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IBTEX No. 173 of 2023 October 05, 2023

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INTERNATIONAL NEWS

Euro zone manufacturing economy sharply contracts in Q3 2023: Survey

The euro zone manufacturing economy continued to sharply contract at the end of the third quarter this year, according to S&P Global.

The latest Hamburg Commercial Bank (HCOB) manufacturing purchasing managers' index (PMI), compiled by S&P Global, fell fractionally to 43.4 in September, from 43.5 in August.

New orders continued to shrink at a pace that has rarely been surpassed since the survey began in 1997.

Crucially, this marked the fifteenth successive month in which the headline index has recorded in sub-50.0 territory, thereby indicating a sustained deterioration in the health of the euro area manufacturing sector.

Although input costs fell sharply yet again, businesses' efforts to retrench further were evidenced by sustained reductions in employment, purchasing activity and inventories. Subsequently, production cutbacks were extended in September, S&P Global said in a note.

Meanwhile, there was a considerable softening of business confidence, with growth expectations slumping to a ten-month low.

Euro zone manufacturers reduced their prices charged for a fifth successive month and to one of the greatest extents seen in 14 years to boost competitiveness and stimulate demand.

Barring Greece, all other countries monitored registered downturns during September. Germany and Austria continued to observe the fastest rates of decline, followed by the Netherlands and France. In the case of the latter two, September's contractions were the steepest seen in almost three-and-a-half years.

While Italy and Spain also saw worsening manufacturing sector health, the rates of deterioration slowed.

Considerable weakness was also seen on the export front. The response by manufacturers was to reduce production levels for the fourteenth time in 16 months. The decrease was sharp and slightly faster than in August.

In the absence of demand pressures, eurozone manufacturers made further progress on their backlogs of work.

A further decrease was observed in euro zone factory operating expenses. The reduction was steep overall, despite easing to the slowest since April. Lower input prices continued to provide firms with more flexibility over their pricing strategies.

Source: fibre2fashion.com– Oct 04, 2023

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China's profits move south as importing countries de-risk operations

China's chips have been down since Covid started four years ago with a chain reaction of global supply-chain upheavals. The effects are expected to persist for many more years as the negative effects of a global economic slowdown has led to a continued drop in the country's exports. The mega apparel sourcing power houses of the US and European Union are continuing their de-risking operations by cutting down imports and taking steps to make their trade with China less risky.

As a result, Chinese exports suffered its steepest decline in June 2023 since the pandemic began, falling by a drastic 12.4 per cent as compared to 2022, after having had negative growth and dropping by 7.5 per cent in May.

As per International Monetary Fund (IMF) data, China's share of US imports peaked in 2017 at 21.58 per cent. But this was before the US-China trade war and despite a slight rebound in 2020, overall trend remained negative, with shares dropping to 16.53 per cent last year. In the first four months of 2023, around, 20.9 per cent of textiles and apparel the US imported were from China, down about 4 per cent from 2022. The figure further fell to almost half of the total figures seen more than a decade ago, reveals Office of Textiles and Apparel under the US Department of Commerce (OTEXA) stats.

Most South Asian countries see trade slowdown

There has been a slowdown in global trade activity and this has hit most Asian economies like Taiwan, Vietnam, and South Korea along with China, both in the apparel as well as electronics segment. In June 2023, South Korea recorded a 6 per cent year-on-year drop in exports, which have declined for nine months in a row; Taiwan's exports plunged 23.4 per cent for the 10th consecutive month, the steepest slump in almost 14 years. Vietnam also suffered the same kind of losses, by almost 10.25 per cent for the fourth straight month.

China's export activity has fared slightly better as it has a more diversified product portfolio and is slightly more resilient but it still faces weakening demand in the US and EU. Earlier, the same shipments to these countries used to account for around a quarter of China's total exports. However, now the situation has changed for the worse and this is just the tip of the iceberg as exports will be difficult to improve this year as it will depend on the destocking situation in overseas market. There may be a certain hike in demand during festive period but the sustainability issue remains unclear and the climb is difficult to maintain. Also, the upcoming autumn/winter demand will be slow as last year's inventory is still unused and even after the festive sales, the slowdown will continue.

Focus on trade diversification and dumping issues

A recent focus on trade diversification is currently creating a shift in demand for Chinese goods between different markets and not just eliminating China-made products, as many Western apparel companies cannot simply let go of the super-competitive Chinese production and logistics ecosystems, which other Asian countries have been unable to replicate over the years.

The dumping of Chinese products where the practice of exporting goods to another country at prices lower than even their manufacturing cost has created an imbalance in global trade practice. It is not only harming the domestic industries of importing country but also escalated trade tensions between China and trading partners and created legal problems and trade disputes.

With a growing sentiment among fashion companies in the US to reduce China exposure further due to concerns about the forced labor risks in the supply chain and escalating US-China geo-political tensions and quality concerns of low-priced Chinese goods, the situation doesn’t look too promising in the near future.

Source: fashionatingworld.com– Oct 03, 2023

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H&M's posts good revenue growth in first nine months, Western Europe remains largest market

Hennes & Mauritz's (H&M) latest nine-month performance report card spanning December 1, 2022 to August 31, 2023 shows the group's net sales in Swedish Krona increased by 8 per cent to SEK 1,73,385 million.

In local currencies, net sales were flat compared to previous year. Gross profit increased to SEK 87,239 million which corresponds to a gross margin of 50.3 per cent.

Selling and administrative expenses amounted to SEK 78,016 million and in local currencies, these expenses decreased by 3 per cent. Operating profit increased to SEK 10,205 million corresponding to an operating margin of 5.9 per cent.

In 2022 one-time costs for Russia of SEK 1,751 million were charged against the nine-month result. Adjusted for these one-time costs the increase compared with the previous year was 26 per cent. Post-tax revenue is up 61 per cent to SEK 7,147 million.

Western Europe remains largest market

The report shows H&M's unquestioned largest market remains within Western Europe with sales at SEK 57,723 million followed by the combined Americas at SEK 39,818 million. Asia, Oceania and Africa contributed SEK 23,074 million in sales.

Within Europe, Eastern Europe fared the lowest at SEK 14,093 million. Sales were temporarily resumed in Russia from August until November 2022. Development in Eastern Europe should be seen in light of H&M group's operations in Russia and Belarus which completely closed down since November 30, 2022, while operations in Ukraine paused since end of February 2022.

Excluding Russia, Belarus and Ukraine, sales in Eastern Europe for the first nine months, increased 17 percent in SEK. Sales during September 2023 are expected to decrease by 10 per cent in local currencies compared to September 2022.

The discontinued operations in Russia account for 4 percent points of the decrease. The figure for September should be seen in the light of unusually hot weather in several of the company's European markets, which has had a substantial negative impact on sales during the month. H&M plans to gradually reopen most of its stores in Ukraine from November 2023 onwards. H&M clocked SEK 22,723 million and SEK 15, 954 million in these nine months in Southern Europe and the Nordic countries respectively.

Customers a priority over profits

Speaking on the results CEO Helena Helmersson says, "In times of high inflation where household living costs continue rising significantly, it is more important than ever to offer customers the best price and unbeatable value for money.

Our highest priority remains the customer offering, where work to improve the assortment and the customer experience is making progress, alongside further integration of the two channels." H&M is continuing investments in tech, AI and the supply chain, which is enabling improved flexibility, faster response times and greater precision in buying. This leads to customers having access to an even wider and more relevant assortment.

She also emphasized their efforts to create conditions for profitable growth towards long-term goals is taking H&M in the right direction. "The cost and efficiency programme is proceeding at full speed and will continue to have an effect in the coming quarters. With a strong customer focus, improved cash flow and increased inventory efficiency our goal of an operating margin of 10 per cent during 2024 remains."

Source: fashionatingworld.com– Oct 04, 2023

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Brazil's cotton output surge set to boost global export rankings

Recent data shows that Brazil is poised to rise in the ranks of the world's major cotton-exporting countries. The anticipated increase in cotton output for the 2023-24 season could position Brazil to become the world's second-largest exporter, possibly overtaking the United States, according to a report from the Center for Advanced Studies on Applied Economics (CEPEA).

According to figures released by the USDA on September 12, global cotton output is expected to decrease by 1.5 per cent for the 2023-24 season compared to the forecast in August, and by 5.3 per cent when compared to the 2022-23 season, amounting to 24.471 million tons. Meanwhile, Brazil has revised its own estimates upward by 4.2 per cent, pegging its output for the 23-24 season at 3 million tons. Conversely, production in India and the United States is forecast to decrease by 2 per cent and 6.1 per cent, respectively, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

For exports, the United States Department of Agriculture (USDA) has downwardly revised the estimates for the world's leading cotton exporters except Brazil. Exports from Brazil are expected to increase by 4.9 per cent, reaching 2.57 million tons between August 2023 and July 2024. The United States is forecast to have the lowest exportable surplus since the 2015-16 season, at 3.32 million tons for the 23-24 season.

In Brazil, the gap between production and consumption is expected to narrow in comparison to the 2022-23 season. However, the country is projected to have its highest ever exportable surplus, estimated at 5.86 million tons. Domestically, market agents in Brazil have been primarily focused on fulfilling prior commitments to both local and international buyers, as increased freight costs and logistical challenges take precedence over new deals. Despite concerns about low consumption in the retail market, liquidity has risen due to a slight uptick in sales along the textile chain. Between August 31 and September 29, the CEPEA/ESALQ Index for cotton saw a marginal increase of 0.65 per cent, closing at BRL 4.0738 per pound on September 29.

Source: fibre2fashion.com– Oct 04, 2023

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Biz conditions in Vietnam's manufacturing decline in Sept: S&P Global

Overall business conditions in the Vietnamese manufacturing sector declined marginally in September after improving in August, according to S&P Global.

Data pointed to a strengthening demand environment and growing business confidence, but also a degree of spare capacity in the sector that led to reductions in output and employment.

Rates of inflation gathered pace, with both input costs and output prices rising more quickly at the end of the third quarter.

The S&P Global Vietnam manufacturing purchasing managers' index (PMI) posted 49.7 in September, back below the 50 no-change mark following a reading of 50.5 in August. The index signalled a deterioration in business conditions for Vietnamese manufacturers, albeit one that was only marginal.

The most positive aspect of the latest survey was a second successive monthly increase in new orders, with the rate of expansion broadly in line with that seen in the previous survey period.

Several respondents signalled that strength in new export orders, particularly from other Asian economies, had helped to boost total new business. The rate of expansion in new sales from abroad was solid and more pronounced than that seen in August, S&P Global said in a note.

Despite the continued pick-up in demand, manufacturers signalled that new order receipts remained relatively modest, leading to a scaling back of production. Output was down slightly following August's rise, with production now having fallen in six of the past seven months.

The overall contraction in output was centred on intermediate goods producers, with the consumer and investment goods categories recording expansions.

A further reduction in backlogs of work in September signalled that manufacturers maintained sufficient capacity to cope with current workloads. They remained reluctant to hire additional staff. Employment decreased for the seventh month running. Although modest, the rate of job cuts was the most marked since June

But manufacturers did expand their input buying. Purchasing was up for the second month running in response to growth of new orders and plans to increase output in the coming months.

Firms expect new orders to improve further, thereby leading to output growth. Around 45 per cent of respondents predicted output to rise over the coming year, against 7 per cent that were pessimistic.

Stocks of both purchases and finished goods decreased at the end of the third quarter, in both cases for the first time in three months. Stocks of finished goods were used to help meet new export orders.

Source: fibre2fashion.com– Oct 05, 2023

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Vietnam's GDP expands 4.24% YoY in Jan-Sep 2023, better than H1's: UOB

Vietnam's economy expanded by 4.24 per cent year on year (YoY) in the first nine months this year—better than the first half's 3.72 per cent, according to Singapore-based bank UOB. It expanded by 5.33 per cent YoY in the third quarter (Q3), accelerating from 4.05 per cent in the second and 3.28 per cent in the first.

The country's full-year gross domestic product (GDP) growth forecast has been cut by UOB to 5 per cent from the earlier 5.2 per cent—the second downward revision in less than two weeks.

UOB has assumed further acceleration of real GDP growth in Q4 2023 to 7 per cent YoY against the prior forecast of 7.6 per cent.

Though Q4 is the best performing quarter in any year in the country traditionally, the base effect will play a disproportionately large role in 2023 due to the exceptionally strong year in 2022, UOB was quoted as saying by domestic media reports.

The bank's projection remains unchanged at 6 per cent for 2024.

Expanding exports and rising industrial output has resulted in a turnaround in external demand, UOB pointed out.

The continued inflow of foreign direct investment (FDI) into the country is a reason conditions are likely to improve further, it noted.

Vietnam's disbursed FDI rose for the fourth straight month in September this year, with a 2.2 per cent year-to-date gain at $15.9 billion, compared to the 1.3 per cent YoY rise in the January-August period and the 17.2 per cent rise between January and September last year.

Source: fibre2fashion.com– Oct 05, 2023

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Pakistan: Textile exports slump for 12th month in a row

Pakistan's textile exports, a key source of foreign exchange for the cash-strapped country, fell 12 percent year-on-year in September, extending a streak of declines that started a year ago, data from an industry body showed on Wednesday.

The All Pakistan Textile Mills Association (APTMA) said textile shipments abroad amounted to $1.35 billion in September, down from $1.53 billion in the same month last year.

In the first quarter of the current fiscal year, which began in July, textile exports dropped 10% to $4.12 billion from $4.59 billion in the same period a year ago.

The textile sector, which accounts for more than 60 percent of Pakistan's total exports, has been struggling with a host of challenges, including high energy costs, limited access to bank financing, and delayed refunds of sales tax and other duties. These factors have eroded the sector's profitability and output.

Since October 2022, export earnings from this major segment of the economy have continuously dropped in double digits.

In October 2022, textile exports declined by 15.23 percent, November 18.15 percent, December 16.47 percent, January 14.8 percent, February 29.9 percent, March 22.6 percent, April 29.1 percent, May 19.57 percent, and in June by 13.7 percent.

Similarly, July 2023 (the first month of the current financial year) dropped by 11.4 percent, in August 7.65 percent and now in September 2023, it dwindled by 12 percent over the corresponding months of last year.

According to the APTMA data, during the first nine months of the calendar year 2023, the country's textile exports experienced a significant 18 percent decrease, totaling $11.90 billion, down from $14.53 billion in the corresponding period of 2022.

Over the previous month's (August) exports of $1.46 billion, the sector's sales abroad declined by 8.15 percent in September 2023.

In the previous fiscal year (July-June 2022-23), total textile exports declined by 14.6 percent to $16.5 billion compared to the record high of $19.35 billion achieved in FY2021-22. In FY21, exports were $15.4 billion.

Despite the dismal performance of the textile sector, commerce minister Gohar Ejaz, who is also the patron-in-chief of APTMA, expressed optimism for the future, citing the increase in cotton production and arrivals this year.

He said that Pakistan had crossed five million bales in cotton arrivals on October 1, a 34 percent increase from a year ago, thanks to the efforts of the farmers and the cotton industry. Ejaz also set an ambitious target of $25 billion in textile exports for the current fiscal year, compared to $16 billion in the previous year.

Source: thenews.com.pk– Oct 05, 2023

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Inflation in Bangladesh falls slightly to 9.63% in Sept 2023

Inflation in Bangladesh fell slightly to 9.63 per cent in September, but the suffering of the masses will not be significantly alleviated under the current market conditions, economists feel. The general inflation in August was 9.92 per cent.

Non-food inflation eased to 7.82 per cent during the month, according to Bangladesh Bureau of Statistics (BBS) data.

Inflation has consistently remained above 9 per cent since last March, significantly affecting the cost of living, particularly for low-income groups.

Wage rate also increased from 7.58 per cent in August to 7.64 per cent in September. The highest month-on-month wage growth was experienced in the industrial sector, where it rose from 6.9 per cent in August to 7.12 per cent in September.

Economists attribute the persistently high inflation to internal factors, mostly man-made ones like availability of cheap credit, market manipulation by vested interest groups, weak monitoring mechanisms, deteriorating macroeconomic fundamentals and issues within the banking sector and money market, according to domestic media reports.

Source: fibre2fashion.com– Oct 05, 2023

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NATIONAL NEWS

TEXPROCIL celebrates its 69th Foundation Day on 4th October 2023

The Cotton Textiles Export Promotion Council, also known globally as TEXPROCIL and the first Export Promotion Council set up in independent India in 1954, celebrated its 69th Foundation Day by organising a commemorative function at its head office in Mumbai on 4th October 2023.

Activities at the Foundation Day included a webinar on Kasturi Cotton program held in hybrid format during which eminent speakers from the cotton fraternity leading discussions with more than 250 participants joining online from across India.

The Chairman of TEXPROCIL, Sunil Patwari said, "Today (4th October) marks a special milestone in the journey of The Cotton Textiles Export Promotion Council (TEXPROCIL) – the first Export Promotion Council established in independent India.

A truly momentous occasion for the entire Indian cotton textile manufacturing and exporting fraternity, marking their incessant toil and dedication during the last seven decades leading to the Council's success in facilitating exports, over the years to more than 150 countries, across continents".

The office of Shri Piyush Goyal, Hon'ble Union Minister of Commerce & Industry, Consumer Affairs, Food and Public Distribution and Textiles tweeted a message on 'X' (formerly twitter) congratulating the Council on its establishment day.

The message stated that, "TEXPROCIL has played a pivotal role in establishing India as a reliable source of cotton textiles globally. Let us recommit to further strengthen its role in empowering our cotton farmers, weavers & exporters".

Shri Patwari further said, "The Council is proud to enter the 70th year of its formation by re-dedicating itself to the national cause of export development and promotion by pursuing all round excellence and new horizons like promoting Brand "KASTURI", the Indian home grown

Cotton and its products around the world". In this backdrop, the Council has already launched the General Certificate of Conformity (GCC) Programme along with Control Union for the Traceability of Indian Farm Cotton.

More than 147 companies have already registered their interest as members of this programme and around 104 members have already completed the certification process to get enrolled for the program.

The Foundation Day Celebrations, was chaired by Shri Suresh Kotak, Chairman of Textile Advisory Group (TAG) and highly regarded as the “Cotton Man of India”.

The function started with lighting of the lamp which was attended by Past Chairmen and Members of Committee of Administration of the Council. This was followed by cutting of “Commemorative Cake”. Following the remarks by Chairman, TEXPROCIL, many past Chairmen present shared their experiences working with the Council.

Shri Sunil Patwari, Chairman, TEXPROCIL welcomed all to the Seminar followed by a keynote address by Shri Lalit K. Gupta, Chairman, Cotton Corporation of India. Shri Suresh Kotak, Chairman, Textile Advisory Group gave a special address congratulating the Council for the yeomen services to the trade and industry during the last seven decades.

Dr. Siddhartha Rajagopal, Executive Director, TEXPROCIL made a brief presentation in virtual mode on the Kasturi Cotton program.

This was followed by a round table with experts moderated by Shri K.K. Lalpuria, Executive Director & CEO, Indo Count Industries Ltd. and Chairman of Madeups Subcommittee of TEXPROCIL.

The panel of industry experts that featured in the round table included Shri Bhupendra Singh Rajpal, Director, Manjeet Cotton Pvt. Ltd.; Shri Jayadratha Dev Barman, Director, Textile Committee; Dr. Pradeep Mandhyan, Chief Executive Officer, Cotton Testing and Research, Cotton Association of India; Dr. M.K. Sharma, Whole-Time Director & CEO, Bajaj Steel Industries Ltd (BSIL); and Shri Dharmendra Goyal, Director, Shreedhar Cotsyn Pvt. Ltd.

The discussions were followed by Q&A session in which all the queries from the participants were answered by the panel of experts.

The vote of thanks was given by Dr. Siddhartha Rajagopal, Executive Director, TEXPROCIL and the day long sessions were aptly summarised by him in his concluding remarks.

Source: Texprocil Intelligence– Oct 04, 2023

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Piyush Goyal to co-chair 11th India-UAE high-level joint task force meeting

Union Minister Piyush Goyal will co-chair the 11th Meeting of the India-UAE High-Level Joint Task Force to boost investments between the two countries. The UAE delegation will be led by Sheikh Hamed bin Zayed Al Nahyan, a Member of the Executive Council of the Emirate of Abu Dhabi.

"A delegation led by Piyush Goyal, Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Government of India, will be visiting the United Arab Emirates from October 5-6 to co-chair the 11th India-UAE High-Level Task Force on Investments (HLTFI), and to engage with industry representatives and interact with the UAE delegation led by Sheikh Hamed bin Zayed Al Nahyan, Member of the Executive Council of the Emirate of Abu Dhabi," the Ministry of Commerce and Industry said in a statement.

The two delegations will discuss issues and challenges pertaining to existing investments, both, made by UAE companies in India, and investments made by Indian Companies in UAE. The meeting will also review the outcomes achieved through the work of the Joint Task Force to date, and the two sides will continue exploring ways to facilitate investment in areas of mutual interest with the potential for economic growth.

Over the two-day visit, Minister Goyal will also hold bilateral meetings to enhance general trade, investment matters and areas of cooperation for strengthening India-UAE ties, the Ministry stated.

The Joint Task Force was established in 2013 as a key forum to promote trade, investment and economic ties between the UAE and India. Over the years HLTFI has emerged as an effective platform for addressing key constraints that companies from either side may face.

Notably, this will be the first meeting post the one-year celebration of the India-UAE Comprehensive Economic Partnership Agreement (CEPA) signing, the Ministry added.

Source: timesofindia.com– Oct 04, 2023

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PM lays foundation for multi-modal logistics park in Madhya Pradesh

Prime Minister (PM) Narendra Modi has marked a significant milestone for Madhya Pradesh by laying the foundation stone for various development projects valued at approximately ₹19,260 crore. Among these noteworthy projects is a multi-modal logistics park in Indore, according to the Prime Minister’s Office.

Modi accentuated the importance of the upcoming connectivity projects in the region. The establishment of Vikram Udyogpuri in Ujjain, in conjunction with the multi-modal logistics park in Indore, is anticipated to significantly bolster Madhya Pradesh's industrial growth.

Source: fibre2fashion.com– Oct 05, 2023

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EU's carbon tax isn't equitable

The journey of development that the developed world has undergone has been steeped in emissions and environmental consequences, with many industrialised nations historically thriving on carbon-intensive growth. These nations reached their current state of prosperity by following a path that, in many ways, exploited not only the planet's resources but also the resources of what we now know as developing nations. Philosophers on justice, from Rawls to Sen, have underscored the importance of fairness and equity in any discourse.

Thus, when the European Union seeks to impose measures like the Carbon Border Adjustment Mechanism (CBAM), which, while designed to put a price on carbon and motivate cleaner production, can also be seen as an imposition on developing countries.

Starting October 1, 2023, the CBAM transition phase has been initiated and will continue until December 31, 2025. Throughout this period, exporters to Europe are mandated to submit detailed production and emission data for goods shipped to the EU. The CBAM has been applied to sectors like iron, steel, cement, aluminium, fertiliser, hydrogen, and electricity production. The taxation phase commences on January 1, 2026, with an expanding list of products being subject to CBAM, and by the year 2034, the mechanism will encompass all items.

While its primary aim is to level the playing field by placing a price on carbon and promoting cleaner industrial processes, it carries undertones of neo-colonialism and imposes burdens particularly on developing nations. This raises concerns about parity and justice. Ethically, this raises concerns about equity, historical accountability, and the paternalistic stance of developed nations imposing policies on countries still in the throes of development.

As articulated by Finance Minister Nirmala Sitharaman, this trajectory feels unjust; the developed world, after centuries of pollution and exploitation, is now preaching the gospel of eco-consciousness to those still trying to rise. True climate justice would demand reparations in terms of climate finance and technology transfers, recognising the historic culpability of the developed world. Yet, the OECD countries have faltered in fulfilling these obligations.

It seems not only paradoxical but also deeply inequitable that the developing world is now being handed the bill for a feast they didn't fully partake in. This also happens to be a contravention of Paris Agreement. The CBAM's alignment with the Paris Agreement is questioned due to its potential deviation from the principle of Common but Differentiated Capacities and Responsibilities. Without exemptions for LDCs, it could unfairly burden those least responsible for climate issues. Furthermore, while the European Commission plans to use CBAM revenues for the EU budget, reallocating some funds to support LDCs' energy transition might be more equitable.

For reasons beyond just fairness and ethics, the CBAM has been criticised for imposing a significant and unwarranted strain on exporters. Numerous businesses and trade associations have raised alarms about the unpredictable costs tied to the extensive paperwork and the subsequent alterations to existing contracts and operational methods.

As reported by the Financial Times, some of the mandatory documentation templates are exhaustive, demanding details across ten different sections for every individual importer. The mechanism's primary intention is to level the playing field for European manufacturers. These producers are grappling with escalating expenses tied to greenhouse gas emissions under the emissions trading scheme.

Might breach rules

Potential conflicts exist between CBAM and WTO rules, notably concerning the principle of non-discrimination. This principle obliges members to avoid discrimination between "like" products from different trading partners (under the "most favoured-nation" or MFN status) and between domestic and "like" foreign products (providing "national treatment").

CBAM might breach the MFN rule by differentiating imports from WTO members based on carbon content, disadvantaging less developed countries with higher border carbon adjustments due to their limited resources to cut GHG emissions. Although WTO members have significant latitude to set their environmental goals, CBAM's intersection with trade and non-discrimination raises pivotal questions about whether products will be deemed "like" and if imported goods will face less favourable treatment. Resolving these queries hinges on specific CBAM implementation rules and a nuanced, case-by-case analysis per WTO jurisprudence, considering factors like its supportive role to the EU

Emissions Trading System (ETS), which already differentiates between EU industries.

Further, countries like Germany have asked for the exemptions for MSMEs. If Germany and other European nations secure exemptions for their MSMEs, the WTO's non-discrimination principle demands equal treatment. Therefore, developing countries' MSMEs should also benefit from similar exemptions to ensure fairness and maintain a level-playing field in global trade.

One of the reasons why CBAM was introduced was to check the carbon leakage under EU ETS. A study in the journal Fundamental Research found that the CBAM demonstrates limited efficacy in mitigating overall carbon leakage, and its capability dwindles with escalating carbon prices. Currently, at the EU ETS's prevailing carbon price, the CBAM curtails only 10.5-29.7 Mt of emissions outside the EU, representing a mere 8.8-24.9 per cent of the leakage prompted by the EU ETS. Alarmingly, a surge in carbon prices not only further dilutes CBAM's effectiveness in addressing EU ETS's carbon leakage risks but also amplifies economic burdens and endangers the market reach of EU products.

Thus, CBAM, much like the Trojan horse in the classic film Troy, is presented as a solution but may harbour unintended consequences. While aimed at mitigating environmental concerns, it inadvertently erects trade barriers for developing nations without fully addressing its core objective. Such oversight underlines the inherent injustice of CBAM, suggesting a dire need for its revision or potential removal.

Source: thehindubusinessline.com– Oct 03, 2023

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SIMA seeks relief measures and exemption of import duty on ELS cotton

The Southern India Mills' Association based in Coimbatore has appealed to the Union Finance Minister Nirmala Sitharaman for financial relief measures and exemption of import duty on Extra Long Staple (ELS) cotton. A delegation from SIMA met her at Coimbatore on Tuesday and submitted a memorandum.

The association's chairman SK Sundararaman in a release said that the country produces around 5 lakh bales of ELS cotton as against the requirement of 20 lakh bales.

Indian exporters have established their market share in the manufacture of superfine cotton textiles made out of ELS fibre, particularly the PIMA cotton produced in the US and GIZA cotton in Egypt.

SIMA appealed to the Finance Minister to exempt the American PIMA and Egyptian GIZA ELS cotton from the import duty as India does not produce similar quality cotton, and therefore will not affect the farmers. India consumes around 45 per cent of the PIMA and GIZA cotton produced annually. The import duty removal is essential to sustain the market share already established by India, Sundararaman said.

The association also sought conversion of Emergency Credit Line Guarantee Scheme short-term loans offered as a Covid relief measure with a repayment period of three years to six years term loan. This is to reduce the financial burden for the textile units and avoid becoming NPAs.

SIMA Chairman has pointed out that the steep increase in power tariff for the SME spinning mills upto ₹2.35 per unit and for HT and EHT consumers by ₹1 per unit has increased the cost of production significantly as power accounts over 40 per cent of the total manufacturing cost.

SIMA has appealed to the Centre to exempt the cotton from 11 per cent import duty during April to October (off-season) as was done during the cotton seasons 2021-22, the release said.

Source: thehindubusinessline.com– Oct 05, 2023

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Stakeholders step into new cotton season amid uncertainties

As freshly-picked cotton trickles into the market with the commencement of the new season (October 2023 to September 2024), farmers, traders, and the textile industry are waiting to see how production, demand, and price trends will evolve.

In Telangana, farmers say the production is expected to be better than last year. However, Haryana cotton crop is said to be affected by pink bollworm infestation. Deficit rainfall is expected to impact production in Karnataka. The feedback is mixed in Maharashtra and Gujarat, with reports of extreme dry weather affecting crops in some areas while the production may be good in others.

Meanwhile, the main consumer of cotton in the country, the textile industry, continues to stare at weak demand.

Asked about the outlook for the cotton year, a senior official in the Ministry of Textiles said, “Some challenges [are there]. However, feedback is flowing in.”

According to Cotton Corporation of India (CCI) Chairman and Managing Director L. K. Gupta, the area under cotton has reduced slightly, from 130 lakh hectare last year to 124 lakh hectare this year.

“[In] Haryana and Punjab, there is infestation (of pink bollworm). We are ascertaining (the infestation) in other areas. The arrivals today is 25,000 bales from the Northern belt. The quality is slightly poor because of infestation,” he said.

While excess rain affected the crop in Madhya Pradesh, dry weather had an impact in Karnataka. “The next 10-15 days is crucial for the crop,” he said.

Though there were no rains in August, the spell that came towards the end of the month had helped. “This year’s production should be almost the same as last year,” Mr. Gupta added.

Jaipal, a farmer in Telangana who sowed cotton on 10 acre and will start picking by the end of October, said farmers in that State managed the crop in July with the available water and the rainfall thereafter ensured good production.

They were also able to control pink bollworm spread. “The prices were very good in the year before last. Last year, we sold at almost minimum support price. This year, we expect ₹8,000 — ₹10,000 a quintal. The production this year will be better than last year,” he said. Yet, there is a slight drop in area under cotton cultivation because farmers in the State find chilli more remunerative compared with cotton, added Jaipal.

President of the All India Cotton FPOs Association Manish Daga said cotton growers were aware that it was an El Nino year and that there would be low rainfall. But extreme weather led to drying of crops in central parts of Maharashtra and Gujarat.

“This can result in a 20% loss in production…There was excess plantation and the impact will even out production. The actual picture will be available by the end of October,” he said. Though the pink bollworm issue was first reported in Punjab, it has affected crop more in Haryana. “There can be 20% to 25% crop loss,” he said. The impact on quality of cotton will hit prices too.

Nishanth A. Asher, secretary of the Indian Cotton Federation, and Nikhil Choudhary, a ginner from Malkapur in Maharashtra, said the overall cotton situation was good at present. Production may be slightly lower than last year and prices are likely to remain the same as last season. But, the main challenge is demand from the textile industry.

According to S. K. Sundararaman, chairman of the Southern India Mills’ Association, the 2022-2023 cotton season ended in September with physical arrivals of 330 lakh bales. Exports should have been only 20 lakh bales though the Committee on Cotton Production and Consumption expected it to be about 30 lakh bales. So, the opening stock for this year should be almost 45 lakh bales.

Industry demand in regular markets is low as exports are yet to pick up and festival season domestic demand is also not much. “Everything is muted -demand and production of cotton,” said Mr. Sundararaman.

Rahul Mehta, chief mentor of the Clothing Manufacturers Association of India, said the demand for garments picked up slightly in the last two weeks. “The situation is better than the extremely grim situation in the beginning of September. But we are not out of the woods yet. The festival season sales may touch or just cross last year levels in the domestic market." There was a high volume of sales last festival season. Inflation has not increased garment costs much. But it is high prices of other products that is affecting garment purchase too. Domestic demand is likely to revive by December.

Mr. Sundararaman added that if textile and apparel exports are to reach $100 billion by 2030, export of cotton-based textiles should double. This means cotton production should increase. "The non-viscose manmade fibre story will be decade-long in the making. Till then cotton textiles should keep growing and that requires efforts from all sections of the cotton sector," he said. Though global brands are talking about traceability of cotton in textile and apparel exports, they are moving towards cost. The international market dictates the prices," cautioned Mr. Sundararaman.

"No segment in the cotton value chain can function in isolation. Cotton yield in India has to increase 40%. At least 20% can be achieved in a year just by weeding out spurious seeds. The government has formed the Textile Advisory Group and is taking steps to increase cotton production and quality. "But, it is not on a mission mode. There is no urgency," he said.

Source: thehindu.com– Oct 04, 2023

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Farmers unable to strike 'white gold' due to decreased area under cotton in Punjab

While the sun is shining on Punjab cotton farmers, they still can't make hay out of it, thanks to an all-time low area under the crop.

According to data collected from Punjab State Marketing Board, the state has witnessed a significant increase of over 300% in cottonarrivals to mandis (big market) compared to last year. As of October 3, Punjab has received 1.75 lakh quintals of Narma (raw cotton) compared to 43,000 quintals during the same period last year, showing an increase of 307% in arrivals.

The going is good for cottonfarmers in terms of good price, favourable weather and high productivity, but they still can't cash in on the advantage to the hilt because of the decreased area under the crop due to attack of pests on it in the previous years.

Farmers are getting good yield per hectare this year compared to last year, when the productivity recorded was one of the lowest.

This year, according to the data, hardly 6% of the cotton was sold below the minimum support price (MSP), while a staggering 94% of cotton was sold at or above MSP, which is excellent news for the farmers.

The area dedicated to cotton cultivation has significantly decreased this year, with only 1.70 lakh hectares compared to 2.49 lakh hectares in the previous year. The government had aimed for 3 lakh hectares of cotton cultivation this year, but this target has not been met.

This year the MSP of Narma (medium staple) is Rs 6,620 per quintal, while that of Desi cotton(long staple) is Rs 7,020 per quintal. Farmers are getting prices ranging from Rs 3,000 to Rs 7,991 per quintal for Narma and Rs 6,500 to Rs 8,351 per quintal for Desi cotton.

According to data collected from various cotton markets in Punjab, Fazilka has recorded the highest arrivals in the state with 67,400 quintals of cotton, followed by Mansa with 51,231quintals, Bathinda with 36,235 quintals, Sri Muktsar Sahib with 17,041 quintals, Faridkot with 1,088 quintals, Sangrur with 495 quintals, Barnala with 435 quintals, and Ludhiana with 5 quintals.

Additionally, 1,631 quintals of Desi Narma has arrived in Fazilka. Out of the total 1.75 lakh quintals, nearly 12,000 quintals, including 1,631 quintals of Desi Narma, was sold below the MSP, while the rest was sold at or above MSP.

Farmers are optimistic about this year's productivity, especially considering that last year's productivity was one of the lowest, with only 8.55 lakh quintals of Narma arriving in the markets, that is, approximately 5 lakh bales, where one bale equals 170 kg. The weather this year had been favourable in the main cotton-growing districts, including Fazilka, Bathinda, Mansa, Muktsar, Sangrur and others.

However, most of the cotton is being purchased by private players, and the Cotton Corporation of India enters the market when cotton crop prices drastically decrease below the MSP. Historical data dating back to 1960 reveals that this year marks an all-time low, with cotton coverage dipping below 2 lakh hectares for the first time. Last year's productivity was only 363 kg of lint (cotton separated from cotton seed) per hectare which was almost half of the cotton productivity in the previous years.

According to Punjab Agricultural University in Ludhiana, the state recorded 650 kg of lint in 2019-20, 690 kg in 2020-21, and 652 kg per hectare in 2021-22, making them one of the highest productivity years in recent history.

Speaking to The Indian Express, Bhagwan Bansal, a cottonexpert and proprietor of S S Cotgin Pvt Ltd, a ginning unit in Bathinda, said the cotton crop is comparatively good this time and growers are getting good yields. The majority of them are fetching MSP and above price but unfortunately Punjab farmers do not have much to sell because of decreased area under the crop, he added.

"Cotton could serve as a good alternative to paddy crops, but the opposite happened. A large cotton area in eight districts of a cotton belt of the state was brought under rice cultivation despite the potential to bring that area under cotton," Bansal said, adding that Punjab has been struggling to divert area from paddy to other alternative crops, but it is not happening.

Source: indianexpress.com– Oct 04, 2023

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