and one better placed to compete on a global stage. Simultaneously, they should take a clear, firm stance against the unauthorised Bt cotton and take measures to curb its illegal cultivation. On World Cotton Day, it is time to not only celebrate the endless potential of the versatile crop, but to take action towards better leveraging it. Through innovative and sustainable technologies, we can start to shape the future of cotton. Now, the question is – will regulatory frameworks allow for it?

Source: thehindubusinessline.com– Oct 07, 2021

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Indian Cotton Production Expected to Reach 43 Million Bales by 2030

That's the takeaway from a Global Cotton Day celebration, an informative virtual event on the Indian cotton sector organized by the Confederation of Indian Textile Industry on Oct. 7.

Productivity, quality, and contamination issues occupied the center stage of discussion.

Indian cotton production is expected to be about 42-43 million bales (170 Kgs/bale) by the end of this decade, stated Mr. G. Chandrasekar, senior journalist who has been covering the Indian cotton sector for many decades. Indian consumption may reach 40 million bales and demand may see an increase, he added.

Stakeholders emphasized the importance of quality both in terms of contamination as well as adulteration. Awareness of contamination has been increasing at the farm level, and the issue at the gin level needs addressing, stated Atul Ganatra, President of the Cotton Association of India.

Mr. Piyush Goyal, Honorable Union Minister of Textiles, Government of India, emphasized the importance of enhancing yield and paying attention to quality. He highlighted the importance of the research translation "lab to farm" and nudged the stakeholders to work on the "culture of quality."

The minister encouraged the Indian textile sector to be a global player, pointing to the yield per hectare issue in India which is at 457 Kg/hectare – far behind the global average of 757 Kg/hectare.

While yield and quality issues are getting the right focus, there is a timely need to enhance the market for cotton both in terms of geographical outreach and products. In this regard, the possibility of collaborations to enable cotton as a sustainable candidate in the technical textiles sector has to be given serious discussion.

An ongoing collaboration between Texas Tech University and India-based Jayalakshmi Textiles has resulted in development of a cotton-based oil absorbent. Jayalakshmi Textiles has been a leading cotton spinner, and its efforts to venture into technical textiles products is a positive direction towards diversification.

Source: cottongrower.com– Oct 07, 2021

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Cotton exports could fall as local demand rises: Report

India's cotton exports could fall by 36% in 2021-22 from a year ago, as domestic demand has been rising amid limited supplies after carry-forward stocks nearly halved from a year ago, industry officials said on Thursday.

Lower exports from the world's biggest cotton producer could support global prices, which jumped to their highest levels in a decade on strong demand from top consumer China. "Exports could go down to 5 million bales in the new season since local demand has been rising," Sumeet Mittal, general manager for India cotton business at Louis Dreyfus Company, said in a webinar organised by the Cotton Association of India.

The country exported around 7.8 million bales in 2020-21, the highest in eight years, as the state-run Cotton Corporation of India continuously sold from its warehouses keeping Indian prices competitive, he said.

Higher exports and local demand have depleted carry forward stocks to 6.5 million bales in the new season that started on October 1, from 12.5 million bales a year ago. Good demand from local mills and a rally in global prices have lifted domestic prices to a record high this week, tapering the advantage India had over other suppliers.

"Good quality cotton is not available right now for exports. From November, supply of good quality cotton would improve, and prices may come down because of supply pressure," said a Mumbai-based dealer with a global trading firm.

Leading cotton producing states including Gujarat, Maharashtra, Telangana and Andhra Pradesh received heavy rainfall in September. The production in the new season could fall as rainfall badly affected early-sown crop in all key producing states, said Chirag Patel, chief executive office at exporter Jaydeep Cotton Fibers Pvt Ltd.

"Crop yields and quality of crop are going to be affected by rainfall. Cotton harvested in the first picking is likely to be of poor quality."

Source: timesofindia.com– Oct 07, 2021

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Can India mend its frayed cotton sector in time?

Policy paralysis and dithering over new-generation technologies threaten India's numero uno position

World Cotton Day is celebrated on October 7 following a resolution adopted by the General Assembly of the United Nation (UN) in 2019. Countries across the world celebrate the day by focusing on sustainable cotton production and recognising the contribution of 27 million smallholder cotton growers, cotton scientists, ginners, spinners, yarn manufacturers and businesses to the cotton-textile value chain and economic development.

In 2019, during the UN-organised global celebration of cotton and its stakeholders, the World Trade Organization (WTO) collaborated with multiple agencies such as Food and Agriculture Organization (FAO), United Nations Conference on Trade and Development (UNCTAD), International Trade Centre (ITC) and International Cotton Advisory Committee (ICAC) as part of the initiative by four African countries — Benin, Burkina Faso, Chad and Mali (known as the Cotton Four or C-4 countries) — that led to the institution of 'World Cotton Day'. Since then, the rise of African countries is reflected in the growing importance of cotton as a global commodity, and their quest to unshackle cotton production by adopting innovation and technologies.

Rising Africa

Contrary to the policy and regulatory logjam in India, many African countries such as Kenya, Ethiopia, Malawi, Nigeria, Swaziland, Eswatini, Sudan and South Africa have embarked on the path of technology-led transformation by adopting insect-resistant and herbicide-tolerant Bt/HT cotton to revive their cotton and textile sector. Mired in uncertainty at home, Indian seed companies have delivered innovation in hybridisation coupled with insect-resistant Bt cotton to Africa, helping strengthen the continent's cotton production and cotton-textile value chain.

'Cotton for good'

The theme of the 2021 World Cotton Day is "Cotton for Good", which recognises the multiple utility of the cotton plant, the use of natural fibres for textile and apparel, de-oiled cake for animal feed, edible oil for human consumption and the many industrial uses of by-product such as linters and woody burr. The breakthrough in cotton continues to drive value creation for stakeholders not just in the upstream segment such as development of drought-tolerant H-4 cotton for farmers and gossypol-free cotton for human nutrition but also downstream industrial applications such as cotton-based filament for 3D printer, which conduct heat well, become stronger when wet and are more scalable than material like wood pulp.

A global commodity

Cotton is a global commodity with an estimated annual trade worth $18 billion and revenue of $41.2 billion. Despite the enormous contribution of cotton to the economy, the buzz on World Cotton Day is missing in India. The world's largest producer of cotton — with 13 million hectares farmed by around seven million farmers, contributing a quarter of the world's production — remains neglected in India.

'White gold'

Twenty years ago, the Indian government decided on allowing the commercial cultivation of insect-resistant Bt cotton in the country. Offering protection against the Helicoverpa armigera, or American bollworm complex, a moth whose larvae is a major pest in cotton, the Bt cotton technology also helped reduce the use of chemical-based crop protection.

Cotton has become a competitive crop and its production widened to 10 growing areas from just a few states. Cotton production tripled from 13 million bales in 2002 to 36 million bales in 2020. During 2002-18, rural India witnessed transformation in the cotton field — employment of women in cotton hybrid seed production and handpicking of cotton, and enhancement of farm income by an estimated $24.3 billion. Production of edible cotton oil rose from 0.5 million tonnes (mt) to 1.5 mt.

Cotton cakes account for one third of all animal feed. There has been an uninterrupted supply of cotton linters at 0.5 mt to manufacture currency paper, ammunition and nano-cellulose applications. Cotton plant stalks are used in particle boards, pulps and papers, corrugated boxes, bio-enriched compost, and for growing mushrooms. Since 2007, India became a net exporter of cotton and contributed 7-10 million bales per year to the international trade.

Policy flip-flop

The initial gains from hybridisation coupled with Bt technology-led R&D, product development and commercialisation came under the shadow of the moratorium on Bt brinjal announced in February 2010. Subsequently, there has been no new approval of biotech products to deal with biotic and abiotic stresses, to tackle emerging pests such as pink bollworm, whitefly and sap-sucking pests, leading to a fall in yield and rise in cost of cultivation.

It is not unknown that the efficacy of Bt cotton technology is limited, especially against the emerging pests. Policy flip-flop is threatening India's numero uno position in cotton. Cotton growers face numerous challenges due to falling yields, onslaught of pests and disease, and increased cost of cultivation due to rising cost of labour and resources.

Unauthorised cultivation

Unfortunately, lack of policy clarity and regulatory uncertainties for new-generation technologies, including genome editing, have stifled the R&D, product development and commercialisation efforts in the cotton sector. Besides disrupting business, it has increased litigations. This has led to an ever-increasing opportunity cost for smallholder cotton farmers.

With no other options, there has been a rampant cultivation of unapproved insect-resistant and herbicide-tolerant Bt/HT cotton to save on weeding costs. The Field Inspection and Scientific Evaluation Committee (FISEC) of the Department of Biotechnology reported that in 2017 nearly 15 per cent area under cotton cultivation had illegally produced and unapproved HT seeds; it submitted its report to the government in July 2019.

The industry estimates that the cultivation of illegal Bt/HT cotton has increased from 33 lakh packets in 2017 to 50 lakh packets in 2020. Moreover, the unconfirmed report of cotton fields with third-generation BG-III/RRF technology, which was tested in India in 2014, is a wake-up call for the survival of the ₹5,000-crore cotton seed industry in India.

What next?

Twenty years of successful experiences with Bt cotton is mired in policy, regulatory and legal entanglement. It's time for India to step up to the next level of technology horizon, end the regulatory uncertainty, and evaluate new tools and techniques to counter the imminent threat to cotton cultivation.

It is imperative for the government to nurture the valuable cotton sector, simplify the regulatory system, notify guidelines on genome editing, and fast-track the approval of biotech traits that are already approved in other countries. A time-bound and rigorous scientific assessment of new-generation tools and meeting the demand of smallholder cotton farmers on Bt/HT cotton would be a real tribute to World Cotton Day 2021.

Source: thehindubusinessline.com– Oct 07, 2021

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Trying to include education as key sector of cooperation in FTA talk: Goyal

India is trying to include education as a key sector of cooperation in free trade agreements (FTA) that the country is negotiating with its trading partners, Commerce and Industry Minister Piyush Goyal said on Thursday.

India is negotiating trade pacts with the UK, Australia, the UAE, Canada and others.

"In the FTA and Comprehensive Economic Partnership Agreement (CEPA) talks being negotiated with many countries such as the UK, Australia or Canada, we are trying to include education as a key sector of cooperation and incorporate tie-ups among Universities keeping NEP (national education policy) as the basis and aiming to reduce fees, he said in a webinar.

In a free trade pact, two or more trading partners eliminate or significantly reduce customs duties on the maximum number of goods traded between them. Besides, they also relax norms to increase trade in services.

Source: business-standard.com– Oct 07, 2021

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Cotton prices at all-time high in Punjab, kharif crop fetching ₹7,500 per quintal

As the second picking of raw cotton crop is set to gain momentum in Punjab, rates of the cash crop have reached an all-time high of ₹7,715 per quintal, 23% higher than the minimum support price (MSP) of ₹5,925.

Punjab Mandi Board authorities say till Wednesday, 2.75 lakh quintal of cotton was purchased and private players are paying an average rate ₹7,500 for a quintal of raw cotton.

This has come as a relief to farmers of the south Malwa belt, who are battling the threat of damage caused by the pink bollworm attack.

In the semi-arid region of the state, cotton bolls are harvested thrice. Second picking is crucial as it comprises 60% of the total production. Due to the quality, the second harvest determines the profitability of a cotton grower.

Industry watchers attribute higher prices for the kharif produce to an increase in demand by the international textile market.

Director of Indian Cotton Association Limited, a body dealing in export, spinning, ginning of cotton, Rakesh Rathi said the trend may continue for another month.

Bulk supply in the coming weeks may stabilise rates, but it is highly unlikely that cotton would see a sharp decline this season, he added.

“Bangladesh and China, the international hub of the textile sector, are the major buyers of Indian thread and raw cotton. Since there has been a sharp increase in the global market since September 15 and the slow arrival of cotton crop in different states, farmers are getting handsome rates,” said Rathi.

With 3.03 lakh hectares under area cotton this year, southern Punjab recorded an increase of 17% than 2020 when cotton was sown on 2.51 lakh hectares.

But pink bollworm attack in Bathinda, Mansa and few pockets in Sangrur has left farmers worried about their major cash crop.

Punjab Mandi Board cotton state coordinator Rajnish Goel said by October 6, a total of 2.74 lakh quintal cotton was purchased in centres of all seven districts of the region. By October 6 last year, Punjab mandis saw 1.29 lakh quintals of purchase.

"For the first time, cotton rates have touched ₹7,700 per quintal. In 2011 the maximum rate of cotton was ₹7,000 and ₹6,725 in 2014. Mandis are recording daily average arrival of 25,000 quintals," said Goel.

Cotton Corporation of India assistant general manager and Punjab in-charge Neeraj Kumar said despite pink bollworm infestation, Punjab is likely to achieve last season's production of 50 lakh quintals.

"After an increase of 17% area under cotton this year, the CCI pegged Punjab's production at 60-65 lakh quintals. Pest attack has hit several villages, but farmers are getting up to ₹1,800 more than MSP for their produce. The CCI is following its protocol of maintaining a watch on the market and the agency will entre if cotton rates are crashed and farmers get less than MSP," said Kumar.

Source: hindustantimes.com– Oct 07, 2021

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Clothes to become costlier as apparel makers mull price hikes

After battling high cotton prices for more than a year, apparel makers plan to increase the prices of their products. Labels such as Indian Terrain and Raymond UCO Denim will likely become more expensive once the increases take effect. Innerwear brand Enamor has already increased prices.

“We have taken a double-digit price increase in the last one year given the abnormal increase in the prices of cotton and yarn,” said Shekhar Tewari, CEO of Enamor, which was acquired by private equity firm Advent International in 2019. Advent also has a controlling stake in men’s innerwear brand Dixcy Textiles.

Apparel makers have been reluctant to pass on the higher cost to consumers so far because of sluggish demand on account of the COVID-19 pandemic. But with the revival of consumer demand led by festive sales, a price hike in clothing products is on the cards now.

“So far we have been able to contain the prices by judiciously procuring cotton and yarn ourselves and our stocks for the next three-four months have already been produced,” said Vidyuth Rajagopal, managing director, Indian Terrain. “But if the prices do not cool down in the next six months and it becomes unbearable for us, we might look at hiking prices.”

Denim manufacturer Raymond UCO Denim, which supplies denim to international and national brands, is pushing now for a price hike.

“Brands were reluctant to hike prices until recently due to the drop in consumer demand. But we are now asking brands, international as well as domestic, to increase prices and they might pass it on to the end-consumer in the months ahead,” said Arvind Mathur, CEO, Raymond UCO Denim.

Denim has a large cotton component, which could be as high as 50 percent in value terms. Other clothing products such as T-shirts also have 40-50 percent cotton and innerwear has 10-20 percent.

Sky-high prices

Cotton prices have been climbing for more than a year now on account of supply-chain logjams, sanction by the West on China’s textile hub, Xinjiang, and power shortages in China.

"Tight global supplies amid high demand and consumption in the international market have fuelled the price rise," said Bhagyashree Bhati, assistant director of industry research at CARE Ratings.

During the cotton year August 2020-July 2021, while global cotton production declined by 7.4 percent year-on-year to 24.4 million tonnes, consumption increased by 16.4 percent to around 26 million tonne, according to the United States Department of Agriculture (USDA).

The price of cotton in India has moved in tandem with global prices.

"Indian cotton prices have averaged about 24 percent higher in the 12-month period ended September 2021, vis-a-vis the 12-month period ended September 2020.

In the past three months, prices have remained about 50-60 percent higher year-on-year," said Nidhi Marwaha, vice president and sector head, of corporate sector ratings at ICRA.

Prices of the S-6 variety of cotton in India averaged Rs.135 per kg during the October 2020-August 2021 period. High exports of cotton from India also led to cotton prices rising domestically.

Cotton exports

Sanctions by the West against Xinjiang have had an impact on the the Indian apparel and textile industry as well. While domestic apparel makers are struggling to source cotton and battling higher prices, companies operating in the export market have rushed to plug the supply shortage.

"Suppliers are getting better prices in the export market and hence, they are exporting most of the stock, creating a shortage in the domestic market," said Tewari of Enamor.

According to Hetal Gandhi,director of CRISIL Research, as Indian cotton is available at lower prices than international cotton prices, any increase in the international prices drives demand for Indian cotton.

"During FY21 (April 2020 – March 2021), exports of cotton yarn grew by 5.5 percent to 1,011 thousand tonnes (around 1 million tonnes), and the shipments spiked by around 60 percent to 448,000 tonnes during April-July 2021," said Bhati of CARE Ratings.

Experts believe that the cotton prices are going to surge further in the months ahead beucase of a decline in stocks, largely in India, Brazil, and Turkey, leading to an increase in the demand-supply gap.

An expected decline in the cotton acreage in China, India and Pakistan will put further pressure on prices going forward, they said.

Source: moneycontrol.com– Oct 07, 2021

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Cotton fetches record price in Khammam market

Cotton produce fetched a record price of Rs 7500 per quintal at Khammam Agriculture Market on Thursday.

According to the market sources, it was the highest price paid to the produce so far in the market and the produce purchased at that price was harvested last season. The cotton harvest has begun and the produce was being picked up at some places.

The market committee Chairperson, D Lakshmi Prasanna and the market secretary R Mallesham visited the cotton yard at the market and inspected the sales. The Chairperson said it was a happy development that the produce fetched a good price at the beginning of the season.

All arrangements were being made for cotton purchase at the market. As many as 1800 bags of cotton arrived at the market on Thursday, she noted. She informed that proposals worth Rs 17.32 crore have been prepared for the development of the market.

It was proposed to build new buildings for Soil Testing Centre, a resting facility for farmers, secretary office building, new market sheds, CC roads, drains and a cold storage in the market, Prasanna said.

Source: telanganatoday.com– Oct 07, 2021

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