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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914
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INTERNATIONAL NEWS

UK announces new trade measures to support Ukraine

The United Kingdom recently announced new measures to support Ukraine in its conflict with Russia by removing all tariffs covered by the existing UK-Ukraine trade deal and hitting the Russian government with fresh sanctions. All tariffs on goods imported from Ukraine will now be reduced to zero and all quotas will be removed under the free trade agreement.

This will provide Ukraine economic support in their hour of need, a UK government press release said.

British Prime Minister Boris Johnson pledged to cut tariffs to support Ukraine's economy through this crisis when he visited Kyiv earlier this month.

UK international trade secretary Anne-Marie Trevelyan met Ukrainian ambassador to the UK Vadym Prystaiko in London last week to reiterate her country's unwavering support for Ukraine and set out the new measures.

The latest announcement comes following a direct request from the Ukrainian government to liberalise tariffs and support the Ukrainian economy. Removing tariffs on key Ukrainian exports including barley, honey, tinned tomatoes and poultry will help Ukrainian businesses and producers when they need it the most, the press release said.

Source: fibre2fashion.com– Apr 26, 2022

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U.S., UK Look to Advance Work on Trade and Supply Chains

Although the U.S. appears to have little interest in negotiating a traditional bilateral free trade agreement with the United Kingdom, the two sides are working to pursue closer trade ties in other ways.

Following the second meeting of the U.S.-UK Dialogues on the Future of Atlantic Trade in as many months April 25-26, the two sides directed their teams to work over the next several weeks to “develop an ambitious roadmap with economically meaningful outcomes,” including in the following areas.

- supporting the digitalization of trading systems and transactions and building on the G7 digital trade principles

- promoting critical supply chain resilience

- identifying and overcoming trade barriers for small and medium-sized enterprises, focusing on trade facilitation for SMEs, and sharing and promoting best practices

- working to develop more durable and inclusive trade policies that demonstrate that trade can be a force for good

- supporting the protection of labor rights and tackling forced labor globally

- supporting open, predictable, rules-based agricultural trade to mitigate supply chain disruptions and restore global food security

- deepening cooperation on trade and the environment and developing joint approaches to supporting businesses, green jobs, and the growth of low-carbon economies

Source: strtrade.com– Apr 27, 2022

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Exploring Priority Issues for the Cotton Sector

The supply-demand situation, soaring prices, quality, contamination aspects, and penetration into value-added sectors are priorities that need the attention of stakeholders of the cotton sector.

On Apr. 25, a team of key people from Bajaj Coneagle, LLC and its parent company Bajaj Steel Industries, Ltd. – a leading manufacturer of cotton ginning machinery – visited Lubbock to explore the current cotton sector's situation and interact with industry people.

With cotton prices at higher levels, discussions focused on what's next for the industry. Lav Bajaj, Business Director of Bajaj Steel Industries, noted that if the current drought conditions in the High Plains of Texas continue to persist, cotton yields are expected to suffer in the world's leading cotton producing region, affecting the supply and demand situation.

Given such a tight supply situation, competition from synthetics will be high, which necessitates concerted efforts from all stakeholders in the industry. Recent input and calls to action by the Indian textile industry led to the Government of India suspending the import duty on cotton for a specified period.

The United States cotton sector has established a global name as a producer of consistent quality, primarily due to factors such as machine harvesting, mass scale production, educated producers, and the use of technology.

This may not be feasible in other regions such as India and Africa where farmlands owned by single family farmers range from half an acre to ten acres, which influences the quality. The group from Bajaj Steel agreed and suggested that the Indian cotton sector should utilize existing resources such as grassroot level education, effective utilization of farm apps to follow good agronomy practices, and marketing.

Shankar Venkatachalam, President of Bajaj Coneagle, said efforts must focus on quality grades and seed variety selection. He also noted that it is time for India to look into saw gin revolution to help enhance quality and hence, yarn realization in spinning mills.

Agreeing with the current tight supply situation, mills will expect high quality cotton at a reasonable price, stated Velmurugan Shanmugam, General Manager of Jayalakshmi Textiles, which annually consumes about 7,000 tons of cotton and produces 4,800 tons of fine count cotton yarns. He noted that in countries like India, it is important that the government and the textile and cotton industries aim towards individual bale classification to achieve quality consistency and reliability.

In India, cotton is traded at the farm level based on length while mills conduct a thorough quality evaluation using HVI instrumentation, depending on the size and requirement of individual mills. The Bajaj team and Shanmugam agree that quality evaluation at the single bale level is needed.

Contamination at the gin level such as plastics, quality consistency, effective utilization of technology, and creating more awareness at the farm level should receive priority attention. More importantly, effective management decisions by the stakeholders, given the tight supply of cotton, will be the need of the hour for cotton purchasing and stocking decisions.

Source: cottongrower.com– Apr 26, 2022

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Africa-Vietnam fashion trade ties yet to hit full potential: Vietrade

Despite significant growth Vietnam-Africa bilateral ties in recent years, the trade relationship between the two had not achieved its full potential, especially in the fashion industry, according to Le Hoang Tai, deputy director of the Vietnam Trade Promotion Agency (Vietrade). Many African businesses and consumers are not even aware of Vietnamese fashion products, he lamented.

The agency co-operated with Vietnamese trade offices in African countries to organise the 2022 Vietnam-Africa business matching webinar on fashion products recently.

Attended by 50 Vietnamese and African fashion businesses, the event was an activity to implement the National Programme on Trade Promotion this year to support Vietnamese enterprises in the production and trading of fashion products to promote advertising, seek partners, connect business opportunities and export to African markets.

Last year recorded a remarkable growth in trade turnover between the two sides. Vietnam's exports to Africa were worth $3.36 billion last year, up by 18.1 per cent compared to the 2020 figure. Exports from Africa to Vietnam reached $4.71 billion, up by 28.6 per cent compared to the 2020 figure.

The supply level in Vietnam for the African market only accounted for a very limited number and turnover, Tai was quoted as sating by Vietnamese media reports.

Source: fibre2fashion.com– Apr 26, 2022

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Cargo Congestion Infecting East Coast Ports, Drewry Warns

The ocean cargo supply chain, including historically high freight rates, isn't likely to see a return to normal until next year, Simon Heaney, senior manager for container research at maritime consultancy Drewry, said Tuesday in forecast webinar.

"Ultimately carriers' ability to charge customers extremely high freight rates is going to be dictated by the longevity of the liner supply chain bottlenecks," Heaney said. "Unfortunately, those still certainly remain highly unpredictable. That's going to mean at least another 12 months of lengthy delays and high freight rates, but we do expect to see some gradual improvements beforehand."

Drewry's forecast calls for average global spot and contact freight rates to rise another 39 percent in 2022 after a 110 percent increase in 2021. Drewry's composite World Container Index (WCI) decreased 0.9 percent to $7,874.43 per 40-foot container or equivalent unit (FEU) for the week ended April 21, but was 60.3 percent higher than a year earlier. The year-to-date WCI was $8,965 per FEU, $5,708 higher than the five-year average of $3,257.

Heaney detailed how global port handling increased an estimated 6.5 percent in 2021. For 2022, Drewry has now downgraded its guidance to an increase in demand of 4.1 percent from 4.6 percent. Its outlook for 2023 global container shipping demand fell to 2.8 percent from 3.5 percent.

"Over the past two years, the dominant drivers of freight rates and carrier profits have been system inefficiencies, disruptions and port congestion," he said. "We now estimate that effective container ship capacity was around 17 percent below its potential in 2021 and similar is expected in 2022."

Regarding port congestion, Heaney said ship tracking data backs up what the industry has said, showing significantly more "waiting events outside high-volume ports" during 2021 and 2022 to date.

'The problem is now spreading to medium- to low-volume ports, too," he said. "There is also a big movement of ships and congestion to East Coast ports, as well."

Heaney said container lines face mounting headwinds. Topping the downside risks is the Russia-Ukraine war, which has put a drag on economic growth and container demand. However, it could expedite supply chain recovery, leading to lower freight rates and carrier profits.

In addition, geopolitics and Covid-related risks are combining to dampen consumer and business confidence, while fast-rising inflation, to some extent driven by supply chain issues, will reduce consumption, according to Drewry's outlook. In conjunction to these issues are increased fuel costs.

"China's zero-Covid policy could either worsen container logjams by reducing logistics capacity or reduce manufacturing production and subsequently container shipments," Heaney said. "The former could act as inflationary for freight rates, the latter deflationary."

"What's going to happen to freight rates in the short term really depends on how long the situation in China lasts and also what the economic impact is of the Russia-Ukraine war," he added.

The only aspect of the industry that has benefitted from the turmoil has been carrier profitability. Drewry estimates that carrier earnings before interest and taxes (EBIT) reached $214 billion in 2021. Drewry's forecast is that more disruption-driven freight rates should more than compensate for rising costs and deliver as high as $300 billion in EBIT profit this year.

Source: sourcingjournal.com– Apr 26, 2022

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Levi's Partners with British Council to Showcase Upcycling Potential

A new exhibition is coming to Levi's Haus in London, the heritage denim brand's concept store dedicated to circular design.

On display will be more than 75 products created as part of Levi's partnership with the British Council's Architecture Design and Fashion (ADF) program, which seeks to address global challenges through a wide range of design disciples.

With circularity the focal point, Levi's worked with the British Council's circular design initiative "Making Matters," a multi-disciplinary program exploring how the circular economy can be a catalyst for creativity, collaboration and regenerative thinking, to invite European designers to reimagine post-consumer materials.

The presentation will showcase products by Dutch design lab Envisions and British educational association Store across three categories: mixing fibers, connecting fabrics and exploring yarns.

Products will incorporate concepts like 3D printing, weaving, braiding and more to create everything from denim fur to ink. Store will complement the exhibition with a series of workshops exploring the full lifecycle of Levi's denim.

"At Levi's, we believe in being a positive force for change for our communities," said Dennis Goebel, vice president, merchandising, Levi's North Europe. "We work hard every day to ensure our values are an intrinsic part of everything we do, and what's been fantastic about this project is how it brings so many of these values together to create something truly exciting.

From intercultural collaboration, to environmental activism, to the sheer innovation and creativity of envisions and Store, the work we have delivered together may not be a solution to the wider issues of sustainability, but we hope its optimism inspires further conversation and collaboration as we all look forward to a better future."

The partnership follows a number of circular-focused initiatives for Levi's, which in December gave its iconic 501 jeans a circular update. While the traditional 501 jean is made with 99 percent cotton and 1 percent elastane, the new jean consists of 60 percent organic cotton, 24 percent wood pulp from sustainably managed forests, 10 percent Circulose made from industrial textile waste and 6 percent Circulose made from post-consumer denim waste.

Levi's ongoing "Buy Better, Wear Longer" campaign positions sustainability as a shared responsibility. Its resale segment, Levi's SecondHand, is a continuation of that message, offering customers a chance to sell and purchase their previously owned jeans and jackets.

Last year, Levi's joined the Ellen MacArthur Jeans Redesign initiative, a set of principles created to increase the quality and recyclability of new denim, and reaffirmed its commitment to incorporating more sustainable fibers like organic cotton and hemp in future collections.

The Levi's x British Council exhibition will be open to the public from April 20 to May 5 at Levi's Haus London. Workshops are available by appointment through the Levi's 247 app.

Source: innovationintextiles.com– Apr 26, 2022

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Esquel Group cuts Sri Lanka production on US order lull

Esquel Group tells Just Style it has reduced production in Sri Lanka since late 2021.

The confirmation came as worker rights group Clean Clothes Campaign (CCC) alleged approximately 1,500 workers employed at two Esquel-owned factories in Sri Lanka face imminent closure of their workplaces and have received no assurance they will be reemployed.

"Many of these workers have been employed by Esquel for decades. Over the past one-and-a-half years, we have tried to negotiate in good faith for an agreement to ensure fair compensation and a re-employment plan with both Esquel and their buyers, who continued to profit while workers suffer," says Anton Marcus, Joint Secretary, Free Trade Zones & General Services Employees Union.

According to CCC, the two Koggala factories ceased to operate on 15 March and Esquel had sought permission from the Commissioner-General of Labour to terminate the workers' contracts. That ruling remains pending. Under pressure from management, some of the workers agreed to sign "voluntary" resignation agreements with the understanding they would receive more than their legal entitlement as promised by the company in writing, but with no financial details provided to justify the closure.

Approximately 1,000 workers who agreed to resign have filed a legal case against the company with the labour authorities.

The approximately 300 workers who did not agree to resign are legally obliged to stay on the payroll until the Commissioner General of Labour rules on the termination of their employment contracts, but have had their annual bonuses cut, in violation of earlier agreements reached with the union, which CCC describes as a clear act of retaliation by Esquel.

The workers' union FTZ & GSEU and its allies in the CCC global network are calling on Esquel and companies and brands that have or used to have a business relationship with Esquel Sri Lanka to ensure the workers receive their full legal compensation and are offered reemployment opportunities by the new owners, or with their other suppliers in Sri Lanka.

"Esquel is doing everything it can to close its facilities without paying workers in full, and to punish the unionised workers in the process. This process has been going on for over a year and a half, and now is the time for all the other actors engaged to step up and make sure an agreement is negotiated with the FTZ-GSEU," says Ineke Zeldenrust, Clean Clothes Campaign International Coordinator.

Esquel doesn't wish to be drawn into the speculation that the two factories are at risk of closure and tells Just Style it was forced to reduce production capacity due to developments over the past year that led to the loss of many of its US-based customers.

A spokesperson for the group tells Just Style it is following "or exceeding" all national labour laws "including paying legally required compensation as well as salaries and bonuses in full for all employees, and has never discriminated anyone because of their union identity."

In July 2020, Esquel was one of the entities on The Department of Commerce's Bureau of Industry and Security (BIS) list of companies allegedly implicated in human rights abuses in Xinjiang.

The Entity List is a tool used by BIS to restrict the export, re-export, and transfer (in-country) of items subject to the Export Administration Regulations (EAR) to persons (individuals, organisations, companies) reasonably believed to be involved, or to pose a significant risk of becoming involved, in activities contrary to the national security or foreign policy interests of the US.

Additional license requirements apply to exports, re-exports, and transfers (in-country) of items subject to the EAR to listed entities, and the availability of most license exceptions is limited.

Esquel, which has a history of over 25 years in Xinjiang, hit back at the blacklisting of its company, adding: "We are an ethical company that has worked with local and global partners to protect the environment, empower women and provide high-paying jobs. Our record demonstrates that Esquel has been a long-time ally of the Uyghur people."

Source: just-style.com– Apr 25, 2022

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M&S, Zalando, Bestseller Join Better Cotton Traceability Initiative

Better Cotton has convened a group of international retailers and brands to help deliver new traceability solutions and bring greater visibility to the cotton supply chain.

These include companies such as Marks & Spencer (M&S), Zalando and Bestseller. The panel has pulled together an initial 1 million pounds ($1.26 million) of funding and will work with suppliers, NGOs and independent experts in supply chain assurance to develop an approach that meets the pressing needs of the industry.

“Many fashion retailers simply don’t know where the cotton in their clothes comes from,” Alan McClay, CEO of Better Cotton, said. “The reasons for not knowing are numerous, and in many cases, legitimate. This traceability panel is a major step toward addressing the reasons behind this inability to trackback to the source.”

Traceability within the cotton supply chain will soon become a market “must” with legislators on both sides of the Atlantic moving to toughen rules, Better Cotton noted. New rules presented this March by the European Commission aim to better protect consumers against false environmental claims and introduce a ban on greenwashing.

For example, sellers will not be allowed to put a sustainability label on their product if there is no certification or recognition by a public authority for it. It also prohibits sellers from making generic environmental claims such as “eco-friendly” or “green” if they cannot demonstrate environmental performance.

The Better Cotton Traceability Panel will address all aspects of the cotton supply chain, from farmers in the field through production to the consumer.

Better Cotton said it has gathered input from more than 1,500 organizations so far that have made it clear that traceability is business-critical across the whole industry and that retailers and brands need to integrate sustainability and traceability into their standard business practices.

Findings from this research showed 84 percent indicated businesses “need to know” where the cotton in their products was grown and 80 percent of suppliers surveyed sought the benefit of an enhanced traceability system. Better Cotton noted that a recent study by KPMG found just 15 percent of apparel companies claimed to have full visibility of the raw materials that go into their products.

Better Cotton and the new panel will provide substantial investment to further develop existing farm to gin tracing arrangements to underpin physical traceability and build on its existing trading platform tracking movement of one-quarter of the world’s cotton through 8,000 organizations to make it possible to fully trace any of the cotton that enters the system within a few years.

In addition, the panel will use different technology solutions and credibility arrangements to clearly distinguish country of origin initially and environmental and social practices by growers eventually, create new market mechanisms that bring value for farmers, such as rewarding them for carbon sequestration, and focus on farmers by providing training, ensuring proper working conditions, helping them access preferential financing and securing their ability to enter international value chains.

“We intend to address sourcing and intellectual property issues head on,” Katharine Beacham, head of materials and sustainability at M&S, said. “Higher supply chain assurance comes at a cost–as verifying the exact origins of a garment requires more checks and controls–so the investment of additional resources will be critical. Having worked in partnership with Better Cotton for over a decade, at M&S we have been at the forefront of sourcing more responsible cotton.

“We met our commitment of reaching 100 percent responsibly sourced cotton in our clothing in 2019, but there is still work to be done to improve traceability,” Beacham added. “We’re proud to be a part of Better Cotton’s Traceability Panel which will help to further accelerate progress within the industry.”

Laura Coppen, head of circularity at Zalando, a European online platform for fashion and lifestyle, said fashion consumers are increasingly demanding to know the provenance of their purchases and Zalando aims to offer this deeper level of transparency.

"We are all aware how complex this issue is within our industry and initiatives like the Better Cotton traceability panel will help to accelerate progress, with action to support sustainable business growth for all in the supply chain," Coppen added. "This includes setting ambitious targets and ensuring these are actioned promptly."

Better Cotton and its partners have trained some 2.5 million farmers in 25 countries, having raised 99 million pounds ($124.86 million) since 2010 to fund capacity building and other field-level activities. This is projected to grow to just over 125 million pounds ($157.66 million) by end of the 2021-22 season. Nearly a quarter of the world's cotton is now grown under the Better Cotton Standard.

Source: sourcingjournal.com– Apr 26, 2022

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Pakistan: Country has failed to fully benefit from GSP+ status: PBF

Vice President of the Pakistan Businesses Forum (PBF) Ahmad Jawad has said the European Commission and Pakistan may launch the EU-Pakistan Trade and Technology Council to allow the two sides to tackle challenges in the areas of trade, technology and security, besides deepening cooperation in the said fields.

Europe is Pakistan's second most important trading partner, as it accounted for 14.3% of the country's total trade in 2020 and absorbed 28% of Pakistan's total exports.

In 2020, Pakistan was the EU's 42nd largest trading partner in goods, as it accounted for 0.3% of the total EU trade. Pakistani exports to the EU are dominated by textiles and clothing, accounting for 75.2% of the country's total exports in 2020.

Pakistan's imports from the EU mainly comprise machinery and transport equipment (33.5% in 2020) as well as chemicals (22.2% in 2020). From 2010 to 2020, EU-27 imports from Pakistan almost doubled, from €3,072 million to €5,537 million.

The growth of imports from Pakistan has been particularly fast since the award of GSP+ (€5,515 million in 2014).

"Textiles and clothing account for over 80% of Pakistan's exports to the EU," said Jawad. "While the textiles and clothing industry are the backbone of Pakistani exports, relying so heavily on one product category carries risks for Pakistan. Trade diversification would play an important role in this respect; the granting of GSP+ preferences in 2014 should stimulate Pakistan's efforts towards diversification."

He went on to say: "It is an inevitable fact that our economy holds considerable potential, but high costs of doing business, complex regulation and infrastructure bottlenecks all have a detrimental effect on trade and growth. Pakistan's trade regime and regulatory environment still remain comparatively restrictive."

He was of the view that Pakistan should aim to nurture relations with the US and EU that are not affected by changes on the political front. Pakistan's diplomatic relationships must be based on shared interests with each country. There are several examples of countries whose economic links remain intact despite political or border conflicts. For instance, in 2021 the overall trade between China and India stood at $125.66 billion, up 43.3 percent from the previous year.

During this time, numerous military and political scuffles took place between India and China over the disputed region of Ladakh. The Ladakh problem had served to block cooperation on all fronts except trade at the time.

Jawad said the EU is a full toolbox of solutions; they have a lot of peacekeeping missions and bureaucratic exchanges which can benefit Pakistanis, if "we may tap them properly".

He noted that Pakistan's current GSP+ status ends in December 2023, but the country has not been able to take full advantage of what the status offers. For continuation of its GSP+ status beyond 2023, Pakistan will need to apply afresh, seeking continuation of its status.

The EU recently announced that for countries to qualify for GSP+ status for the 2024–34 period, they must commit to implement 32 EU conventions as opposed to the current 27. "Now we need to present robust evidence of progress made since the last report and it has to be tangible with visible effects on the ground in order to convince EU lawmakers of Pakistan's commitment to the conventions.

The PBF's vice president said there is no institutional support from the government despite getting zero concession on around 6,300 items under GSP+ status, so the country was unable to fully take advantage of this facility.

He said that only the textile sector was able to benefit from the status but the potential for exports from other sectors, like agriculture, was not tapped. "Even the horticulture sector, despite fulfilling the EU's requirement, was not able to make its footprint in the European market."

He said that envoys from different European countries had time and again urged local businessmen to tap potential sectors under the extended facility, particularly kinnows, as there was a big market for such products.

"However, we were unable to make our presence (felt) in the European market and even though it is a major export market for the fruit, the quantity exported remains very small," he said. "We have not really taken advantage of the benefits that we could have gotten from the GSP+ status."

Commenting on the reasons for this, he said there was a lack of proper export strategy for the EU. "Ideally, what should have happened was that when we got the GSP status, we should have identified a marketing strategy and held road shows as Europe is a very big market. But our ministries and foreign missions did not work on this front," he said.

Jawad was of the opinion that there was a lot of focus on promoting textiles, due to which other sectors like leather, halal meat and jewellery were neglected.

Source: brecorder.com– Apr 27, 2022

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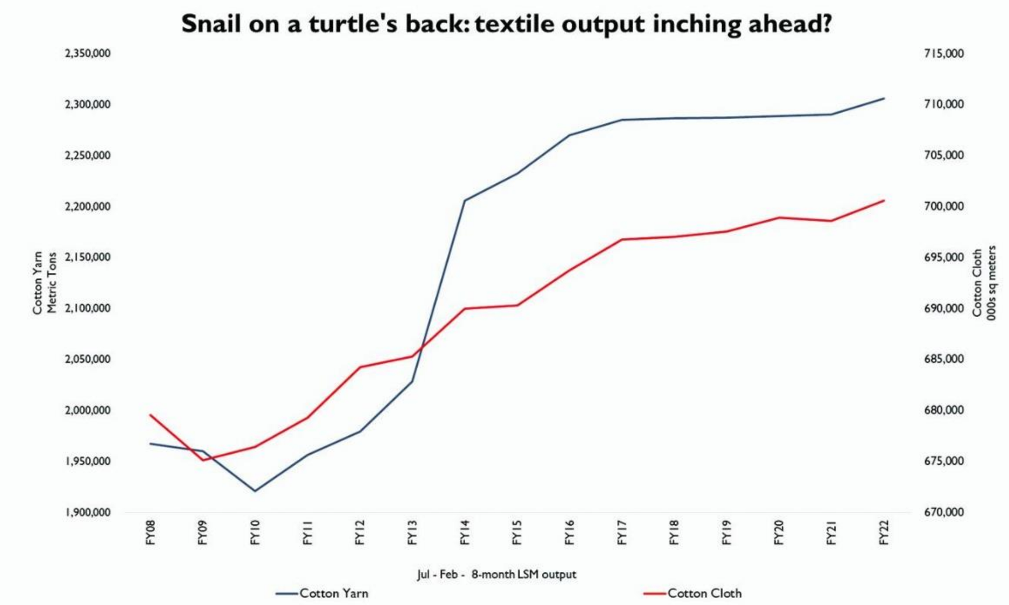
Pakistan: Textile output showing signs of life?

Pakistan's textile sector output may finally be coming off the ventilator, after spending four years in the ICU. According to latest Large Scale Manufacturing (LSM) data released by PBS, industry's cotton yarn output rose by 0.70 percent during 8-month of the ongoing fiscal, while cotton cloth output rose by 0.28 percent against same period last year.

These growth rates do not look much on first glance; however, all growth is relative. Between FY17 and FY21, cotton yarn and cotton cloth output rose at a CAGR of 0.04 percent and 0.05 percent per annum. Thus, the acceleration in growth rate during the ongoing year represents no small feat.



Although commentators may be quick to point to the rise in export earnings as the life force driving this resurgence, it is in fact the recovery in domestic cotton output that better explains spinning industry's improved outturns. According to Pakistan Central Cotton Committee, domestic cotton output during 2021-22 marketing season is highest in three years.

Higher local cotton output – coupled with sustained import momentum – has improved availability of raw material in recent years for the local milling supply chain. Per USDA, domestic cotton consumption for 2021-22 is forecast at 14.4 million bales (of 170kg), up 8 percent against past 5-year average.

Although USDA's forecast of both local production and imports during the current marketing year is suspect, the uptick in cotton demand is both visible and unmistakable. Cotton arrivals during July 2021 – March 2022 are up 32 percent over last year, according to fortnightly data released by Pakistan Cotton Ginners Association.

At 7.4 million bales, these arrivals estimates do not match with GoP's - which insists local cotton output is in fact two million bales higher – but still confirms that the tightness in the local market has indeed eased. Similarly, while USDA predicts import quantum at 6.5 million bales, full year imports during FY22 may clock in at no more than 4.5 million bales. But it is worthwhile to remember that imports have nearly doubled compared to just a few years ago.

Pakistan's textile sector needs to raise its output many times if it is to sustainably cater to both – a burgeoning local market thanks to higher consumer spending, as well as exports. In that respect, the recovery in yarn and cloth production indices (as tracked by LSM-PBS) is both nascent and insignificant. But it most certainly is inching in the right direction; the pace; however, needs to be modulated.

Source: brecorder.com– Apr 27, 2022

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Pakistan: Cotton output and economic security

After all, one big reason for the fall in cotton output is diversion of a lot of land towards production of things that make our political elite more secure about its personal portfolios. It's for a reason that it is said that the sugar lobby is always in power regardless of whichever party is in government.

And the latest body to make a fuss about declining cotton output directly threatening the economic security of the country is the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), not the least because it feeds into the largest exportable product category — textiles.

It's a shame that cotton production has been reduced to 6-7 million bales per year, down from 10-12 million bales, just as textile exports are set to cross the $20 billion mark in the outgoing fiscal year.
Pakistan's textiles became much more competitive after the Covid lockdowns because the country was able to open up ahead of much of the competitors; and while the commodity supercycle in the international market played against us in items like oil, copper, etc., it also won us something of a windfall in textiles.

But, considering the circumstances, increasing demand for our textile products also increases our demand for import of raw materials because we are experiencing declining output of cotton at the worst possible time.

It turns out that importing one million bales of cotton costs the exchequer something like $1 billion and about 60 percent of the cost of producing textile products is attached to cotton.

Therefore, even the simplest math suggests that producing more cotton, or at least reclaiming cotton production land lost to other products, will improve exports, increase revenue, strengthen foreign exchange reserves and the trade balance, stop the fall of the rupee and increase employment; among other things.

And the first thing that a cash-strapped, desperate government should do is devise actionable policies to reclaim the one million hectares of cotton production land that have been lost over the years, especially since experts are convinced that it would enable production of another 5 million bales and save $5 billion per annum.

It's not just the loss of land that successive governments have turned a blind eye to. Stakeholders have also long lamented lack of official support and unavailability of certified and high-quality seeds, which means cotton produced within the country is of medium staple.

That is why long-staple cotton has to be imported to produce quality fabrics for export. The Karachi Cotton Association (KCA) believes that domestic and foreign demand might push up cotton requirement to something like 17 million bales, which would require import of about 10 million bales. Unfortunately, that might not be possible at the moment.

It's bad enough that our export basket remains limited to a small list of items with little or no value addition; and even a record collapse of the local currency barely made exports budge by a few percentage points.

But it's much worse that the country's senior-most politicians have played an active part in letting our natural comparative advantage rot. Since we're still a very long way away from adding either value or more items to our export mix, our best bet would be to improve the quantity and quality of what we do presently export. And it's already shocking that no government has done much about it so far.

Source: brecorder.com– Apr 27, 2022

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NATIONAL NEWS

'EU FTA will be big for textiles'

Free trade agreements with the European Union and the UK will be "big-ticket" deals for the textiles sector with the potential to level the playing field for the Indian industry vis-à-vis competitors such as Bangladesh, Sri Lanka and Vietnam, textiles secretary U P Singh said in an interview.

Bangladesh, Sri Lanka and Vietnam enjoy duty-free access to the UK and the EU, whereas Indian textiles attract an import duty of 9.5%. India has been doing much better than other textile exporters in markets such as the US where it is not at a duty disadvantage.

On inverted duty structure in textiles (where duties on raw material are higher than those on finished products, thus impacting domestic manufacturing), Singh said there is a need for correction but increasing GST to 12% or 18% on the entire value chain is not a solution when cotton prices are at a record high. Edited excerpts:

We are doing a raft of FTAs this year with a special focus on textile. Which markets could benefit us the most?

The EU and UK are the two big-ticket deals that we are looking forward to which will boost the domestic textile sector. The deal with the UK could happen in less than six months. Out of the two, the EU will be the most beneficial for the domestic sector as it is one of the largest markets for textiles. India-UK FTA negotiations are going on and even if an early harvest agreement is signed, textiles will be part of it.

Sri Lanka is a major textiles exporter but the economic crisis has hit production. Are we seeing new opportunities and will the gains be permanent?

China is vacating several markets. The West's China plus one strategy is working in India's favour. The West does not want to put all of its eggs in a single basket. Another factor in our favour is the situation in Sri Lanka. Tirupur exporters are getting a few of the orders that were earlier with Sri Lanka. However, making those customers permanent won't be easy. The world is looking at sustainability, be it the adherence to labour laws, environmental adherence or even pollution. We have issues in the power loom sector and there is a problem of container shortage.

Inverted duty structure has been a long-standing issue in the textile sector. What is the way out?

The inverted duty structure should of course be removed. But imposing a 12% or 18% tax on the entire value chain is not a solution. The rates have to be reasonable because cotton prices are already very high and there is an impact on the domestic market because of the same. But yes, the decision will be taken by the GST council and not us.

Can PLI (production linked incentive) schemes solve the textile industry's problems?

I won't say PLI will take care of all the objectives. There are 3-4 steps that the government has taken to offset the disadvantage that we are at. Through PLI we are trying to boost our presence in man-made fibre and technical textile. The government launched the National Technical Textile Mission, PM-MITRA textile parks which will bring scale to the sectors.

Through the Rebate of State and Central Taxes and Levies and Remissions of Duties and Taxes on Exported Products, we are trying to ensure that only goods are exported and not taxes.

Source: livemint.com– Apr 27, 2022

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Industry minister Piyush Goyal discusses trade with Dutch deputy PM

Weeks before the resumption of trade talks with the EU, commerce and industry minister Piyush Goyal on Tuesday met Wopke Hoekstra, deputy Prime Minister of the Netherlands, and "discussed business and trade opportunities".

Hoekstra has been an advocate of the India-EU free trade agreement (FTA), which, he has said, would provide more opportunities for India towards the whole European continent, and that the Dutch government could play a role in facilitating that. "A deeper Indo-Dutch cross-sectoral cooperation will further strengthen & fortify the multi-faceted India-EU engagements," Goyal tweeted after the meeting.

The meeting came a day after India and the EU on Monday decided to set up a trade and technology council to boost bilateral ties, as the bloc's president Ursula von der Leyen met Prime Minister Narendra Modi here. New Delhi and Brussels will resume serious negotiations for the FTA in June after a gap of almost nine years.

The move underscores growing co-operation between New Delhi and Brussels, as the US is the only other country that has a technical agreement with the EU, along the lines of the one signed with India now. The council is aimed at providing political-level oversight of the entire spectrum of the India-EU ties and to ensure closer coordination.

After 16 rounds of talks between 2007 and 2013, formal talks for the FTA were stuck over stark differences, as the EU insisted that India scrap or slash hefty import duties on sensitive products such as automobiles, alcoholic beverages and dairy products. Similarly, India's demand included greater access to the EU market for its skilled professionals.

However, both the sides have now decided to take the negotiation to its logical conclusion. The EU, including the UK, was India's largest destination (as a bloc) in FY20, with a 17% share in the country's overall exports. Without the UK, the EU accounted for about 15% (or $57 billion) of India's exports until February last fiscal.

Source: financialexpress.com– Apr 27, 2022

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Indo-Australia trade pact to help improve India's image post-RCEP: Expert

India-Australia Economic Cooperation and Trade Agreement is going to strengthen not only the bilateral trade between the two countries but also improve India's image in the world post-RCEP, said a professor of a policy research institute.

India had in November 2019 opted out of the 15-nation Regional Comprehensive Economic Partnership, which is touted as the world's largest trading bloc.

"Australia-India ECTA is a great trade deal, which is going to strengthen not only bilateral trade between the two trade partners but also improve India's image post-RCEP," Research and Information System for Developing Countries professor Prabir De said in a round table discussion organised by the Bengal Chamber on Monday.

India and Australia had on April 2 signed an economic cooperation and trade agreement under which Canberra would provide duty-free access in its market for over 6,000 broad sectors of India, including textiles, leather, furniture, jewellery and machinery.

The agreement is likely to be implemented in about four months.

During the round table discussion, Australian High Commission's Economic and Public Affairs Counsellor Hugh Boylan highlighted benefits of the deal, which would help in taking the bilateral trade from $27.5 billion at present to $45-50 billion in the next five years. This is the first trade agreement that India has signed with a developed economy after more than a decade.

Australia is the 17th largest trading partner of India and India is Australia's 9th largest trading partner. The Bengal Chamber president Abraham Stephanos said it is important for businesses to understand the opportunities unlocking from the trade agreement and the chamber is actively acting as a facilitator.

Source: timesofindia.com– Apr 26, 2022

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Seed manufacturers body urge Centre to rein in HTBt cottonseed sales

The Federation of Seed Industry for India (FSII) has urged the Union and State governments to rein in illegal seed producers who are marketing unapproved HTBt (herbicide tolerant Bt cottonseeds) in various States.

Stating that the sale of illegal seeds is assuming serious proportions, the association said farmers must have spent ₹500 crore last year on buying the packets at a whopping cost of ₹1,500 each.

"We demand portable kits be made available with agricultural field officers to test cottonseed production areas and destroy crops where HTBt is found," it said.

The association, which represents research-based seed companies with an aggregate seed sales of over ₹5,000 crore, said rampant sale of illegal HTBt cottonseeds is causing losses to seed companies, the government and to the farmers.

The FSII has estimated that about 90 lakh packets (of 450 gm each) of cottonseed would flood the market this year, covering nearly 20 per cent of the 120 lakh hectares of cotton area in the country.

It alleged that the sale of illegal HTBt seeds is sharply increasing in the last few years and illegal HTBt seeds are being grown in Maharashtra, Gujarat, Telangana and Andhra Pradesh.

High prices

"About 30 lakh packets of illegal HTBt cotton were sold in 2020. This went up to 75 lakh packets in 2021 and it is expected to cross the 90-lakh mark this kharif," Ram Kaundinya, Director-General of FSII, said.

"The success of Bt cotton has raised hope for farmers to adopt the next technology - HTBt cotton. Since regulatory approvals for HTBt cotton are pending, farmers in India have not been able to legally adopt it," he said in a statement on Tuesday.
For the past three years, farmer organisations have been illegally growing it across the country, he said.

"Due to the presence of herbicide trait and the trait to control pink bollworm as claimed by the illegal operators on their packs, this illegal HTBt cotton marketed under several brand names is sold for almost ₹1,500 for one packet. This is much higher than the price fixed by the government," he said.

Shivendra Bajaj, Executive Director of FSII, felt that the farmers buying the illegal seed were at a risk as there was no accountability.

"The government is losing revenue in terms of tax collection and it is threatening the entire legal cotton seed market in the country. It is very difficult to control once it enters the market. It must be contained in the production fields, ginning factories and warehouses," he said.

Indian regulatory process

Indian cotton growers have been cultivating the HTBt cottonseed, which is illegal since the Centre has not authorised it for commercial sale, over the past four years. They have been growing the illegal seeds, despite warning from governments, as they are looking for cotton varieties that can help them tackle the menaces of insects and pests such as pink bollworm.

India last approved a genetic variety for commercial sale in 2006. Since that, a host of problems have surrounded the cultivation of genetically modified (GM) crops, including a 10-year moratorium imposed by the Supreme Court in 2009.

Currently, the States will have to approve field trials of genetically-modified crops before they can be considered for commercial sale. This, in particular, has grounded any development on the GM crops front.

Source: thehindubusinessline.com– Apr 26, 2022

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Spinning mills begin signing deals to import cotton

Shipments likely to arrive in June, deals stuck around ₹1 lakh a candy

Spinning mills, mainly in South India, have begun to sign deals to import cotton following the Centre's decision to allow the natural fibre's shipments into the country duty-free until September 30.

"Mills in Tamil Nadu have started placing orders for imported cotton. As a strategy, mills placed orders for 30-40 days of production with the aim of rebalancing with domestic cotton," said Prabhu Dhamodharan, Convenor of Coimbatore-based Indian Texpreneurs Federation (ITF).

Signing spree

"Deals to import at least 100 bales (170 kg each) are being signed every day by spinners in South India since imports were made duty-free on April 13. These imports will begin to take place in two months," said Anand Poppat, a Rajkot-based trader in raw cotton, yarn and cotton waste.

However, the total quantity signed so far are yet to be fully computed.

The Centre allowed duty-free import of cotton for a limited period as domestic prices had topped ₹90,000 a candy (356 kg). Also as spinning mills were unable to get quality cotton, they had slowed down production in an effort to extend their inventories.

The textile industry had urged the Centre to allow import of cotton duty-free so that they could bring in at least 40 lakh bales to tide over the shortage. While the availability of quality cotton was an issue, mills also feared that the natural fibre's production could be lower than the revised estimates of the Committee on Cotton Production and Consumption (CCPC) — a body of all cotton textile industry stakeholders.

Landed price of imports

At its meeting last month, the CCPC had lowered India's cotton production to 340.62 lakh bales for the current season to September against 352.48 lakh bales the previous season, a three-year low. It also pegged the closing stocks at a three-year-low of 45.46 lakh bales.

Poppat said deals to import cotton are being signed between ₹95,000 and ₹1,03,000 a candy. “This will be the price at which cotton will land at Indian ports,” he said.

Prices of Shankar-6 cotton, the benchmark for exports, are currently quoting at ₹93,200-93,800 a candy. On the Intercontinental Exchange, New York, benchmark cotton futures are currently ruling at 142.30 US cents a pound (₹88,425 a candy).

Ronak Chiripal, Promoter, Chiripal Group, said the Centre’s decision had to some extent reined in domestic prices. “We can say that to some extent but cotton inventory is a big challenge right now. We are allowed to import but the stocks have depleted and nobody has much to offer,” he said, adding the Centre should waive import duty permanently.

Advantage of imported cotton

Dhamodharan said: “One of the biggest advantage now with imported cotton is, mills will get better realisation to the tune of 4-5 per cent due to historic low level of quality in current domestic cotton.”

A huge problem with Indian cotton is its contamination. This year, according to spinners, it had resulted in realisation for mills drop to 68.5 per cent. On the other hand, realisation from imported cotton could be 75 per cent.

“Since imported cotton will be of good quality and free from contamination, spinning mills will get premium for their yarn,” said Poppat.

The Rajkot-based trader said imports are likely from Brazil, the US and Africa. “We may even get cotton from Australia,” he said.

Chiripal said Indian spinners continued to rely on local ginners for cotton against the bookings they have made in the past 3-4 months.

Export prospects bleak

Poppat said scope for export of Indian cotton is less now since Chinese domestic cotton prices have dropped. So far, 37.50 lakh bales of cotton have been exported between October 1 and April 23.

This season, cotton shipments from the country are estimated by CCPC to drop to 40 lakh bales from 77.59 lakh bales last season.

Chiripal said the past two years were great in terms of demand from customers worldwide for the textile industry. “But right now we are seeing some reduction in sales. Customers are re-looking at their forecasts for the remaining year. Shipping (container prices) is still a big issue and some of China’s major cities going under lockdown will only worsen the situation of container availability,” he said.

Poppat said the textile industry faced a drop in retail demand even as interest rates are going up. “The uptrend in cotton prices globally has been stopped for now,” he said.

Source: thehindubusinessline.com– Apr 26, 2022

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Tariff removal fails to boost cotton imports as high prices prove a drag

Even though the central government has removed the 11% customs duty on cotton imports, spinning mills and composite textile mills have not been able to benefit from this decision as cotton prices are still hovering around 90,000 rupees per candy (356 kg per candy).

It was thought that after the removal of duties there would be huge imports into India, but most spinners show no interest as international cotton prices are on the rise. According to the Cotton Association of India, the decision came a few months late and if it had been taken before February, cotton prices could have remained under control.

“Spinners cannot afford to buy cotton at the current rate because weavers are not willing to pay higher prices for yarn. A handful of multinational corporations have accumulated nearly 60,000,000 bales of stock. Additionally, due to cotton futures on platforms like MCX and NCDEX, cotton prices are artificially inflated.

The government should limit cotton storage stocks and restrict future cotton trade to protect not only the spinning industry but the entire textile value chain,” said Saurin Parikh, President of the Gujarat Spinners Association (SAG).

The spinning industry will have to wait for the fresh arrival of cotton if prices don’t come down quickly, Parikh says. If mills buy cotton at the current rate, they may incur a loss and therefore the next six months would be more difficult for the majority of milling units across the country, he adds.

Although the removal of import duties is a favorable measure for the industry, at the time the duty suspension came into effect, many foreign trading and finance companies came into play and agreements were reached, said Chintan Thaker, chairman of the Welspun Group.

Renewals of the agreement would be completed by the end of April, which could lower cotton rates, said Thaker, who is also the chairman of Assocham (Gujarat), adding that if it was not the If so, the government will have to step in and crack down on traders who hoard cotton and may have to suspend exports.

The opening stock of cotton for the current season was about 75 lakh bales, but the carryover stock will be nearly 40 lakh bales, said Atul Ganatra, chairman of CAI. He adds, “Interestingly, farmers still hold 15% harvest, around 50 lakh bales; Bales of 7 to 10 lakh are expected to hit the market from June to August from Tamil Nadu and Karnataka. In northern India, new cotton sowings have been carried out and harvests will arrive from August. As a result, cotton supply is expected to decline over the next 2-3 months.

At the start of the current season, cotton prices were around Rs 48,000 per candy, which almost reached a high of Rs 98,000 per candy, an increase of more than 100% due to overall demand. According to the CAI chairman, cotton production in the country could remain as low as 335 lakh bales (one bale weighs 170 kg).

On total production, India’s exports are expected to remain at nearly 45 lakh bales and imports at 15 lakh bales, Ganatra said. Consumption of mills could stay at 340 lakh bales, he said. He, however, said cotton plantings could increase by 15-25% as farmers in cotton producing states including Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Punjab could switch from other crops to cotton as they are getting excellent prices this year. year.

Source: thebharatexpressnews.com– Apr 27, 2022

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FIEO calls for finding way for rupee-rouble trade with Russia

The government should find ways to start rupee-rouble trade with Russia as it would help exporters deal with economic sanctions imposed by western countries on Russia, Federation of Indian Export Organisations (FIEO) President A Sakthivel said on Tuesday.

He said that the government should identify 5-6 banks through which exporters of both countries can follow the mechanism. "The government has to find a way for rupee-rouble trade. Like it did with Iran, the government has to do for Russia also," he said.

"Our suggestion is that whatever we import from Russia, we will pay in rupee and Russia can keep that rupee in a separate account and use that to pay for our exports," he added.

Sakthivel said that the main issue is fixing the exchange rate for the rouble. He added that international sanctions on Russia provide business opportunities for Indian exporters.

Following Russia's invasion of Ukraine, the West has slapped a slew of sanctions on Russia and has also isolated the country from the payment systems, which is impacting settling trade payments.

Major export items from India to Russia include pharmaceutical products, tea, electrical machinery and equipment, organic chemicals, and vehicles. In the past too, India had devised a mechanism to pay for imports from Iran, when sanctions were imposed on the Persian Gulf nation.

India's exports to Russia stood at $3.2 billion in 2021-22 as against $2.7 billion in 2020-21. Imports were at $8.7 billion last fiscal year as against $7 billion in 2020-21. Talking about India-UK free trade pact, Sakthivel said that the pact would help boost India's exports.

He said that FIEO is waiting for global data after which it would be able to finalise the exports target for the current fiscal.

Source: timesofindia.com– Apr 26, 2022

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