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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

EU & euro area GDP up by 0.6% in Q2 2022

In the second quarter (Q2) of 2022, seasonally adjusted GDP increased by 0.6 per cent both in the euro area and in the EU, compared with the previous quarter, according to a flash estimate published by Eurostat, the statistical office of the European Union. In the first quarter of 2022, GDP had grown by 0.5 per cent in the euro area and by 0.6 per cent in the EU.

Compared with the same quarter of the previous year, seasonally adjusted GDP increased by 3.9 per cent in the euro area and by 4 per cent in the EU in the second quarter of 2022, after +5.4 per cent in the euro area and +5.5 per cent in the EU in the previous quarter.

During the second quarter of 2022, GDP in the United States decreased by 0.2 per cent compared to the previous quarter (after -0.4 per cent in the first quarter of 2022). Compared with the same quarter of the previous year, GDP increased by 1.6 per cent (after +3.5 per cent in the previous quarter).

The number of employed persons increased by 0.3 per cent both in the euro area and in the EU in the second quarter of 2022, compared with the previous quarter. In the first quarter of 2022, employment had increased by 0.6 per cent in the euro area and by 0.5 per cent in the EU.

Compared with the same quarter of the previous year, employment increased by 2.4 per cent in the euro area and by 2.3 per cent in the EU in the second quarter of 2022, after +2.9 per cent in euro area and +2.8 per cent in the EU in the first quarter of 2022, according to Eurostat.

Source: fibre2fashion.com– Aug 21, 2022

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Road freight volume in China drops by 4.5% YoY in Jan-Jul 2022

Road freight volume in China dropped by 4.5 per cent year on year (YoY) in the first seven months this year, according to the country's ministry of transport data, which showed about 20.98 billion tonnes of road cargo was transported during this period.

The country's road freight volume was almost 3.27 billion tonnes in July alone, the ministry said.

The Qinghai province in the country's northwest, however, recorded the highest increase in road freight volume—up by 20 per cent YoY, bucking the overall trend, an official news agency reported.

Source: fibre2fashion.com- Aug 21, 2022

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US Cotton exports decline 1.7 million bales in MY2021-22

Cotton exports by the US declined by over 1.7 million bales for marketing year (MY) 2021-22 from the previous MY to 14.7 million bales due to less exportable supplies, according to the US department of agriculture (USDA). Despite higher production, beginning stocks in August 2021 were more than 4 million bales lower than a year earlier.

Export volumes remained depressed in the first half of the marketing year. Higher domestic consumption and logistical constraints also constrained shipments.

According to USDA export sales reporting (ESR), total MY 2021-22 shipments were 14 million bales, 700,000 bales lower compared with the USDA forecast.

For the second consecutive year, China was the largest export market and accounted for roughly one-third of US shipments, according to ESR data. Most exports to China were intended for state reserves.

Of the top ten export markets in 2021-22, Turkey, India and Peru witnessed higher exports relative to the previous year.

Source: fashionatingworld.com– Aug 20, 2022

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The World's Cotton Supply Keeps Shrinking, Hit by Drought, Heat

Extreme weather is wreaking havoc upon virtually all of the world's largest cotton suppliers.

In India, the top-producing country, heavy rains and pests have cut into cotton crops so much that the nation is importing supplies. A heat wave in China is raising concerns about the upcoming harvest there. In the US, the largest exporter of the commodity, a worsening drought is ravaging farms and is set to drag production to the lowest level in more than a decade. And now Brazil, the second-largest exporter, is battling extreme heat and drought that have already cut yields by nearly 30%.

This confluence of extreme weather events brought on by climate change has sent cotton prices soaring by as much as 30%. Earlier this year, they touched the highest level since 2011, squeezing the margins of clothing suppliers around the world and threatening to raise the costs of everything from t-shirts, to diapers, to paper and cardboard.

In a call with investors earlier this week, Children's Place CEO Jane Elfers described the surge in cotton prices as "a huge, huge problem for us" and said the company was hoping to see some relief in the second half of the year.

The outlook for Brazil is anything but helpful. The drought there has already dried up an estimated 200,000 metric tons of supply, according to Abrapa, a group representing growers. With the nation's 2021-2022 harvest close to complete, production is now seen at 2.6 million tons -- or less.

Bom Futuro group, one of Brazil's largest cotton producers accounting for about 10% of the nation's planted area, has seen yields fall 27% compared with the previous season. Julio Cezar Busato, a grower in Sao Desiderio, Bahia state, has suffered from a similar decline.

Dryness is reducing the number of cotton bolls, making them lighter across all of the country's main growing regions, he said.

Meanwhile, US output is set to plunge 28% in the season that began this month. The US expects production to hit the lowest level since the 2009-2010 season, sending stockpiles to near-historic lows, because of a drought that has become so extreme that the US government is rationing water from the Colorado River. Together, the US and Brazil account for half of the world's cotton exports.

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The decline in global supplies has become so steep that it's overshadowing demand headwinds. The US government and analysts have been projecting a drop in demand due to a slide in clothing purchases and slowing economies, especially in Europe and Asia. And yet all signs point to "much higher" cotton prices in the coming months with crops shrinking, said Andy Ryan, senior relationship manager for Hedgepoint Global Markets in Nashville.
'A Mountain of Money'

Busato, who also serves as the head of Abrapa, sold 75% of what he expected to harvest in advance and ended up largely missing out on the big surge in prices. Because of the weather, he only produced enough to meet his already-existing contractual obligations. "I could have made a mountain of money," he said.

The weather has created a secondary headache for the cotton buyers of the world. Untimely rains in regions including Australia, Pakistan and even Brazil have also diminished the quality of the stock, said Peter Egli, director for Plexus Cotton Ltd.

So as not to be blindsided for another season, Brazilian farmers are set to increase their cotton-growing areas by 100,000 hectares to 1.7 million hectares for the 2022-2023 season, with plantings beginning in January. Now that most of the current crop there has been sold, farmers are looking to start hedging the 2023 harvest more aggressively. "We don't want to lose Asian markets that we gained recently," Busato said.

Source: bloomberg.com- Aug 20, 2022

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UK Jul retail sales volumes rise by 0.3% after falling by 0.2% in Jun

UK retail sales volumes rose by 0.3 per cent in July this year following a fall of 0.2 per cent in June, according to the Office of National Statistics (ONS). Sales volumes were 2.3 per cent above their February 2020 levels, but down over the past year. Clothing stores sales volumes fell by 1.2 per cent in July, following a fall of 3.9 per cent in June this year.

In the three months to July 2022, sales volumes fell by 1.2 per cent compared with the previous three months; this continues the downward trend since summer 2021.

Non-store retailing (predominantly online retailers) sales volumes rose by 4.8 per cent this July.

The proportion of retail sales online rose to 26.3 per cent in July from 25.3 per cent in June. Despite this pick-up, it continues a broad downward trend since its peak in February 2021 (37.5 per cent), but remains above pre-pandemic levels (19.8 per cent in February 2020).

Source: fibre2fashion.com- Aug 21, 2022

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Japanese envoy to Bangladesh suggests equal sops for all firms at EPZs

Japanese ambassador to Bangladesh Ito Naoki recently said to finance secretary Fatima Yasmin proposing extension of the existing cash incentive benefits on readymade garment (RMG) exports to cent per cent foreign and joint-investment companies listed under export processing zones (EPZs) to do away with the disparity between firms with foreign and domestic investments.

Only domestic RMG companies receive cash incentives for exporting products to new markets now.

Extending the facility to all will raise Bangladesh's exports to Japan as well as Japanese investments in Bangladesh, his letter said.

Japanese companies investing in Bangladesh can also hire more workers, and raise wages and expenditure on skill development, Bangladeshi media reports quoted the letter as saying.

He suggested reducing the existing 5 per cent cash incentive against RMG exports to 2 per cent and providing it to all types of domestic and foreign exporters so that the cost to the government does not rise.

At present, there are three types of companies in EPZs: fully foreign-owned companies (category A), domestic-foreign joint venture companies (category B) and fully domestic-owned companies (C).

The 4 per cent government cash incentive against RMG exports to new markets are availed by domestic companies outside EPZ, as well as only the C category companies within the EPZ. The A and B category companies are not entitled to get that.

Apart from that, the government offers a 1 per cent incentive on the export of manufactured apparel products to any country, which earlier A and B category companies did not receive.

To tackle the pandemic-induced situation, the stimulus package announced by the government to provide working capital at low interest was initially not available to A and B category companies.

In a meeting with principal secretary of the Prime Minister's Office Ahmad Kaikaus, Japanese investors proposed to solve these inequalities, and the government accepted it. All types of companies, including the ones listed in EPZs, are now benefiting from the COVID incentive and 1 per cent cash incentive on RMG exports.

"If the 4 per cent cash incentive will also be granted to 'A' and 'B' category companies, exports to new markets including Japan will definitely grow and Japanese companies will be further encouraged to expand their investment in Bangladesh. I believe that should be the intention of the policy," said Naoki in his letter.

The Japanese ambassador also discussed the matter with the former finance secretary and Bangladesh Bank governor Abdur Rouf Talukder.

Source: fibre2fashion.com- Aug 21, 2022

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Vietnam projected to reach highest GDP growth of 8.5% in APAC in 2022

Vietnam's gross domestic product (GDP) growth this year is projected to reach 8.5 per cent—the highest among its peers in the Asia-Pacific—despite moderation in July exports, according to Moody's Analytics, whose economists said a slow reopening of the economy early this year has now led to a rapid improvement in industrial production and exports, supported by continued inward foreign direct investment.

Vietnam is the only Asia-Pacific economy to witness a significant upward revision in GDP growth by Moody's Analytics, a unit of Moody's Corporation.

While a deceleration of exports as reported in July's data was highlighted by the economists, they believe demand could stabilise from the United States, as its labour market is 'quite strong', a news agency reported.

South and Southeast Asia face the highest risk from a surprise in inflation, which could slow domestic demand for goods and services, they cautioned.

Source: fibre2fashion.com- Aug 22, 2022

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Bangladesh poised to be a big payment market

Bangladesh's payment ecosystem is poised to leapfrog to become a very large substantial payment market within the South Asia and Asia Pacific region in the next few years, said Vikas Varma, chief operating officer for South Asia at Mastercard.

"The signs of economic growth and prosperity, especially in urban areas, are very visible. I can see a lot of organisation and presence of a lot of new spending power in the country now."

The youths have always been very vibrant in Bangladesh, he said.

Emergence of large infrastructure, rising public spending and a stable government for over the last 10 years have led to a continuum of very strong economic and social policies, which allowed the economy to take a giant stride in terms of development, he said.

In the payment industry, where Mastercard operates in, the effects are no less dramatic, Varma told The Daily Star in an interview recently.

He said Mastercard has been here in Bangladesh for over 31 years and the country office was established 9 years ago with local staff.

"We have started with a few thousand cards and now we have millions."

Over the years, Mastercard has introduced a wide variety of payment tools, including debit, credit, prepaid, SME, dual currency and single currency cards, he said.

"What I am also seeing is very dramatic and very large opportunity for future growth."

He said the global trends are changing the way people pay and get paid and some are naturally impacting Bangladesh in good ways.

With smartphones and data, all people are getting connected and getting closer to others in many ways.

Smartphone and data penetration are also very high in Bangladesh and the quality of telecom infrastructure also seemed good, he added.

"The benefits of connectivity, from Bangladesh as well as the outside world, is very dramatic. It leads to a real time exchange of information, data, payment movement and commerce as well, said Varma, who is responsible for managing business development for the South Asia division.

At the same time, consumers, as their lifestyles evolve, need to find more safe and convenient ways to pay, he said.

The consumers should have the confidence on future payment solutions, he said.

"Innovation and finding a balance between safety, security and convenience is very critical for us."

He thinks consumers want to feel safe and they must be educated about how they will feel safe and how they can do online payments.

They must be educated about taking care of some dos and don'ts like not sharing password, not letting mobile phone move far from reach and not handing over cards to random folks.

Risks to the ecosystem are also increasing every day, he said.

The good guys are advancing, but the bad guys are not far behind as there are hackers and people who are targeting phones with malware, he added.

Therefore, a lot of work has to be done by the ecosystem players like banks to ensure that security of the entire transaction ecosystem is ensured, Varma said.

With time, innovations will present new use cases and payment methods, but it will also need focused efforts on cyber security and knowledge for customers about how to use the tools more safely.

Mastercard does not normally share its country-level market data.

The company is doing business here in Bangladesh for longer than other networks, especially with physical capacity, and Mastercard has built very strong relation with financial institutions, banks and regulators, he said.

Varma said he thinks Mastercard is very well placed as a network to become a dominant market player.

He said Mastercard would focus mainly on the growth of debit and prepaid segments as the country has over 110 million adult population and not all are banked yet.

Driving financial inclusion along with regulators and other influencers in the government will help the company gain more debit and prepaid clients, he added.

According to him, another focus sector for Mastercard would be the SME sector -- the backbone of the Bangladesh economy where 25 per cent of its gross domestic product come from.

"In general, SMEs are least served from a financial solution capability standpoint. So, the SMEs need more attention."

There are some areas where banks can help SMEs run their business more efficiently and get capital and payments easily, he said.

E-commerce is another sector, which needs more focus, some progressive policy and investment from ecosystem players, he said.

He said Bangladesh has a lot of room for growth since only 10 per cent of the eligible population currently own a card, whereas one person has at least one card in most of the other nations.

Source: thedailystar.net- Aug 21, 2022

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Bangladesh: ICDs raise export container handling tariff by 25%

The owners of private inland container depots (ICDs) raised tariffs for handling export laden containers by 25 per cent due to price hike of the diesel. The decision was taken today in a meeting between the leaders of Bangladesh Inland Container Depots Association (BICDA) and Bangladesh Freight Forwarders Association (BAFFA) at the BAFFA office at Banani in Dhaka.

Confirming it, BICDA Secretary General Md Ruhul Amin Sikder said after the two hour long fruitful meeting leaders of the two organisations unanimously agreed about raising two types of tariffs including export stuffing package and VGM (verified gross mass) charge by 25 per cent. The new rates would be effective from August 6.

The export stuffing package has been raised for a 20-foot container from Tk 5,092 to Tk 6,365 and for a 40-foot container from Tk 6,790 to Tk 8,488. The package is a combination of charges for carrying an empty container from depot's own yard to its CFS (container freight station), loading of export cargoes into the container at the CFS, taking the loaded container back to the depot yard and later transport of the laden container from the depot to the port for shipment. Moreover, the VGM charge taken for weighing an export load container was Tk 1,415 and it was raised by Tk 354. Freight forwarders usually pay these charges on behalf of the international buyers.

BICDA Secretary General, however, said these charges are the highest rate fixed by BICDA while many ICDs individually take lower than these rate under bilateral deal with the buyers. The raise would be effective based on those rates only, he said.

BICDA President Nurul Qayuum Khan, First Vice President SAJ Rizvi and Vice President Khalilur Rahman attended the meeting on behalf of BICDA while BAFFA President Kabir Ahmed, Senior Vice President Amirul Islam Chowdhury, Vice President Khairul Alam Sujan and Nurul Amin led BAFFA.

Source: thedailystar.net- Aug 21, 2022

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NATIONAL NEWS

Govt to introduce 'one district-one product' to promote sustainable development: Piyush Goyal

"It is time that the Indian textile industry gives the required push to the promotion of sustainable textiles by recycling clothing materials", said Piyush Goyal, Union Minister of Textiles, Commerce & Industry, Consumer Affairs, Food & Public Distribution, at the third edition conference of sustainable clothing and textile recycling, held on Wednesday.

Virtually addressing the gathering for the event, the Chief Guest, Piyush Goyal stated how India did not use a large part of waste which was generated in the textile sector and how that waste sadly went into landfills and got incinerated rather than being recycled or reprocessed.

Adding how textile recycling is prominently found in the USA, EU and China, Goyal said that India had the tremendous opportunity to produce sustainable clothing by taking into account, the pre- and post-consumer textile waste.

When asked about how government offices were planning to look at the use of recycled and eco-friendly products, by Savio Rodrigues, the Founder and CEO, Kianna Media Ventures, Goyal stated that he liked the great idea of sustainable clothing, textile recycling, and reduce, reuse and recycle.

It is noteworthy, that he added that the Union Ministry was mulling over the idea of promoting 'one-district, one-product' on the Government e-marketplace (GeM) platform.

He then confirmed that he would instruct his team to look into the use of recycled products by government offices.

The Union Minister went on to emphasize on the importance of sustainable textile production and how it would help in reducing hazardous wastes and toxicity and pave way for a flourishing ecosystem.

This B2B conference, focusing on textile recycling, reuse, upscale and circular economy, held by Recommerce, in association with Kianna Media Ventures, at Coimbatore, Tamil Nadu, was organized with the aim of bringing together manufacturers, experts in waste management, people who want to innovate through technology, researchers, policy makers, stakeholders and investors, along with other participants.

Source: economictimes.indiatimes.com – Aug 21, 2022

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$1 trillion exports: These 6 sectors to help India become export powerhouse by FY28

India's export growth has been propelled by six megatrends that got fast-tracked during the pandemic (2020, 2021), driving overall export attractiveness for multiple sectors in India. Going forward, chemicals, pharmaceuticals, electronics, automotive, industrial machinery, and textiles (among others) are expected to propel India's manufacturing exports to $1 trillion by FY28, according to Bain & Company.

India's exports have seen tremendous growth over the last two years, with a compound annual growth rate (CAGR) of 15%, rebounding from 5-10% in the pre-pandemic years.

India's manufacturing exports reached an unprecedented $418 billion in FY 2021-22, an overall on-year growth of more than 40% compared to the $290 billion from the previous year. The sharp rise in exports last year has been on the back of a significant increase in share of manufacturing in the country's exports.

According to the report, India is on the cusp of structural shifts, especially in the manufacturing sector. Despite having the sixth-largest economy in the world, contributing to 3.1% of the GDP, India's export contribution to global trade is still only 1.6%.

However, that is going to change, buoyed by the government's robust policy thrust, initiatives like production-linked incentives (PLIs) to encourage local manufacturing, and fresh investments that are pouring into the country's core industrial sectors.

Megatrends shaping India's manufacturing sector

Supply chain diversification: India among top four destinations for relocation of American companies

Sectoral advantages: India's advantage in Pharma, Chemicals, Industrial machinery, Electronics, Automobile, Textiles

Government initiatives: Thrust on fresh investments and ease of doing business, PLI outlay of $47.8 billion and FDI policy improved capital inflow and ease of doing business

Capex-led growth: Growth and high-capacity utilisations, Projected next five years capex is six times higher than last five years

Mergers and acquisitions: Driving growth and reshaping portfolio, In 2021, 90 strategic deals with cumulative value of $100 billion finalised

PE/VC-led investments: Digital and technology-led disruption in manufacturing, PE/VC investments in Indian firms up 55% since 2019, hit record $70 billion in 2021

Manufacturing is emerging as an integral pillar in India's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Bain & Company report stated that propelled by favourable megatrends in manufacturing, India is expected to scale up its manufacturing exports to $1 trillion by FY28, and much of this growth will come from Chemical, Pharma, Industrial Machinery, Electrical & electronics, Automotive, and Textile & apparel sectors.

Chemical $110–$130B
Projected exports CAGR: 19%–23%
Hot segments: specialty chemicals, agrochemicals

Pharma: $45–$50B
Projected exports CAGR: 16%–18%
Hot segments: active pharmaceutical ingredients and drug intermediaries

Industrial machinery: $70–$75B
Projected exports CAGR: 18%–20%
Hot segments: Food processing machines and textile machines

Electrical & electronics: $120–$145B
Projected exports CAGR: 35%–40%
Hot segments: Mobile phones & Industrial electronics

Automotive: $45–$55B
Projected exports CAGR: 15%–18%

Hot segments: EV components

Textile & apparel: $95–$110B
Projected exports CAGR: 13%–16%
Hot segments: man-made fibers, technical textiles

"To capitalise on this opportunity, Indian companies should focus on having a clear export strategy, the right execution chops, the right partnerships for enabling exports, and an optimal capital expenditure (capex) efficiency focus to build manufacturing capacity," the global consultancy firm said.

Source: financialexpress.com– Aug 20, 2022

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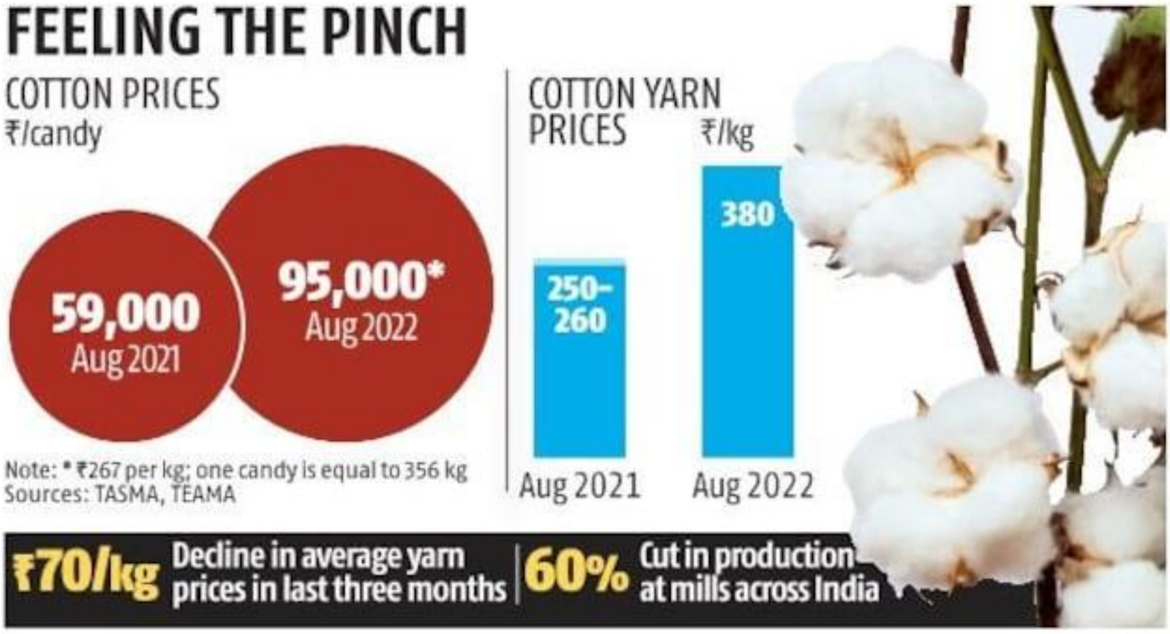
Cotton yarn mills planning to stop production amid poor demand, Ukraine war

The rise in cotton prices, poor demand of yarn due to the apparel industry scaling down production, and a growing sto¬ckpile have forced cotton yarn mills across the country to look at ceasing production from Monday, say industry sources.

Cotton prices have increased by over 60 per cent in August compared to the same period last year. And the apparel industry has been hit hard by the dip in exports due to the Russia-Ukraine war and the slow demand owing to the lingering effects of the Covid-19 pandemic.

The Tamil Nadu Spinning Mills Association (Tasma) has already urged its members to stop production from Monday and to use the existing stock to meet the orders of yarn. Sources said that other states like Gujarat, Maharashtra and Andhra Pradesh are also going for either a complete shutdown or cutting their production further by the end of this month.



"Mills are suffering losses due to the low demand of yarn and the artificially high price of cotton in the cotton market. Due to this, industry has already cut down production by 40 per cent. But there was no relief despite that, and now mills have to go for a complete stop in production," said K Venkatachalam, chief advisor, Tasma. India has the second-largest capacity in the world, after China, for spinning cotton yarn with 50 million spindles, out of which Tamil Nadu's share is around 48 per cent.

According to Arvind Kumar Raichura, managing director of Gujarat-based Balkrishna Spintex, most of the 90-odd spinning mills are running at 50 per cent capacity due to the shortage of cotton. “Cotton availability continues to be down by at least 25-30 per cent compared to the same period last year. Many mills are likely to shut down by September 1 if the situation does not improve,” said Raichura.

Gujarat has an estimated 1.8-2 million spindles of cotton yarn spinning capacity. In addition to the rise in cotton prices, there has been a considerable drop in yarn prices over the last three months — by 16 per cent, after touching a peak of Rs 450 per kg in May 2022.

This rise was from a low average price of Rs 220 per kg in 2020.

Apparel industry insiders say that production has been slashed to 70 per cent capacity in the last few months. “In May cotton yarn prices rose to 450 per kg. Due to this pricing, the apparel industry faced issues in confirming orders. But over the last two months yarn spinners have reduced the average price by Rs 70 per kg,” said M P Muthurathinam, president, Tiruppur Exporters and Manufacturer Association (TEAMA).

The cut in production by the apparel industry will naturally have an impact on supporting industries like spinning, knitting, dyeing, and so on, resulting in possible job losses.

Apparel industry sources said that the dip in demand is due to Covid-related reduction in orders, the Russia-Ukraine war and the decline in customer purchases, among others. “Due to high cotton yarn prices, the apparel industry is now working with other materials like rayon, polyester. Manufacturing costs in countries like China, Bangladesh and Vietnam are 30 per cent less than that in India. If the cotton yarn price gets back to the normal rate, we can get orders and compete in the market,” Muthurathinam added.

Source: business-standard.com– Aug 22, 2022

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Falling merchandise exports threaten India's economic growth, govt warns

India's projected 7.2 per cent economic growth for the financial year 2022-23 may be challenged if merchandise exports, which have fallen to a five-month low in July 2022, do not recover to their earlier high levels, warns the finance ministry amid slowing growth in Advance Economies is set to weaken cross-border trade.

India's merchandise exports jumped to their highest ever at $422 billion in FY22 on the back of $330 billion in the previous year.

The ministry in its latest report has also cautioned that inflation will not be softened below 5 per cent till about first half of next year (2023). "An unchanged growth projection (by RBI in its August monetary policy) reflects the growth momentum in the Indian economy. However, the momentum may be challenged if merchandise exports, which have fallen to a five-month low in July, 2022, do not recover to their earlier high levels," the ministry said in its economic review for the month of July.

Recessionary concerns in advanced economies due to the Russian invasion of Ukraine, continued disruption in supply chains and China's slowdown may lead to exports getting hit in 2022-23 after showing a handsome performance in 2021-22, analysts said.

Slowing exports are also expected to hit India's manufacturing sector performance. The Indian manufacturing sector, which received a fillip in FY22 due to export growth, is likely to be hit by a slump in foreign trade activity in FY23, said a report by India Ratings and Research this week.

Consumer demand in the US and the EU, the two of India's biggest export markets, as well as in other advanced economies, is likely to slowdown due to central banks resorting to aggressive interest rate hikes. This will impact export orders in the months to come.

The ministry, however, said that the private sector and banking sector balance sheets are healthy and there is an appetite to borrow and to lend respectively.

"As and when the Indian private sector embarks on the long-awaited capital expenditure cycle, building on the government's capital expenditure of recent years, India's potential and estimated economic growth performance in the rest of the decade will inevitably be revised higher," the ministry said.

Source: deccanherald.com- Aug 20, 2022

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Exports from job-intensive sectors slow down steadily

Amid mounting concerns about an economic slowdown in India's top export markets, the country has another reason to worry about. Growth of exports from key labour-intensive sectors has been decelerating at a faster pace than that of overall goods despatches.

Exports from the job-sensitive sectors rose 15.7% on year in the June quarter to $37.6 billion, compared with a 26.8% jump in the overall merchandise exports to $121.2 billion. Consequently, the share of such sectors in merchandise exports dropped to just 31.1% in the first quarter this fiscal from 34.1% a year before. Despite an export resurgence in FY22, the share of such sectors in total outbound shipment of goods shrank to 33.3% from 36.2% in FY21, according to an FE analysis, based on the official data (See chart).

In fact, their share in merchandise exports has been steadily declining in recent years—it was 37.8% in FY19 and 36.5% in FY20. These sectors include textiles & garments, farm, plantation, marine, gems & jewellery, leather, stone, cement, ceramic, glass and glassware, and some other allied segments. This slowdown also partly explains why not enough jobs are being perceived to have been created in recent years.

This trend may accentuate in the current fiscal, with key markets—the US, the EU and China—already gripped by slowdown fears, while supply-side woes in the wake of the Ukraine war are yet to dissipate substantially.

More importantly, given that most exporters in the labour-intensive sectors are small and medium enterprises with limited financial muscle, they are more vulnerable to currency volatility and inadequate financing than larger companies. The pandemic, arguably, hit these small units harder, severely undermining their ability to supply goods and services.

Similarly, any sudden spurt in input costs hit them hard, as they struggle to pass on the rise in costs to end-customers, especially in times of subdued demand. Moreover, domestic supply bottlenecks, including elevated logistics costs, crimp their ability to ship out. Importantly, most of these factors come into play this year.

Although a weak rupee is expected to offer some cushion to all exporters, a slowdown in over flow and depreciation of the currencies of India's competitors in the export market will blunt the advantage for New Delhi. A ban on wheat exports, tight regulation of shipment of wheat flours, cap on sugar despatches and non-availability of cotton at reasonable rates for months for the textile industry are weighing on export prospects. The move to raise the import duty on gold to 15% from 10.75% to curb current account deficit has driven up costs of jewellery exporters.

More importantly, thanks to the usual structural issues—elevated expenses on logistics (as much as 15-16% of consignment value, according to industry executives) and higher costs of raw materials and labour—India has been beaten by countries like Bangladesh and Vietnam in segments like textiles and garments where China has been trimming its dominant exposure.

The International Monetary Fund (IMF) last month pared down its forecasts of world trade volume growth for 2022 by 90 basis points from its April projection to 4.1%; for 2023, it's cut by 1.2 percentage points to just 3.2%. This will also weigh on the trade prospects of India, which witnessed an export resurgence in FY22.

Source: financialexpress.com- Aug 22, 2022

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New foreign trade policy may help reduce compliance burden on small exporters: Report

Trade, import, export for MSMEs: The commerce department is expected to come out with the new foreign trade policy next month that may explain means to curtail the compliance burden on small exporters and provide monetary support to MSMEs to boost exports, said a report by The Economic Times. The policy may also look at the right categorisation of products grouped as "others" currently, as this causes misclassification and tax evasion that contributes to the growing trade deficit.

"We are working on ways to facilitate e-commerce exports through the policy," the report quoted an official as saying, who added that the new policy could be released by the end of the next month.

Apart from MSME exports, the policy may also focus on developing districts as export hubs. The report noted that the commerce department is in talks with stakeholders to integrate global markets through bilateral trading arrangements, government-to-government discussions, and using the multilateral agreements of the World Trade Organization. Moreover, product and country strategies are also being looked at to diversify export products of the country.

The new policy takes shape amid the decline in the share of MSMEs in the country's annual merchandise exports even as the latter hit a record high level in the financial year 2021-22.

According to the data on the value of MSME exports and its share in overall exports shared by the Minister of State for MSMEs Bhanu Pratap Singh Verma in a written reply to a question in Rajya Sabha last month, MSME exports' share dipped to 45.04 per cent in FY22 in comparison to 49.75 per cent during FY20 and 49.35 per cent during FY21 even as India's exports jumped 34.63 per cent from $313.3 billion in FY20 and 44.5 per cent from $291.8 billion in FY21 to record $421.8 billion in FY22.

"Commodity prices and commodity exports including petroleum, steel and other metals, and food grains have jumped record high recently. In these segments MSMEs are not the key players while non-MSME exporters account for exports of petroleum products, steel, food grains etc., who have probably done exceptionally well and hence the overall share of MSME exports has come down due to this," Ajay Sahai, Director

General & CEO, Federation of Indian Export Organisations had told FE Aspire (Financial Express Online).

India's trade deficit had widened to a record $31 billion in July in comparison to $26.18 billion in June and $10 billion during the year-ago period, according to the data from the commerce ministry.

Source: financialexpress.com- Aug 21, 2022

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Ahead of MSP panel meet, farmers seek representation in policy making

Umesh Kumar from Shamli district in Uttar Pradesh grows a variety of crops in a 22-acre plot ranging from sugarcane to wheat and rice or even horticulture crops.

Despite being a fairly large farmer, Kumar feels that farmers never get to have any say in agriculture policies framed by the central or the state government.

"Farmers should be equal participants in any policy, which is made for the agriculture sector. A beginning could be made by including them in the Commission for Agriculture Costs and Prices (CACP), which is the panel that sets the minimum support price (MSP)," Kumar told Business Standard.

While Kumar wanted to have a say in policy making, many others in his trade were concerned about MSP and climate change impacting their crops and fields.

Around 19 farmers from 13 states had gathered in the capital during the Independence Day weekend for a unique interaction with subject experts and opinion leaders.

The aim was to frame a clear charter of demands that could be included in the deliberations that are scheduled to take place in the first-ever meeting of the high-powered panel.

The panel was formed by the government to make MSP more transparent and effective as promised by Prime Minister Narendra Modi while repealing the three farm Acts last year.

NITI Aayog member Ramesh Chand, IIM-Ahmedabad professor Sukhpal Singh, IFFCO chairman Dilip Sanghani, secretaries of the department of agriculture, Indian Council of Agriculture Research (ICAR), food and consumer affairs and cooperation and textiles also form part of the panel.

The three days of deliberations, which started on August 15 and was called the 'Citizens Jury' process, was facilitated by Socratus Foundation.

The foundation is an organisation that works on creating deliberative spaces to discuss complex problems around the world.

During the three-day event, farmers heard a cross-section of viewpoints by academics, independent experts, media and decision makers from different schools of thought.

Once the experts presented their views, the farmers were free to question their perspectives. And, once a concrete view emerged, it was made part of the recommendations.

The topics discussed included anything and almost everything related to different aspects of a farmers' life in India. It was not just production but even climate change and environment, global trade, markets, public finance, subsidies and even social security.

"A big problem that a farmer faces is difficulty in accessing government schemes and delay in getting the benefits," said Twarku Devi from Mandi district of Himachal Pradesh, who was one of the participants.

She said for big farmers, it is easy to get access to the benefits. She grows apples, small-sized pomegranates and vegetables on a small land and getting a basic subsidy on small farm equipment takes at least 6-8 months.

"In several schemes, the money has to be spent upfront. After that, the government subsidises the amount at a later stage.

For small growers, spending a big sum is difficult," Devi said.

The academicians and experts who presented their opinions are known to have held diverse views on various issues pertaining to agriculture.

The experts ranged from Yogendra Yadav of Jai Kisan Andolan, who was also a prominent face of the year-long farmers' agitation in Delhi's borders to Kavitha Kuruganti of ASHA. Then, there were free market proponents like Gunvant Patil from Shetkari Sanghatana to Anil Ghanwant of the Swatantra Bharat Party. Members of the government's MSP panel such as CSC Sekhar from the Indian Institute of Economic Development and Patil heard the views of farmers.

“One of the panelists spoke very highly about MSP and its importance. To this, farmers asked how many of them actually benefited from the system,” Kumar said.

Following the high-octane deliberations, a series of conclusions were drawn up.

These included issues such as the need for farmers and the government to innovate to adapt to climate change and putting in place a process through which horticulture produce can be procured for local anganwadis. Then there was the issue of mid-day meals and starting a system for price risk insurance that should be transparent and fair.

On the vexed issue of MSP, the ‘Citizens Jury’ advocated a legal guarantee but one which is linked to India’s requirements, nutritional needs and environment.

“India should have an area production plan, which is made by consultation with district, state and national-level committees. It should be done after considering a district’s PDS needs and local ecology.

Instead of one district, one crop, in every district, only some crops should have MSP benefits and not others,” the Jury concluded.

Source: business-standard.com- Aug 21, 2022

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Farm ministry body testing 11,000 seed varieties for IPR certification

The Protection of Plant Varieties and Farmers' Right Authority (PPVFRA) under the agriculture ministry is conducting field testing and assessments of more than 11,000 new seed varieties of cereals, cotton, vegetables, oilseeds, flowers, spices and legume crops for ascertaining their uniqueness. The idea is to protect rights of plant breeders through the grant of intellectual property rights (IPR) certification and boost research and development of new seed varieties.

Kumble Vinod Prabhu, chairperson of the PPVFRA, said the statutory body has granted certification for more than 4,000 plant varieties to public and private sector institutions since its inception in 2009. Farmers have received certification for another 1,033 varieties.

"The purpose of such protection is to boost the seed sector and ensure the availability of quality seeds and planting material to the farmers," Prabhu told FE.

While breeders have the right to sell the PPVFRA-certified seeds to private companies through licensing arrangements, the farmers have the rights to use the seeds.

Of the 5,033 certificates, about 3,356 were granted to cereal varieties, mostly developed by public sector research institutions especially those under India Council for Agricultural Research (ICAR), state agricultural universities and other institutions. As many as 507 certifications for unique plant varieties were issued in 2021 and another 186 so far this year. "We have rejected 3,000 applications for certification following field testing on the claims for uniqueness," Prabhu said.

The authority conducts the testing of all the varieties registered for certification at 22 locations to ascertain the unique traits. The unique characteristics of plant breeders were studied for two years before granting a certification by the PPVFRA.

Following India's ratification of the WTO agreement on trade-related aspects of intellectual property rights, the PPVFRA was created after Parliament passed the plant varieties and farmers' rights Act.

According to standing committee on agriculture's report on demands for grants (2021-22) released last year, there were around 540 private seed companies, including multinationals, operating in the country. Of this, about 80 companies have their own research and development programmes.

The public sector has a share of more than 53% and private sector has around 47% in the total formal system of seed supply, the Indian Council of Agriculture Research has estimated. Most of the varieties, especially in the cereals, are multiplied and marketed by private-sector companies.

Source: financialexpress.com- Aug 22, 2022

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Discredited committees

The 'committee of creditors' must do its utmost ensure that an entity under IBC is revived

The Insolvency and Bankruptcy Board of India (IBBI) is right when it observes that the Committee of Creditors (CoC), vested with huge powers under the Insolvency and Bankruptcy Code, must make a more earnest effort to revive a company over the long run, instead of merely trying to recover its dues.

The IBBI has said: "The CoC's decisions must increase the value of the firm, which is valued 100 at the commencement of the resolution process, to at least 101 the next year, 102 the year after... Such value maximisation...requires strategies much beyond restructuring of liabilities." Unlike other resolution systems, the IBC is a 'creditor-in control' model. Hence, the CoC sacks the existing management and takes over a firm, appointing a resolution professional (RP) to cobble together a plan.

The IBC vests faith in the 'commercial wisdom' of the CoC; in the normal course, the NCLT or its appellate body is not expected to question its decisions (affirmed in the Swiss Ribbons SC case). The idea here is to lose as little time as possible to get a going concern back on track, by quickly settling its debt and overhauling its management. But with sweeping power comes considerable responsibility.

The IBC's record since December 2016 does not seem to suggest that CoCs have taken their job of revival seriously. Of the 3,400 or so corporate insolvency resolution cases that have been closed since then, just 14 per cent or 480 of them have won a resolution plan, while over 1,600 or 47 per cent of the cases have been packed off for liquidation. If the average time for resolution runs well over the IBC limit of 330-440 days, the CoC is at times to blame, although the bench strength of the NCLT is also a factor.

While it is true that three-fourths of these are BIFR legacy cases, the IBBI's latest observation suggests that the CoC's approach too is a problem. The IBBI's meeting with top bankers this week to debate this issue comes as a significant development. With the economy on the mend, the CoCs must apply their managerial acumen to protect assets and jobs.

The CoCs' role has been under scrutiny for sometime. The Parliamentary Standing Committee's report on the insolvency process, released last August, makes some pertinent observations. While ensuring a rigorous quality test for RPs, the panel suggests that the CoCs should select them in a more transparent manner. It has observed that the process of accepting bids for resolution plans has come under a cloud.

Other experts have elaborated that the CoCs' decisions should be backed by sound reasoning and information; there should be clear penalties for misconduct; a mechanism for resolution of deadlocks where the CoC is unable to arrive at a consensus decision; and a diverse composition to deal with large, complex cases.

Source: thehindubusinessline.com- Aug 21, 2022

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Govt amends rules for physical verification of companies' registered office addresses

The Indian government has amended rules to ensure a transparent process for physical verification of addresses of the registered offices of companies, including by way of having independent witnesses at the time of the verification. The steps listed out in the new rules will help do away with discretion of authorities as well as put in place a transparent system with respect to the physical verification process.

Under the Companies Act, 2013, a Registrar of Companies (RoC) can do a physical verification of a company's registered office if he or she has a reasonable cause to believe that the company concerned is not carrying out business in a proper manner.

Now, the process for such physical verifications has been put in place under the Act.

The physical verification will be done in the presence of two independent witnesses of the locality in which the company's registered office is situated. If required, the assistance of the local police will be also sought, according to the corporate affairs ministry.

To check the documents' authenticity, the same should be cross verified with the "copies of supporting documents of such address collected during the said physical verification, duly authenticated from the occupant of the property where the said registered office is situated", the ministry said.

The registrar will also have to take a photograph of the company's registered office during the physical verification.

Once the verification is done, a detailed report with various information, including location details and photographs, will be prepared.

Navin Kumar, Partner at Cyril Amarchand Mangaldas, said the objective steps required during physical verification as well as the format of the physical verification provided in the amendment is a welcome step and removes discretion of authorities.

"This amendment also settles the debate around the primary legislation enabling the physical verification of registered address by RoC -- the process for which is to be prescribed in the Rules -- but the Companies (Incorporation) Rules not providing for it," he said.

He also noted that the amendment is in furtherance of Section 12(9) of the Companies Act and provides the procedure of physical verification of the registered address of a company by RoC if it has reasonable cause to believe that the company is not carrying on any business or operations or is not capable of receiving and acknowledging communication.

In case the company's registered office is found to be not capable of receiving and acknowledging all communications and notices, the registrar concerned will send a notice to the company and all its directors seeking information.

Further action, including the decision on removing the name of the company concerned from the official records, will be initiated depending on the response from the company.

The ministry has amended the Companies (Incorporation) Rules, 2014.

On July 18, the ministry informed the Lok Sabha that a total of 1,12,509 companies have been struck off from official records in a little over three years.

These companies have been struck off under Section 248 (1) of the Companies Act during the period from April 1, 2019, to July 12, 2022. This section allows RoCs to strike off companies.

Source: economictimes.indiatimes.com – Aug 21, 2022

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Punjab expects cotton production of 8 lakh bales this season

CHANDIGARH: Punjab is expecting a cotton output of around 8 lakh bales in the current Kharif season due to lower acreage and damage to the crop due to rains.

The cotton output had dropped sharply to 6.45 lakh bales in the last 2021-22 season due to the pink bollworm insect attack on more than 10 lakh bales in the previous year. The current season production would be nearly 35 per cent lower than that in 2018-19.

The lesser area under cotton along with damage to the crop by rains and whitefly pest attacks are being seen as the main reasons behind the expected decline in the overall yield.

Punjab could bring only 2.48 lakh hectares under cotton crop as against the target of 4 lakh hectares in cotton-growing areas of Bathinda, Muktsar, Mansa, Fazilka, Sangrur, Moga and Faridkot in the Kharif sowing season.

"During the time of sowing which is mid of April till May, farmers in several cotton-growing areas could not get sufficient canal water for sowing of the crop as there was a breach in the Sirhind feeder canal," said a senior official of the state agriculture department.

Due to inadequate canal water supply, farmers decided to switch to paddy crop, the official further said while giving reasons for the lesser area under cultivation.

Later, heavy rains affected the crop over at least 10,000 hectares of area in Muktsar and Fazilka, which will also impact the overall crop yield. Moreover, several farmers in areas including Bathinda and Mansa were forced to plough the cotton crop because of the whitefly pest attack.

According to the latest estimates, the area under cotton crop has now fallen to 2.20 lakh hectares, said the official. Though the department official said the attacks of whitefly pest and pink bollworm have been controlled.

"We are expecting cotton output of 8 lakh bales this season," said the official.

The area under cotton in 2009-10 in Punjab was around 5 lakh hectares but after that, it gradually started declining.

In 2018-19, the area under cotton was 2.68 lakh hectares. It dropped to 2.48 lakh hectares in 2019-20 and then it was 2.52 lakh hectares and 2.51 lakh hectares in 2020-21 and 2021-22 respectively, as per data available.

Punjab had recorded cotton output of 12.23 lakh bales in 2018-19, followed by 12.06 lakh bales in 2019-20 and 10.23 lakh bales in 2020-21. With the pink bollworm insect causing damage to the crop in 2021-22, the state's cotton output sharply dropped to just 6.45 lakh bales last year, as per data from the state agriculture department.

According to experts, the cotton prices are expected to remain around Rs 10,000 per quintal this season as well.

Last year, the growers fetched around Rs 10,000 a quintal. The minimum support price of cotton for the current season is Rs 6,080 per quintal for medium staple and Rs 6,380 a quintal for long staple variety.

Source: newindianexpress.com – Aug 21, 2022

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Government procurement of cotton could remain slow: Reports

Government procurement of cotton could remain slow even after the new crop season begins in October, as prices of the commodity are expected to remain high. This could benefit farmers, but hit textile companies.

Amidst a drop in production in major cotton-producing countries, including India, the spot price of cotton has nearly surged back to record levels of Rs. 1 lakh a candy. Cotton prices globally have been on the surge after the US cut its production forecast by 3 million bales to 12.6 million bales for FY '23.

US is one of the largest cotton-producing countries. As production in major cotton-producing states such as Maharashtra and Karnataka is set to drop due to pests and heavy rains, production estimates of cotton have already been cut to 31.5 million bales for FY '23.

The problem is cotton productivity,which has stagnated due to lack of new seeds and frequent pest attacks and diseases.

As per a Government official, the prices will certainly drop from the new season that starts from October. However, in the entire next season, he doesn't expect any MSP operation (because prices will be elevated). Cotton prices are expected to be well above the MSP.

During the pandemic, the demand was low and that is why 20 million bales were procured at MSP in those two years. Notably, earlier also cotton procurement was small.

However, it is also being said that India has sufficient cotton stocks as the total availability of cotton, without considering imports, is 38 million bales, while consumption stands at 32 million bales this year. The carry-over stock to the next cotton season could be the lowest in many years.

After a fall of 14 per cent in July, cotton prices have increased by almost 14 per cent in August – so far.

Source: apparelresources.com – Aug 20, 2022

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India's headline retail inflation to be 5% by Q1 FY24: RBI bulletin

The Reserve Bank of India (RBI) said in its latest monthly bulletin that the country's headline retail inflation, as measured by the consumer price index (CPI), will ease from 7 per cent now to 5 per cent by the first quarter (Q1) of the next fiscal within the tolerance band and hovering closer to the target, but 'not yet positioned for landing'.

"With the trajectory of outcomes largely in line with projections, we expect momentum to ease from 3.0 per cent in Q1 (April-June) to 1.7 per cent in Q2 and further to 1.3 percent in Q3 and turn mildly negative in Q4 before picking up modestly and on seasonal food price effects to 2.2 percent in Q1 FY24," the RBI said.

However, after April-June, the task before the Monetary Policy Committee (MPC) would be to guide inflation to its target of 4 per cent. This may prove to be more 'arduous' than the loss of height into the tolerance band, the central bank said.

Though recent data showed India's headline retail inflation rate, as measured by CPI, fell to a five-month low of 6.71 per cent in July, it has now spent 34 consecutive months above the RBI's medium-term target of 4 per cent and seven straight months outside the bank's 2-6 per cent tolerance range.

A 'heartening development' in recent times has been the easing of inflation in July by 30 basis points from June and an 'appreciable' 60 basis points from the average of 7.3 per cent for April-June 2022, the bulletin said.

This has validated the central bank's hypothesis that inflation may have peaked in April. For the rest of the year, the RBI's projections scent a steady easing of the momentum of price changes, it stated.

Another heartening development is the return of capital flows to India, RBI noted. India is becoming a preferred destination for portfolio flows, it said, stating that till August 12, equity and debt segments recorded net inflows of $4.4 billion and $0.3 billion respectively.

India is poised to sustain a growth differential vis-a-vis the rest of the world on the basis of several fundamental factors, including demographic dividend, increasing formalisation of the economy and digital financial inclusion, the bulletin added.

Source: fibre2fashion.com– Aug 20, 2022

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